

LEGISLATIVE FINANCE-HOUSE / SENATE FINANCE COMM. FILES 8879

SB 72 cont. , SB 73 ! ! ! ! ! 602 193

Population Exemption for CSSB 72 (Fin):

Population Threshold of 2,500:

Communities included:

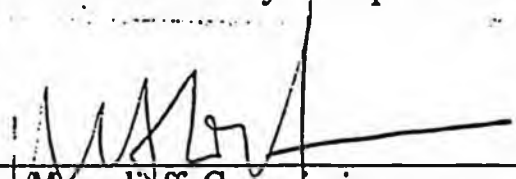
Municipality of Anchorage	222,950
Barrow	3,379
Bethel	4,390
Cordova	2,619
Fairbanks	28,251
Homer	4,338
Juneau C&B	29,946
Ketchikan	7,730
Kodiak	6,774
Kotzebue	3,705
Nome	4,303
Palmer	2,988
Petersburg	3,440
Seward	2,829
Sitka C&B	8,257
Soldotna	3,733

CSSSSB 72 (SA): An Act relating to registration and licensing of contractors; prohibiting the use of state money for certain residential work unless the work is performed by a licensed residential contractor; and providing for an effective date.

SB 72, as amended, proposes to improve the quality of residential construction work in Alaska by creating a special licensing category, including examination and competency requirements, for residential contractors. In addition, the bill prohibits the use of State funds for construction or alteration of residential structures unless the work is performed under the oversight of a licensed residential contractor.

Currently, construction contractors must register with the State and are required to post a \$10,000 bond if a general contractor or a \$5,000 bond if a specialty or mechanical contractor. SB 72 requires a general contractor seeking to build residential structures of up to four units to first obtain a special endorsement to their contractor license. In order to get this special endorsement, a general contractor must, 1) pass an exam; 2) complete the Alaska craftsman home program sponsored by the Department of Community and Regional Affairs (or its equivalent) or take an arctic engineering course; and 3) not be under indictment -- or in the preceding seven years not have been sentenced -- for an offense related to forgery, theft, extortion, conspiracy to defraud, or moral turpitude.

The department supports SB 72, as amended, because the licensing requirements established in the bill will work to better ensure the competency of contractors involved in residential construction. The industry and the public will benefit through increased quality of workmanship by demonstratively competent residential contractors.


Larry Mercurieff, Commissioner
Department of Commerce and
Economic Development

Date: 24/1/90

LM/wfd9889W
12390b

g. Haroff
2/2/90

PROPOSED SENATE FINANCE COMMITTEE LETTER OF INTENT FOR CSSP
72(Fin)

It is the intent of the Senate Finance Committee that the Department of Community and Regional Affairs conduct regional Alaska craftsman home program outreach workshops with a frequency adequate to meet the requests of general contractor's in the more remote areas of the state. Furthermore, that the department shall encourage licensed general contractor's from communities exempted by this legislation to pursue continuing education in arctic engineering and energy efficient thermal construction techniques.

Additionally, it is the intent of the Senate Finance Committee that the Department of Commerce and Economic Development consider the varied educational and cultural diversity of applicants when preparing the Alaska craftsman home program residential contractor's endorsement examination.

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: An Act relating to registration and licensing of contractors;...
Sponsor: Senator Szymanski
Requestor: Senate Labor & Commerce

Agency Affected: Commerce & Economic Dev.
BRU: Occupational Licensing
Components: Admin. & Investigations

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES		21.0	21.0	21.0	21.0	21.0
TRAVEL		1.1	1.1	1.1	1.1	1.1
CONTRACTUAL		15.0	15.0	15.0	15.0	15.0
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	37.1	37.1	37.1	37.1	37.1

CAPITAL						
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REVENUE	0	37.5	75.0	0	75.0	0
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FUNDING: (Thousands of Dollars)

GENERAL FUND	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
FEDERAL FUNDS						
OTHER GF/PR	0	37.1	37.1	37.1	37.1	37.1
TOTAL	0	37.1	37.1	37.1	37.1	37.1

POSITIONS:

POSITION TYPE	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS : (Attach a separate page if necessary)

The bill establishes an endorsement to the registration of a general contractor who oversees the construction of or who performs alterations to residential structures. This fiscal note represents the anticipated costs associated with the establishment of the registration endorsement for residential contractors. (Continued)

Prepared by: Jennifer Strickler, Administrative Officer Phone: 465-2144
Division: Occupational Licensing Date: April 3, 1989

Approved by Commissioner: Larry Mercurieff Date: 4/3/89
Agency: Commerce and Economic Development

- Distribution (by preparer):
Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)

This fiscal note applies also to the CS adopted by the State Affairs Committee.

J. Schubert page 1 of 2
4-26-89

CONTINUATION OF FISCAL NOTE
For CSSSSB 72 (L&C)

The division is not certain of the absolute number of residential contractors who will be affected by the bill; therefore, calculations in this fiscal note are based on at least 500 of the approximately 1500 licensed general contractors seeking registration endorsement as a residential contractor. Based on 500, the new category can be expected to cover 1.86% of the administrative costs (500 divided by 26,945 total licensees).

Personal Services: \$21.0

Consists of:

- *13.00% of a licensing examiner
- * 2.00% of an investigator
- * 1.86% of administrative overhead

Travel: \$ 1.1

This will provide for travel funds for the Licensing Examiner to administer the examinations twice a year at a location other than Juneau.

Contractual Services: \$15.0

This will provide funding for examination development; communication expenses; printing of applications, examinations, etc.; public notices; exam facility rentals; seminars; and other informational publications necessary.

TOTAL: \$37.1

REVENUES: The revenues identified are based on an endorsement fee for residential contractors, assuming that residential contractors will pay a biennial fee of \$150 (\$75 per year) in addition to their general contractor registration.

FY 90: The effective date of the bill is July 1, 1989 and therefore, revenues are based on an initial 500 contractors seeking a residential endorsement. The initial endorsement would be valid for one year, with an expiration date of December 31, 1990, the same date in which a general contractor's certificate of registration expires. $500 \times \$75$ license fee = \$37.5.

FY 91: Assuming all residential contractors will renew, revenues will total \$75.0 ($500 \times \150).

FY 92: This will be a non renewal year and no revenues other than fees from new registrants (not estimated) will be generated. Although no revenues will be received in this year, like all other licensing programs, the program will be covered by program receipts of other occupations renewing during that year. In addition, fees collected during a renewal year are sufficient to cover the annual costs of the program.

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: An Act relating to registration and licensing of contractors;...
Sponsor: Senator Szymanski
Requestor: Senate Labor & Commerce

Agency Affected: Commerce & Economic Dev.
BRU: Occupational Licensing
Components: Admin. & Investigations

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES		21.0	21.0	21.0	21.0	21.0
TRAVEL		1.1	1.1	1.1	1.1	1.1
CONTRACTUAL		15.0	15.0	15.0	15.0	15.0
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	37.1	37.1	37.1	37.1	37.1

CAPITAL						
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REVENUE	0	37.5	75.0	0	75.0	0
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FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER GF/PR	0	37.1	37.1	37.1	37.1	37.1
TOTAL	0	37.1	37.1	37.1	37.1	37.1

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS : (Attach a separate page if necessary)

The bill establishes an endorsement to the registration of a general contractor who oversees the construction of or who performs alterations to residential structures. This fiscal note represents the anticipated costs associated with the establishment of the registration endorsement for residential contractors. (Continued)

Prepared by: Jennifer Strickler, Administrative Officer Phone: 465-2144
Division: Occupational Licensing Date: April 3, 1989

Approved by Commissioner: Larry Mercurieff Date: 4/5/89
Agency: Commerce and Economic Development

Distribution (by preparer):
Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)

This fiscal note applies also to the CS adopted by the Labor + Commerce Committee.

page 1 of 2

*Anula Peterson
Sen L+C Committee*

CONTINUATION OF FISCAL NOTE
For CSSSB 72 (L&C)

The division is not certain of the absolute number of residential contractors who will be affected by the bill; therefore, calculations in this fiscal note are based on at least 500 of the approximately 1500 licensed general contractors seeking registration endorsement as a residential contractor. Based on 500, the new category can be expected to cover 1.86% of the administrative costs (500 divided by 26,945 total licensees).

Personal Services: \$21.0

Consists of:

- *13.00% of a licensing examiner
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Travel: \$ 1.1

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Contractual Services: \$15.0

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TOTAL: \$37.1

REVENUES: The revenues identified are based on an endorsement fee for residential contractors, assuming that residential contractors will pay a biennial fee of \$150 (\$75 per year) in addition to their general contractor registration.

FY 90: The effective date of the bill is July 1, 1989 and therefore, revenues are based on an initial 500 contractors seeking a residential endorsement. The initial endorsement would be valid for one year, with an expiration date of December 31, 1990, the same date in which a general contractor's certificate of registration expires. $500 \times \$75$ license fee = \$37.5.

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FISCAL NOTE

REQUEST:

Revision Date: _____
Title: An Act relating to registration and licensing of contractors;...
Sponsor: Senator Szymanski
Requestor: Senate Labor & Commerce

Agency Affected: Commerce & Economic Dev.
BRJ: Occupational Licensing
Components: Admin. & Investigations

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES		21.0	21.0	21.0	21.0	21.0
TRAVEL		1.1	1.1	1.1	1.1	1.1
CONTRACTUAL SUPPLIES		15.0	15.0	15.0	15.0	15.0
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	37.1	37.1	37.1	37.1	37.1

CAPITAL						
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REVENUE	0	37.5	75.0	0	75.0	0
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FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER GF/PR	0	37.1	37.1	37.1	37.1	37.1
TOTAL	0	37.1	37.1	37.1	37.1	37.1

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS : (Attach a separate page if necessary)

The bill establishes licensure for general contractors who oversee the construction of or who perform alteration to residential structures. This fiscal note represents the anticipated costs associated with the establishment of the new licensing category for residential contractors. (Continued)

Prepared by: Jennifer Strickler, Administrative Officer Phone: 465-2144
Division: Occupational Licensing Date: March 28, 1989

Approved by Commissioner: Larry Mercurieff Date: 3/31/89
Agency: Commerce and Economic Development

Distribution (by preparer):

Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)

CONTINUATION OF FISCAL NOTE
For SSSB 72

The division is not certain of the absolute number of residential contractors who will be affected by the bill; therefore, calculations in this fiscal note are based on at least 500 of the approximately 1500 licensed general contractors. Based on 500 licensees, the new licensing category can be expected to cover 1.86% of the administrative costs (500 divided by 26,945 total licensees).

Personal Services: \$21.0

Consists of:

- *13.00% of a licensing examiner
- * 2.00% of an investigator
- * 1.86% of administrative overhead

Travel: \$ 1.1

This will provide for travel funds for the Licenisng Examiner to administer the examinations twice a year at a location other than Juneau.

Contractual Services: \$15.0

This will provide funding for examination development; communication expenses; printing of applications, examinations, etc.; public notices; exam facility rentals; seminars; and other informational publications necessary.

TOTAL: \$37.1

REVENUES: The revenues identified are based on the new licensing fee for residential contractors, assuming that licensees will pay a biennial fee of \$150 (\$75 per year).

FY 90: The effective date of the bill is July 1, 1989 and therefore, revenues are based on the initial 500 residential contractors seeking licensure. The initial license would be valid for one year with the expiration date of December 31, 1990, the same date in which a general contractor's certificate of registration expires. 500 x \$75 license fee = \$37.5.

FY 91: Assuming all residential contractors will renew, revenues will total \$75.0 (500 x \$150).

FY 92: This will be a non-renewal year and no revenues other than fees from new licensees (not estimated), will be generated. Although no revenues will be received in this year, like all other licensing programs, the program will be covered by program receipts of other occupations renewing during that year. In addition, fees collected during a renewal year are sufficient to cover the annual costs of the program.

STATE OF ALASKA
1989 LEGISLATIVE SESSION

BILL VERSION: CSSSSB 72 (L&C) ^{St Aff} b
PUBLISH DATE: 4/27/89

FISCAL NOTE

REQUEST:

Revision Date: _____ Agency Affected: Labor
Title: " An Act relating to
registration....of contractors;" BRU: Labor Standards & Safety
Sponsor: Szymanski Components: Wage & Hour
Requestor: Senate Labor & Commerce

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND&STRUCTURES						
GRANTS,CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL						
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REVENUE						
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FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

Prepared by: Tom Stuart, Director Phone: 264-2452
Division: Labor Standards & Safety Date: 4/3/89

Approved by Commissioner: Jim Sampson  Date: 4/3/89
Agency: Department of Labor

Distribution (by preparer) :
Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)

*This fiscal note applies also to
the CS adopted by the State
Affairs Committee.*

*S Schubert
4-26-89*

STATE OF ALASKA
1989 LEGISLATIVE SESSION

BILL VERSION: CSSSSB 72 (L&C)

(b) AD

PUBLISH DATE: 4/11/89

FISCAL NOTE

REQUEST:

Revision Date: _____ Agency Affected: Labor
 Title: " An Act relating to
registration....of contractors;" BRU: Labor Standards & Safety
 Sponsor: Szymanski Components: Wage & Hour
 Requestor: Senate Labor & Commerce

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND&STRUCTURES						
GRANTS,CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL						
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REVENUE						
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FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

This fiscal note applies also to the CS adopted by the Labor + Commerce Committee

Sheila Peterson
Sen L+C Committee

Prepared by: Tom Stuart, Director Phone: 264-2452
 Division: Labor Standards & Safety Date: 4/3/89

Approved by Commissioner: Jim Sampson Date: 4/3/89
 Agency: Department of Labor

Distribution (by preparer) :

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

STATE OF ALASKA
1989 LEGISLATIVE SESSION

BILL VERSION : SSSB 72 (b)
 PUBLISH DATE : 4/11/89

FISCAL NOTE

REQUEST:

Revision Date: _____ Agency Affected: Labor
 Title: " An Act relating to
registration....of contractors;" BRU: Labor Standards & Safety
 Sponsor: Szymanski Components: Wage & Hour
 Requestor: Senate Labor & Commerce

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND&STRUCTURES						
GRANTS,CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

Prepared by: Tom Stuart, Director Phone: 465-2712
 Division: Labor Standards & Safety Date: 3/31/89
 Approved by Commissioner: Jim Sampson Date: 3/31/89
 Agency: Department of Labor

Distribution (by preparer) :
 Legislative Finance
 Legislative Sponsor
 Requestor
 Office of Management and Budget
 Impacted Agency(ies)

3/22/90 A (LRC)

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: "An Act..registration and
endorsements for contractors...."
Sponsor: Senator Szymanski
Requestor: _____

Agency Affected: Community & Regional Affairs
BRU: _____
Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 91	FY 92	FY 93	FY 94	FY 95	FY 96
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND	-0-	-0-	-0-	-0-	-0-	-0-
FEDERAL FUNDS						
OTHER						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

POSITIONS:

FULL-TIME	-0-	-0-	-0-	-0-	-0-	-0-
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

There is no fiscal effect for FY 90.

Prepared by: Carol Carroll, Deputy Director Phone: 465-4750
Division: Municipal & Regional Assistance Date: _____
Approved by Commissioner: *David G. Bell* Date: 3-16-91
Agency: Community & Regional Affairs

Distribution (by preparer):

Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)

STATE OF ALASKA
1989 LEGISLATIVE SESSION

BILL VERSION: SB 72
PUBLISH DATE: 1/9/89

3/14/89
5(LUC)
JA

REQUEST: FISCAL NOTE

Revision Date: 1/10/89
Title: An Act increasing the amount of the bond required for a construction contractor's certificate of registration.
Sponsor: Labor and Commerce Committee

Agency Affected: DOT&PF
BRU: Design & Construction Maintenance & Operations & Administration

Requestor:

Components:

EXPENDITURES/REVENUES: (THOUSANDS OF DOLLARS)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTURAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0
CAPITAL	0	0	0	0	0	0
REVENUE	0	0	0	0	0	0

FUNDING: (THOUSANDS OF DOLLARS)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS: (Attach a separate page if necessary)

It would be very difficult to determine with any reliability the impact of this bill on the Department's construction program but it could reduce the number of bidders or the number of minority or women-owned construction firms. This in turn may increase the cost of construction.

Prepared by: Loren Rasmussen
Division: Engineering & Operations Standards

Phone: 465-2960
Date: 03/02/89

Approved by Commissioner: Mark S. Hickey
Agency: Department of Transportation and Public Facilities

Date: 03/02/89

Distribution (by preparer):
Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)

RECEIVED
MAR 13 1989

LEGISLATIVE FINANCE

DOTPF for original bill

5872

Department of Transportation & Public Facilities



POSITION PAPER

BILL NO: SB 72

An Act increasing the amount of the bond

TITLE: required for a construction contractor's
certificate of registration.

APPROVED:

A handwritten signature in black ink, appearing to read "Mark A. Hughes".

DATE: March 2, 1989

The Department does not support nor oppose this bill.

As the bill's title states "An Act increasing the amount of the bond required for a construction contract's certificate of registration" by raising it to \$50,000 for any contractor.

Although the requirements applies to contractors of any size, the bond amount of \$50,000 does seem to be higher than necessary to protect the public for contractors specializing in small construction projects. In the current very tight bond market it may be very difficult for some small contractors to obtain the required bonding thus reducing the number of bidders on our small construction projects which may increase the cost of the construction. It may also limit the entry of women or minority businesses into the contracting arena, which runs counter to existing federal and state programs.

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HOUSE COMMITTEE REPORT

File

(11)

Date Referred: April 2, 1990

FURTHER REFERRALS:

Date of Committee Action: 5/4/90

The FINANCE Committee considered:

CSSSSB 72 (FINANCE) am

CS SSSB NO. 72 (Finance) am REGISTRATION/LICENSING OF CONTRACTORS

"An Act relating to registration and endorsements for contractors; prohibiting the use of state money in relation to certain residential work unless the work is performed by a general contractor who has a residential contractor endorsement; and providing for an effective date."

RECOMMENDATIONS:

- be replaced with HCS CSSSSB 72 (LFC) the same title
- have attached amendment(s) a new title
- do pass
- do not pass
- no recommendation
- individual recommendations
- additional referral to the _____ Committee

ADOPTS: _____ letter of intent

ATTACHES NEW FISCAL NOTE(s):
(Dept)

APPROVES PREVIOUS:

(Date/Dept)

- fiscal impact C & ED
- zero fiscal note _____
- zero with analysis _____

- fiscal note(s) _____
- zero fiscal note(s) _____
- zero fn/analysis _____

SIGNING DO PASS:

SIGNING:

(Check approp. column)

Do Not Pass No Rec Amend

	Do Not Pass	No Rec	Amend
<u>Laura Hoffman</u> Hoffman			
<u>Ronald J. Larson</u> LARSON			
<u>Cliff Swackhammer</u> SWACKHAMMER			
<u>Jan Brown</u> BROWN			
<u>Koponen</u> KOPONEN			
<u>Robert E Phillips</u> PHILLIPS			
<u>Steve Rieger</u> RIEGER			

Ronald J. Larson LARSON
 Chairman's Signature
Laura Hoffman Hoffman

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: An Act relating to registration and licensing of contractors; . . .
Sponsor: Senator Szymanski
Requestor: House Labor & Commerce

Agency Affected: Commerce & Economic Dev.
BRU: Occupational Licensing
Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 91	FY 92	FY 93	FY 94	FY 95	FY 96
PERSONAL SERVICES	21.0	21.0	21.0	21.0	21.0	21.0
TRAVEL	7.0	7.0	7.0	7.0	7.0	7.0
CONTRACTUAL	15.0	15.0	15.0	15.0	15.0	15.0
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS		0				
MISCELLANEOUS						
TOTAL OPERATING	43.0	43.0	43.0	43.0	43.0	43.0

CAPITAL						
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REVENUE	0	75.0	75.0	0	75.0	0
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FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER GF/PR	43.0	43.0	43.0	43.0	43.0	43.0
TOTAL	43.0	43.0	43.0	43.0	43.0	43.0

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS : (Attach a separate page if necessary) No fiscal impact for FY 90.

SEE ATTACHED

Prepared by: Jennifer Strickler Phone: 465-2144
Division: Occupational Licensing Date: March 30, 1990
Approved by Commissioner: Larry Merculieff Date: 3/30/90
Agency: Department of Commerce & Economic Development

Distribution (by preparer):
Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)

**ANALYSIS
HCS CSSSSB 72 (L&C)**

The bill establishes an endorsement to the registration of a general contractor who oversees the construction of or who performs alterations to residential structures. This fiscal note represents the anticipated costs associated with the establishment of the registration endorsement for residential contractors.

The division has no way of knowing the number of residential contractors who will be affected by the bill; therefore, calculations in this fiscal note are based on an estimate of 500 of the approximately 1,500 licensed general contractors seeking registration endorsement as a residential contractor. Based on 500, the new category can be expected to cover 1.86% of the administrative costs (500 divided by 26,945 total licensees).

Personal Services: \$21.0

Consists of:

- o 13.00% of a licensing examiner \$ 5.1
- o 2.00% of an investigator 1.8
- o 1.86% of administrative overhead 14.1

Travel: \$ 7.0

This will provide travel funds for the licensing examiner to assist with exam development and administer the examinations at least two times a year in each judicial district.

Contractual Services: \$15.0

This will provide funding for examination development; communication expenses; printing of applications, examinations, etc.; public notices; exam facility rentals; seminars; and other informational publications necessary.

TOTAL \$43.0

REVENUES:

The revenues identified are based on an endorsement fee for residential contractors, assuming that residential contractors will pay a biennial fee of \$150 (\$75 per year) in addition to their general contractor registration.

FY 90: No anticipated impact.

FY 91: No revenue impact, although exam development will commence in preparation for the effective date of the bill.

FY 92: The effective date of the bill is July 1, 1991 and, therefore, revenues are based on an initial 500 contractors seeking a residential endorsement. The initial endorsement would be valid to December 31, 1992 so that residential endorsements will coincide with the general contractor's certificate of registration renewal date of December 31, 1992. 500 x \$150 license fee = \$75.0.

FY 93: Residential contractor endorsements will be due for renewal on December 31, 1992. The renewed endorsement will be valid for two years and will expire on the same date as the general contractor's certificate of registration. $500 \times \$150 = \75.0 .

FY 94: This will be a nonrenewal year and no revenues other than fees from new registrants (not estimated) will be generated. Although no revenues will be received in this year, like all other licensing programs, the program will be covered by program receipts of other occupations renewing during that year.

Original sponsor(s): SEN. SZYMANSKI

1 IN THE SENATE BY THE LABOR & COMMERCE COMMITTEE
2 HOUSE CS FOR CS FOR SPONSOR SUBSTITUTE FOR SENATE BILL NO. 72 (L&C)
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 SIXTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to registration and endorsements for
7 contractors; prohibiting the use of state money in
8 relation to certain residential work unless the work
9 is performed by a general contractor who has a res-
10 idential contractor endorsement; and providing for an
11 effective date."

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

13 * Section 1. AS 08.01.050(a) is amended to read:

14 (a) The department shall perform the following administrative
15 and budgetary services when appropriate:

16 (1) collect and record fees;

17 (2) maintain records and files;

18 (3) issue and receive application forms;

19 (4) notify applicants of acceptance or rejection as de-
20 termined by the board or as determined by the department under AS 08.-
21 11 for audiologists, under AS 08.18 for contractors, under AS 08.45
22 for naturopaths, or under AS 08.55 for hearing aid dealers;

23 (5) designate dates examinations are to be held and notify
24 applicants;

25 (6) publish notice of examinations and proceedings;

26 (7) arrange space for holding examinations and proceedings;

27 (8) notify applicants of results of examinations;

28 (9) issue licenses or temporary licenses as authorized by
29 the board or as authorized by the department under AS 08.11 for

1 audiologists, under AS 08.18 for contractors, under AS 08.45 for
2 naturopaths, or under AS 08.55 for hearing aid dealers;

3 (10) issue duplicate licenses upon submission of a written
4 request by the licensee attesting to loss of or the failure to receive
5 the original and payment by the licensee of a fee established by
6 regulation adopted by the department;

7 (11) notify licensees of renewal dates at least 30 days
8 before the expiration date of their licenses;

9 (12) compile and maintain a current register of licensees;

10 (13) answer routine inquiries;

11 (14) maintain files relating to individual licensees;

12 (15) arrange for printing and advertising;

13 (16) purchase supplies;

14 (17) employ additional help when needed;

15 (18) perform other services that may be requested by the
16 board;

17 (19) provide inspection, enforcement, and investigative
18 services to the boards and for the occupations listed in AS 08.01.010,
19 regarding all licenses issued by or through the department;

20 (20) retain and safeguard the official seal of a board and
21 prepare, sign, and affix a board seal, as appropriate, for licenses
22 approved by a board;

23 (21) issue business licenses under AS 43.70.

24 * Sec. 2. AS 08.18 is amended by adding a new section to read:

25 Sec. 08.18.013. CATEGORIES OF CONTRACTORS. The department may
26 adopt regulations establishing categories of contractors and the
27 registration or endorsement requirements for persons in those categor-
28 ies.

29 * Sec. 3. AS 08.18 is amended by adding a new section to read:

1 Sec. 08.18.024. RESIDENTIAL CONTRACTORS. (a) A general con-
2 tractor may not undertake the construction or alteration, or submit a
3 bid to undertake the construction or alteration of a privately-owned
4 residential structure of one to four units or advertise or publicly
5 represent that the general contractor may undertake work of this type
6 in the state without a residential contractor endorsement issued under
7 this section. In this subsection, "alteration" means changes that
8 have a value greater than 25 percent of the value of the structure
9 being altered.

10 (b) The department shall issue a residential contractor endorse-
11 ment to a person who

12 (1) has a certificate of registration as a general contrac-
13 tor;

14 (2) passes a residential contractor examination, which
15 shall be offered by the department at least once each year in each
16 judicial district; the examination, which may be written or practical,
17 may test competence in relation to arctic structural and thermal
18 construction techniques and other matters as determined by the depart-
19 ment in consultation with representatives of the construction indus-
20 try;

21 (3) applies for an endorsement within six months after
22 passing the examination required under (2) of this subsection;

23 (4) within the two years preceding the date of application
24 for the endorsement, has satisfactorily completed either the Alaska
25 craftsman home program sponsored by the Department of Community and
26 Regional Affairs, or its equivalent, or a postsecondary course in
27 arctic engineering, or its equivalent;

28 (5) within the seven years preceding the date of
29 application, has not been under a sentence for an offense related to

1 forgery, theft in the first or second degree, extortion, or conspiracy
2 to defraud creditors or for a felony involving dishonesty; and

3 (6) pays the appropriate fees.

4 (c) The department may not renew an endorsement issued under
5 this section unless the applicant submits proof of continued compe-
6 tency relating to residential contracting that satisfies the depart-
7 ment. A lapsed endorsement may be reinstated, within two years after
8 the lapse, upon proof of continued competency, payment of a renewal
9 fee for the intervening time period, and payment of any penalty fee
10 established under AS 08.01.100(b). If the endorsement has been lapsed
11 for more than two years, the department may not reinstate it until the
12 person also passes the residential contractor examination described in
13 (b) of this section.

14 * Sec. 4. AS 08.18.041 is repealed and reenacted to read:

15 Sec. 08.18.041. FEES. (a) The department shall set fees under
16 AS 08.01.065 for

17 (1) registration and renewal of registration for all cat-
18 egories of contractors;

19 (2) examination, issuance of initial endorsement, and
20 renewal of active or inactive endorsements for residential contrac-
21 tors; and

22 (3) departmental publications and seminars related to this
23 chapter.

24 (b) A person who fails a residential contractor examination
25 shall pay the examination fee set by the department if the person
26 applies to retake an examination.

27 * Sec. 5. AS 08.18.116 is amended to read:

28 Sec. 08.18.116. INVESTIGATIONS. Either the Department of Com-
29 merce and Economic Development or the Department of Labor may

1 investigate alleged or apparent violations of this chapter. These
2 departments, upon showing proper credentials, may enter, during regu-
3 lar hours of work, a construction site where it appears that contract-
4 ing work is being done. The departments may make inquiries about the
5 identity of the contractor or the person acting in the capacity of a
6 contractor. Upon demand, a contractor or person acting in the capac-
7 ity of a contractor, or that person's representative, shall produce
8 evidence of current endorsement, if applicable, and registration.

9 * Sec. 6. AS 08.18.121 is amended by adding a new subsection to read:

10 (h) The endorsement of a residential contractor is automatically
11 suspended or revoked while the contractor's registration is suspended
12 or revoked.

13 * Sec. 7. AS 08.18 is amended by adding a new section to read:

14 Sec. 08.18.123. DENIAL, SUSPENSION, AND REVOCATION OF ENDORSE-
15 MENT. (a) The department may suspend, revoke, or refuse to grant or
16 renew a residential contractor endorsement upon a finding that

17 (1) the application is fraudulent or misleading;

18 (2) the contractor has knowingly violated this chapter or a
19 lawful order or regulation of the department;

20 (3) the contractor is incompetent or has engaged in fraudu-
21 lent practices.

22 (b) Proceedings for the denial, suspension, or revocation of
23 residential contractor endorsement are governed by the Administrative
24 Procedure Act (AS 44.62).

25 * Sec. 8. AS 08.18.141(a) is amended to read:

26 (a) A contractor or a person acting in the capacity of a con-
27 tractor who knowingly violates [IN VIOLATION OF] AS 08.18.011 or
28 08.18.024 is guilty of a class B misdemeanor. A person who violates
29 another provision of this chapter is guilty of a violation punishable

1 under AS 12.

2 * Sec. 9. AS 08.18.171 is amended by adding a new paragraph to read:

3 (10) "residential contractor" means a general contractor
4 whose business and operation involve undertaking the construction or
5 alteration of a privately-owned residential structure of one to four
6 units that is used or intended to be used as a human dwelling.

7 * Sec. 10. AS 37.05 is amended by adding a new section to read:

8 ARTICLE 6A. MISCELLANEOUS PROVISIONS.

9 Sec. 37.05.800. RESTRICTION ON USE OF STATE MONEY FOR RESI-
10 DENTIAL CONTRACTING. (a) The state may not grant or loan money or
11 purchase a loan for the construction or alteration of a privately-
12 owned residential structure of one to four units unless the grant or
13 loan requires the construction or alteration to be undertaken by a
14 residential contractor with an endorsement issued under AS 08.18. In
15 this subsection, "alteration" means changes that have a value greater
16 than 25 percent of the value of the structure being altered.

17 (b) The restriction of (a) of this section does not apply to a
18 state loan or grant or purchase of a loan made for work described in
19 AS 08.18.161 that is exempt from the requirements of AS 08.18.

20 * Sec. 11. TRANSITIONAL LICENSING. Notwithstanding AS 08.18.024(b)(2)
21 and (3), enacted by sec. 3 of this Act, the Department of Commerce and
22 Economic Development shall issue a residential contractor endorsement to a
23 person who

24 (1) applies for an endorsement under this section by July 1,
25 1992;

26 (2) meets the requirements of AS 08.18.024(b)(1) and (4) - (6);
27 and

28 (3) has been an active general contractor in the state for three
29 of the five years immediately preceding application for an endorsement

1 under this section.

2 * Sec. 12. EXEMPTION. (a) The residential contractor endorsement
3 requirement of AS 08.18.024, enacted in sec. 3 of this Act, and the resi-
4 dential contractor endorsement requirement of AS 37.05.800(a), enacted in
5 sec. 10 of this Act, do not apply to work performed on a residential struc-
6 ture located in a community with a population of 2,500 or fewer.

7 (b) Notwithstanding AS 08.18.013, enacted by sec. 2 of this Act, the
8 Department of Commerce and Economic Development may not adopt regulations
9 that require a residential contractor endorsement for work exempt from the
10 endorsement requirement under (a) of this section.

11 (c) This section is repealed July 1, 1992.

12 * Sec. 13. This Act takes effect July 1, 1991.

DEPT. OF COMMUNITY & REGIONAL AFFAIRS

OFFICE OF THE COMMISSIONER

- P.O. BOX B
JUNEAU, ALASKA 99811-2100
PHONE: (907) 485-4700
- 949 E. 38TH AVENUE, SUITE 400
ANCHORAGE, ALASKA 99508-4302
PHONE: (907) 583-1073

March 31, 1989

POSITION PAPER

RE: Senate Bill 72

SPONSOR: Senator Szymanski

Program Effects of Bill

Senate Bill 72 proposes to set up registration and licensing requirements for contractors who undertake residential construction. The bill would not affect existing Departmental programs.

Comments

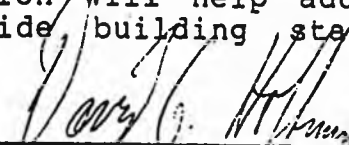
The Department of Community and Regional Affairs strongly supports the concept of licensing residential contractors combined with training in appropriate construction techniques. The state's climate and soil conditions are so different from that of the rest of the country that contractors can not simply apply their experiences in other states to Alaska.

Energy is a critical concern in housing for all Alaskans. The cost of energy is usually one of the largest costs associated with homeownership. A study by the Rural Alaska Community Action Program reported that in eight rural villages 16 to 37 percent of families' incomes were spent on energy. Sixty-eight percent of Alaskans' energy bills are spent on staying warm.

Too often in the past homes have been constructed in a manner that is not appropriate to the state's climate. While this is true statewide, it is particularly true in rural Alaska. The 1988 Alaska Rural Housing Needs Assessment reported that an appalling 28 percent of rural homes could not maintain an inside temperature of 70 degrees Fahrenheit. However, this problem is not unique to rural Alaska. During this winter's cold snap homeowners across the state experienced problems in keeping their residences warm.

Position Paper - SB 72
March 31, 1989
Page Two

Requiring competence testing in arctic structural and thermal construction techniques, coupled with required training through the Alaska Craftsman Home Program, as set out in this legislation, is one way to encourage construction of residential housing appropriate to Alaska's unique climate. While licensing under this legislation will help address the problems set out above, a statewide building standard of construction is also needed.




David G. Hoffman/
Commissioner

CSSSSB 72 (Fin) am: "An Act relating to registration and endorsements for contractors; prohibiting the use of state money in relation to certain residential work unless the work is performed by a general contractor who has a residential contractor endorsement; and providing for an effective date."

CSSSSB 72 (Fin) am proposes to improve the quality of residential construction work in Alaska by creating a special licensing category, including examination and competency requirements, for residential contractors. In addition, the bill prohibits the use of state funds for construction or alteration of residential structures unless the work is performed by a residential contractor with the appropriate residential contractor endorsement.

Currently, construction contractors must register with the state and are required to post a \$10,000 bond if a general contractor or a \$5,000 bond if a specialty or mechanical contractor. CSSSSB 72 (Fin) am requires a general contractor seeking to build residential structures of up to four units to first obtain a special endorsement to their contractor license. In order to get this special endorsement, a general contractor must: (1) pass an exam; (2) complete the Alaska craftsman home program sponsored by the Department of Community and Regional Affairs (or its equivalent) or take an arctic engineering course; and (3) not be under indictment -- or in the preceding seven years not have been sentenced -- for an offense related to forgery, theft, extortion, conspiracy to defraud, or dishonesty.

The department supports CSSSSB 72 (Fin) am because the licensing requirements established in the bill will work to better ensure the competency of contractors involved in residential construction. The industry and the public will benefit through increased quality of workmanship by demonstratively competent residential contractors.



Larry Mercurieff, Commissioner

Date: 3/21/90

LM/JS/dgl6552D
32090a



Alaska State Legislature

Senator Mike Szymanski

While in Session:
P.O. Box V
Juneau, Alaska 99811
(907) 465-4978

Interim:
3111 C Street, Suite 310
Anchorage, Alaska 99503
(907) 531-7617
or
165 E. Parks Highway
Wasilla, Alaska 99587
(907) 376-6457

SPONSOR STATEMENT

SENATE BILL 72, relating to registration and endorsements for contractors

Senate Bill 72 is consumer protection legislation.

Under present Alaska law, there are no standards which must be met by a general contractor in the performance of his work. Essentially, if a person obtains a contractor's bond and pays the required fees, the person may work as a general contractor.

Senate Bill 72 requires that certain standards are met for a general contractor to undertake the construction or alteration of a privately-owned residential structure of one to four units.

The Department of Commerce and Economic Development would issue a residential contractor endorsement to an individual who has met certain requirements. The key requirements are that the individual must pass a residential contractor examination, which may be written or practical, and that the individual must have satisfactorily completed either the Alaska Craftsman Home Program, its equivalent or a postsecondary course in arctic engineering. The individual must apply for an endorsement within 6 months after passing the examination to ensure that his qualifications are current.

These registration and endorsement requirements do not apply to a person who is a general contractor for the purpose of building his own home; it relates to the contractor who builds homes for sale.

Provision is made to grandfather in those general contractors who have been active in the state for three of the five years preceding the individual's application for an endorsement. Such individuals would be exempted from the examination requirement but would still be required to take the Alaska Craftsman Home Program course if they apply for an endorsement by July 1, 1992.

The House Labor and Commerce Committee Substitute for Senate Bill 72 adds a section to exempt those contractors who perform work on residential structures in communities of 2,500 or less for an additional year after the effective date of the legislation.

Senate Bill 72 is widely supported by the Alaska Homebuilders Association, Associated General Contractors and other industry groups.

Senate District E

Mat-Su Borough • Sitka Anchorage • Bird/Indian • Girdwood • Nikiski • Cooper Landing • Hope • Seward • Prince William Sound

S

B

7

B

SENATE COMMITTEE REPORT

FURTHER

3/22/89

DATE TURNED INTO OFFICE 3/31/89

Mr. President:

Finance Committee considered SB 73

retirement incentive programs for the public employees' retirement system and the teachers' retirement system; efd

and recommended

- replace with CS SB 73 (Finance)) same title
- or adopt CS) new title
- attached amendment(s) and technical title change (HB only)
- Finance letter of intent adopted

do pass

do not pass

no recommendation

individual recommendations

further referral to _____

FISCAL NOTE(S) zero ^{2 DOA (Ret & Ben; Fin)} fiscal impact appropriation no FN

new updated previous

same as previous fiscal note(s) published _____

MEMBERS SIGNING DO PASS

DUNCAN

[Signature]

OTHER RECOMMENDATIONS

FRANK

[Signature] No Rec

PEARCE

[Signature] No Rec

FISCHER

[Signature] No Rec

Senator Ziaroff subsequently changed his recommendation to "do pass" on the floor.

ZIAROFF

[Signature] No Rec

[Signature] (No Rec)

[Signature]
Chairman signature and recommendation

Committee Backup attached

R/O JFC 3-31-89



Official Business

Alaska State Legislature

Senate

Committee on Finance

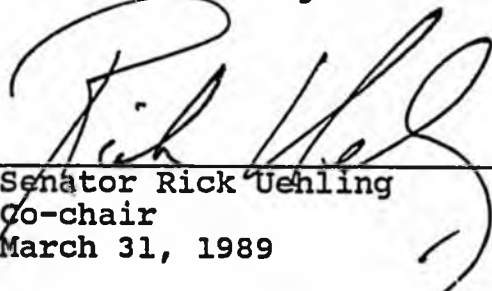
Pouch V
State Capitol
Juneau, Alaska 99811

LETTER OF INTENT

FOR

CS FOR SENATE BILL NO. 73 (FINANCE)

It is the intent of the legislature that the Office of Management and Budget only allow directors to participate in the retirement incentive program if they are long-term, career state employees and that each director position which is allowed to participate demonstrate an overall cost savings for its agency.



Senator Rick Uehling
Co-chair
March 31, 1989

R/O SFC 3-31-89

STATE OF ALASKA
1989 LEGISLATIVE SESSION

Bill Version: CSSB 73 (FIN)
Publish Date: _____

FISCAL NOTE

REQUEST:

Revision Date: _____ Agency Affected: Administration
 Title: An Act relating to a retirement incentive program. BRU: Retirement and Benefits
 Sponsor: Duncan Components: Retirement and Benefits
 Requestor: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES	42.0	318.8	228.1	0	0	0
TRAVEL	2.1	3.5	3.5	0	0	0
CONTRACTUAL	16.7	24.3	3.8	0	0	0
SUPPLIES	.3	2.6	1.7	0	0	0
EQUIPMENT	81.1	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	142.2	349.2	237.1	0	0	0
CAPITAL	0	0	0	0	0	0
REVENUE	142.2	349.2	237.1	0	0	0

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	142.2	349.2	237.1	0	0	0
TOTAL	142.2	349.2	237.1	0	0	0

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	9	13	13	0	0	0

ANALYSIS: (Attach a separate page if necessary)

See pages 2-9 for detailed discussion of Fiscal Note.

See Attached.

Prepared By: Sally Smith, Director *Sally Smith* Phone: 465-4470
 Division: Retirement and Benefits Date: 31 Mar 89

Approved by Commissioner: John M. Andrews *JM* Date: 3/31/89
 Agency: Department of Administration

Distribution (by preparer):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

Committee Substitute for Senate Bill 73 (FIN)
 Fiscal Note Analysis
 Prepared by Division of Retirement & Benefits
 Department of Administration
 March 21, 1989

ANALYSIS: This bill would place a temporary retirement incentive provision in statute for the Public Employees' (PERS) and Teachers' Retirement Systems (TRS). Active PERS and TRS members could retire on an accelerated basis with an increased benefit under the following conditions: at age 47, if vested; with 17 years of service as a police officer, firefighter, or teacher; or with at least 27 years of credited service in the PERS. Before qualifying for an accelerated benefit, however, the member must pay a lump sum indebtedness payment or take an actuarial reduction for the indebtedness amount for the accelerated period.

The total estimated administrative cost to the division by fiscal year is as follows:

	<u>FY 89</u>	<u>FY 90</u>	<u>FY 91</u>
PERSONAL SERVICES COSTS			
FY 89			
1 Retirement Spec I (2 mo.)	\$ 5.0		
8 Retirement Tech. I/II (2 mo.)	<u>37.0</u>		
Total FY 89		\$42.0	
FY 90			
1 Retirement Spec I (12 mo.)	\$ 29.5		
8 Retirement Tech. I/II (12 mo)	222.0		
2 Accounting Clerk III (8 mo.)	32.8		
2 Clerk II (10 mo.)	<u>34.5</u>		
Total FY 90		\$318.8	
FY 91			
1 Retirement Spec I (8 mo.)	\$ 19.7		
8 Retirement Tech. I/II (8 mo.)	148.0		
2 Accounting Clerk III (8 mo.)	32.8		
2 Clerk II (8 mo.)	<u>27.6</u>		
Total FY 91			228.1
TRAVEL			
FY 89			
2 trips to ANCH/FBKS		2.1	
FY 90			
2 trips to ANCH/FBKS			
1 trip to Kenai			
1 trip to Ketchikan			3.5

	<u>FY 89</u>	<u>FY 90</u>	<u>FY 91</u>
FY 91			
2 trips to ANCH/FBKS			
1 trip to Kenai			
1 trip to Ketchikan			3.5

CONTRACTUAL

FY 89			
Computer hook-up & service for additional 11 PC's.	15.7		
Additional telephone hook-up for 9 phones in current system.	.3		
Telephone service for 9 phones for 2 months.	.2		
Long distance calls.	.5		
Total FY 89	16.7		

FY 90			
RSA to the Division of Finance for 2 Accounting Clerk III for 5 months to provide service and salary verifications.	20.5		
Telephone service for 9 phones.	1.4		
Long distance call expense based upon experience from the previous RIP.	2.4		
Total FY 90	24.3		

FY 91			
Telephone service for 9 phones.	1.4		
Long distance calls	2.4		
Total FY 91	3.8		

SUPPLIES

FY 89			
(9 employees X \$200/yr X .17)	.3		
FY 90			
(13 employees x \$200/yr)		2.6	
FY 91			
(13 employees x \$200/yr x .66)			1.7

EQUIPEMENT	<u>FY 89</u>	<u>FY 90</u>	<u>FY 91</u>
FY 89			
17 Personal Computers	55.0		
8 Microfiche viewers	6.4		
11 Calculators	1.7		
1 Computer Output Printer	18.0		
Total Equipment	<u>81.1</u>	_____	_____
Total Bill Cost By Fiscal Year	<u>\$142.2</u>	<u>\$349.2</u>	<u>\$237.1</u>

The retirement technicians, retirement specialist, and accounting clerks need constant access to the PERS and TRS computer files. We do not have any excess terminals, microfiche viewers or calculators. Our equipment request will satisfy our equipment needs for the duration of this program. We propose the purchase of personal computers to be used as terminals because they will be compatible with the division's Local Area Network.

We are also proposing the purchase of an additional computer output printer. The previous RIP put great demand on our existing two printers and we were always in a state of backlog. Our current day-to-day printer needs maximize the capacity of our two printers. After comparing the cost of purchasing a new printer with leasing one for two and one/half years, we determined that with our current printer needs, purchasing would be more cost effective.

All administrative costs for this program will be paid in advance by the participating employers as required by Section 2, page 2, line 27.

Committee Substitute for Senate Bill 73 (FIN)
Analysis of Financial Implications on the Retirement Systems
Prepared by Division of Retirement & Benefits
Department of Administration
March 21, 1989

Analysis: The retirement incentive program legislation requires state agencies and participating employers and employees to reimburse the PERS and TRS for the costs of participation in the program; it also requires a showing of a cost savings to participate in the program. There should be no long-term or short-term costs to the retirement systems' funds.

Position Title		Accounting Clerk III		No. of Positions	2	Range/Step	10A	Barg. Unit	GGU								
Type Status	FT Nonpermanent	Staff Months	8.0 each = 16.0	Location	AWA		Election District	4									
Type of Expenditure				Justification													
				The two nonpermanent Accounting Clerk III positions will handle the additional accounting duties related to a Retirement Incentive Program (RIP) as follows: member file research; file maintenance, including entering indebtedness, history, and retirement segments into the appropriate system; verification of system output; any adjusting vouchers that are necessary in AKSAS; assisting with the deposits and coding of member indebtedness payments and employer RIP payments; assisting with the member account information that is needed in completing tax excludable statements for the Retirement Section; and any follow through that becomes necessary.													
				The equipment needs are as follows:													
				<table> <tr> <td>2 personal computers</td> <td>\$10,000</td> </tr> <tr> <td>2 microfiche viewers</td> <td>1,600</td> </tr> <tr> <td>2 calculators</td> <td>276</td> </tr> <tr> <td></td> <td><u>\$11,876</u></td> </tr> </table>						2 personal computers	\$10,000	2 microfiche viewers	1,600	2 calculators	276		<u>\$11,876</u>
2 personal computers	\$10,000																
2 microfiche viewers	1,600																
2 calculators	276																
	<u>\$11,876</u>																
				Please refer to page 3 for justification.													
Type of Expenditure				Amount													
1				2		3											
Salary				29,360													
Benefits				3,416													
Premium Pay																	
Other																	
Total Personal Services						32,776											
Travel																	
Contractual (Computer Hook-up fees)						3,280											
Commodities						528											
Equipment						11,876											
Other																	
Total Cost						48,460											
Funding Source for Total Cost																	
Federal Receipts 1002																	
G. F. Match 1003																	
General Fund 1004																	
GF Program Receipts 1005																	
Other PERS 1029						29,076											
IRS 1034						19,384											

4/6K2/012301-9/182

Request For
New Position

Agency Administration
 DRU Retirement and Benefits
 Component Retirement and Benefits

Page 6 of 9
 Revised Date

FY 90

Position Title Clerk II		No. of Positions 2	Range/Step 7A	Barg. Unit GGU
Time Status FT Nonpermanent	Staff Months 10.0 each = 20.0	Location AWA		Election District 4
Type of Expenditure		Justification		
		These two Clerk II positions are required in the Microfiche Center for the day-to-day file/recordkeeping duties for these new retirees. Duties include: sanitizing and purging files, creating new microfiche files for these retirees from paper documents, creating duplicate microfiche files when requested for the use of division personnel, and filing and refiling all documents.		
		Many calculations affecting members' retirement accounts depend on the files being accurate and up-to-date. The Microfiche Center is currently backlogged.		
Amount				
1	2	3		
Salary	30,900			
Benefits	3,593			
Premium Pay				
Other				
Total Personal Services		34,493		
Travel				
Contractual				
Commodities		440		
Equipment				
Other				
Total Cost		34,933		
Funding Source for Total Cost				
Federal Receipts 1002				
G F Match 1003				
General Fund 1004				
GF Program Receipts 1005				
Other PERS 1029		20,960		
TRS 1034		13,973		

4/6K2/012301-9/384

**Request For
New Position**

Agency Administration
 BRU Retirement and Benefits
 Component Retirement and Benefits

Page 7 of 9
 Revised Date _____

FY 90

Position Title Retirement and Benefits Technician		No. of Positions 8	Range/Step 12A	Barg. Unit GGU			
Type Status FI Nonpermanent	Staff Months 12.0 each = 96.0	Location AWA		Electing District 4			
Type of Expenditure		Justification					
1	2	3					
Salary	198,912	During the almost two years of managing the first RIP, PERS retirements increased 109%, TRS retirements increased by 151%, projections increased by 235%, correspondence increased by 126%, telephone calls increased by 134% and office visits increased by 147%.					
Benefits	23,136						
Premium Pay							
Other							
Total Personal Services					222,048		
Travel			The additional technical staff will be needed to assist our current staff research member files, prepare projections and retirements, add service that members are eligible to purchase and respond to the many inquiries that we will receive during the concentrated window period of the program.				
Contractual (Computer Hook-up fees)		13,120					
Commodities		1,584					
Equipment		45,904					
Other							
Total Cost		282,656	Equipment needs are as follows:				
Funding Source for Total Cost						8 personal computers	\$40,000
Federal Receipts	1002					6 microfiche viewers	4,800
G F Match	1003					8 calculators	1,104
General Fund	1004						\$45,904
GF Program Receipts	1005		Please refer to page 3 for detailed justification.				
Other	PERS 1029	169,594					
	TRS 1034	113,062					

4/6K2/012301-9/5&6

Request For
New Position

Agency Administration
 BRU Retirement and Benefits
 Component Retirement and Benefits

Page 8 of 9
 Revised Date

FY 90

Position Title Retirement and Benefits Specialist I		No. of Positions 1	Range/Step 13A	Barg. Unit GGU						
Time Status FT Nonpermanent	Staff Months 12.0	Location AWA		Election District 4						
Type of Expenditure		Amount								
1	2	3								
Salary	26,460									
Benefits	3,078									
Premium Pay										
Other										
Total Personal Services		29,538								
Travel										
Contractual (Computer Hook-up fees)		1,640								
Commodities		732								
Equipment		5,138								
Other										
Total Cost		37,048								
Funding Source for Total Cost										
Federal Receipts	1002									
G. F. Match	1003									
General Fund	1004									
GF Program Receipts	1005									
Other	PERS 1029	22,229								
	TRS 1034	14,819								
<p>Justification</p> <p>During the almost two years of managing the first RIP, PERS retirements increased 109%, TRS retirements increased by 151%, projections increased by 235%, correspondence increased by 126%, telephone calls increased by 134% and office visits increased by 147%.</p> <p>The Retirement Specialist will train and direct the daily activities of the eight additional retirement technicians. They will also be responsible for maintaining a listing of all employees who elect to participate in the RIP and a listing of all employees who are eligible to retire under the RIP. They will also be required to prepare data necessary to calculate actual cost billing information to participating employers.</p> <p>Equipment needs are as follows:</p> <table style="margin-left: 40px;"> <tr> <td>1 personal computer</td> <td>\$5,000</td> </tr> <tr> <td>1 calculator</td> <td>138</td> </tr> <tr> <td></td> <td><u>\$5,138</u></td> </tr> </table> <p>Please refer to page 3 for detailed equipment justification.</p>					1 personal computer	\$5,000	1 calculator	138		<u>\$5,138</u>
1 personal computer	\$5,000									
1 calculator	138									
	<u>\$5,138</u>									

4/6K2/012301-9/788

**Request For
New Position**

Agency Administration
 BRU Retirement and Benefits
 Component Retirement and Benefits

Page 9 of 9
 Revised Date

FY 90

FISCAL NOTE

REQUEST:

Revision Date: _____ Agency Affected: Department of Administration
 Title: An Act relating to RIP BRU: Finance
 in PERS and TRS.
 Sponsor: Duncan and Kerttula Components: Retirement and Benefits
 Requestor: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES	0	46.9	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	46.9	0	0	0	0

CAPITAL	0	0	0	0	0	0
---------	---	---	---	---	---	---

REVENUE	0	0	0	0	0	0
---------	---	---	---	---	---	---

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER 1034 PERS/TRS	0	46.9	0	0	0	0
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	2	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS: (Attach a separate page if necessary)

See attached

Prepared By: Keith Busch, Director *Keith H. Busch* Phone: 465-2246
 Division: Finance Date: 3/24/89

Approved by Commissioner: John M. Andrews *[Signature]* Date: 3/24/89
 Agency: Department of Administration

Distribution (by preparer):
 Legislative Finance
 Legislative Sponsor
 Requestor
 Office of Management and Budget
 Impacted Agency(ies)

RECEIVED
 MAR 28 1989

CONTINUATION of FISCAL NOTE ANALYSIS

For Bill/Resolution No. CS SB 73 (HESS)

On July 1, 1989, there will be 3,400 State employees eligible for early retirement under this bill. The Division of Finance is responsible for the verification of employment history and the processing of termination pay. Based upon our experience in 1986 and 1987, we anticipate that there could be 1,400 employees participating in the program. We estimate the increased costs to process these employees to be:

Data processing support	\$ 9.0
Two part-time Accounting Technicians I for six months	<u>37.9</u>
Total Cost	\$46.9

All administrative cost for this program will be paid in advance by the participating employer as required by Section 2, page 2, line 27.

Original sponsors: Duncan and Kerttula

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2 CS FOR SENATE BILL NO. 73 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to retirement incentive programs for
7 the public employees' retirement system and the
8 teachers' retirement system; and providing for an
9 effective date."

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

11 * Section 1. PURPOSE. Since it may be necessary for state agencies and
12 other employers who participate in the state retirement systems to reduce
13 their personal services costs because of declining state revenue, reimple-
14 mentation of the retirement incentive program established by ch. 26, SLA
15 1986, as amended by ch. 76, SLA 1988, encouraging employees to retire
16 voluntarily, will reduce the hardship of layoffs. This program is intended
17 to realize sufficient economies to offset the cost of administration and
18 benefits to state agencies and other employers resulting from the award of
19 retirement credits and to result in a net reduction in personal services
20 costs to the state or other employers during a period of declining revenue.

21 * Sec. 2. RETIREMENT INCENTIVE PROGRAM. (a) An employer may adopt a
22 retirement incentive plan under secs. 3 - 6 of this Act, as appropriate, to
23 designate organizational units of employees eligible to participate in the
24 retirement incentive program.

25 (b) The organizational units of a plan must be selected so that
26 implementation of the plan results in a savings to the employer in personal
27 services costs within three years after the commencement of the plan. The
28 designation may include only representatives from job classifications whose
29 inclusion contributes to the overall cost savings.

1 (c) A member is eligible to participate in the retirement incentive
2 program only if the member is vested, is employed in a position in a des-
3 ignated organizational unit, and will be qualified to retire under AS 14.-
4 25.110 or AS 39.35.370 after receipt of the retirement incentive. To
5 participate, a member shall apply on a form provided by the administrator.

6 (d) A participating employer shall prepare and file the retirement
7 incentive plan with the administrator. The administrator shall approve the
8 plan if it meets the requirements of this section. For state employees
9 other than university employees, the administrator may approve a designated
10 organizational unit only if the office of management and budget certifies
11 that the unit's participation in the plan meets the requirements of (b) of
12 this section. The administrator shall approve the plan if it meets the
13 requirements of this section. The plan must

14 (1) identify organizational units and employees eligible to
15 participate in the program;

16 (2) include a reimbursement agreement that

17 (A) requires the employer, for each employee who is retired
18 under the plan, to reimburse the system within three years after the
19 end of the fiscal year in which the employee is appointed to retire-
20 ment in an amount equal to

21 (i) the actuarial equivalent of the difference between
22 the benefits the participant receives after the addition of the
23 retirement incentive under this section and the amount the par-
24 ticipant would have received without the incentive, less the
25 amount the participant has paid on the indebtedness determined
26 under (e) or (f) of this section; and

27 (ii) an appropriate share of the administrative costs
28 of the program; and

29 (B) provides that contributions from the employer under

1 this section take priority over other obligations of the employer to
2 the maximum extent permitted by law.

3 (e) A member of the teachers' retirement system who participates in
4 the retirement incentive program is indebted to the system. The amount of
5 indebtedness is equal to 21 percent of the member's actual compensation for
6 the school year, or the calculated school year compensation for a member
7 who works less than the entire school year, for the school year in which
8 the member terminates employment to participate in the program. An out-
9 standing indebtedness at the time a participant is appointed to retirement
10 will require an actuarial adjustment to the benefits payable.

11 (f) A member of the public employees' retirement system who partici-
12 pates in the retirement incentive program is indebted to the system. The
13 amount of indebtedness is equal to 22-1/2 percent for a peace officer or
14 fireman, and 20-1/4 percent for other members, of the member's actual
15 annual compensation, or the calculated annual compensation for a member who
16 works fewer than 12 months, for the year in which the member terminates
17 employment to participate in the program. An outstanding indebtedness at
18 the time a participant is appointed to retirement will require an actuarial
19 adjustment to the benefits payable.

20 (g) A participant in the retirement incentive program receives a
21 credit of three years. The three years must be applied in the following
22 order until exhausted:

23 (1) to meet the age or service required for eligibility for
24 normal retirement under AS 14.25.110 or AS 39.35.370, as appropriate;

25 (2) to meet the age required for early retirement under AS 14.-
26 25.110 or AS 39.35.370, as appropriate;

27 (3) to reduce the actuarial adjustment required for early re-
28 tirement under AS 14.25.110 or AS 39.35.370, as appropriate;

29 (4) as years of credited service for calculating retirement

benefits.

(h) Except as provided in sec. 7 of this Act, in the determination of whether a member will qualify to retire under this section, credited service may include only,

(1) for members of the teachers' retirement system, service credit for employment rendered to an employer, territorial service under AS 14.25.105, and Alaska BIA service under AS 14.25.107;

(2) for members of the public employees' retirement system, service credit for employment rendered to an employer.

* Sec. 3. AUTHORIZATION FOR STATE EMPLOYEE RETIREMENT INCENTIVE. (a) A state agency is authorized to adopt a retirement incentive plan for its employees. A plan adopted under this section shall permit a designated employee to apply to the retirement incentive program under sec. 2 of this Act only from September 30, 1989, through March 31, 1990.

(b) The plan may not permit an employee who is the commissioner, a deputy commissioner, or assistant commissioner of a state department to participate.

(c) A plan adopted under this section may only permit participation by an employee who is otherwise qualified and who

(1) has been continuously employed by the state since January 1, 1989;

(2) was laid off from state employment on or after January 1, 1989;

(3) is a permanent seasonal employee continuously employed by the state in the permanent seasonal position during all of the time since January 1, 1989, in which the position normally was filled;

(4) has a job sharing agreement with a state agency in which two or more employees share a single position identified by a single position control number and in which the employee choosing to participate was

1 continuously employed by the agency during all of the time since January 1,
2 1989, in which the employee normally worked under the job sharing agree-
3 ment; or

4 (5) meets a combination of the requirements of this subsection.

5 (d) Under a plan adopted under this section, the administrator may
6 not accept the application of an employee unless the employee will be
7 appointed to retirement on or before November 1, 1990.

8 (e) In this section "state agency" does not include the University of
9 Alaska or an entity covered by sec. 4 of this Act.

10 * Sec. 4. AUTHORIZATION FOR RETIREMENT INCENTIVE FOR OTHER EMPLOYEES IN
11 THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM. (a) The governing body of a
12 political subdivision of the state or a public organization that has elect-
13 ed to participate in the public employees' retirement system under AS 39.-
14 35.550 - 39.35.650 is authorized to adopt a retirement incentive plan for
15 its employees under sec. 2 of this Act. A plan adopted under this section
16 shall permit designated employees to apply to the retirement incentive
17 program under sec. 2 of this Act from September 30, 1989, through March 31,
18 1990.

19 (b) Under a plan adopted under this section, the administrator may
20 not accept the application of an employee unless the employee will be
21 appointed to retirement on or before November 1, 1990.

22 * Sec. 5. AUTHORIZATION FOR RETIREMENT INCENTIVE FOR THE EMPLOYEES OF
23 THE UNIVERSITY OF ALASKA. (a) The Board of Regents of the University of
24 Alaska is authorized to adopt a retirement incentive plan for its employ-
25 ees. A plan adopted under this section shall permit designated employees
26 to apply to the retirement incentive program under sec. 2 of this Act from
27 June 30, 1989, through December 31, 1989.

28 (b) Under a plan adopted under this section, the administrator may
29 not accept the application of an employee unless the employee will be

1 appointed to retirement on or before August 1, 1990.

2 * Sec. 6. AUTHORIZATION FOR RETIREMENT INCENTIVE FOR OTHER EMPLOYEES IN
3 THE TEACHERS' RETIREMENT SYSTEM. (a) An employer under the teachers'
4 retirement system who is not otherwise covered by secs. 3 or 5 of this Act
5 is authorized to adopt a retirement incentive plan for its employees under
6 sec. 2 of this Act. A plan adopted under this section shall permit des-
7 ignated employees to apply to the retirement incentive program under sec. 2
8 of this Act only from June 30, 1989, through December 31, 1989.

9 (b) Under a plan adopted under this section, the administrator may
10 not accept the application of an employee unless the employee will be
11 appointed to retirement on or before August 1, 1990.

12 * Sec. 7. POLITICAL SUBDIVISION OR PUBLIC ORGANIZATION EMPLOYMENT.
13 Notwithstanding other provisions of law, a vested member who is a state
14 employee and is participating in the retirement incentive program may
15 receive credit for employment with a political subdivision or public orga-
16 nization before the political subdivision or organization became an em-
17 ployer under the system for purposes of determining eligibility for retire-
18 ment under AS 14.25.110 or AS 39.35.370, as appropriate. The member may
19 not receive credit for those years under this subsection for purposes of
20 determining benefits. In order for a state employee to receive credit
21 under this subsection, the employee's participation in the program must
22 contribute to the overall cost savings of the agency.

23 * Sec. 8. RECOVERY OF EMPLOYER DELINQUENCIES. To recover a delinquency
24 owed by an employer other than the state under an agreement entered under
25 sec. 2(d)(2) of this Act, the Department of Administration may

26 (1) bring an action against the employer; or

27 (2) direct that the amount of the delinquency or a lesser amount
28 be withheld from any money payable to the employer by a state department or
29 agency and that the amount withheld be credited to the delinquency.

1 * Sec. 9. REEMPLOYMENT INDEBTEDNESS AND REEMPLOYMENT PROHIBITION. (a)

2 If a participant in the retirement incentive program is reemployed as a
3 member of the public employees' retirement system under AS 39.35 or the
4 teachers' retirement system under AS 14.25 after appointment to retirement
5 under the program, the participant loses the incentive credit received
6 under sec. 2(g) of this Act and is indebted to the system. The amount of
7 the indebtedness is equal to 110 percent of the amount the participant
8 received as a result of participation in the program to which the partici-
9 pant was not otherwise entitled, including the cost of health insurance.
10 The participant is entitled to a credit to be applied against the reemploy-
11 ment indebtedness in the amount the participant has paid under sec. 2(e) or
12 (f) of this Act. Interest accrues on the indebtedness at the rate estab-
13 lished by regulation from the date of reemployment until the member is ap-
14 pointed to retirement and accepts an actuarial adjustment to the member's
15 future benefits or until the amount is paid in full.

16 (b) For one year after the date on which an employee who participated
17 in the program retired, the participant may not be employed by or enter
18 into a contract for personal services with a state department or agency
19 other than a personal services contract with the University of Alaska.
20 This subsection does not prohibit the university from entering into a
21 personal services contract with an employee who has participated in the
22 program during the year immediately following the employee's retirement.

23 * Sec. 10. OFFICE OF MANAGEMENT AND BUDGET. When designating an orga-
24 nizational unit for participation in the retirement incentive program, the
25 executive head of a state agency shall describe in detail the expected
26 effect of the program on the agency's personal services cost and operation.
27 This report shall be filed with the office of management and budget. For
28 each employee who will receive credit for employment under sec. 7 of this
29 Act, the agency head shall establish to the satisfaction of the office that

1 the proposed participation contributes to the overall agency cost savings.
2 The agency shall report as required by the office of management and budget
3 on the cost of each member's participation and the effect on the agency's
4 personal services cost and operation. The office of management and budget
5 shall submit to the legislature annual reports on the retirement incentive
6 program beginning on January 15, 1991, and continuing through January 15,
7 1993, and shall submit a final report on January 15, 1994. Each report
8 shall provide the information necessary for the legislature to evaluate the
9 effectiveness of the program in achieving its objectives. The report
10 should include information on the designated organizational units under the
11 retirement incentive plans including the cost of the retirement incentive
12 program per participant, the cost to the state, the cost to the employee,
13 the annual budgeted amount by agency for the retirement incentive, and the
14 projected or actual net savings over the three-year period.

15 * Sec. 11. PROGRAM CHANGES. An employee does not have a vested or
16 contractual right to any benefit under this Act until an agreement is
17 executed with the administrator that permits the benefits to be offered to
18 an organizational unit of which the employee is a member. The legislature
19 reserves the right to change any aspect of the incentive program as it
20 relates to members of organizational units for which participation agree-
21 ments are executed by the administrator after the effective date of the
22 changes.

23 * Sec. 12. TIMELY APPLICATION. A member who is eligible under secs.
24 2 - 7 of this Act and who has submitted a timely application for participa-
25 tion in the retirement incentive program may be considered for participa-
26 tion in the program notwithstanding sec. 14 of this Act.

27 * Sec. 13. DEFINITIONS. The definitions set out in AS 14.25.220 apply
28 to this Act for members of the teachers' retirement system. The defini-
29 tions set out in AS 39.35.680 apply to this Act for members of the public
CSSB 73(Fin)

1 employees' retirement system.

2 * Sec. 14. Sections 1 - 7 of this Act are repealed July 1, 1991.

3 * Sec. 15. This Act takes effect immediately under AS 01.10.070(c).

STATE OF ALASKA
THE LEGISLATURE

POUCH Y STATE CAPITOL
JUNEAU ALASKA 99811
907 465 3800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

March 23, 1989

SUBJECT: Sectional analysis of CSSB 73(HESS)
(Retirement incentive program)

TO: Senator Jim Duncan

FROM: Teresa B. Cramer *JBC*
Legislative Counsel

You have requested a sectional analysis of CSSB 73(HESS), establishing a retirement incentive program.

Section 1 states that the purpose of the program is to reduce the hardship of layoffs caused by declining state revenue.

Section 2 establishes a retirement incentive program. Under subsection (a), an employer may designate organizational units of eligible employees. Subsection (b), limits the organizational units to units in which implementation of the plan will result in a savings in personal services within three years. Under subsection (c), employees who participate must be vested, in a designated organizational unit, and eligible to retire after the retirement incentive is added to their service.

Subsection (d) sets out the requirements that a retirement incentive plan must meet before the administrator of the division of retirement and benefits may approve the plan. Under paragraph (d)(2), the plan must include an agreement that requires the employer to reimburse the retirement system for the costs of the incentive granted to each employee.

Under subsections (e) and (f), employees who receive a retirement incentive must pay the amount they would have paid in retirement contributions for the three years of incentive. Subsection (e) applies to members of the Teachers' Retirement System (TRS). Subsection (f) applies to members of the Public Employees' Retirement System (PERS).

- SECTIONAL ANALYSIS (CSSB 73(HESS))

Under subsection (g), each participant receives three years of credit to use to meet eligibility requirements for retirement or to increase the amount of benefits to which the employee is entitled.

Under subsection (h), in determining whether an employee in TRS is eligible to retire, only service credit for an employer, territorial service, and Alaska BIA service may be counted. This excludes outside service and military service. For employees in PERS, only service credit for an employer under the PERS definition may be used in determining eligibility to retire. However, under section 7, certain state employees may receive credit for employment with a political subdivision or public organization before the political subdivision or public organization began to participate in TRS or PERS.

Section 3 authorizes state agencies to adopt retirement incentive plans to be in operation from September 30, 1989, to March 31, 1990. Participation is limited to employees who have been continuously employed by the state since January 1, 1989 or who were laid off on or after that date. Commissioners, deputy commissioners, and assistant commissioners are not eligible to participate. Employees who participate must be appointed to retirement on or before November 1, 1990.

Section 4 authorizes the governing body of a political subdivision or a public organization participating in PERS to implement a retirement incentive plan from September 30, 1989 through March 31, 1990. A participating employee must be appointed to retirement on or before November 1, 1990.

Section 5 authorizes the Board of Regents to adopt a retirement incentive plan for the University of Alaska. Applications will be accepted only from June 30, 1989, through December 31, 1989 and participants must be appointed to retirement on or before August 1, 1990.

Section 6 authorizes employers under TRS who are not covered by the authorization for the state or the university to adopt a retirement incentive plan, to be in operation from June 30, 1989, through December 31, 1989. Participants must be appointed to retirement on or before August 1, 1990.

Section 7 permits certain vested state employees to receive credit for service with a political subdivision or public organization before the political subdivision or organization began to participate in the retirement system. The credited service can only be used to determine eligibility to retire. Use of this credited service is limited to employees whose retirement contributes to the overall cost savings of the agency.

Section 8 sets out remedies the state may use to collect the employer's share of the costs of the program.

Section 9 establishes penalties for a person who has retired under the retirement incentive program if the person returns to work in any job that is covered by either PERS or TRS. Subsection (b) prohibits a participant in the retirement incentive program from being employed by or entering into a personal services contract with the state for one year after the person retired.

Section 10 requires state agencies to report to the Office of Management and Budget on the effect of the retirement incentive program on the agency's personal services cost and operation. OMB is required to report to the legislature from 1991 to 1994 on the effect of the program on state operations and personal services costs.

Section 11 makes clear that an employee does not have a right to receive a retirement incentive until the organizational unit in which the employee works has been designated and a participation agreement signed.

Section 12 permits eligible TRS and PERS members who file timely applications to participate in the retirement incentive program even though the program is repealed in bill section 14.

Section 13 applies the TRS and PERS definitions to this bill.

Section 14 repeals the retirement incentive program and authorizations on July 1, 1991.

Section 15 is an immediate effective date clause.

If I may be of further assistance, please advise.

3/31/89

A M E N D M E N T

OFFERED IN THE SENATE

BY DUNCAN

TO: CSSB 73 (HESS)

Page 7, line 18, after "agency":

Insert "other than a personal services contract with the University of Alaska. This subsection does not prohibit the university from entering into a personal services contract with an employee who has participated in the program during the year immediately following the employee's retirement"

*Addresses concern of UofA
as expressed by Wendy
Redman*

JD: Moved

No Ob

ADOPTED

CS (Fin)

3/31/89

Duncan

(at request of
Hebling)

ADOPTED

SB 73 - LETTER OF INTENT 3/31/89

IT IS THE LEGISLATURE'S INTENT THAT THE OFFICE OF MANAGEMENT AND BUDGET ONLY ALLOW DIRECTORS TO PARTICIPATE IN THE RETIREMENT INCENTIVE PROGRAM IF THEY ARE LONG-TERM, CAREER STATE EMPLOYEES AND THAT EACH DIRECTOR POSITION WHICH IS ALLOWED TO PARTICIPATE DEMONSTRATE AN OVERALL COST SAVINGS FOR THEIR AGENCY.

ASSOCIATION OF ALASKA SCHOOL BOARDS

316 W. 11th St. • Juneau, Alaska 99801-1510 • (907) 586-1083

March 28, 1989

Senator John Binkley, Co-Chair
Senator Rick Uehling, Co-Chair
Senate Finance Committee
Box V
Juneau, Alaska 99811

Re: Senate Bill 73 - An Act relating to retirement incentive programs for the public employees' retirement system and the teachers' retirement system.

Dear Senators Binkley and Uehling:

The Association of Alaska School Boards would like to lend its support to SB 73, which would reimplement the retirement incentive program established in 1986.

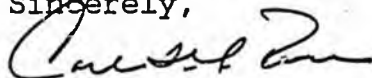
When school districts around the state were faced with a serious reduction in revenues in 1986 they were able to realize considerable savings and reduce professional staff through attrition by encouraging the use of the retirement incentive program.

Districts are still in a position of trying to cut budgets, but find that there are not many areas that they have much latitude to cut. By having the opportunity to utilize the retirement incentive program again, economies could possibly be effected.

We would encourage the Senate Finance Committee to take favorable action on this bill.

Thank you for your consideration.

Sincerely,



Carl F.N. Rose
Executive Director

Alaska State Legislature

Senate Advisory Council



PO. Box V
State Capitol
Juneau, Alaska 99811
Phone: (907) 465-3114

MEMORANDUM

TO: Senator Mitch Abood
Alaska State Senate

ATTN: Carol Horos

FROM: Paula d. Scavera 
Researcher

DATE: March 13, 1987

RE: Retirement Incentive Program

Attached are my findings on the people who have retired under the Retirement Incentive Program. I have also included comments from various personnel officers on how RIP is working or not working in their departments and school districts.

I was not able to include the University retirees in my research, because my letter of February 19, 1987 (copy attached) was never answered, nor were any of my phone calls.

If you have any questions, please contact me.

Attachment:

RETIREMENT INCENTIVE PROGRAM (RIP)

The benefits and costs of the Early Retirement Incentive Program can be looked at from several angles as different departments had different philosophies on what the objectives were for this particular program. One school district has a formula that if a persons age and years of service equaled 70, then you qualify. Using this formula the school district immediately is able to show whether there is a savings on someone who fills that position. No other department or school district has a similar approach on who qualifies for RIP and who doesn't. I did not come across any other formulas.

The school districts and state departments also have different unions and personel rules. In general, school districts have more flexibility by filling positions at a lower pay scale. When a teacher with many years of service at the highest pay scale retires, the school district can hire a teacher right out of college at the lowest pay scale showing significant savings. State employee union and personel rules dictate that when a position is open in state government, the position is available to other state employees regardless of years of service. The position can be filled at a lower, equal, or even higher pay step, resulting in less cost savings, if any at all.

Chart 1 shows that there are 165 vacancies within the retiree positions. These positions are vacant for various reasons which include:

1. To help relieve the "budget crisis".
2. To help pay for a position somewhere else that was filled at a higher range or step.
3. The position may be deleted or,
4. Position not filled yet, recruitment in progress.

There are as many state personnel officers opposed to extending the program as there are in favor of extending the program. Some personnel officers indicate that if the program is extended the "old timers will stay till the very end, and we need them to leave now for the savings".

Chart 2 shows exempt positions that retired under the Retirement Incentive Program.

The "Other" column includes exempt positions with commissions and corporations that are contained within these departments.

Those departments not listed did not have any exempt employee that retired under RIP. I might add that one department's personnel officer had the understanding that exempt employees were not eligible for the RIP program.

Chart 3 is a list of the state employees that retired under RIP and the department's cost was more than \$ 50,000.

School district personnel officers made the most comments on whether or not RIP was working. They pointed out that there is bigger savings in their Teacher Retirement/RIP as opposed to their Public Employee/RIP.

I talked to nine school districts with the largest number of retired teachers. They all agreed that there are substantial savings as they could hire teachers at the lowest pay scale to fill the highest pay scale retirees because of the flexibility of the hiring regulations. Two of the personnel officers were adamant that RIP not be extended until next year or the year after. The school district finds it necessary to get rid of their highest paid teachers now, since they desperately need the savings. In fact one school district is paying a monetary bonus if a teacher will sign up for RIP before the end of this month (the bonus is based at \$50 per year of service and 2% of the teacher's salary).

Since the Anchorage School District has not performed any analysis or tracking of their RIP positions, Chart 4 does not include the Anchorage School District.

STATUS OF POSITIONS VACATED BY RIP

AGENCY	*DELETED	VACANT	FILLED AT HIGHER RANGE	FILLED AT HIGHER STEP	FILLED AT LOWER RANGE	FILLED AT LOWER STEP	CHANGED FROM FULLTIME TO PARTTIME	FILLED AT LOWER MONTHLY SALARY	FILLED AT EQUAL RANGE \STEP	TOTAL

Governor	2		**2				1			5
Revenue		4		1	1	4		1		11
M. Affair	1				1					2
Correc.		2			4	7				13
CRA		1							1	2
LEG.AFF.	3	1								4
DEC		1				1			1	3
LAW	2	1								3
DOT	9	69	1	3	3	44			13	142
DNR	15	2				6			3	26
COMM.	4	3			1	1			2	11
LEG.Audit	1									1
Labor	2	7		1		4			1	15
ADMIN	5	5			7	10	2			29
EDUC	6	6	1		1	3				17
P.Safety	2	26			14					42
HESS	3	30		2	6	31			1	73
Fish&Game	11	7	2		3	8			2	33
TOTALS	66	165	6	7	41	119	3	1	24	432

*Deleted in FY 87 or FY 88 Budget
 ** 1 of these positions is now vacant

EXEMPT EMPLOYEES RETIRED UNDER RIP

CHART 2

Agency	Commissioner	Deputy Commissioner	Director	Other	TOTAL
Governor				5	5
Revenue				1	1
Education			1		1
DOT		1	3		4
Corrections			1		1
CRA	1				1
Public Safety	1		3		4
Leg. Affairs				4	4
Leg. Audit				1	1
Fish & Game			1	2	3
DNR			3		3
Commerce				4	4
DEC			1		1
Admin			3	1	4
HESS				1	1
TOTALS	2	1	16	19	38

EMPLOYEES RETIRED UNDER RIP
THROUGH FEBRUARY 1, 1987
WITH EMPLOYER COST HIGHER THAN \$50,000

AGENCY	NAME	EST COST
Department of Administration		
	Krefting, Carl T.	\$ 64,545
	Wheeler, Micheal H.	78,707
Department of Revenue		
	Kimlinger, Ralph W.	62,592
Department of Health and Social Services		
	Smith, Eugene A.	59,704
	McCombs, Jack G.	53,005
	Eldemar, Mary	64,625
	Jenkins, Peter	54,872
Department of Military Affairs		
	Hoyt, John V.	71,468
Department of Natural Resources		
	Gallamore, Paul	56,185
Department of Fish and Game		
	Pegau, Robert E.	56,995
	Eaton, Martin Frank	57,170
	Gwartney, Louis A.	52,600
	Moberly, Stanley A.	73,559
Department of Public Safety		
	Preston, Charles	55,001
	Johnston,	54,119
	Lucking, John	89,433
	Rieth, Lewis	65,793
	Koziczowski, Stanley	57,513
	Henslee, Lawrence	63,988
	Miller, Charles E.	55,180
	Detemple, Joseph	66,297
	Short, Floyd	52,281
	Brown, Robert	55,264

Troutman, Mark	\$ 55,134
Kolivosky, Michael	50,987
Barnard, Samuel	90,337
Cole, George B.	57,597

Department of Transportation

Harrington, Basil R.	58,358
Jennings, Kenneth	55,769
Johnson, Donald	54,928
Dittman, William S.	79,947
Ross, Doyle W.	84,276
Whitehead, Jack G.	58,855
Wiebe, Ray	54,773
Paul, Eldred	51,567
Cameron, Harold A.	86,455
Vanness, Michael C.	51,907
Koebelin, Howard	60,349
Benham, Loran	51,369
Johnson, Melvin	65,367
Bellville, Maurice G.	71,265
Brown, Wilson E. Jr.	53,374
Sparks, Warren S.	80,653
Davis, Paul R.	52,819
Banks, Robert F.	92,080
Gill, Larry S.	78,378

UNIVERSITY PERS

Brooks, Glenn P.	52,807
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STATUS OF TEACHING POSITIONS VACATED BY RIP

CHART 4

SCHOOL DISTRICT	DELETED POSITIONS	FILLED AT HIGHER PAY SCALE	FILLED AT LOWER PAY SCALE	FILLED AT EQUAL PAY SCALE	TOTAL

Fairbanks	1		15		16
Kodiak		1	3		4
Nenana	1		2	1	4
Mat-Su	6		1	2	9
Sitka			1		1
Kenai	7		7		14
Cooper River	2		4	1	7
Juneau			3		3
TOTALS	17	1	36	4	58

Alaska State Legislature

Senate Advisory Council



PO Box V
State Capitol
Juneau, Alaska 99811
Phone (907) 465-3114

February 20, 1987

Wendy Redman, Acting Director
Human Resource Development
University of Alaska
1 Bunnell Building
Fairbanks, AK 99775

Dear Ms. Redman;

The Senate Advisory Council has been requested to research the Early Retirement Incentive Program. Specifically what happened to the position that the retiree held? Was the position filled by an individual at a lower or equal pay scale? Or was the position filled by someone at a higher pay scale and savings taken from a position elsewhere in the department?

Enclosed you will find a list of the people in your department who retired under the Early Retirement Incentive Program. Your timely response in answering the above questions concerning the positions and people listed would be greatly appreciated.

Thank you for your assistance.

Sincerely,

A handwritten signature in cursive script, appearing to read "Paula D. Scavera".

Paula D. Scavera
Researcher

PDS:jts

Enclosure

DIVISION OF RETIREMENT AND BENEFITS
 UNIVERSITY OF ALASKA PERS AND TRS
 EMPLOYEES RETIRED UNDER RIF
 THROUGH FEBRUARY 1, 1987

UNIVERSITY PERS

SHUE, JANE	86-11	RF 13-00-01	4124
DOWDING, FIELDER G	86-11	RF 13-00-01	4241
CROWE, RONALD G.	86-11	RF 13-00-01	20774
TAYLOR, YOUNG S	86-11	RF 13-00-01	10981
LANGFELDT-HAALAND, S	86-11	RF 13-00-01	19470
WATSON, JEANNE A	86-11	RF 13-00-01	11633
LAMBERT, MARGARET M	86-11	RF 13-00-01	13037
HENDRICKSON, JAMES A	86-11	RF 13-00-01	29293
NETTLE, ROBERT W	86-11	RF 13-00-01	18507
MANSELL, CLARKE S	86-11	RF 13-00-01	23977
OUTCALT, DAVID L	86-11	RF 13-00-01	11420
SMALL, GEORGE E	86-11	RF 13-00-01	13903
ALLISON, CAROL W	86-11	RF 13-00-01	20914
ANDERSON, JOY M	86-11	RF 13-00-01	22825
CHALDER, CHRISTINE A	86-11	RF 13-00-01	4190
HONG, YANG M	86-11	RF 13-00-01	4591
GRANT, JULIUS	86-12	RF 13-00-01	23735
PFISTERER, FRITZ	86-12	RF 13-00-01	7735
MENDENHALL, KEITH J	86-12	RF 13-00-01	16455
SHILLING, ANNA F	86-12	RF 13-00-01	45767
NELSON, JOAN	86-12	RF 13-00-01	17662
BLAHUTA, LUDVIK A	86-12	RF 13-00-01	25278
KIRKMAN, BURREL G	86-12	RF 13-00-01	28255
LANDERS, JAMES E	87-01	RF 13-00-01	19016
DAVIS, CHARLES	87-01	RF 13-00-01	13049
ATKINS, WILBUR E	87-01	RF 13-00-01	21584
RIEWE, DOLLY V	87-01	RF 13-00-01	20689
LYTLE, RICHARD F	87-01	RF 13-00-01	24526
BROOKS, GLENN F	87-01	F 13-00-01	52807
OWENS, LUKE	87-02	F 13-00-01	10212
SFOONER, MARLENE W	87-02	F 13-00-01	27882

TOTALS 31 RETIREES

588,392

UNIVERSITY TRS

DE STEFANO, PETER	86-11	RT 33-00-01	17182
MCLAUGHLIN, LAUREL	87-01	T 33-00-01	37256
MOORE, ANNABELLE F	87-01	RT 33-00-01	21728
FULLER, WILLIAM B	87-01	RT 33-00-01	19024
FENNERAKER, WILLIAM	87-01	T 33-00-01	21551
LOGAN, FORDYCE B JR	87-01	RT 33-00-01	17221
SMITH, JAMES A	87-01	RT 33-00-01	29466

STETSON, MARGUERITE 87-02 T 33 00-01 26923
TOTALS 15 RETIREES 355,550

BY DAVE STOUT 2/13/87

PROVIDED BY SENATOR ~~JIM DUNCAN~~ 3/1/89

PUBLIC EMPLOYEES' RETIREMENT SYSTEM RETIREMENT
INCENTIVE PROGRAM AUDIT

SUMMARY OF SCHEDULE OF RIP COST SAVINGS, PAGES 9-11

TOTAL POSITIONS MATCHED WITH FY 89 PAYROLL FILE:

731 POSITIONS	
SALARY OF RIP RETIREES	\$30,147,783
SALARY OF CURRENT OCCUPANTS	<u>26,847,437</u>
SAVINGS/LOSS	\$ 3,300,346

TOTAL POSITIONS NOT BUDGETED IN FY 89 PACS FILE:

158 POSITIONS	
SALARY OF RIP RETIREES	\$7,378,704
SALARY OF CURRENT OCCUPANTS	<u>0</u>
SAVINGS/LOSS	\$7,378,704

TOTAL POSITIONS BUDGETED IN PACS FILE BUT CURRENTLY UNFILLED:

83 POSITIONS	
SALARY OF RIP RETIREES	\$3,265,215
SALARY OF CURRENT OCCUPANTS	<u>0</u>
SAVINGS/LOSS	\$3,265,215

3/29/89 zm

THE FOLLOWING DOCUMENT HAS
NOT BEEN FILMED BUT IS
AVAILABLE IN THE ORIGINAL
FILE

A REPORT ON THE
DEPARTMENT OF ADMINISTRATION
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
RETIREMENT INCENTIVE PROGRAM

May 16, 1986 - October 1, 1987

Audit Control Number

02-1327-89-S

Commissioner, Department of
Administration

John M. Andrews

Deputy Commissioners, Department
of Administration

Charles E. Taylor
James J. Fox

STATE OF ALASKA

THE LEGISLATURE
BUDGET AND AUDIT COMMITTEE

AUDIT DIVIS. 3N
P.O. BOX W
JUNEAU, ALASKA 99811-3300

February 8, 1989

Members of the Legislative Budget
and Audit Committee:

In accordance with the provisions of Title 24 of the Alaska
Statutes, the attached report is submitted for your review.

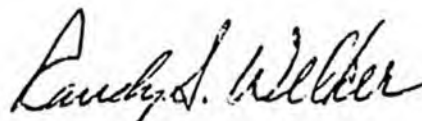
A REPORT ON THE
DEPARTMENT OF ADMINISTRATION
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
RETIREMENT INCENTIVE PROGRAM

May 16, 1986 - October 1, 1987

Audit Control Number

02-1327-89-S

As stated in the Report Objectives, Scope, and Methodology
Section, the Audit primarily involved determining the
estimated cost savings to the State of Alaska as a result of
state employees enrolled in the Public Employees' Retirement
System and participating in the Retirement Incentive Program
as enacted by Chapter 26, SLA 1986. This audit was con-
ducted in accordance with generally accepted governmental
performance auditing standards.



Randy S. Welker, CPA
Legislative Auditor
Division of Legislative Audit

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Organization and Function	5
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REPORT OBJECTIVES, SCOPE, AND METHODOLOGY

In accordance with the provisions of Title 24 of the Alaska Statutes, a review was conducted to determine the estimated cost savings resulting from State of Alaska employees participating in the Retirement Incentive Program (RIP). The objectives, scope, and methodology of our review were as follows:

Objectives

Chapter 26, SLA 1986 created a retirement incentive program for members of the Public Employees' Retirement System and Teachers' Retirement System. The stated purpose of this legislation, effective May 16, 1986 was:

Since it is necessary for state agencies and may be necessary for other employers who participate in the state retirement systems to reduce their personal services costs because of declining state revenue, a program encouraging employees to retire voluntarily may reduce the hardship of layoffs. This program is intended to realize sufficient economies to offset the cost of administration and benefits to the state agencies and other employers resulting from the award of retirement credits and to result in a net reduction in personal services costs to the state or other employer during a period of declining revenue.

The objective of our review was to determine the amount of cost savings as a result of state employees participating in RIP. The scope of our review and methodology used to meet this objective follows.

Scope and Methodology

All executive branch employees (excluding the University of Alaska) enrolled in the Public Employees' Retirement System, participating in RIP between May 16, 1986 to October 1, 1987, and having position control numbers (PCNs) were reviewed.

In order to calculate the estimated cost savings in personal service costs as a result of employees participating in RIP, we obtained a listing of retirees from the Department of Administration, Division of Retirement and Benefits. The listing, dated November 9, 1987 provided us with the retiring employee's name, social security number, and employer's RIP cost by department.

A computer match of social security numbers with the State's payroll history file was done in order to identify the PCN from which the employee retired. The match also provided us with the monthly salary or hourly rate the employee was paid. To derive an annual salary, monthly employees' salaries were multiplied by 12 months, if budgeted for 12 months, and hourly employees' salaries were multiplied by 1,950 hours, if budgeted for 12 months. The match of social security number to PCN showed that some employees did not have a PCN such as retirees from the Permanent Fund Corporation and marine employees. These were excluded from our analysis.

The new listing of PCNs generated above was matched with the State's payroll history file for the period August 1988 through December 1988. If a match occurred, we determined the annual salary of the current occupant based on the monthly/hourly rate. In addition, we matched the PCN with the FY 89 PACS (Position Accounting Control System) file that is maintained by the Office of the Governor, Office of Management and Budget. This match provided us with the number of months a position was budgeted.

In order to show a more accurate comparison of annual salary savings, we adjusted the annual salary for the retired employee and the current employee if the number of months budgeted was less than twelve. The salary of employees retiring from PCNs that remain vacant or was unbudgeted in the FY 89 PACS file is considered as a savings because there are no current costs associated with the vacated PCN. Furthermore, our review did not indicate that employees retired from positions currently vacant had been replaced with a new position which is currently filled.

Next, we compared the retired employees' salaries to the current occupants' salaries by position to determine if the participation in RIP resulted in a "savings" or "loss." "Savings" is defined as the current occupant's salary being less than the retired employee's salary. "Loss" is defined as the current occupant's salary being greater than the retired employee's salary.

In the final analysis, total savings/loss by department was multiplied by three years because the State had three years to pay for the employer's share of the RIP cost, although the benefit could affect more than three years. The employer's net cost of RIP by department which excludes the cost for positions not included in the comparison was compared with the department's three-year savings/loss in order to arrive at a net savings/loss.

Limitations

In addition to the methodology used to determine the cost savings of the RIP program, the following are some limitations we identified.

1. Our computation of savings only shows the savings in the position that retired. It doesn't take into account the savings from other positions affected within the State if the position was filled by another state employee.
2. Some positions were reclassified after the employee was retired. Consequently, the cost savings/loss comparison may be skewed for these positions.
3. Our comparison excludes employees in which the PCN had more than one employee participate in RIP. In those instances, only the first employee to participate in RIP and the current occupant were presented on the schedule.
4. The calculation of savings/loss was only determined for annual salaries; employee benefits are not included. In addition, the effect of employee merit increases during the year was excluded.
5. The net cost of RIP represents the employer's cost excluding administrative charges for those positions we analyzed.
6. Some executive branch employees took mandatory and voluntary pay cuts prior to retiring while the current occupant's salary in that position reflects the reinstated salary. We did not adjust our schedule for these differences.

(Intentionally left blank)

ORGANIZATION AND FUNCTION

Chapter 26, SLA 1986 became effective on May 16, 1986 and created a retirement incentive program for members of the Public Employees' Retirement System (PERS) and the Teachers' Retirement System (TRS). The program provided for vested members of each retirement system, who were eligible to retire within three years, a credit of three years. The aim of the program was to reduce personal service costs and to minimize the number of involuntary layoffs.

The Office of the Governor, Office of Management and Budget (OMB), Division of Budget Review issued detailed guidelines on June 11, 1986 to state agencies to follow in implementing the Retirement Incentive Program (RIP). Employees wishing to participate in the program had to meet three requirement levels in order to qualify for RIP.

1. Personal Eligibility - Basic requirements of age, length of service, and status with regard to PERS or TRS had to be met.
2. Designated Organizational Units - The individual had to be employed in a position falling within an agency assigned job classification, and authorized in and paid from a designated organizational unit. Savings then had to be shown to occur within job classifications within designated organizational units before any individual could retire under the program. Agencies were given complete freedom to select job classifications and organization units of the greatest or least detail.
3. Certification of Savings - Agencies were required to forward evidence of cost savings to OMB based on the job classifications and organizational units participating in RIP. Once OMB certified the savings, funds could be encumbered to pay for the cost of RIP.

In calculating the savings, OMB required agencies to include all those individuals meeting personal eligibility requirements and who wished to participate in the program. Within a job classification and designated organizational unit either all those individuals must have been able to participate or none could. In other words, an organizational unit could not be designated unless all those who met basic requirements and wanted to participate were included in the calculation of savings.

Savings could be achieved in one of four ways. A position held by a person retiring under the program could be filled by someone at a lower step or range within its existing job class; the position could be reclassified downward; or the position could be held vacant. In addition, agencies could consider a savings for a position held vacant even though it was not last filled by someone retiring under the program.

Because payment of the participant costs to the Division of Retirement and Benefits must have been made within three years of the end of the fiscal year in which he or she retired, agencies could calculate savings stemming from lower range, lower step, and vacancy over four full years rather than three, beginning with the fiscal year in which the retirement took place. According to OMB, the generous rounding was due to the fact that the State would benefit financially long after the three year payment period ended.