

LEGISLATIVE FINANCE-HOUSE / SENATE FINANCE COMM. FILES 8879

SB 73 cont., SB 74 604

195

1 section. The designation may include only representatives from job class-
2 ifications whose inclusion contributes to the overall cost savings.

3 (c) A member is eligible to participate in the retirement incentive
4 program only if the member is vested, is employed in a position in a des-
5 igned organizational unit, and will be qualified to retire under AS 14.-
6 25.110 or AS 39.35.370 after receipt of the retirement incentive. To
7 participate, a member shall apply on a form provided by the administrator.

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

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

17 (2) include a reimbursement agreement that

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

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

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

1 (B) provides that contributions from the employer under
2 this section take priority over other obligations of the employer to
3 the maximum extent permitted by law.

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

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

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

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

26 (2) to meet the age required for early retirement under AS 14.-
27 25.110 or AS 39.35.370, as appropriate;

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

1 (4) as years of credited service for calculating retirement
2 benefits.

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

6 (1) for members of the teachers' retirement system, service
7 credit for employment rendered to an employer, territorial service under
8 AS 14.25.105, outside service and military service under AS 14.25.060, and
9 Alaska BIA service under AS 14.25.107;

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

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

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

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

22 (1) has been continuously employed by the state since July 1,
23 1986;

24 (2) is a permanent seasonal employee continuously employed by
25 the state in the permanent seasonal position during all of the time since
26 July 1, 1986, in which the position normally was filled;

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

1 continuously employed by the agency during all of the time since July 1,
2 1986, in which the employee normally worked under the job sharing agree-
3 ment; or

4 (4) 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

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employees' retirement system.

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

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



Official Business

Alaska State Legislature

Senate

Committee on Finance

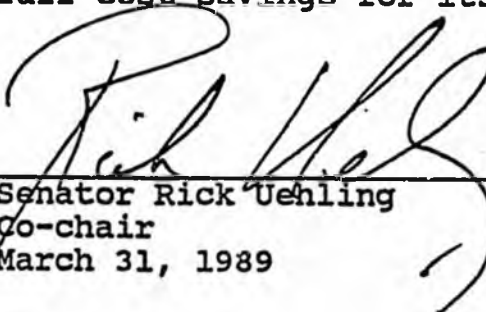
Pouch V
State Capitol
Juneau, Alaska 99811

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

Senate adopted 4/4

Alaska State Legislature



SENATOR JIM DUNCAN

P. O. BOX V JUNEAU, ALASKA 99811-3100
(907) 465-4766

COMMITTEES:
FINANCE
VICE CHAIR —
HEALTH EDUCATION
& SOCIAL SERVICES
BUDGET & AUDIT
BANKING &
ECONOMIC
DEVELOPMENT

MEMORANDUM

APRIL 17, 1989

TO: REPRESENTATIVE RON LARSON, CO-CHAIR
HOUSE FINANCE COMMITTEE

FROM: SENATOR *JM* JIM DUNCAN

SUBJECT: CS SENATE BILL 73 (FIN)AM, AN ACT RELATING TO
RETIREMENT INCENTIVE PROGRAMS FOR THE PUBLIC EMPLOYEES'
RETIREMENT SYSTEM AND THE TEACHERS' RETIREMENT SYSTEM.

I REQUEST THAT YOU SCHEDULE SB 73, RE-ESTABLISHING THE
RETIREMENT INCENTIVE PROGRAM FOR PUBLIC EMPLOYEES FOR A HEARING
AS SOON AS POSSIBLE.

THE PROPOSED PROGRAM IS ESSENTIALLY THE SAME AS THE ORIGINAL
RETIREMENT INCENTIVE PROGRAM. THE PROGRAM WILL ONCE AGAIN
PROVIDE A THREE YEAR INCENTIVE TO ENCOURAGE LONG-TERM, HIGHLY
PAID EMPLOYEES TO RETIRE FROM STATE, MUNICIPAL, UNIVERSITY, AND
SCHOOL EMPLOYMENT. THE INTENT OF THE PROGRAM IS TO RETAIN
EMPLOYEES AT THE LOWER END OF THE PAY SCALE BY RETIRING OTHERS.
IN MANY CASES, POSITIONS CAN BE HELD VACANT OR REFILLED AT A
LOWER LEVEL RESULTING IN PAYROLL SAVINGS TO THE EMPLOYER.

THE RETIREMENT INCENTIVE WINDOW PERIODS CURRENTLY IN CSSB 73
ARE AS FOLLOWS:

<u>EMPLOYEE TYPE</u>	<u>APPLICATION PERIOD</u>	<u>EMPLOYEE MUST RETIRE ON OR BEFORE</u>
SCHOOL	JUNE 30, 1989 - DEC. 31, 1989	AUGUST 1, 1990
UNIVERSITY	" "	" "
STATE	SEPT. 30, 1989-MARCH 31, 1990	Nov. 1, 1990
MUNICIPAL	" "	" "

THE RETIREMENT INCENTIVE PROGRAM HAS THE ADDED ATTRACTION OF
RETAINING RETIREMENT INCOME IN THE STATE OF ALASKA. MANY LOWER
LEVEL EMPLOYEES IF LAID OFF WOULD LEAVE ALASKA TO SEEK WORK

HOUSE FINANCE COMMITTEE
APRIL 17, 1989
PAGE 2

ELSEWHERE. THIS RESULTS IN AN ECONOMIC DOWNTURN SUCH AS OCCURRED A FEW YEARS AGO WHEN MANY HOMES STOOD VACANT AND BUSINESSES WERE FORCED TO CLOSE. BECAUSE ALMOST 70 PERCENT OF OUR RETIREES REMAIN IN ALASKA, WE RETAIN THE BENEFIT OF MUCH OF THE RETIREMENT COMPENSATION WHICH IS PAID OUT. THE NET EFFECT OF THESE FACTORS IS A GAIN IN COMPENSATION DOLLARS IN OUR ECONOMY.

I HAVE ATTACHED A COPY OF THE LEGISLATIVE AUDIT OF THE RETIREMENT INCENTIVE PROGRAM WHICH SHOWS THAT, CONSERVATIVELY, \$14.5 MILLION WAS SAVED BY THE STATE IN THE LAST INCENTIVE PROGRAM. ALSO ATTACHED IS A REPORT FROM THE DIVISION OF RETIREMENT AND BENEFITS CONCERNING THE SAVINGS WHICH ACCRUED TO MUNICIPALITIES, SCHOOL DISTRICTS, AND THE UNIVERSITY FROM THE LAST WINDOW PERIOD OF THE RETIREMENT INCENTIVE PROGRAM. TO SUMMARIZE, SCHOOL DISTRICTS SAVED AT LEAST \$31.2 MILLION, MUNICIPALITIES ALMOST \$5.0 MILLION, AND THE UNIVERSITY \$22.3 MILLION OVER A FIVE YEAR PERIOD.

I ALSO ATTACH LETTERS AND RESOLUTIONS OF ENDORSEMENT FROM MANY SCHOOL DISTRICTS, MUNICIPALITIES AND ORGANIZATIONS THROUGHOUT THE STATE.

BECAUSE I FEEL SO STRONGLY THAT THE RETIREMENT INCENTIVE PROGRAM WILL ONCE AGAIN RESULT IN SUBSTANTIAL SAVINGS TO PUBLIC BUDGETS, I URGE YOUR SUPPORT FOR SB 73. IF YOU OR YOUR STAFF HAVE ANY QUESTIONS CONCERNING THE RETIREMENT INCENTIVE PROGRAM, MY STAFF CONTACT ON SB 73 IS ROXANNE STEWART AT 465-4766.

ATTACHMENTS

CC: CAROL COLLINS, HOUSE FINANCE ✓



Alaska State Legislature

Please enter into the record my testimony to the House Hess
 committee name
 committee on SB 73 Retirement, dated 4-12-89
 bill/subject

ALASKA IS CURRENTLY FACED WITH FINANCIAL PERILS WHICH WILL NECESSITATE REDUCTION IN THE NUMBER OF EMPLOYEES ACROSS THE ENTIRE RANGE OF STATE ACTIVITIES INCLUDING REDUCTION OF THE NUMBER OF TEACHERS WITHIN OUR SCHOOL SYSTEMS.

BEING FACED WITH THESE CUTS IN PERSONNEL IT IS IMPERATIVE THAT WE DEVELOPE A PROGRAM THAT WILL SEE THE LEAST POSSIBLE HARM TO OUR CITIZENS. THE RETIREMENT INCENTIVE PROGRAM, SB 73, IS A VERY VIABLE ANSWER TO REDUCING STAFF WHILE NOT INFLECTING HARDSHIP ON MANY OF THESE EMPLOYEES. BY ALLOWING THOSE NEAR RETIREMENT TO RETIRE EARLY THE NECESSARY CUTS IN STAFF CAN BE MADE AND THIS WILL ALSO PROVIDE A SAVINGS TO THE STATE AND SCHOOL DISTRICTS AT THE SAME TIME. THOSE NEAR RETIREMENT ARE AT THE TOP OF PAY SCALES WHILE NEW HIRES ARE MUCH LOWER.

I ENCOURAGE YOUR PASSAGE OF SB 73 THROUGH YOUR COMMITTEE WITH INANIMOUS APPROVAL. INCLUDING THE AMMENDMENT THAT INCLUDES OUTSIDE SERVICE AND MILITARY WHICH IN-EFFECT ALLOWS THOSE WITH THE STATUTE REQUIREMENT OF 25 YEARS MEMBERSHIP SERVICE TO RETIRE EARLY TOO. THIS WILL PROVIDE OPPORTUNITIES FOR NEW TEACHERS, STUDENTS COMPLETING THEIR EDUCATION AND WANTING A TEACHING POSITION IN ALASKA, TO FIND WORK. MANY OF THESE STUDENTS ARE ALASKANS WHO WANT TO RETURN TO THEIR STATE TO WORK.

PLEASE PASS THIS VITAL LEGISLATION.

Signed: Raymond M. Holt
 Testifier

Representing (Optional)
P.O. Box 5338 Ketchikan Alaska 99901
 Address
247-8518 (H) 225-428 (W)
 Phone No.

CARTA

Item 7

Central Alaska Retired Teachers Association

Advocate for Retired and Pre-Retired Educators

PO Box 11-2827
Anchorage, AK 99511
Phone: 345-1698
March 28, 1989

Representative "Red" Boucher, Chairman
House State Affairs Committee
PO Box V
Juneau, AK 99811

Dear Representative Boucher:

The members of the Central Alaska Retired Teachers Association (CARTA) are very much concerned about the proposal to continue indefinitely the early retirement incentive program for Alaska's teachers as well as for other State employees as presented in SB 73 and HB 77 currently before the Legislature.

Because of this concern, at their regular March meeting, members approved the resolution printed on page four of the attached CARTA Newsletter.

In addition to the reasons stated in the resolution, CARTA members believe that two other legislative proposals should receive approval, proposals that seem to be on a collision course with SB 73 and HB 77 because of cost. Both bills listed below should be approved first.

SB 53 provides an automatic cost-of-living adjustment for retired teachers, a benefit already enjoyed by other retired State employees. It has been suggested that this is too expensive for the Teachers Retirement System fund to bear, and one reason given is the escalating cost of health insurance--especially for early retirees and their families.

SB 13 provides for reimbursing teacher and public employee retirees for Medicare Part B premiums and is important because current practice discriminates against older retirees by requiring them to begin to pay for part of their health insurance when they become 65, although the retirement funds pay in full for younger retirees and their families.

Please give these matters your careful consideration. I would appreciate having a response from you that I can share with CARTA members.

Sincerely,



Marilyn S. Scott, Ed.D., President

RECEIVED

APR 09 1989



Central Alaska Retired Teachers Association

VOLUME 111, Number 3

March 1989

MEDICARE CATASTROPHIC COVERAGE ACT OF 1988 IS VIEWED BY MANY RETIREES TO BE CATASTROPHIC FOR THEM

At recent CARTA general meetings as well as meetings of its executive board and legislative committee, the surtax on incomes of seniors 65 and older to pay for the additional health insurance coverage provided in the Medicare Catastrophic Coverage Act of 1988 has been a major issue. The assumption of the legislation is that only senior citizens benefit; therefore, only senior citizens should bear the cost.

Medicare-eligible persons approaching 65 or older need to be aware that this Act provides for a surtax on their income tax, calling for an additional payment of \$22.50 for each \$150 of federal income tax liability, with a ceiling of \$800 per person (\$1600 per couple) for 1989. That amount will increase annually up to \$42 per \$150 of income tax with a ceiling of \$1050 per person (\$2100 per couple) in 1993, and may increase further in future years. Generally speaking, a taxable income of \$25,000 for an individual or \$50,000 for a couple will generate nearly the full amount of surtax.

The Kiplinger Washington Letter of March 17, 1989, a business-focused newsletter, advises: "New Medicare tax needn't be paid in advance on '89 estimated tax or by income withholding. Medicare recipients can owe up to \$800 each. IRS won't charge penalties for this first year, but will in later years. An exception: Taxpayers won't have to prepay for the year they turn 65. The new tax is not a deductible medical expense, unlike genuine premiums."

Exploration of the problem has identified two issues of particular concern to retired educators.

First, the Medicare Catastrophic Act of 1988 provides little improvement over the health insurance coverage already provided to Alaska's retired teachers through the Teachers Retirement System. It generally duplicates the Medicare supplementary coverage under Aetna.

Second, the method of determining the surtax is unfair to retired teachers, who receive minimal Social Security benefits. State of Alaska teacher retirement benefits are fully taxable for federal income tax purposes whereas only 50 % of Social Security benefits are taxable. Since the Medicare surtax is based on federal income tax paid,

retired teachers' taxable income appears to be much higher than it really is in relation to persons depending primarily on Social Security, and their surtax may be correspondingly higher.

The net result is that Alaska's retired teachers who are 65 or older will be receiving little if any additional benefit from the Medicare Catastrophic Coverage Act, but may be paying more Medicare surtax than Social Security retirees with the same dollar income.

The provisions of the Act itself are coming under increased scrutiny. There is real concern that it is not in the best interests of Medicare recipients in general. It is estimated that only about 3% of seniors will benefit from the unlimited hospital care, and there is no provision for real long term care which is the chief concern of most older Americans. It is possible that the entire Act will need to be reworked.

(See related stories on page 2.)

MEETING SCHEDULE

Apr 8 Health insurance

May 13 Scholarship winners!

Sept 3 Program TBA

KEEPING IN TOUCH

PAULINE and **GORDON BURKHER** enjoyed a visit with Burl and sons this winter. They tried an elephant ride at the San Diego zoo, sampled Palm Springs, and shivered in San Francisco.

ADELHEID PAULS is recovering from surgery for a ruptured disc. She was looking well at the March ASRTA/CARTA meeting.

EDYTHE HASSEL had a week of bridge in Honolulu plus a week with her son Doug and wife and five grandsons at North Shore. She got caught in Seattle's snowstorm—says it was worse than Anchorage. She entered two pastels in the Fur Rondy Senior Juried Art Show. Her Canvas Ducks garnered a second place.

YVONNE FALON chaired the Anchorage Womens Club eleventh annual High School Juried Art Show held this year at Loussac Library.

BUCK and **GENEVA SMITH** made a 3-day trip to Reno (some luck, they say) and then to Sumner, Wash. They visited their daughter and family and watched a grandson in a wrestling match.

JOHN and **NAOMI EVERITT** spent Dec/Jan in Mississippi. John built fence and planted several acres of pine trees while Naomi involved relatives in sewing handcrafts, quilts, skirts, blazers, etc.

MARY and **GORDON GUFFEY** enjoyed this past Christmas by having daughter Adele with them.

JOE MONTGOMERY has been back shoveling snow after coping with a blood clot in his lung during the winter months.

MARI PARKER RICH and husband Paul spent Christmas in Anchorage. Mari enjoyed her grandchildren while Paul snowmobiled. They also visited the Everitts in Mississippi in November.

MAX and **FLO LALANDE** flew to Richmond, VA, on March 4 and picked up a YW camper for a 3-month motor trip. Flo will attend an Early Childhood Education conference in Richmond in April. They have reservations for the Kentucky Derby in May.

ELAINE and **LEO HANTZ** spent Christmas in Baumholder, Germany with their granddaughter and her family.

LEGISLATION NEEDS CARTA HELP

SB 53, to establish an Automatic Post-Retirement Pension Adjustment (PRPA) for teachers seems to be going nowhere. Too costly, they say. Write to or call Paul Fischer, Jim Duncan and Tim Kelly of the SENATE HESS Committee; also, Pat Pourchot, Jan Fuiks and Jay Kerttula of SENATE State Affairs; and John Binkley, Rick Uehling, and Drue Pearce of SENATE Finance.

SB 13 provides for reimbursing teacher and other State retirees for the Medicare Part B premiums they must begin to pay at age 65 if they are to retain full medical insurance coverage. SENATE HESS, State Affairs and Finance are scheduled to review this bill also. Write to the same senators listed under SB 53 above and to Fred Zharoff who is a co-sponsor with Duncan and Kerttula.

SB 73 and HB 77 attempt to reimplement the early retirement incentive program. CARTA and ASRTA have taken the position that early retirement of teachers may jeopardize quality education

and, because of spiraling health insurance costs, the financial health of the Teachers Retirement System. SB 73 will be considered by SENATE State Affairs, HESS and Finance (See committee member names at left). Write also to "Red" Boucher, Dave Donley, Alyce Hanley and Jim Zawacki of HOUSE State Affairs; Ron Larson, C.E. Swackhammer, Fran Ulmer, Kay Brown, Ramona Barnes, Randy Phillips and Steve Rieger of HOUSE Finance; and Johnny Ellis, Max Gruenberg and Walt Furnace of HOUSE HESS.

SENATE Finance is now considering SB 5, the Longevity Bonus/Annuity Program bill introduced by Kerttula and vetoed last year by Governor Cowper. There are efforts under way to kill the Longevity Bonus. CARTA, AARP, the Pioneers and others support the Annuity bill as a viable alternative to the Bonus. Messages need to go to SENATE Finance members listed at left.

Write to all legislators at PO Box Y, Juneau, AK 99811, or through the Legislative Information Office.

March 29, 1989

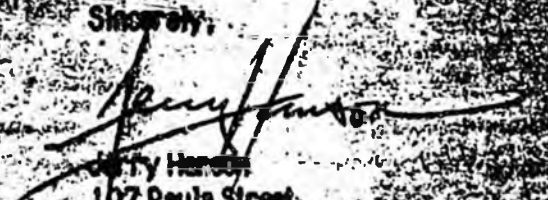
Representative H.A. "Red" Boucher
Box V
Juneau, AK 98111

Dear Representative Boucher:

I would like to ask for your support of the retirement incentives for teachers and other public employees and ask that you schedule it for hearing soon in your district. This bill, I believe, is a win-win situation for everyone interested in public education. Employees retain the choice of continuing to teach or accepting the offer. School districts, which are a part of the budget pays for employee costs, will hire younger and cheaper teachers. This will open up for recent Alaskan graduates of teaching schools. Students lose experience from their teachers with new enthusiasm and fresh ideas. The money saved with less expensive teachers can be used to fund programs currently scheduled for cuts due to declining revenue. The only negative is the loss of experienced teachers but I think a majority of teachers accepting this offer are teachers who would retire soon anyway.

I note that the House version of this bill opens a window for teachers in the summer of 1989. I would like to see this changed to at least match the latest senate version of this bill which opens a window from June 30, 1989 to December 31, 1989. It wouldn't be unreasonable to have this a 12-month window. Dale Sandait, personnel director for the Kenai Peninsula School District, thought that there might be 60-70 additional vacancies to fill in this district alone if this program became law. With a wider open-period school districts across the state would have a smoother transition and less competition in finding the best replacements. Also it is becoming clear that the need for cutting expenses is now. Our school board has held an unusual number of public hearings this past month getting ready for the impending school budget crises. My school district has indicated they might be forced to issue a large number of Force notices to certified employees this year. When this was last done in 1981 it created havoc.

Sincerely,


Jerry Hanson
107 Paula Street
Kenai, Alaska 99611

RECEIVED

APR 03 1989

April 6, 1989

The Honorable
State Affairs Committee
House of Representatives
Juneau, Alaska

Dear Mr. Boucher:

We urge you to support expeditious passage of Senate Bill 73.

Senate Bill 73 is fiscally responsible. A study of the results of the retirement incentive bill of 1984 showed substantial savings to the state of Alaska.

Senate Bill 73 provides an opportunity to create flexibility and pertinence in public school programs. The retirement of senior staff members allows responsive change in school staff skills and preferences. The result will be better education for the children of our state.

Thank you for your attention and for your support for Senate Bill 73.

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Carol A. McNeil	Carol A. McNeil	3300 W. 31st Ave 9951
Robert S. Wick	Robert S. Wick	19911 SHENUA, Eagle River 99577
Jim Curtan	Jim Curtan	4985 Southampton 99508

Dear Legislators:

Considering the success of the RIP bill of 1986, why hasn't this session's RIP been aimed at a larger pool of potential retirees? Assuming that a positive correlation exists between number of participants and amount of dollars/jobs saved, please consider ways to incorporate a larger membership.

Viable options might be:

- ① Extend the application period to 1991 or beyond.
- ② Allow 4 or 5 years of credited service instead of 3.
- ③ Apply a vested member's outside or military service toward a minimum 20 yr. credited retirement, instead of the present 25 yr. minimum.

Thank you,
Gene Smart (776-5678)



UNIVERSITY OF ALASKA, ANCHORAGE

3211 Providence Drive
Anchorage, Alaska 99508

March 14, 1988

OFFICE OF THE CHANCELLOR

Senator Jim Duncan
Alaska State Legislature
P.O. Box V (M/S 3100)
Juneau, AK 99811


Dear Senator Duncan:

Thank you for introducing Senate Bill 73, the Retirement Incentive Program. There have been numerous inquiries from the University of Alaska Anchorage (UAA) faculty and staff who are interested in the program which indicates that, if the bill is passed, UAA would realize significant savings in personnel costs.

We support this bill and urge its passage.

Thanks again for your continuing support for the University of Alaska.

Sincerely,



Donald F. Behrend
Chancellor

DFB:ec



Office of the Chancellor

(907) 474-7112

UNIVERSITY OF ALASKA FAIRBANKS

Fairbanks, Alaska 99775-0500

March 14, 1989

Senator Jim Duncan
Alaska State Legislature
P.O. Box V (MS 3100)
Juneau, Alaska 99811

Dear Senator Duncan:

I am writing in support of SB73, a Retirement Incentive Program For State Employees. As I understand the nature of this bill, it would be similar to the program implemented by the Alaska State Legislature and the State of Alaska a few years ago. The primary difference would be that the cost savings would have to result in personal services over a five year period after the commencement of the program rather than a three year period.

Allow me to address the program from the employees' standpoint. In informal surveys of our support staff and faculty, I find broad support for SB73. It would be fair to state that their general view is that the program would provide an option to employees who have provided a substantial length of service to the University. Additionally, it would be an important morale factor during these difficult financial times when there has been little or no salary movement for these employees.

I realize the purpose of this proposed legislation is not to provide a morale benefit for state employees but, rather, to ultimately save the State of Alaska money. We have now completed our review of the past Retirement Incentive Program. During that program, 104 employees exercised their option to retire. Of these 104 employees, 49 were members of the Teachers' Retirement System and 55 were members of the Public Employees' Retirement System.

In addressing the cost savings as a function of the Teachers' Retirement System, we conclude as follows. Three of the 49 positions were left vacant and then deleted from the University's budget during budget reductions. Over a five year period (following closure of the window for the program), had all 49 employees remained employed, it would have cost the University \$20,040,341. The replacement costs over this same period of time

Senator Jim Duncan
March 14, 1989
Page 2

will actually cost the University \$16,767,874. Additionally, we have deducted \$1,571,262 from the savings as this was the amount the University was required to pay into the retirement system to cover its actuarial costs. Thus, we will have a net savings to the state (over a five year period) of \$1,701,205 .

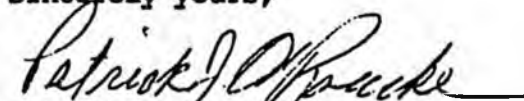
A similar pattern is shown under the Public Employees' Retirement System. Had all 55 employees remained for another five years, it would have cost the University \$13,132,743. The replacement costs for the retirees total \$10,310,685 over that same five year period. We again deducted the amount the University was required to pay to the retirement system which amounted to \$1,378,528. Thus, in the PERS, we count \$1,143,530 as the net savings over a five year period.

In total, for the University of Alaska Fairbanks, we calculate that over a five year period of time, the program will have saved the University approximately \$2,844,735.

These savings have not yet materialized because we are still in the third year of our payments to the various retirement systems. Additionally, replacement employees have not yet been at UAF a period of five years. Thus, there has been some short-term pain to UAF as we have tried to cover our required payments to TRS and PERS. However, although we had to absorb these unbudgeted costs through other temporary reductions, the picture appears clear in the long term. There is a definite savings over a five year period of approximately \$2.8 or roughly \$27,353 per retiree. Clearly, from a financial standpoint, the state benefits in the long term from such a program although, as I said, it has been difficult to cover the short-term costs.

I am hopeful that SB73 will pass this session of the legislature. I imagine there may be detractors, but it cannot be on the basis that there are not long term savings. Clearly, there are.

Sincerely yours,


Patrick J. O'Rourke, Chancellor
University of Alaska Fairbanks

PJO'R/clb



RECEIVED JAN 11 1989

ALASKA ASSOCIATION OF ELEMENTARY SCHOOL PRINCIPALS
ALASKA ASSOCIATION OF SECONDARY SCHOOL PRINCIPALS
ALASKA ASSOCIATION OF SCHOOL ADMINISTRATORS

• ALASKA COUNCIL OF SCHOOL ADMINISTRATORS •
326 Fourth St., Suite 408 Juneau, Alaska 99801 586-9702

RESOLUTION TO ENACT THE RETIREMENT INCENTIVE PROGRAM (RIP)

The Alaska Council of School Administrators urges the Legislature and Governor to again enact the Retirement Incentive Program.

RATIONAL:

- (A) The State of Alaska had initiated an early retirement incentive program which has appeared to be of benefit to the retiree and the State of Alaska.
- (B) It will be established over time that the intent of the previous program has been accomplished.
- (C) That the TRS and PERS will remain financially sound.
- (D) It has provided a positive incentive to long term employees to change careers without penalty.



NEA-ALASKA

AFFILIATED WITH THE NATIONAL EDUCATION ASSOCIATION

Pay

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RECEIVED MAR 28 1989

March 27, 1989

To: Senators Binkley and Uehling, Co-Chairs
Members, Senate Finance Committee

Re: CS For Senate Bill No. 73 (HESS): "An Act
relating to retirement incentive programs for
the public employees' retirement system and the
teachers' retirement system; and providing for an
effective date."

NEA-Alaska endorses, strongly supports, and encourages your favorable consideration of the CS for SB 73.

The probability of funding cuts to the operating costs of government also carry the probability of employee lay-offs. It makes sense to diminish the adverse impact of lay-offs by providing for voluntary attrition through a retirement incentive program.

While employee lay-offs may save some money initially they also represent potential longer term costs to government through unemployment costs and other social services.

The retirement incentive program provides for immediate and long term cumulative savings as well as providing government the opportunity to reorganize itself more efficiently.

SB 73 responsibly requires that participating agencies of government demonstrate financial savings as a basic requirement for employee participation. It further provides that the program be implemented at no additional cost to the retirement systems.

The data from the last RIP overwhelmingly demonstrates that this is a sound program and is worthy of your favorable consideration.

Thank you for your consideration of our position.

Respectfully submitted,

Bob Manners

Bob Manners
Executive Secretary

Judy Salo

Judy Salo
President

cc: Senator Jim Duncan

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 DIVISION
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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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 at 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.

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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.

AUDITOR'S CONCLUSIONS

Comparing the salaries of employees participating in the Retirement Incentive Program (RIP) with the salaries of replacement employees and positions remaining vacant shows the State benefited in a reduction of personal service costs. Taking into consideration the employer's cost to credit the retired employees with three years of service produces an estimated net savings of \$14,449,000 over three years. (See Schedule of RIP Cost Savings/(Loss) on page 9 of this report.)

Except for the Department of Corrections and the Department of Community and Regional Affairs, all executive branch agencies we reviewed showed a net savings to the State. For the most part this exception was due to OMB allowing agencies to calculate their savings over a four-year time period whereas our calculations were based over a three-year period. (See Report Objectives, Scope, and Methodology section of this report.) In addition, provisions were made by OMB that agencies could demonstrate savings by keeping open a vacated position even though the employee did not retire through the RIP program. We did not identify these positions or follow that methodology for calculating savings.

Net cost savings by state agency were mainly generated by the replacement of employees whose salary was based on longevity with employees paid at lower rates, the reclassification of positions to lower pay ranges, and leaving positions vacant. Positions employees retired from and currently occupied by an employee resulted in lower annual salaries for all agencies, except for the Office of the Governor. Current salaries in the Governor's Office were greater by \$1,000 in those positions where employees retired. We believe this variance is due to the retiring employee's salary reflecting a 10 percent pay cut while the current occupant's salary is after the pay cuts were restored.

Review of some individual significant variances in pay between the retired employee's salary and the current employee's salary indicated the variances were mainly caused by position reclassifications. We did not determine the justification for these position reclassifications.

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STATE OF ALASKA
DEPARTMENT OF ADMINISTRATION
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
RETIREMENT INCENTIVE PROGRAM (RIP)
SCHEDULE OF RIP COST SAVINGS/(LOSS)
May 16, 1986 to October 1, 1987

Description	Number of Positions	Salary of RIP Retiree	Current Occupant's Salary of Position Vacated	Difference - Savings (Loss)	Savings (Loss) Over Three-Year Period	Net Cost of RIP	Three-Year Net RIP Savings (Loss)
Office of the Governor							
Positions Matched with FY 89 Payroll File	3	\$ 121,368	\$ 122,412	\$ (1,044)	\$	\$	\$
Positions Not Matched with FY 89 Payroll File:							
Not Budgeted in FY 89 PACS File	2	83,568	-0-	83,568			
Budgeted in PACS File but Currently Unfilled	0	-0-	-0-	-0-			
Budgeted in PACS File with Zero Months Budgeted	0	-0-	-0-	-0-			
Total Positions Not Matched with FY 89 Payroll File	2	83,568	-0-	83,568			
Total Office of the Governor	5	204,936	122,412	82,524	247,572	106,746	140,826
Department of Administration							
Positions Matched with FY 89 Payroll File	78	2,757,338	2,426,751	330,587			
Positions Not Matched with FY 89 Payroll File:							
Not Budgeted in FY 89 PACS File	17	757,569	-0-	757,569			
Budgeted in PACS File but Currently Unfilled	3	63,028	-0-	63,028			
Budgeted in PACS File with Zero Months Budgeted	1	-0-	-0-	-0-			
Total Positions Not Matched with FY 89 Payroll File	21	820,597	-0-	820,597			
Total Department of Administration	99	3,577,935	2,426,751	1,151,184	3,453,552	2,194,937	1,258,615
Department of Law							
Positions Matched with FY 89 Payroll File	9	359,364	347,508	11,856			
Positions Not Matched with FY 89 Payroll File:							
Not Budgeted in FY 89 PACS File	2	109,224	-0-	109,224			
Budgeted in PACS File but Currently Unfilled	0	-0-	-0-	-0-			
Budgeted in PACS File with Zero Months Budgeted	0	-0-	-0-	-0-			
Total Positions Not Matched with FY 89 Payroll File	2	109,224	-0-	109,224			
Total Department of Law	11	468,588	347,508	121,080	363,240	277,016	86,224
Department of Revenue							
Positions Matched with FY 89 Payroll File	14	504,180	438,504	65,676			
Positions Not Matched with FY 89 Payroll File:							
Not Budgeted in FY 89 PACS File	2	84,178	-0-	84,168			
Budgeted in PACS File but Currently Unfilled	5	147,648	-0-	147,648			
Budgeted in PACS File with Zero Months Budgeted	0	-0-	-0-	-0-			
Total Positions Not Matched with FY 89 Payroll File	7	231,816	-0-	231,816			
Total Department of Revenue	21	735,996	438,504	297,492	892,476	431,635	460,841
Department of Education							
Positions Matched with FY 89 Payroll File	16	716,604	592,860	123,744			
Positions Not Matched with FY 89 Payroll File:							
Not Budgeted in FY 89 PACS File	12	382,971	-0-	382,971			
Budgeted in PACS File but Currently Unfilled	0	-0-	-0-	-0-			
Budgeted in PACS File with Zero Months Budgeted	0	-0-	-0-	-0-			
Total Positions Not Matched with FY 89 Payroll File	12	382,971	-0-	382,971			
Total Department of Education	28	1,099,575	592,860	506,715	1,520,145	558,184	961,961
Department of Health and Social Services							
Positions Matched with FY 89 Payroll File	133	5,153,660	4,493,323	660,337			
Positions Not Matched with FY 89 Payroll File:							
Not Budgeted in FY 89 PACS File	9	377,954	-0-	377,954			
Budgeted in PACS File but Currently Unfilled	8	314,086	-0-	314,086			
Budgeted in PACS File with Zero Months Budgeted	0	-0-	-0-	-0-			
Total Positions Not Matched with FY 89 Payroll File	17	692,040	-0-	692,040			
Total Department of Health and Social Services	150	5,845,700	4,493,323	1,352,377	4,057,131	3,198,795	858,336

STATE OF ALASKA
DEPARTMENT OF ADMINISTRATION
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
RETIREMENT INCENTIVE PROGRAM (RIP)
SCHEDULE OF RIP COST SAVINGS/(LOSS)
May 16, 1986 to October 1, 1987

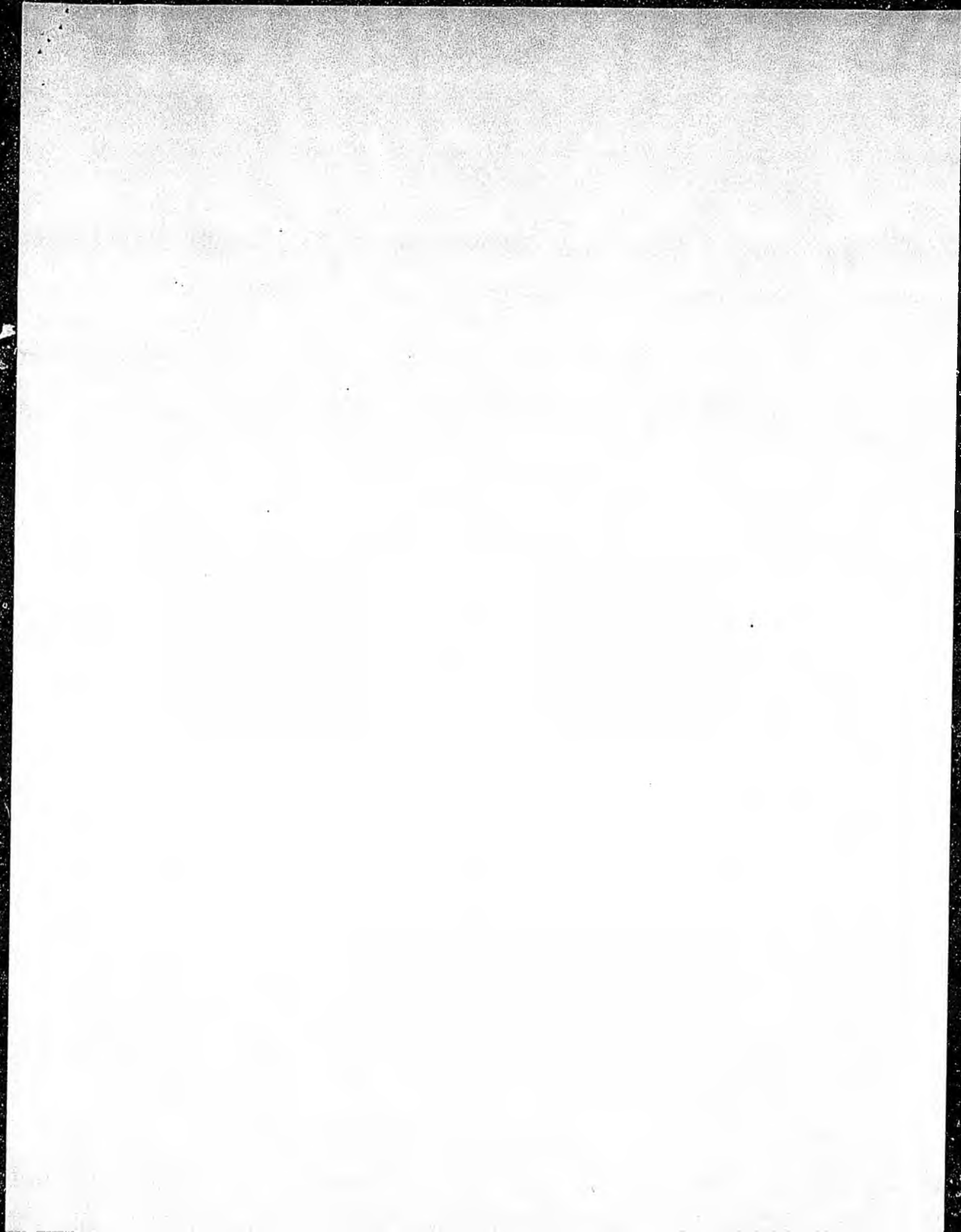
Description	Number of Positions	Salary of RIP Retiree	Current Occupant's Salary of Position Vacated	Difference - Savings (Loss)	Savings (Loss) Over Three-Year Period	Net Cost of RIP	Three-Year Net RIP Savings (Loss)
Department of Labor							
Positions Matched with FY 89 Payroll File	42	\$ 1,771,523	\$1,597,985	\$ 173,538	\$	\$	\$
Positions Not Matched with FY 89 Payroll File:							
Not Budgeted in FY 89 PACS File	2	66,678	-0-	66,678			
Budgeted in PACS File but Currently Unfilled	9	326,116	-0-	326,116			
Budgeted in PACS File with Zero Months Budgeted	0	-0-	-0-	-0-			
Total Positions Not Matched with FY 89 Payroll File	11	392,794	-0-	392,794			
Total Department of Labor	53	2,164,317	1,597,985	566,332	1,698,996	1,116,175	582,821
Department of Commerce and Economic Development							
Positions Matched with FY 89 Payroll File	19	851,652	724,308	127,344			
Positions Not Matched with FY 89 Payroll File:							
Not Budgeted in FY 89 PACS File	9	410,784	-0-	410,784			
Budgeted in PACS File but Currently Unfilled	0	-0-	-0-	-0-			
Budgeted in PACS File with Zero Months Budgeted	0	-0-	-0-	-0-			
Total Positions Not Matched with FY 89 Payroll File	9	410,784	-0-	410,784			
Total Department of Commerce and Economic Development	28	1,262,436	724,308	538,128	1,614,384	646,136	968,248
Department of Military and Veterans' Affairs							
Positions Matched with FY 89 Payroll File	3	176,016	162,372	13,644			
Positions Not Matched with FY 89 Payroll File:							
Not Budgeted in FY 89 PACS File	1	77,268	-0-	77,268			
Budgeted in PACS File but Currently Unfilled	0	-0-	-0-	-0-			
Budgeted in PACS File with Zero Months Budgeted	0	-0-	-0-	-0-			
Total Positions Not Matched with FY 89 Payroll File	1	77,268	-0-	77,268			
Total Department of Military and Veterans' Affairs	4	253,284	162,372	90,912	272,736	230,541	42,195
Department of Natural Resources							
Positions Matched with FY 89 Payroll File	37	1,338,597	1,241,732	96,865			
Positions Not Matched with FY 89 Payroll File:							
Not Budgeted in FY 89 PACS File	20	908,676	-0-	908,676			
Budgeted in PACS File but Currently Unfilled	7	222,802	-0-	222,802			
Budgeted in PACS File with Zero Months Budgeted	0	-0-	-0-	-0-			
Total Positions Not Matched with FY 89 Payroll File	27	1,131,478	-0-	1,131,478			
Total Department of Natural Resources	64	2,470,075	1,241,732	1,228,343	3,685,029	1,400,476	2,284,553
Department of Fish and Game							
Positions Matched with FY 89 Payroll File	47	2,107,741	1,780,873	326,868			
Positions Not Matched with FY 89 Payroll File:							
Not Budgeted in FY 89 PACS File	14	710,953	-0-	710,953			
Budgeted in PACS File but Currently Unfilled	12	505,591	-0-	505,591			
Budgeted in PACS File with Zero Months Budgeted	4	-0-	-0-	-0-			
Total Positions Not Matched with FY 89 Payroll File	30	1,216,544	-0-	1,216,544			
Total Department of Fish and Game	77	3,324,285	1,780,873	1,543,412	4,630,236	2,686,220	1,944,016
Department of Public Safety							
Positions Matched with FY 89 Payroll File	64	3,022,535	2,745,096	277,439			
Positions Not Matched with FY 89 Payroll File:							
Not Budgeted in FY 89 PACS File	34	1,802,508	-0-	1,802,508			
Budgeted in PACS File but Currently Unfilled	3	126,427	-0-	126,427			
Budgeted in PACS File with Zero Months Budgeted	0	-0-	-0-	-0-			
Total Positions Not Matched with FY 89 Payroll File	37	1,928,935	-0-	1,928,935			
Total Department of Public Safety	101	4,951,470	2,745,096	2,206,374	6,619,122	4,209,418	2,409,704

STATE OF ALASKA
DEPARTMENT OF ADMINISTRATION
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
RETIREMENT INCENTIVE PROGRAM (RIP)
SCHEDULE OF RIP COST SAVINGS/(LOSS)
May 16, 1986 to October 1, 1987

Description	Number of Positions	Salary of RIP Retiree	Current Occupant's Salary of Position Vacated	Difference - Savings (Loss)	Savings (Loss) Over Three-Year Period	Net Cost of RIP	Three-Year Net RIP Savings (Loss)
Department of Environmental Conservation							
Positions Matched with FY 89 Payroll File	10	\$ 435,636	\$ 381,884	\$ 53,752	\$	\$	\$
Positions Not Matched with FY 89 Payroll File:							
Not Budgeted in FY 89 PACS File	1	38,712	-0-	38,712			
Budgeted in PACS File but Currently Unfilled	1	43,248	-0-	43,248			
Budgeted in PACS File with Zero Months Budgeted	0	-0-	-0-	-0-			
Total Positions Not Matched with FY 89 Payroll File	2	81,960	-0-	81,960			
Total Department of Environmental Conservation	12	517,596	381,884	135,712	407,136	241,087	166,049
Department of Corrections							
Positions Matched with FY 89 Payroll File	36	1,482,921	1,292,028	190,893			
Positions Not Matched with FY 89 Payroll File:							
Not Budgeted in FY 89 PACS File	1	45,744	-0-	45,744			
Budgeted in PACS File but Currently Unfilled	0	-0-	-0-	-0-			
Budgeted in PACS File with Zero Months Budgeted	0	-0-	-0-	-0-			
Total Positions Not Matched with FY 89 Payroll File	1	45,744	-0-	45,744			
Total Department of Corrections	37	1,528,665	1,292,028	236,637	709,911	988,194	(278,283)
Department of Community and Regional Affairs							
Positions Matched with FY 89 Payroll File	6	287,112	269,256	17,856			
Positions Not Matched with FY 89 Payroll File:							
Not Budgeted in FY 89 PACS File	1	37,356	-0-	37,356			
Budgeted in PACS File but Currently Unfilled	0	-0-	-0-	-0-			
Budgeted in PACS File with Zero Months Budgeted	0	-0-	-0-	-0-			
Total Positions Not Matched with FY 89 Payroll File	1	37,356	-0-	37,356			
Total Department of Community and Regional Affairs	7	324,468	269,256	55,212	165,636	174,106	(8,470)
Department of Transportation and Public Facilities							
Positions Matched with FY 89 Payroll File	214	9,061,536	8,230,545	830,991			
Positions Not Matched with FY 89 Payroll File:							
Not Budgeted in FY 89 PACS File	31	1,484,571	-0-	1,484,571			
Budgeted in PACS File but Currently Unfilled	35	1,516,269	-0-	1,516,269			
Budgeted in PACS File with Zero Months Budgeted	0	-0-	-0-	-0-			
Total Positions Not Matched with FY 89 Payroll File	66	3,000,840	-0-	3,000,840			
Total Department of Transportation and Public Facilities	280	12,062,376	8,230,545	3,831,831	11,495,493	8,924,609	2,570,884
Total RIP Program	977	\$40,791,702	\$26,847,437	\$13,944,265	\$41,832,795	\$27,384,275	\$14,448,520

See the Report Objectives, Scope, and Methodology section of this report for the methodology used to prepare this schedule and the limitations of this schedule.

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7 4

SENATE FINANCE COMMITTEE REPORT

~~RETURNED TO FINANCE~~
RETURNED TO FINANCE
DATE: 4/27/90

DATE TURNED INTO OFFICE: 4/29/90

The Finance Committee considered SB 74

"An Act amending and extending the fisheries business tax credit; relating to fisheries business tax refunds to municipalities; and providing for an effective date."

and recommended:

replace with 2dcs SB 74 (Fix)
 or adopt _____ CS _____
 attached amendment(s)
 _____ letter of intent adopted

same title
 new title
 technical title change (HB only)

- do pass
- do not pass
- no recommendation
- individual recommendations
- further referral to _____

ATTACHES NEW FISCAL NOTE(S):

Dept/Date:
 fiscal note(s) _____
DOR <15,000,000> FY 92 revenue
<16,000,000> FY 93 & FY 94 revenue
 zero fiscal note(s) DOR 4/29/90
FY 91

APPROVES PREVIOUS:

Dept/Date:
 fiscal note(s) _____

 zero fiscal note(s) _____

appropriation-no fiscal note

SIGNING DO PASS:

Paul J. Shaffer

OTHER RECOMMENDATIONS:

Frank NO RE
Frank DO NOT PASS
Rich Kelly (NO RE)

R/O SFC 4-29-90

STATE OF ALASKA
1990 LEGISLATIVE SESSION

BILL VERSION: 2d CS SB 74 (Fin)

PUBLISH DATE: _____

FISCAL NOTE

REQUEST:

Revision Date: April 29, 1990 Amended
Title: Fisheries Business Tax Credit

Agency Affected: Revenue
BRU: Income & Excise Audit

Sponsor: Zharoff, Et al.
Requestor: Finance

Components: Operating

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 91	FY 92	FY 93	FY 94	FY 95	FY 96
OPERATING						
PERSONAL SERVICES	0	0	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
LANDS & 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		<15,000>	<16,000>	<16,000>		

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)

Prepared By: Steven E. Kettel *Steven E. Kettel* Phone: (907) 465-2320
Division: Income and Excise Audit Date: April 29, 1990

Approved by Commissioner: Hugh Malone *Hugh Malone* Date: April 29, 1990
Agency: Department of Revenue

Distribution (by preparer):

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

2d CS SB 74 (Fin)
Prepared by:
Steven E. Kettel
April 29, 1990

Analysis

- * Bill does not require municipal participation in program
- * Potential revenue impact of 15-16 million per year

For the above reasons the Department opposes this legislation

R/D SFC 4-29-90

4/29/90

See pages 1,445

6-0416R
Chenoweth
4/29/90

Original Sponsor(s): SEN. ZHAROFF, Sturgulewski, Kerttula

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2 2d CS FOR SENATE BILL NO. 74 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act establishing a fisheries business tax credit;
7 and providing for an effective date."

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

9 * Section 1. AS 43.75 is amended by adding new sections to read:

10 Sec. 43.75.037. FISHERIES BUSINESS TAX CREDIT. (a) A fisheries
11 business is entitled to a credit of not more than 50 percent of the
12 business tax liability under AS 43.75.015 for capital expenditures
13 made during the tax year if an application qualifying for the credit
14 is approved by the department in advance of the capital expenditure
15 and before January 1, 1993. A fisheries business may claim a credit
16 under this subsection for a maximum period of two consecutive years
17 and may claim the credit if activity for which the claim of the credit
18 is made occurs during the two-year period. An applicant for the
19 credit may elect to begin the two-year period with tax year 1991 or
20 1992. A tax credit under this subsection may not be approved for more
21 than 50 percent of a capital expenditure, ~~plus any increase required~~

22 *Refers to paragraph that was deleted.*

~~under (b) of this section~~ For purposes of this section, a capital
23 expenditure qualifies for a tax credit if the expenditure

24 (1) increases product diversity or production efficiency
25 and capacity, or improves product quality, at a shore-based fisheries
26 business facility in the state; or

27 (2) contributes to the development of a cooperative seafood
28 industrial park in the state.

29 (b) The portion of a capital expenditure that is eligible for a

1 credit under this section but is claimed during a single tax year may
2 not be carried back to a prior tax year but is available for the
3 computation as a credit under this section for a subsequent tax year
4 within the two-year period elected under (a) of this section.

5 (c) A fisheries business is entitled to a credit of not more
6 than five percent of the business tax liability under AS 43.75.015 for
7 contributions to the A. W. "Winn" Brindle memorial scholarship account
8 (AS 14.43.250) that are made during the tax year or during the period
9 in which the taxpayer may file the return and pay the tax for the tax
10 year under AS 43.75.030. A fisheries business may claim a credit
11 under this subsection for the 1991 or 1992 tax years. A tax credit
12 under this subsection may not be approved for more than 100 percent of
13 a scholarship contribution.

14 (d) The total tax credits that may be claimed under this section
15 for a tax year for capital expenditures and scholarship contributions
16 combined may not exceed 50 percent of the taxpayer's business tax
17 liability under AS 43.75.015 for the tax year.

18 (e) The department may not approve a tax credit under this
19 section if

20 (1) the property for which the capital expenditure was made
21 was the subject of a previous capital expenditure by another taxpayer
22 for whom a corresponding tax credit under former AS 43.75.032 or this
23 section has been approved;

24 (2) the property for which the capital expenditure was made
25 was sold or transferred between fisheries businesses having substan-
26 tial common ownership; or

27 (3) the fisheries business claiming the credit is in ar-
28 rears in the payment of a fisheries business tax under AS 43.75.015;
29 for purposes of this paragraph, a taxpayer is not in arrears if the

1 payment is under administrative or judicial appeal.

2 (f) The department shall prepare an application form for a
3 credit under this section.

4 (g) The department shall approve or disapprove an application
5 for a credit under this section not later than 60 days after receiving
6 the application.

7 (h) In this section

8 (1) "cooperative" has the meaning given in AS 10.15.595;

9 (2) "seafood industrial park" means a seafood processing
10 center with facilities to land, handle, and process or to ship or
11 transship to any location all marketable species of seafood; a seafood
12 industrial park may contain commercial facilities to support the
13 activities of the park, and the labor force and vessels that operate
14 at or from the park.

15 Sec. 43.75.039. TAX CREDIT REPORT. Not later than the 15th
16 legislative day of each regular legislative session the Department of
17 Revenue, in conjunction with the Department of Commerce and Economic
18 Development, shall submit to the legislature a report on the fisheries
19 business tax credit program under AS 43.75.037. The report shall
20 describe the expenditures for which a credit was approved during the
21 previous tax year and, if possible, the increase in employment and
22 processing capacity by the fisheries businesses for which the credit
23 was approved.

24 * Sec. 2. AS 43.75.037 is repealed and reenacted to read:

25 Sec. 43.75.037. TAX CREDIT FOR SCHOLARSHIP CONTRIBUTIONS. (a)
26 A fisheries business is entitled to a credit of not more than five
27 percent of the business tax liability under AS 47.75.015 for contribu-
28 tions to the A.W. "Winn" Brindle memorial scholarship account (AS 14.-
29 43.250) that are made during the tax year or during the period in

1 which the taxpayer may file the return and pay the tax for the tax
2 year under AS 43.75.030. A tax credit under this section may not be
3 approved for more than 100 percent of a scholarship contribution.

4 (b) The department may not approve a tax credit under this
5 section if the fisheries business claiming the credit is in arrears in
6 the payment of a fisheries business tax under AS 43.75.015; for pur-
7 poses of this subsection, a taxpayer is not in arrears if the payment
8 is under administrative or judicial appeal.

9 (c) The department shall prepare an application form for a
10 credit under this section.

11 (d) The department shall approve or disapprove an application
12 for a credit under this section not later than 60 days after receiving
13 the application.

14 * Sec. 3. AS 43.75.130(b) is amended to read:

15 (b) For purposes of this section, tax revenue collected under
16 AS 43.75.015 from a person entitled to a credit under former AS 43.-
17 75.032 or under AS 43.75.037 shall be calculated as if the person's
18 tax had been collected without applying the credit.

19 * Sec. 4. Section 7, ch. 79, SLA 1986, is amended to read:

20 Sec. 7. AS 43.75.130(c) is [AND 43.75.140(9) - (11) ARE]
21 repealed January 1, 1992.

22 * Sec. 5. AS 43.75.039, 43.75.140(1), 43.75.140(7), 43.75.140(8), and
23 sec. 10, ch. 79, SLA 1986, are repealed.

24 * Sec. 6. FISHERIES BUSINESS TAX CREDIT CLAIM IN TAX YEAR ^{OK} 1993.
25 Notwithstanding the ^{typo} ~~amendment~~ of AS 43.75.037 by sec. 2 of this Act, a
26 taxpayer who elects to begin the two-year period for the fisheries business
27 tax credit under AS 43.75.037 and whose project was approved by the depart-
28 ment under AS 43.75.037 before January 1, 1993, may claim the fisheries
29 business tax credit for tax year 1993 for capital expenditures made by the

1 taxpayer during the ^{ok} ~~1992~~ tax year.

2 * Sec. 7. Sections 2 and 5 of this Act take effect January 1, 1994.

3 * Sec. 8. Except for secs. 2 and 5, this Act takes effect January 1,
4 1991.

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STATE OF ALASKA
THE LEGISLATURE

LEGISLATIVE AFFAIRS AGENCY

4/28/90
POUCH Y - STATE CAPITOL
JUNEAU, ALASKA 99811
907-465-3800

MEMORANDUM

April 28, 1990

SUBJECT: Draft 2d CSSB 74 (Finance) --
TO: Senator Fred Zharoff
FROM: Jack Chenoweth
Legislative Counsel 

This is a revision of yesterday's draft. In it, I have

(1) deleted material that had appeared as paragraph (3) of proposed AS 43.75.037, and provided this material as a separate amendment;

(2) clarified the manner of operation of the "new" credit--the one provided under AS 43.75.037 for expenditures made in 1990 and 1991: As this credit is drafted, a taxpayer may claim the credit for projects approved and expenditures made during a two-year period. For projects approved in 1991, in order to give the taxpayer the full two-year claim period for expenditures made, I have incorporated a new section, bill section 10, that explicitly authorizes expenditures made in 1992 for projects approved by the department by the December 31, 1991, cut-off date.

*

I have advised you that, in my opinion, AS 43.75.037(f)--and especially (f)(1)--should be retained. This is not a new substantive provision. Rather, this section is included to clarify the manner of administration of the 25% municipal fisheries-business tax election provision. Subsection (f) should be read in conjunction with AS 43.75.037(b) and existing AS 43.75.130(c).

*

You have also asked me to comment briefly as to the purpose of the retroactive provisions.

Senator Fred Zharoff
Page 2
April 28, 1990

Bill section 11 makes the technical amendment made by bill section 1 to the former credit (AS 43.75.032) retroactive to the first day that the former credit might have been claimed, January 1, 1987.

Bill section 12 makes the provisions applicable to the "new" credit (AS 43.75.037) retroactive to January 1, 1990, so that persons may claim the "new" credit for expenditures made on projects approved beginning with the first day of this calendar year.

JBC:lmb
L10/083

A M E N D M E N T

OFFERED IN THE SENATE

BY SEN. ZHAROFF

TO: 2d CSSB 74 (Finance) -
(Draft 6-0416P, dated 4/28/90)

Page 2, line 17, after "state;"

Delete "or"

Page 2, line 19, after "state":

Insert "; or

(3) is for construction, extension, or improvement of a utility, road, or dock to be owned by the municipality or a cooperative and the object of the expenditure will, in the judgment of the city council or borough assembly, provide substantial benefit to the municipality in which the fisheries business is located"

6-0416P
Chenoweth
4/28/90
ADOPTED
by SFC
4/29/90

Original Sponsor(s): SEN. ZHAROFF, Sturgulewski, Kerttula

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2 2d CS FOR SENATE BILL NO. 74 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act [amending the fisheries business tax credit;
7 establishing a two-year fisheries business tax cred-
8 it, and repealing[?] the existing fisheries business tax
9 credit; [relating to fisheries business tax refunds to
10 municipalities;] and providing for an effective date."

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

12 * Section 1. AS 43.75.032(a) is amended to read:

13 (a) A fisheries business is entitled to a credit of not more
14 than 50 percent of the business tax liability under AS 43.75.015 for
15 capital expenditures made during the tax year that (1) increase prod-
16 uct diversity, or production efficiency and capacity, or improve
17 product quality, at a shore-based fisheries business facility in the
18 state, or (2) contribute to the development of a cooperative seafood
19 industrial park in the state, if an application for the credit is
20 approved by the department in advance of the capital expenditure. A
21 fisheries business may claim a credit under this subsection for a
22 maximum period of three consecutive years and may claim the credit if
23 activity for which the claim of the credit is made occurs during the
24 three-year period. An applicant for the credit may elect to begin the
25 three-year period with any tax year from 1987 through 1989. A tax
26 credit under this subsection may not be approved for more than 50
27 percent of a capital expenditure, plus any increase required under (b)
28 of this section.

29 * Sec. 2. AS 43.75 is amended by adding new sections to read:

1 Sec. 43.75.037. FISHERIES BUSINESS TAX CREDIT. (a) A fisheries
2 business is entitled to a credit of not more than 50 percent of the
3 business tax liability under AS 43.75.015 for capital expenditures
4 made during the tax year if an application qualifying for the credit
5 is approved by the department in advance of the capital expenditure
6 and before January 1, 1992. A fisheries business may claim a credit
7 under this subsection for a maximum period of two consecutive years
8 and may claim the credit if activity for which the claim of the credit
9 is made occurs during the two-year period. An applicant for the
10 credit may elect to begin the two-year period with tax year ¹⁹⁹¹ ~~1990~~ or
11 ¹⁹⁹² ~~1991~~. A tax credit under this subsection may not be approved for more
12 than 50 percent of a capital expenditure, plus any increase required
13 under (b) of this section. For purposes of this section, a capital
14 expenditure qualifies for a tax credit if the expenditure

15 (1) increases product diversity or production efficiency
16 and capacity, or improves product quality, at a shore-based fisheries
17 business facility in the state; or

18 (2) contributes to the development of a cooperative seafood
19 industrial park in the state.

~~20 (b) The amount of a credit under (a) of this section for a
21 capital expenditure shall be increased by the amount by which the
22 municipality's fisheries business tax refund is reduced under AS 43.-
23 75.130(c). The total amount of a credit increase under this sub-
24 section during a two-year period may not exceed 25 percent of the
25 amount of the capital expenditure.~~

26 ~~(a)~~^b The portion of a capital expenditure that is eligible for a
27 credit under this section but is claimed during a single tax year may
28 not be carried back to a prior tax year but is available for the
29 computation as a credit under this section for a subsequent tax year

1 within the two-year period elected under (a) of this section.

2 ~~(d) Within 10 days after submitting an application for a credit~~
3 ~~under (a) of this section, the applicant shall send a copy of the~~
4 ~~application to the municipality, if any, in which the proposed capital~~
5 ~~expenditure qualifying for a credit under (a) of this section is~~
6 ~~located or is to be located.~~

7 ~~(e)~~^c A fisheries business is entitled to a credit of not more
8 than five percent of the business tax liability under AS 43.75.015 for
9 contributions to the A. W. "Winn" Brindle memorial scholarship account
10 (AS 14.43.250) that are made during the tax year or during the period
11 in which the taxpayer may file the return and pay the tax for the tax
12 year under AS 43.75.030. A fisheries business may claim a credit
13 under this subsection for the 1990 or 1991 tax years. A tax credit
14 under this subsection may not be approved for more than 100 percent of
15 a scholarship contribution.

16 ~~(f)~~^d The total tax credits that may be claimed under this section
17 for a tax year for capital expenditures and scholarship contributions
18 combined may not exceed

19 ~~(1) 75 percent of the taxpayer's business tax liability~~
20 ~~under AS 43.75.015 for the tax year if a municipality adopts an ordi-~~
21 ~~nance under AS 43.75.130(e) reducing the municipality's tax refund for~~
22 ~~that tax year; or~~

23 ~~(2) 50 percent of the taxpayer's business tax liability~~
24 ~~under AS 43.75.015 for the tax year, if a municipality has not adopted~~
25 ~~an ordinance under AS 43.75.130(e) reducing the municipality's tax~~
26 ~~refund for that tax year.~~

27 ~~(g)~~^e The department may not approve a tax credit under this
28 section if

29 (1) the property for which the capital expenditure was made

1 was the subject of a previous capital expenditure by another taxpayer
2 for whom a corresponding tax credit under former AS 43.75.032 or this
3 section has been approved;

4 (2) the property for which the capital expenditure was made
5 was sold or transferred between fisheries businesses having substan-
6 tial common ownership; or

7 (3) the fisheries business claiming the credit is in ar-
8 rears in the payment of a fisheries business tax under AS 43.75.015;
9 for purposes of this paragraph, a taxpayer is not in arrears if the
10 payment is under administrative or judicial appeal.

11 (h) The department shall prepare an application form for a
12 credit under this section.

13 (i) The department shall approve or disapprove an application
14 for a credit under this section not later than 60 days after receiving
15 the application.

16 (j) In this section

17 (1) "cooperative" has the meaning given in AS 10.15.595;

18 (2) "seafood industrial park" means a seafood processing
19 center with facilities to land, handle, and process or to ship or
20 transship to any location all marketable species of seafood; a seafood
21 industrial park may contain commercial facilities to support the
22 activities of the park, and the labor force and vessels that operate
23 at or from the park.

24 Sec. 43.75.039. TAX CREDIT REPORT. Not later than the 15th
25 legislative day of each regular legislative session the Department of
26 Revenue, in conjunction with the Department of Commerce and Economic
27 Development, shall submit to the legislature a report on the fisheries
28 business tax credit program under AS 43.75.037. The report shall
29 describe the expenditures for which a credit was approved during the

1 previous tax year and, if possible, the increase in employment and
2 processing capacity by the fisheries businesses for which the credit
3 was approved.

4 * Sec. ~~3~~² AS 43.75.037 is repealed and reenacted to read:

5 Sec. 43.75.037. TAX CREDIT FOR SCHOLARSHIP CONTRIBUTIONS. (a)
6 A fisheries business is entitled to a credit of not more than five
7 percent of the business tax liability under AS 47.75.015 for contribu-
8 tions to the A.W. "Winn" Brindle memorial scholarship account (AS 14.-
9 43.250) that are made during the tax year or during the period in
10 which the taxpayer may file the return and pay the tax for the tax
11 year under AS 43.75.030. A tax credit under this section may not be
12 approved for more than 100 percent of a scholarship contribution.

13 (b) The department may not approve a tax credit under this
14 section if the fisheries business claiming the credit is in arrears in
15 the payment of a fisheries business tax under AS 43.75.015; for pur-
16 poses of this subsection, a taxpayer is not in arrears if the payment
17 is under administrative or judicial appeal.

18 (c) The department shall prepare an application form for a
19 credit under this section.

20 (d) The department shall approve or disapprove an application
21 for a credit under this section not later than 60 days after receiving
22 the application.

23 * Sec. ~~4~~³ AS 43.75.130(b) is amended to read:

24 (b) For purposes of this section, tax revenue collected under
25 AS 43.75.015 from a person entitled to a credit under former AS 43.-
26 75.032 or under AS 43.75.037 shall be calculated as if the person's
27 tax had been collected without applying the credit.

28 * Sec. ~~4~~⁴ AS 43.75.130(b) is repealed and reenacted to read:

29 (b) For purposes of this section, tax revenue collected under

1 AS 43.75.015 from a person entitled to a credit under AS 43.75.037
2 shall be calculated as if the person's tax had been collected without
3 applying the credit.

4 * Sec. 6. AS 43.75.130(c) is amended to read:

5 (c) Within 60 days after a credit is approved under AS 43.75.037
6 [AS 43.75.032] for a capital expenditure qualifying for a credit under
7 AS 43.75.037(a) [INVOLVING A SHORE-BASED FISHERIES BUSINESS FACILITY OR
8 COOPERATIVE SEAFOOD INDUSTRIAL PARK LOCATED OR TO BE LOCATED IN A
9 MUNICIPALITY], the municipality may adopt an ordinance directing the
10 department to reduce the municipality's refund under this section over
11 a period of not more than two [THREE] years by an amount not exceeding
12 25 percent of the capital expenditure.

13 * Sec. ~~7.5~~ Section 7, ch. 79, SLA 1986, is repealed and reenacted to
14 read:

15 Sec. 7. AS 43.75.130(c), 43.75.140(1), 43.75.140(7), and 43.75.-
16 140(8) are repealed January 1, 1992.

17 * Sec. ~~8.6~~ AS 43.75.032, 43.75.034, and sec. 8, ch. 79, SLA 1986, are
18 repealed.

19 * Sec. ~~9.7~~ AS 43.75.039 and sec. 10, ch. 79, SLA 1986, are repealed.

20 * Sec. ~~10.8~~ FISHERIES BUSINESS TAX CREDIT CLAIM IN TAX YEAR ¹⁹⁹³ 1992.
21 Notwithstanding the reenactment of AS 43.75.037 by sec. 3 of this Act, a
22 taxpayer who elects to begin the two-year period for the fisheries business
23 tax credit under AS 43.75.037 and whose project was approved by the depart-
24 ment under AS 43.75.037 before January 1, ¹⁹⁹³ 1992, may claim the fisheries
25 business tax credit for capital expenditures made by the taxpayer during
26 the ¹⁹⁹² 1991 and ¹⁹⁹³ 1992 tax years.

27 * Sec. 11. Section 1 of this Act is retroactive to January 1, 1987, and
28 applies to tax credits claimed by a fisheries business under AS 43.75.032
29 beginning after December 31, 1986.

1 X * Sec. ~~12~~⁹. Sections 2, 4, and 6 of this Act are retroactive to
2 January 1, 1990, and apply to tax credits claimed by a fisheries business
3 beginning after December 31, 1989.

4 X * Sec. ~~13~~¹⁰. Except for secs. 3, 5, and 9, this Act takes effect immedi-
5 ately under AS 01.10.070(c).

6 X * Sec. ~~14~~¹¹. Sections 3, 5, and 9 of this Act take effect January 1,
7 1992.

6-0416G ✓
Chenoweth
4/27/90

Original Sponsor(s): SEN. ZHAROFF, Sturgulewski, Kerttula

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2 2d CS FOR SENATE BILL NO. 74 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act amending the fisheries business tax credit;
7 establishing a two-year fisheries business tax cred-
8 it, and repealing the existing fisheries business tax
9 credit; relating to fisheries business tax refunds to
10 municipalities; and providing for an effective date."

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

12 * Section 1. AS 43.75.032(a) is amended to read:

13 (a) A fisheries business is entitled to a credit of not more
14 than 50 percent of the business tax liability under AS 43.75.015 for
15 capital expenditures made during the tax year that (1) increase prod-
16 uct diversity, or production efficiency and capacity, or improve
17 product quality, at a shore-based fisheries business facility in the
18 state, or (2) contribute to the development of a cooperative seafood
19 industrial park in the state, if an application for the credit is
20 approved by the department in advance of the capital expenditure. A
21 fisheries business may claim a credit under this subsection for a
22 maximum period of three consecutive years and may claim the credit if
23 activity for which the claim of the credit is made occurs during the
24 three-year period. An applicant for the credit may elect to begin the
25 three-year period with any tax year from 1987 through 1989. A tax
26 credit under this subsection may not be approved for more than 50
27 percent of a capital expenditure, plus any increase required under (b)
28 of this section.

29 * Sec. 2. AS 43.75 is amended by adding new sections to read:

1 Sec. 43.75.037. FISHERIES BUSINESS TAX CREDIT. (a) A fisheries
2 business is entitled to a credit of not more than 50 percent of the
3 business tax liability under AS 43.75.015 for capital expenditures
4 made during the tax year if an application qualifying for the credit
5 is approved by the department in advance of the capital expenditure.
6 A fisheries business may claim a credit under this subsection for a
7 maximum period of two consecutive years and may claim the credit if
8 activity for which the claim of the credit is made occurs during the
9 two-year period. An applicant for the credit may elect to begin the
10 two-year period with tax year 1990 or 1991. A tax credit under this
11 subsection may not be approved for more than 50 percent of a capital
12 expenditure, plus any increase required under (b) of this section.
13 For purposes of this section, a capital expenditure qualifies for a
14 tax credit if the expenditure

15 (1) increases product diversity or production efficiency
16 and capacity, or improves product quality, at a shore-based fisheries
17 business facility in the state;

18 (2) contributes to the development of a cooperative seafood
19 industrial park in the state; or

20 (3) is for construction, extension, or improvement of a
21 utility, road, or dock to be owned by the municipality or a coopera-
22 tive and the object of the expenditure will, in the judgment of the
23 city council or borough assembly, provide substantial benefit to the
24 municipality in which the fisheries business is located.

25 (b) The amount of a credit under (a) of this section for a
26 capital expenditure shall be increased by the amount by which the
27 municipality's fisheries business tax refund is reduced under AS 43.-
28 75.130(c). The total amount of a credit increase under this sub-
29 section during a two-year period may not exceed 25 percent of the

1 amount of the capital expenditure.

2 (c) The portion of a capital expenditure that is eligible for a
3 credit under this section but is claimed during a single tax year may
4 not be carried back to a prior tax year but is available for the
5 computation as a credit under this section for a subsequent tax year
6 within the two-year period elected under (a) of this section.

7 (d) Within 10 days after submitting an application for a credit
8 under (a) of this section, the applicant shall send a copy of the
9 application to the municipality, if any, in which the proposed capital
10 expenditure qualifying for a credit under (a) of this section is
11 located or is to be located.

12 (e) A fisheries business is entitled to a credit of not more
13 than five percent of the business tax liability under AS 43.75.015 for
14 contributions to the A. W. "Winn" Brindle memorial scholarship account
15 (AS 14.43.250) that are made during the tax year or during the period
16 in which the taxpayer may file the return and pay the tax for the tax
17 year under AS 43.75.030. A fisheries business may claim a credit
18 under this subsection for the 1990 or 1991 tax years. A tax credit
19 under this subsection may not be approved for more than 100 percent of
20 a scholarship contribution.

21 (f) The total tax credits that may be claimed under this section
22 for a tax year for capital expenditures and scholarship contributions
23 combined may not exceed

24 (1) 75 percent of the taxpayer's business tax liability
25 under AS 43.75.015 for the tax year if a municipality adopts an ordi-
26 nance under AS 43.75.130(c) reducing the municipality's tax refund for
27 that tax year; or

28 (2) 50 percent of the taxpayer's business tax liability
29 under AS 43.75.015 for the tax year if a municipality has not adopted

1 an ordinance under AS 43.75.130(c) reducing the municipality's tax
2 refund for that tax year.

3 (g) The department may not approve a tax credit under this
4 section if

5 (1) the property for which the capital expenditure was made
6 was the subject of a previous capital expenditure by another taxpayer
7 for whom a corresponding tax credit under this section has been ap-
8 proved;

9 (2) the property for which the capital expenditure was made
10 was sold or transferred between fisheries businesses having substan-
11 tial common ownership; or

12 (3) the fisheries business claiming the credit is in ar-
13 rears in the payment of a fisheries business tax under AS 43.75.015;
14 for purposes of this paragraph, a taxpayer is not in arrears if the
15 payment is under administrative or judicial appeal.

16 (h) The department shall prepare an application form for a
17 credit under this section.

18 (i) The department shall approve or disapprove an application
19 for a credit under this section not later than 60 days after receiving
20 the application.

21 (j) In this section

22 (1) "cooperative" has the meaning given in AS 10.15.595;

23 (2) "seafood industrial park" means a seafood processing
24 center with facilities to land, handle, and process or to ship or
25 transship to any location all marketable species of seafood; a seafood
26 industrial park may contain commercial facilities to support the
27 activities of the park, and the labor force and vessels that operate
28 at or from the park.

29 Sec. 43.75.039. TAX CREDIT REPORT. Not later than the 15th

1 legislative day of each regular legislative session the Department of
2 Revenue, in conjunction with the Department of Commerce and Economic
3 Development, shall submit to the legislature a report on the fisheries
4 business tax credit program under AS 43.75.037. The report shall
5 describe the expenditures for which a credit was approved during the
6 previous tax year and, if possible, the increase in employment and
7 processing capacity by the fisheries businesses for which the credit
8 was approved.

9 * Sec. 3. AS 43.75.037 is repealed and reenacted to read:

10 Sec. 43.75.037. TAX CREDIT FOR SCHOLARSHIP CONTRIBUTIONS. (a)
11 A fisheries business is entitled to a credit of not more than five
12 percent of the business tax liability under AS 47.75.015 for contribu-
13 tions to the A.W. "Winn" Brindle memorial scholarship account (AS 14.-
14 43.250) that are made during the tax year or during the period in
15 which the taxpayer may file the return and pay the tax for the tax
16 year under AS 43.75.030. A tax credit under this section may not be
17 approved for more than 100 percent of a scholarship contribution.

18 (b) The department may not approve a tax credit under this
19 section if the fisheries business claiming the credit is in arrears in
20 the payment of a fisheries business tax under AS 43.75.015; for pur-
21 poses of this subsection, a taxpayer is not in arrears if the payment
22 is under administrative or judicial appeal.

23 (c) The department shall prepare an application form for a
24 credit under this section.

25 (d) The department shall approve or disapprove an application
26 for a credit under this section not later than 60 days after receiving
27 the application.

28 * Sec. 4. AS 43.75.130(b) is amended to read:

29 (b) For purposes of this section, tax revenue collected under

1 AS 43.75.015 from a person entitled to a credit under former AS 43.-
2 75.032 or under AS 43.75.037 shall be calculated as if the person's
3 tax had been collected without applying the credit.

4 * Sec. 5. AS 43.75.130(b) is repealed and reenacted to read:

5 (b) For purposes of this section, tax revenue collected under
6 AS 43.75.015 from a person entitled to a credit under AS 43.75.037
7 shall be calculated as if the person's tax had been collected without
8 applying the credit.

9 * Sec. 6. AS 43.75.130(c) is amended to read:

10 (c) Within 60 days after a credit is approved under AS 43.75.037
11 [AS 43.75.032] for a capital expenditure qualifying for a credit under
12 AS 43.75.037(a) [INVOLVING A SHORE-BASED FISHERIES BUSINESS FACILITY OR
13 COOPERATIVE SEAFOOD INDUSTRIAL PARK LOCATED OR TO BE LOCATED IN A
14 MUNICIPALITY], the municipality may adopt an ordinance directing the
15 department to reduce the municipality's refund under this section over
16 a period of not more than two [THREE] years by an amount not exceeding
17 25 percent of the capital expenditure.

18 * Sec. 7. Section 7, ch. 79, SLA 1986, is repealed and reenacted to
19 read:

20 Sec. 7. AS 43.75.130(c), 43.75.140(1), 43.75.140(7), and 43.75.-
21 140(8) are repealed January 1, 1992.

22 * Sec. 8. AS 43.75.032, 43.75.034, and sec. 8, ch. 79, SLA 1986, are
23 repealed.

24 * Sec. 9. AS 43.75.039 and sec. 10, ch. 79, SLA 1986, are repealed.

25 * Sec. 10. Section 1 of this Act is retroactive to January 1, 1987, and
26 applies to tax credits claimed by a fisheries business under AS 43.75.032
27 beginning after December 31, 1986.

28 * Sec. 11. Sections 2, 4, and 6 of this Act are retroactive to
29 January 1, 1990, and apply to tax credits claimed by a fisheries business

1 beginning after December 31, 1989.

2 * Sec. 12. Except for secs. 3, 5, and 9, this Act takes effect immedi-
3 ately under AS 01.10.070(c).

4 * Sec. 13. Sections 3, 5, and 9 of this Act take effect January 1,
5 1992.

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SENATE FINANCE COMMITTEE REPORT

DATE: 2/26/90

FURTHER:

DATE TURNED INTO OFFICE: 4/5/90

The Finance Committee considered

SB 74

"An Act amending and extending the fisheries business tax credit; relating to fisheries business tax refunds to municipalities; and providing for an effective date."

and recommended:

~~replace~~ with _____ CS SB 74 (Res)
 or adopt _____ CS _____
 attached amendment(s)
 _____ letter of intent adopted

same title
 new title
 technical title change (HB only)

do pass

do not pass

no recommendation

individual recommendations

further referral to _____

ATTACHES NEW FISCAL NOTE(S):

fiscal note(s) DOR 3/5/90
(15,000,000) revenue

zero fiscal note(s) _____

appropriation-no fiscal note

SIGNING DO PASS:

And E. Z...

1. Julia... No Rec

APPROVES PREVIOUS:

fiscal note(s) _____ Dept/Date: _____

zero fiscal note(s) _____

OTHER RECOMMENDATIONS:

Jim Duncan - No Rec.
Frank - DO NOT PASS
Peace - do not pass
Sam Gray - No Rec.
Mike Kelly NO RE

2. _____

Co-Chairs: signatures and Recommendations

R/O SFC 4-5-90

STATE OF ALASKA
1990 LEGISLATIVE SESSION

BILL VERSION: CSSB 74 (Res)

PUBLISH DATE: _____

FISCAL NOTE

MAR 7 1990

REQUEST:

Revision Date: _____
Title: Fisheries Business Tax Credit
Refunds to Municipalities
Sponsor: Zharoff, Et al.
Requestor: Finance

Agency Affected: Revenue
BRU: Income & Excise Audit

Components: Operating

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 91	FY 92	FY 93	FY 94	FY 95	FY 96
OPERATING						
PERSONAL SERVICES	0	0	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
LANDS & 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	<15,000>	<16,000>	<16,000>	<16,000>	<16,000>	<16,000>

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)

Prepared By: Steven E. Kettel
Division: Income and Excise Audit

Phone: (907) 465-2320
Date: March 5, 1990

Approved by Commissioner: Hugh Malone
Agency: Department of Revenue

Date: March 5, 1990

Distribution (by preparer):

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

Prepared by:
Steven E. Kettel
March 5, 1990
Page 2 of 2

BILL ANALYSIS

This bill repeals and reenacts a new section to replace the current fisheries tax credit statute. This bill would have a dual fiscal impact to the State as follows:

1. Extends the current fisheries tax credit program as provided by AS 43.75.032 by 4 years. This bill extends the time period for making capital expenditures, which expired December 31, 1989, by 6 years to December 31, 1995. Concomitantly, this bill also extends the time period for claiming credits, which is currently due to expire with tax year 1991, by 4 years through tax year 1995.
2. Expands the allowability of expenditures eligible for fisheries tax credits. This bill would allow fisheries businesses to claim credits for construction, extension, or improvement of a utility, road or dock to be owned by a municipality. This subsection, AS 43.75.032(a)(3), omits any provision for the department to use its discretion in approving such expenditures, but provides for the municipality or cooperative to use its "judgment" in determining whether expenditures would qualify for the credits.

Additionally, this bill removes the current provision for prior approval of expenditures to qualify for tax credits. Without this requirement, more expenditures will likely be claimed because taxpayers may in their discretion believe that the expenditure is indeed eligible for the credit program.

The Department opposes this draft legislation for the following reasons.

1. This legislation will have a significant impact on general fund revenues. The department estimated that general fund revenues will decrease by as much as \$64 million over the additional four year period the fisheries tax credit program is extended under this legislation.

The expansion of the scope of expenditures coupled with the deletion of the provision to require approval by the department prior to expenditures will increase the total amount of credits to be applied and carried forward against fisheries taxes that would otherwise be collected.

2. The department believes that the current fisheries credit program has fully served its purpose to benefit the industry by allowing them to establish new shore based processing plants and improve existing facilities. Now that the industry has made significant investment to increase production and efficiency, it is capable of successfully competing in the marketplace without additional fisheries tax credits provided by this legislation.

The department also contends that with the growing market for Alaska fisheries products, many of the expenditures incurred to date would have been made regardless of the current tax credit program. The department believes that extension of the fisheries tax credit program will not induce additional capital expenditures which otherwise may be made.

Original Sponsor(s): SEN. ZHAROFF, Sturgulewski, Kerttula

1 IN THE SENATE BY THE RESOURCES COMMITTEE

2 CS FOR SENATE BILL NO. 74 (Resources)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act amending and extending the fisheries business
7 tax credit; relating to fisheries business tax re-
8 funds to municipalities; and providing for an effec-
9 tive date."

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

11 * Section 1. AS 43.75.032(a) is repealed and reenacted to read:

12 (a) A fisheries business is entitled to a credit of not more
13 than 50 percent of the business tax liability under AS 43.75.015 for
14 capital expenditures made during the tax year if an application quali-
15 fying for the credit is approved by the department in advance of the
16 capital expenditure. A fisheries business may claim a credit under
17 this subsection for a maximum period of five consecutive years and may
18 claim the credit if activity for which the claim of the credit is made
19 occurs during the five-year period. An applicant for the credit may
20 elect to begin the five-year period with any tax year from 1987
21 through 1991. A tax credit under this subsection may not be approved
22 for more than 50 percent of a capital expenditure, plus any increase
23 required under (b) of this section. For purposes of this section, a
24 capital expenditure qualifies for a tax credit if the expenditure

25 (1) increases product diversity or production efficiency
26 and capacity, or improves product quality, at a shore-based fisheries
27 business facility in the state;

28 (2) contributes to the development of a cooperative seafood
29 industrial park in the state; or

09-2-4 545 019

1 (3) is for construction, extension, or improvement of a
2 utility, road, or dock to be owned by the municipality or a coopera-
3 tive and the object of the expenditure will, in the judgment of the
4 city council or borough assembly, provide substantial benefit to the
5 municipality in which the fisheries business is located.

6 * Sec. 2. AS 43.75.032(b) is amended to read:

7 (b) The amount of a credit under (a) of this section for a
8 capital expenditure qualifying for a credit under (a) of this section
9 [INVOLVING A SHORE-BASED FISHERIES BUSINESS FACILITY OR COOPERATIVE
10 SEAFOOD INDUSTRIAL PARK LOCATED OR TO BE LOCATED IN A MUNICIPALITY]
11 shall be increased by the amount by which the municipality's fisheries
12 business tax refund is reduced under AS 43.75.130(c). The total
13 amount of a credit increase under this subsection during a five-year
14 [THREE-YEAR] period may not exceed 25 percent of the amount of the
15 capital expenditure.

16 * Sec. 3. AS 43.75.032(c) is amended to read:

17 (c) The portion of a capital expenditure that is eligible for a
18 credit under this section but is claimed during a single tax year may
19 not be carried back to a prior tax year but is available for the
20 computation as a credit under this section for a subsequent tax year
21 within the five-year [THREE-YEAR] period elected under (a) of this
22 section.

23 * Sec. 4. AS 43.75.032(d) is repealed and reenacted to read:

24 (d) Within 10 days after submitting an application for a credit
25 under (a) of this section, the applicant shall send a copy of the
26 application to the municipality, if any, in which the proposed capital
27 expenditure qualifying for a credit under (a) of this section is
28 located or is to be located.

29 * Sec. 5. AS 43.75.032(f) is amended to read:

1 (f) The total tax credits that may be claimed under this section
2 for a tax year for capital expenditures and scholarship contributions
3 combined may not exceed

4 (1) 75 percent of the taxpayer's business tax liability
5 under AS 43.75.015 for the tax year if a municipality adopts an ordi-
6 nance under AS 43.75.130(c) reducing the municipality's tax refund for
7 that tax year; or

8 (2) 50 percent of the taxpayer's business tax liability
9 under AS 43.75.015 for the [THAT] tax year if a municipality has not
10 adopted an ordinance under AS 43.75.130(c) reducing the municipality's
11 tax refund for that tax year.

12 * Sec. 6. AS 43.75.130(c) is amended to read:

13 (c) Within 60 days after a credit is approved under AS 43.75.032
14 for a capital expenditure qualifying for a credit under AS 43.75.-
15 032(a) [INVOLVING A SHORE-BASED FISHERIES BUSINESS FACILITY OR COOPER-
16 ATIVE SEAFOOD INDUSTRIAL PARK LOCATED OR TO BE LOCATED IN A MUNICIPAL-
17 ITY, THE MUNICIPALITY] may adopt an ordinance direct the department to
18 reduce the municipality's refund under this section over a period of
19 not more than five [THREE] years by an amount not exceeding 25 percent
20 of the capital expenditure.

21 * Sec. 7. Section 7, ch. 79, SLA 1986, is repealed and reenacted to
22 read:

23 Sec. 7. AS 43.75.130(c), 43.75.140(1), 43.75.140(7), and 43.75.-
24 140(8) are repealed January 1, 1996.

25 * Sec. 8. Section 8, ch. 79, SLA 1986, is amended to read:

26 Sec. 8. AS 43.75.034 is repealed February 15, 1996 [1992].

27 * Sec. 9. Section 10, ch. 79, SLA 1986, is amended to read:

28 Sec. 10. Section 3 of this Act takes effect January 1, 1996
29 [1992].

1 * Sec. 10. APPLICABILITY TO EXISTING CREDITS. (a) The provisions of
2 this Act apply to extend from three years to five years a tax credit claim-
3 ed by a fisheries business under AS 43.75.032 and 43.75.130 for a tax year
4 beginning after December 31, 1986, and before the effective date of this
5 Act.

6 (b) Notwithstanding the time limitation for adoption of an ordinance
7 imposed by AS 43.75.130(c), a municipality that, on or before the effective
8 date of this Act, has adopted an ordinance directing the Department of
9 Revenue to reduce the municipality's fisheries tax refund under AS 43.75.-
10 130(c) for a period of not more than three years may amend the ordinance
11 and direct the Department of Revenue to reduce that refund for a period of
12 not more than five years.

13 * Sec. 11. Sections 1 - 6 of this Act are retroactive to January 1,
14 1987.

15 * Sec. 12. This Act takes effect immediately under AS 01.10.070(c).

Alaska
MUNICIPAL
League

TELEPHONE
(907) 586-1325
FAX 461-5480

217 SECOND STREET, SUITE 200
JUNEAU, ALASKA 99801

April 2, 1990

MEMORANDUM

TO: Senator Rick Uehling, Co-Chair
Senator John Binkley, Co-Chair
Members, Senate Finance Committee

FROM: Scott A. Burgess, Executive Director 

SUBJECT: CSSB 74 (Resources) - Extending the Fisheries Business Tax Credit

The Alaska Municipal League (AML) supports CSSB 74 (Resources), amending and extending the Fisheries Business Tax Credit program. The CS also allows the credits to be applied to cooperative or municipal utility construction related to on-shore fisheries development.

The AML supports legislation extending the Fisheries Business Tax Credit program, which enables on-shore fish processors to receive credit for capital improvements to fish processing plants. The AML also supports the application of the fisheries business tax credit to cooperative or municipal utility construction related to on-shore fisheries development. The AML supports allowing such credits for five years, rather than two, and that the expiration date be extended to 1996. These provisions are contained in the Resources Committee Substitute.

The initial legislation establishing the Fisheries Business Tax Credit program allowed tax credits for capital improvements to on-shore fish processing plants for only three years and established January 1, 1992 as the expiration date for the program. Many on-shore processors have been able to upgrade and expand their processing facilities by taking advantage of the program, thus aiding economic development in many of Alaska's coastal communities. Municipalities in coastal areas support an extension of the program to allow for five years of credit for capital improvements and a later expiration date to enable the on-shore fish processing industry to capitalize on the increase in bottomfish and other fisheries development. While the Administration has opposed extending the credit program because of the impact on state revenues, any loss is temporary and is justified in terms of economic development and long term increases in fish processing and revenues.

Again, the AML supports CSSB 74 (Resources). Thank you.

STATE OF ALASKA

STEVE COWPER, GOVERNOR

**DEPARTMENT OF COMMERCE &
ECONOMIC DEVELOPMENT**

P. O. BOX D
JUNEAU, ALASKA 99811-0800
PHONE: (907) 465-2500

OFFICE OF THE COMMISSIONER

FISHERIES BUSINESS TAX CREDIT STUDY

EXECUTIVE SUMMARY

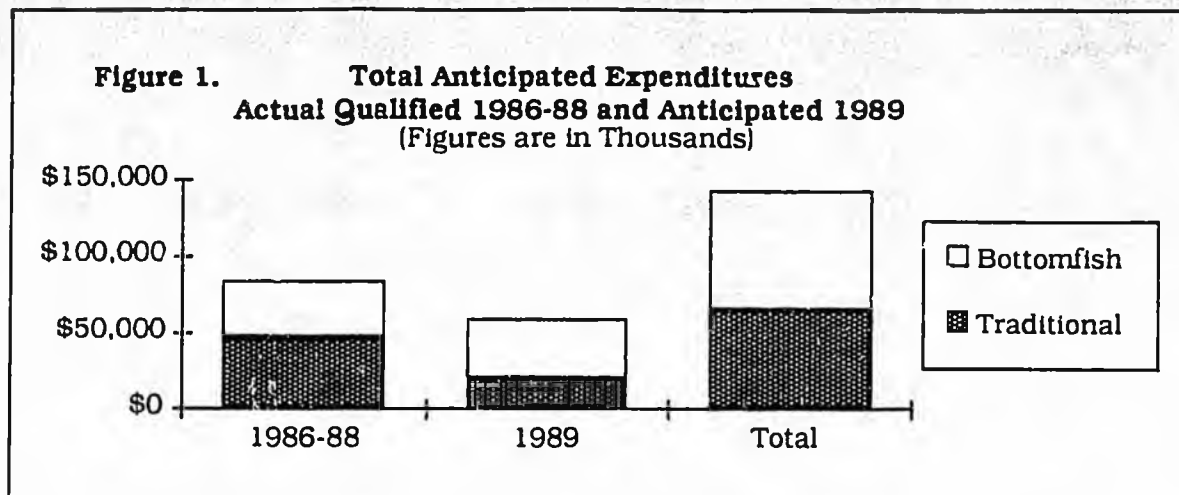
Purpose. This report addresses the effects of the Fisheries Business Tax Credit Program, and its stimulus to investments and employment. An attempt is also made to address several questions of interest: what types of investments are being made, where, and by what types of companies; what have the costs to the state been; and how much more will the existing program cost.

The tax credit program. The program offers a tax credit for capital expenditures that increase processing capacity, product quality, and value-added production. Credits are limited to 50% of a firm's tax liability and to 50% of qualified expenditures. It is scheduled to run for five years (1986-1991), with regulations defining 1986-1989 as the three year period during which qualifying expenditures must be made. Companies can elect to start their three year window of eligibility at any time during that period. Thus all projects must have been preapproved and substantially completed at this time. Credits can now be carried forward by companies who started their eligibility period in 1988 or 1989.

Expenditures. There is no uniform correlation between actual qualifying expenditures as reported on tax forms, expenditures preapproved by the Department of Revenue, total expenditures actually made and tax credits taken. Generally, actual qualifying expenditures are a minimum figure for total investment. For most firms, the limiting factor was 50% of their tax liability, not 50% of the qualifying expenditures. Overall, credits are expected to total about 35% of qualifying expenditures.

Actual qualifying expenditures reported on tax forms during the period 1986-1988 totaled \$83.4 million. The Department of Revenue has preapproved expenditures of about \$92.0 million for 1989, the last year that expenditures could be made and still qualify for credit. Since fisheries tax returns for 1989 are not due until March 31st, the actual dollar amounts will not be known for several months.

Using the experience of the previous two years, actual expenditures reported for credit will be approximately \$60 million, 65% of the amount preapproved. Total reported, qualifying expenditures are expected to total over \$140 million, but this is a minimum number for actual investment, as some



companies only report enough expenditure to match their tax liability, and some expenditures are disqualified for items such as bunkhouses, which are essential parts of the operations.

Increase in Shorebased Plant Value. Current estimates put the total insured or assessed value of seafood processing plants and equipment in Alaska at \$800 million to \$1 billion (Alaska Seafood Industry Study, 3/89). Estimated qualifying expenditures made during the past three years represent an increase of more than 15% of the total value of all active processing facilities in the state.

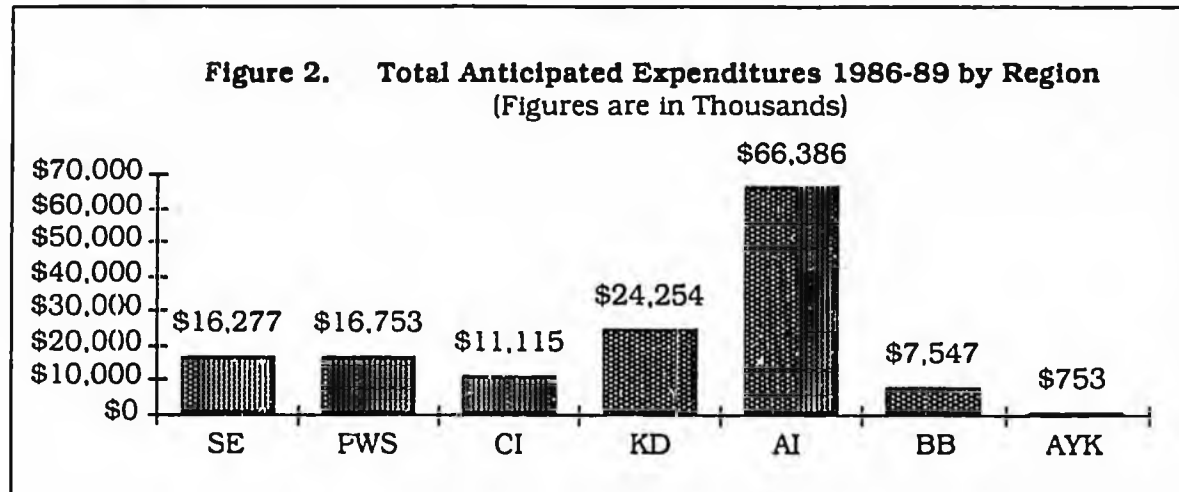
Number of participants. Sixty-seven firms representing 96 Alaska processing facilities have or intend to participate in the fisheries tax credit program. Expenditures actually qualifying for credit during the 1986-1988 period were made at 76 plants. Applications for expenditures during 1989 at an additional 13 facilities have been approved by the Department of Revenue. Credits only were taken on taxes generated by 7 facilities (and applied to expenditures at other plants owned by the same firm).

Table 1. Size and Number of Facilities' Expenditures by Region

Size of Expenditure (in thousands)	South East	Prince Will	Cook Inlet	Kod/ Chig	Aleut. Is.	Bristol Bay	AYK	Total
Less than \$10.0	2		1		1			4
\$10.0 - 100.0	7	1	2			2	2	14
\$100.0 - 500.0	8	3	3	5	1	2		22
\$500.0 - 1,000.0	1		8	5	2	3	1	20
\$1,000.0 - 2,000.0	4	2	4	2	1	1		14
\$2,000.0 - 5,000.0	2	2		3	1	1		9
\$5,000.0 - 10,000.0		1		1				2
\$10,000.0 - 20,000.0					4			4
Total	24	9	18	16	10	9	3	89

Concentration of Major Investments. It is estimated that through 1989, 22 firms will have made investments of more than \$1 million at each of 28 plants. This category of large investments will total about \$128 million or 89 percent of the total estimated expenditures of all participating firms.

The approximate size of expenditures and number of plants involved in each area of the state are outlined in Table 1. The expenditures column represents actual expenditures reported through 1988 plus 65% of 1989 expenditures preapproved by the Department of Revenue.



Expenditures by Region. The statewide total of estimated expenditures over the life of the tax credit program is put at \$143 million. Expenditures in the Aleutian Islands area are estimated at \$66 million or 46% of the total. The bulk of expenditures in the Aleutian Islands area are related to the construction of four very large bottomfish plants used for the manufacture of surimi, filets and meal. See Figure 2.

Comparatively few expenditures were made in the Bristol Bay area (\$8 million) and AYK area (\$1 million).

Credits Taken. Reported expenditures totaled \$83 million during the 1986-1988, generating \$42 million in potential credits. Only about \$23 million in actual credits were applied, and the credit carry forward is about \$19 million. Generally, the credits taken by most major firms are limited by their tax liability and not by the size of their qualified expenditures.

Credits Outstanding. Theoretically, outstanding credits could equal \$66 million (half of the 1989 preapproved amount plus the amount carried forward). Estimating 65% of the preapproved amount as the actual qualifying expenditures that will be reported yields an estimated potential credit outstanding \$49 million, and a total potential credit figure of \$71 million.

The carryforward of most firms will be exhausted by 1990, so credits taken are expected to be higher 1988-1990, and lower in 1987 and 1991. Also, the record high ex-vessel prices of 1988 and the large volume of claims are likely to make that year the peak. Credits are likely to decline steadily after 1988, and to total between \$48 and \$55 million over the life of the program.

Ownership. Of the 89 facilities where expenditures have or will be made, on the order of 44 are owned by Alaska residents or Alaska-based corporations, 24 by foreign entities, and 21 by U.S. citizens or corporations headquartered outside of the state.

Forty-one percent of the credits actually applied through 1988 were taken by Alaskan firms, 29% by US firms, and 31% by foreign firms. Based on the tax liabilities of the companies involved, the 1989 approved expenditures and the amount of credits carried over from prior years, this ratio is not expected to change appreciably in the future.

Value of the Tax Credit Program. It is not possible to determine what investments in plant expansion and new equipment would have been made in the absence of a tax credit program. However, it is clear that the program is responsible for a substantially increased volume of capital investments in shorebased facilities, and probably in the ability of Alaskan and US firms to participate in shorebased bottomfish operations.

Six facilities with over \$5 million expended make up 45% of the total anticipated qualifying expenditures. Four are for new plants, with three bottomfish operations and one cannery. Two are major expansions of existing plants, both into surimi, fillet and meal production. The two Alaskan and one US firm involved all concentrated extensive tax credits from floating operations to build their plant. Principals in each firm report that the tax credit program was a major factor in their decision to invest onshore. The program was of lesser importance to the other three Japanese owned plants, who have very large fishing companies behind them, and who are constrained by law from investing in factory trawlers.

Of the total \$143 million in expected qualifying expenditures, \$79 million was spent on bottomfish facilities, and \$44 million on traditional species. The traditional species investments have considerably increased production capacity, especially refrigeration capacity, and have contributed substantially to production efficiencies.

Increase in Employment. It is not possible to determine the total increase of employment which was generated by plant expansions, because most were incremental expansions or improvements of existing facilities. More efficient equipment and production systems may even have resulted in the elimination of a few jobs. However, four new surimi plants alone which have already been completed or are in the final stages of construction will employ about 750 people full time. Another new facility constructed to handle more seasonal "traditional" species is expected to employ 200. Employment increases associated with firms participating in the tax credit program probably exceed 1,000 persons.

FISHERIES BUSINESS TAX CREDIT PROGRAM REPORT

Type of investments made

Actual qualifying expenditures as reported on 1987-1988 tax returns were analyzed in detail. These expenditures were classified as being in support of either bottomfish processing or the processing of "traditional" species such as salmon, halibut, herring, and crab. Within those two categories the following classifications were established:

Dock/building repair or expansion: Minor and major expansion of existing processing buildings; utilities maintenance and upgrade (water, power, communications, waste disposal, outfalls); general plant wiring, plumbing, heating and other systems maintenance and upgrade; support facilities and equipment such as office, lunch room, generator shed, shop, supplies storage space, or loading dock.

New plant construction: Construction of a totally new building where one did not previously exist. Construction in association with an existing plant was included in this category if it involved the construction of a new building designed to handle products not previously processed.

Fish Handling equipment: Equipment and closely associated structures for moving, transferring and handling fish. Expenditures in this category were heavily weighted toward fish pumps, fork lifts and cranes, and also included conveyors, pallet jacks, trucks, hoists, elevators, carts, vans, and flumes.

Refrigeration/Ice: Refrigeration equipment, compressor buildings, freezers, refrigerated product storage facilities, refrigerated seawater holding systems, ice manufacturing equipment, and ice storage and delivery systems.

Salmon canning equipment ("Traditional" category only): Equipment used specifically in traditional salmon canning operations: Holding bins, weighing systems, fillers, seamers, can forming machinery, and steam production equipment. The efficiency of traditional canning facilities was substantially increased by the installation of equipment such as automated weighing and patching systems. A number of firms added one-quarter and one-half pound canning lines, which will increase the final product value.

Surimi/fillet equipment (bottomfish category only): Machinery for raw product buffer storage, heading, gutting, skinning, filleting, mincing, dewatering, mixing ingredients, candling, trimming and packaging products. Meal and oil plants associated with bottomfish surimi and fillet operations were included in this classification.

General processing equipment: Equipment usually associated with the processing of traditional species and products - salmon, herring, halibut, shellfish: Raw product holding and distribution systems, scales, tables, totes, headers and gutters, fish washing, glazing, strapping machines, crab cookers, herring graders, and equipment for egg processing (brine tanks, agitators).

Added value equipment ("Traditional" category only): Equipment specifically used in the production of value added products: Skinless/boneless canned salmon, retortable pouch products, fish meal and oil not especially related to bottomfish operations, smoking, salmon fillets and fillet log products, and equipment to facilitate air fresh operations.

Traditional Species Investments.

During the 1986-1988 period, \$45.8 million of the \$83.4 million total reported on tax returns was invested in facilities and equipment devoted primarily to the processing of traditional species. About half of that amount was invested in the improvement and expansion of existing buildings and docks and the installation of new freezing, cold storage and ice making capacity.

Of the \$92 million in expenditures preapproved for 1989, \$29 million will be devoted to the production of traditional species. About 65% of that amount, or \$19 million, is expected to be reported as qualified expenditures on tax returns. Over the life of the program, \$65 million in qualifying, reported expenditures will be invested. Further details about traditional species expenditures are provided in Table 2 and Figure 3.

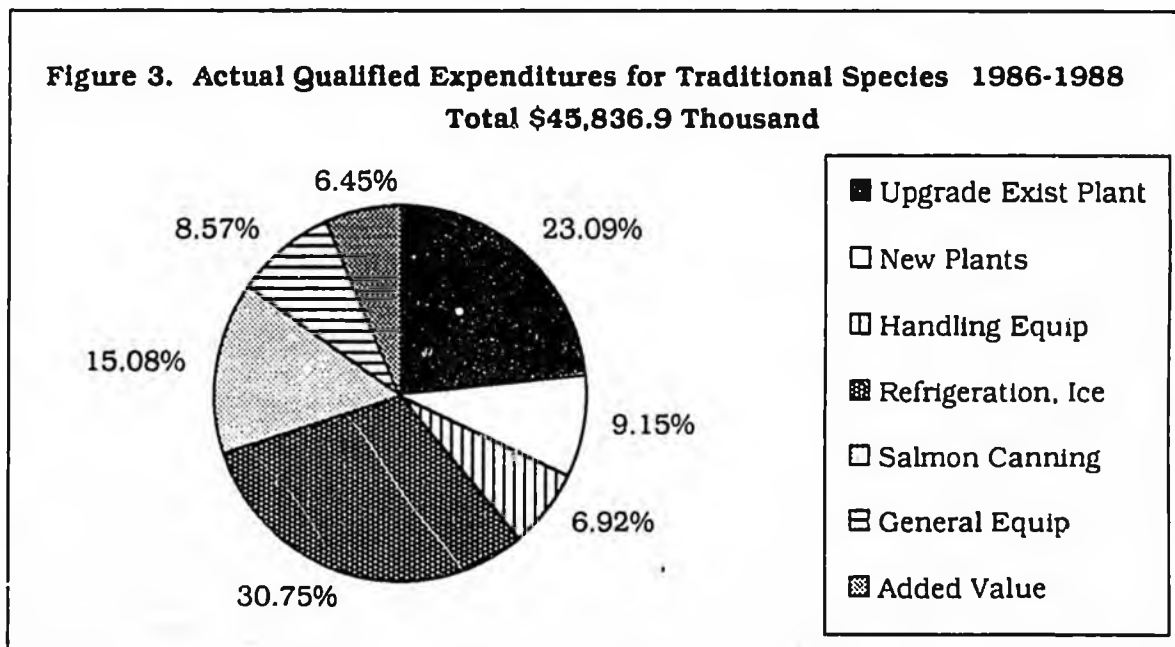


Table 2. Actual Qualified Expenditures 1986-1988 on Traditional Species

	Utilities, buildings	New Plants	Handling Equipment	Refrig. Ice, Freezing	Salmon Canning	General Equipment	Added Value	Total
Southeast	\$2,133.1	\$0.0	\$580.7	\$2,814.9	\$3,518.8	\$695.2	\$912.9	\$10,655.6
Prince William Sd	\$1,007.3	\$4,169.7	\$1,555.8	\$1,672.6	\$2,854.8	\$738.1	\$1,663.7	\$13,662.0
Cook Inlet	\$2,904.9	\$0.0	\$481.8	\$3,170.9	\$4.1	\$1,304.8	\$71.0	\$7,937.5
Kodiak	\$1,083.9	\$23.8	\$265.6	\$2,415.9	\$174.4	\$903.7	\$0.0	\$4,867.3
Aleutian Islands	\$2,387.7	\$0.0	\$43.5	\$129.4	\$0.0	\$0.0	\$300.0	\$2,860.6
Bristol Bay	\$1,042.8	\$0.0	\$238.3	\$3,839.8	\$357.9	\$267.9	\$0.0	\$5,746.7
Arctic-Yuk-Kusk	\$22.5	\$0.0	\$6.0	\$49.1	\$0.0	\$20.3	\$9.3	\$107.2
Total	\$10,582.2	\$4,193.5	\$3,171.7	\$14,092.6	\$6,910.0	\$3,930.0	\$2,956.9	\$45,836.9

Table 3. Actual Qualified Expenditures 1986-1988 on Bottomfish

	Utilities, buildings	New Plants	Handling Equipment	Refrig. Ice, Freezing	Surimi, Fillet	General Equipment	Total
Southeast	\$33.6	\$0.0	\$8.9	\$63.0	\$0.0	\$18.8	\$124.3
Prince Will Sd	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Cook Inlet	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$14.0	\$14.0
Kodiak	\$720.8	\$1,789.0	\$388.8	\$1,775.7	\$8,417.6	\$394.9	\$13,486.8
Aleutian Islands	\$8,839.2	\$3,755.0	\$440.8	\$59.7	\$10,767.1	\$87.5	\$23,949.3
Bristol Bay	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Arc-Yuk-Kus	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Total	\$9,593.6	\$5,544.0	\$838.5	\$1,898.4	\$19,184.7	\$515.2	\$37,574.4

Table 4. Total Actual Qualified Expenditures 1986-88 and Estimated Qualifying Expenditures for 1989*

	Traditional Species			Bottomfish			Grand
	1986-88	'89 Est*	Total	1986-1988	'89 Est*	Total	Total
Southeast	\$10,655.6	\$5,224.2	\$15,879.8	\$124.3	\$272.7	\$397.0	\$16,276.8
Prince Will Sd	\$13,662.0	\$2,613.1	\$16,275.1	\$0.0	\$477.8	\$477.8	\$16,752.9
Cook Inlet	\$7,937.5	\$3,163.6	\$11,101.1	\$14.0	\$0.0	\$14.0	\$11,115.1
Kodiak	\$4,867.3	\$3,400.3	\$8,267.6	\$13,486.8	\$2,499.3	\$15,986.1	\$24,253.7
Aleutian Is.	\$2,860.6	\$1,719.9	\$4,580.5	\$23,949.3	\$37,856.3	\$61,805.6	\$66,386.1
Bristol Bay	\$5,746.7	\$1,799.9	\$7,546.6	\$0.0	\$0.0	\$0.0	\$7,546.6
Arc-Yuk-Kus	\$107.2	\$645.3	\$752.5	\$0.0	\$0.0	\$0.0	\$752.5
Total	\$45,836.9	\$18,566.2	\$64,403.1	\$37,574.4	\$41,106.0	\$78,680.4	\$143,083.5

Bottomfish Expenditures.

Bottomfish investments for the 1986-88 period totalled \$37.6 million. About three-quarters of the amount was invested in new plant construction and specialized equipment for the production of fillets, surimi and meal. Preapproved 1989 expenditures total \$63 million for bottomfish. If 65% of the amounts preapproved are actually reported for credit, 1989 qualified expenditures for bottomfish would be \$41 million. (Table 3 and Figure 4.)

Combining expenditures reported in 1987 and 1988 and 65% of the amounts preapproved in 1989 indicate that during the life of the tax credit program Alaska processors will spend at least \$79 million to initiate the production of bottomfish. See Table 4.

Note that qualifying expenditures represent a minimum figure for investment. Some expenditures are disqualified, and some companies only report enough expenditures to match their anticipated tax liability. For example, one new surimi plant has preapproved expenditures under the tax credit program of about \$11 million. This amount is apparently sufficient to maximize the firm's potential credits given its expected tax liability. However, reliable information indicates that the company will actually spend nearly \$60 million on the project.

**Figure 4. Actual Qualified Expenditures for Bottomfish 1986-1988
Total \$37.574.4 Thousand**

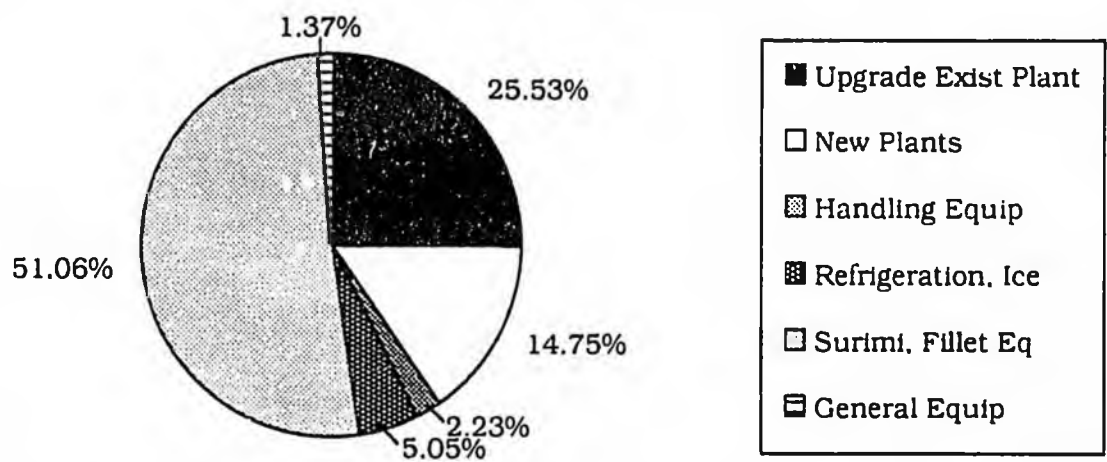


Table 5. Total Credits Applied 1986-88, Carryover, and Preliminary Approved Expenditures for 1989

Regional Analysis Location	Number	Tax Credits Applied		Total 1986-88	Carryover	One-half	Maximum	Theoretical
		1987	1988			1989 App Expend	Theoretical Credits	Credits Outstanding
Southeast	24	\$1,435.8	\$2,044.9	\$3,480.7	\$1,909.1	\$4,228.4	\$9,618.1	\$6,137.5
Prince William Sd	10	\$1,733.1	\$1,860.3	\$3,593.4	\$3,237.8	\$2,377.6	\$9,208.8	\$5,615.4
Cook Inlet	17	\$1,131.5	\$1,660.1	\$2,791.6	\$1,324.6	\$2,433.5	\$6,549.7	\$3,758.1
Kodiak	15	\$1,985.6	\$3,062.8	\$5,048.4	\$4,163.2	\$4,538.2	\$13,749.7	\$8,701.3
Aleutian Islands	11	\$903.8	\$4,712.1	\$5,615.9	\$7,898.3	\$30,443.2	\$43,957.4	\$38,341.5
Bristol Bay	9	\$683.9	\$886.1	\$1,570.0	\$1,411.4	\$1,384.5	\$4,365.9	\$2,795.9
Arctic-Yuk-Kusk	3	\$0.0	\$21.4	\$21.4	\$32.2	\$496.4	\$550.0	\$528.6
Total	89	\$7,873.7	\$14,247.7	\$22,121.4	\$19,976.6	\$45,901.7	\$87,990.6	\$65,878.3

Table 6. Total Credits Applied 1986-88, Carryover, and Estimated Qualifying Expenditures for 1989*

Ownership Analysis Location	Number	Tax Credits Applied		Total 1986-88	1986-88 Carryover	One-half	Maximum	Max Est
		1987	1988			1989 Est Qual Exp*	Estimated Credits	Credits Outstanding
Alaskan Owned	44	\$4,001.4	\$5,290.8	\$9,292.2	\$3,152.7	\$14,903.1	\$27,347.9	\$18,055.8
US Owned	21	\$1,489.2	\$4,795.8	\$6,285.0	\$1,675.1	\$5,431.4	\$13,391.5	\$7,106.5
Foreign Owned	24	\$1,989.3	\$4,161.1	\$6,150.4	\$15,148.8	\$9,501.6	\$30,800.8	\$24,650.4
Totals	89	\$7,479.9	\$14,247.7	\$21,727.6	\$19,976.6	\$29,836.1	\$71,540.2	\$49,812.7
Fac. > \$1 Million	28	\$5,164.8	\$10,131.7	\$15,296.5	\$18,548.3	\$25,346.8	\$59,191.5	\$43,895.0
Fac.> \$5 million	6	\$1,109.2	\$3,856.3	\$4,965.5	\$11,659.9	\$19,100.1	\$35,725.5	\$30,760.0
Firms > \$2 million	12	\$5,886.9	\$11,223.1	\$17,110.0	\$16,417.6	\$25,870.6	\$59,398.2	\$42,288.2

*NOTE - The estimated '89 expenditures shown are 65% of the preapproved amount. See text for description.