

Leg. Finance-House & Senate Finance Comte Files (1991-1992) 758

HB 221 An Act authorizing the Department of Revenue to purchase either the guaranteed investment contracts held by the supplemental benefits system or the underlying securities; and providing for an effective date.

The Committee adopted Amendments #1 and #2 to be incorporated into HB 221. The bill was HELD in Committee for further discussion.

HOUSE BILL 221

"An Act authorizing the Department of Revenue to purchase either the guaranteed investment contracts held by the supplemental benefits system or the underlying securities; and providing for an effective date."

MILLETT F. KELLER, COMMISSIONER, DEPARTMENT OF ADMINISTRATION, discussed the State of Alaska's investment of the Supplemental Benefits System (SBS) with Executive Life Investment firm. He suggested that action be taken in order to minimize damage resulting from that investment.

He expounded that the State has several plans of action. The Attorney General has asked for a legal determination to identify the concerns. He will then determine the legal rights of the employees with funds in the SBS and also will determine the legal right of the State's responsibility to pay those funds. These opinions are due by April 15, 1991. They are critical to the legislation.

Commissioner Keller explained that the normal action would be to reduce the account balances of the SBS participants. The State should be prepared for a lawsuit pending that decision. The alternative, proposed in HB 221, would be for the General Fund to bail out the SBS investment. Currently, the concern is to minimize the damage from the investment. There is a possibility of insurance coverage from the State of California if Executive Life liquidates. He suggested the possibility of exchanging the assets and corporate bonds owned by Executive Life which could have more value to Alaska than the actual contract.

Commissioner Keller pointed out the change made to Section 2 in the Senate Finance Committee which changed the notification to the Legislative Budget and Audit Committee (LBA) from twenty days to two days.

Co-Chair Navarre asked if Executive Life had filed for bankruptcy. Commissioner Keller denied they had. He said there had been an erroneous news report containing that

information. He agreed they are in trouble. Co-Chair Navarre asked for a copy of the legal analysis and asked what action would be taken if the legal analysis indicated the State was not liable. Commissioner Keller replied that if the State were not liable, SBS would cover the investment.

Commissioner Keller explained that legislation assumes the State is liable; the General Fund will then provide the funds. The Guaranteed Investment Contract (GIC) would be purchased at face value from SBS, at which time SBS would be made whole and the General Fund would take the loss. The loss would amount from \$0 to \$132 million, depending at the value on the time the transfer took place.

Representative Boyer stated he thought that SBS should be responsible for working out the situation with Executive Life. Commissioner Keller noted that the fiscal year ended for SBS on January 31st. The auditors are investigating the situation to make a determination of the asset values. Executive Life will be required to recognize the loss.

DARREL REXWINKLE, DEPUTY COMMISSIONER, DEPARTMENT OF REVENUE, clarified that there has been a substantial decline in the market place of the Executive Life securities. The securities have declined two billion dollars. The audit will provide the exact figure.

Representative Boyer asked for further discussion on recouping the loss. Mr. Rexwinkle responded that the program replaced the Social Security System in 1980. The amount deducted from the contribution of the employee/employer is vested at the beginning of the contribution. When the employee separates from the State or retires, they can withdraw all the funds saved. As earnings are accumulated, they are posted to the participants account; should there be a loss in value, that should also be posted to the participant's account.

Representative Boyer asked how this system differed from investing in an IRA account from a local stock broker. Mr. Rexwinkle said it was the same.

Representative Ulmer acknowledged there was a difference between a person purchasing an individual IRA account and the investment in the SBS. The most obvious difference would be the individual choice in the selection of the IRA. The Department of Administration choose investments for the employees, in this case Executive Life. The employee had no control in the decision made by the Department.

Representative Boyer asked if there was a trustee/fiduciary relationship which would hold an individual liable for the loss. Mr. Rexwinkle pointed out that this was a 401A program in which the employee contributes and the employer matches. The employer does direct the investment, and if there is a

gain or loss, the employee is the direct recipient.

Representative Larson asked if there was fiduciary responsibility in the purchase of the contracts. Commissioner Keller stated that there was fiduciary responsibility and the law places it with the PERS Board and the Commissioner of Administration.

Representative Brown inquired if the accounts would be paid back without legal action. Commissioner Keller clarified that if HB 221 does not pass, the Department assumes there would be lawsuits brought against the State. If the lawsuits are successful, the General Fund would be required to make the State whole. Should the State prevail, there would be no obligation on the part of the State to restore the balances.

Mr. Rexwinkle explained the Department of Revenue's fiscal note. The estimated impact would range from \$0 to \$132 million reduction in unrestricted revenues. This reduction is based on 8% interest compounded annually, assuming the entire \$132 million is non-performing and no cash would be realized at the GIC maturity or sale of underlying securities. This would be the worst case scenario.

Representative Phillips asked when the last communication was made with Executive Life. Commissioner Keller stated that there had been a meeting the end of March in order to discuss all the issues and negotiations. The panic resulted from the incomplete 10K filing and the year end audit.

Mr. Rexwinkle summarized the history of Executive Life. First Executive Corporation is the parent company which publishes the financial report. First Executive has many subsidiaries, the largest being Executive Life of California. The parent company is no longer honoring the accounts of Executive Life. Commissioner Keller noted that Executive Life, since September 1991, has been seeking outside investors. He thought that most of those undertakings had been "press fluff". Representative Phillips commented that the company was in serious trouble.

Representative Brown recommended replacing "may" with "shall" in Line 5, Page 1 of the proposed legislation. She felt that the best course of action for the State would be to protect the employees. She then acknowledged her conflict of interest regarding the matter, owning funds in the SBS account. Commissioner Keller opposed replacing the "may" with "shall". He said that decision would be based on a legal determination regarding the State's position. Currently, there are two opinions being drafted, one law firm is representing SBS and another firm will represent the State. The Attorney General will then decide the State's standing. Until that decision is available, Commissioner Keller urged that the language be left permissive. Representative Brown suggested no action be taken

until the legal analysis is received.

Representative Ulmer asked if time was of the essence. Commissioner Keller replied that the Department had previously insinuated that. At this time the perspective has changed regarding discussions with Executive Life. Introduction of the proposed legislation was a significant factor to the status of the account and to Executive Life. The Commissioner of Insurance in California is now involved with the concern. He said no other State has been willing to exchange the GIC contracts for underlining assets. This would be a unique offer. Representative Ulmer reiterated that the position has been enhanced by the introduction of the legislation and questioned if the position would be further enhanced if the legislation were passed. Commissioner Keller did not think that that negotiation position would change by the passage of the legislation.

Representative Sharp commented on his concerns with the State purchasing the depressed securities from Executive Life. He suggested that SBS should sell the depressed securities and then the State could be given the option to make them whole.

Mr. Rexwinkle commented on the GIC contracts. He thought that the market value could be worse than last reported by Executive Life. There are no assignment clauses in the GIC contracts and the company has to approve them in order to assign them. The "no assignment" clauses keep them from being a marketable security.

(Tape change, HFC 91-46, Side 2).

Representative Ulmer criticized Executive Life's position and unwillingness to admit that that junk funds are worthless. She asked how that would be consistent with recording the GIC's involving the SBS portfolio. Darrell Rexwinkle noted that Executive Life has a deficiency in assets. Representative Ulmer reiterated the question. What would substantiate the need for the action to happen sooner rather than later. Mr. Rexwinkle replied that this information would affect the permanent impairment decision and he felt he could not adequately answer the question.

Co-Chair Navarre inquired who made the investments for the Department of Administration. Commissioner Keller explained that since March 1990, all the SBS funds are being invested by the Department of Revenue. Co-Chair Navarre asked for a chronology of all Executive Life decisions. Commissioner Keller said there were four Executive Life contracts released on an invitation to bid basis, one in 1987, two in 1988, and one in 1989. The bids were based on the highest interest rate.

Representative Phillips questioned the current retirement

investment. Deputy Commissioner Rexwinkle replied that these investments are all short term papers. Representative Phillips asked what criteria will be used for future investments. Commissioner Keller replied an elaborate criteria has been established in developing the asset allocation plan creating strict requirements for recordkeeping and investment. Commissioner Keller offered to provide a copy of the RFP to the Committee. Co-Chair Navarre questioned if underlying securities would be purchased from Executive Life. Commissioner Keller said it would be an exchange of the GIC contracts and the junk bonds which would need to be managed.

Co-Chair Navarre asked when the problems with Executive Life were first obvious. Commissioner Keller said the first problems occurred fifteen months ago, in 1989, at which point the funds began to be downgraded because 40% of their assets were in junk bonds. When the junk bond market began to decline, the majority of their assets began to decline. Their rating continued to decline with that process. In March 1990, the State of Alaska issued their fourth GIC contract to Executive Life. At that point, the State negotiated a termination of any further participation. There were no provisions in the contract with Executive Life for the State to prematurely end the contract on the basis of the investment falling below the investment grade.

Representative Boyer asked if Executive Life was current with their negotiated rate. Commissioner Keller pointed out that we are accruing that rate, and the first amount would be due 1993. The four contracts are due for receipt in 1993, 1994, 1995 and 1996. Representative Boyer did not understand the urgency of the situation. Commissioner Keller was convinced that the underlying assets of Executive Life have deteriorated so much in value at this time, that there will not be enough cash produced from the "junk bond pay off" to pay the GIC contracts as they become due.

BRUCE LUDWIG, ALASKA PUBLIC EMPLOYEE ASSOCIATION, JUNEAU, ALASKA, spoke in favor of passage of HB 221. He said the State took the responsibility to invest the SBS funds into sound investments.

Representative Boyer affirmed that persons who withdrew their money from SBS have received the entire amount due. Mr. Ludwig said that if Executive Life represents 20% of the fund, persons who started work three years ago and withdrew their funds, would have been drawing on the Executive Life funds. Those persons removed the "good" money from the other eighty percent and the remaining funds will be greater than twenty percent of the whole. The impact on those persons remaining in the SBS will be greater than the twenty percent depending on the amount taken out.

Representative Ulmer affirmed Mr. Ludwig's position. Representative Boyer pointed out that is how the stock market works. Mr. Ludwig explained that the guarantee to each State employee was that their money would be guaranteed and at a rate of 9.15%. He added that the employees of the State have no voice in determining how the money of the SBS funds are invested. Representative Jacko asked Mr. Ludwig if he supported changing the "may" to "shall". Mr. Ludwig supported the change.

Representative Larson provided the Committee with Amendment #1 and #2. [Attachment #1 and #2]. Amendment #1 would place before the word "guaranteed" the words "Executive Life Insurance Company" in Lines 1 and 6, Page 1. Representative Larson MOVED Amendment #1. There being NO OBJECTION, it was so ordered.

Representative Larson spoke in favor of Amendment #2. Commissioner Keller pointed out concerns with Amendment #2. Representative Larson MOVED Amendment #2. Representative Boyer OBJECTED for purposes of additional clarification.

Representative Boyer asked what the purpose of notification would be and what recourse LBA would have in regard to that purpose. Representative Larson said the members of LBA would be polled to address their concerns, allowing time to make a recommendation to the Commissioner. Representative Boyer asked if two days would be enough time. Representative Larson said that decisions have to be made in emergency situations and granting a longer amount of time would complicate the situation. Representative Boyer disagreed that there would be a tight time frame for the movement of funds. Representative Larson stated that this amendment would conform with action taken in the Senate and requested by Commissioner Keller.

GARY BADER, DIRECTOR, DIVISION OF RETIREMENT AND BENEFITS, DEPARTMENT OF ADMINISTRATION, stated that the Administration sought the cooperation of the Legislature and thought that the addition of Amendment #2 would provide that cooperation. Mr. Bader stated it would not be urgent to purchase the contracts.

(Tape change, HFC 91-47, Side 1).

Representative Ulmer observed that LBA does not have independent authority over the decision or appropriation. The action of the Committee would be a notification to the Chairman of the Budget and Audit Committee of what the Administration is currently doing. This would be a curtsey notification. Representative Boyer withdrew his OBJECTION to Amendment #2.

Amendment #2 was adopted. CSHB 221 (FIN) was HELD in Committee for further discussion.

HB 221     An Act authorizing the Department of Revenue either the guaranteed investment contracts held by the supplemental benefits system or the underlying securities; and providing for an effective date.

HB 221 was HELD in Committee.

HOUSE BILL 221

"An Act authorizing the Department of Revenue either the guaranteed investment contracts held by the supplemental benefits system or the underlying securities; and providing for an effective date."

Co-Chair Navarre expressed his intention to hold House Bill 221 in Committee, pending receipt of opinions from the Department of Law. House Bill 221 was HELD in Committee.

# Is Your Pension Fund Safe?

If an insurer holds it, it may not be guaranteed

BY JANE BRYANT QUINN

**T**he collapse of the Executive Life Insurance Co. is scary news for pension holders. Billions of dollars in retirement funds are backed by insurance-company annuities like the ones widely sold by Executive Life—and much of that money isn't guaranteed. Executive Life can meet its immediate obligations (or so says California's insurance commissioner). But if its money runs out, the checks may stop.

Employers buy pension annuities for a couple of reasons: to make the insurer responsible for paying your pension, or to invest in the high interest rates some annuities offer. "Individual" annuities are bought in your name. "Unallocated" annuities provide pensions to a group of workers as a whole.

But what if the insurer fails? In theory, two safety nets hang between you and poverty: the Pension Benefit Guaranty Corporation (PBGC), which protects against failed pension plans, and state guaranty associations, which clean up behind defunct insurers. In practice, however, the PBGC won't cover all insurance-backed pensions.

As for the guaranty funds, just 15 states specifically protect unallocated pension annuities. At least 21 cover individual annuities, mostly to \$100,000 a person.

**Who's secure?** To see if you're protected, check your situation on the following list:

- *You're retired and getting a pension based on your age, salary and years of service.* It's paid by your company, directly from the pension trust. You're safely insured by the PBGC, to a top of \$2,250 a month for individual retirees at age 65.

- *You're retired and getting a monthly pension funded by an individual insurance annuity.* You are not protected by the PBGC or by your employer. You'll lose your income if the insurer runs out of assets, unless a guaranty fund steps in.

- *You're working and your retirement fund is building up.* Your protection depends on the type of pension you have.

(1) If you're guaranteed a fixed monthly benefit, and your fund buys such things as stocks and fixed-income securi-

ties, you're insured by the PBGC up to the maximum allowed.

(2) If you have a profit-sharing plan, a 401(k) or a typical Keogh, you're not insured. These plans rarely fail, although your investments could drop in value.

(3) If you're guaranteed a fixed monthly benefit, and it's backed by an insurance contract, the nature of your protection depends on the contract. With an unallocated annuity, your employer usually has to step in if the insurance compa-



Shutting the barn door: A threat to your retirement money

ny fails, says Carol Flowe, general counsel for the PBGC. If the pension plan fails, the PBGC would pay. But if your entire pension benefit is dumped into an individual annuity, the obligation is transferred to the insurer, Flowe says. If the insurer fails, and doesn't have the assets to pay, your only hope is a guaranty fund.

Now for the rest of the bad news: when it comes to big insurers, the guaranty funds are essentially a fraud. They couldn't even handle the much smaller Baldwin United failure back in 1983. That rescue package took years to assemble and involved insurers and stockbrokers as well as the state funds.

**Losses mount:** A company the size of Executive Life will most likely overwhelm the guaranty funds and perhaps the insurance industry, too. If losses mount and retirees can't get their pension checks, they'll holler at Congress, which might dump the whole mess onto the PBGC, says Washington, D.C., attor-

ney and pension expert Michael Gordon.

But that's no solution, either. The PBGC's funding comes from private corporations and they're not paying enough as it is. Right now, the pension insurance fund is nearly \$2 billion in the hole. If it had to back annuities, too, premiums would leap—probably to more than employers could handle. Besides, it's foolish to ask the PBGC to guarantee the solvency of the whole insurance industry.

Who, then, will pay? If every insurance annuity were bought by individuals, the answer might be "no one." You're responsible for the investments you make.

But employees usually have no choice. Their companies buy the annuities, often from a low-cost insurer like Executive Life. You may not know that your carrier

is second rate; even if you did you wouldn't be able to opt out. So why should you suffer if payments stop?

Instead, fault should cling to the employer who bought the bad annuity in the first place. You can sue a company that doesn't make proper and prudent pension investments.

In a class action against California-based MagneTek, Inc., which stowed large amounts of pension money in Executive Life, workers in two of its Wisconsin plants are charging conflict of interest. MagneTek's management floated junk bonds to raise the money to buy the company. Executive Life bought a lot of the bonds and later received the bulk of the workers' pension fund, over the objection

of the union and key executives. "We're afraid that the state guaranty fund will run for the woods," says union attorney Jim Mauro. (The fund hasn't said.) The insurance agent may also be sued.

If a company implies that annuities are safe, that might also give workers ground for suit, says consultant Harry Gross of Kwasha Lipton in Fort Lee, N.J.

At bottom, this is yet another tale of blinkered regulators teamed up with grasping business people who, in the words of Henny Youngman, hand out baloney disguised as food for thought. Risky insurers have been selling annuities for years. Yet only last year did the PBGC start flagging risky pension annuities. Only last year did the Department of Labor take up the oversight job that was its all along. Even as we speak, the National Association of Insurance Commissioners is debating solvency standards. Talk about shutting the barn door.

Associate: VIRGINIA WILSON

Anch. Daily News Wed. April 24, 1991

# Hickel backs retirement bailout

By HAL BERNTON  
Daily News business reporter

Gov. Wally Hickel said Tuesday he thinks the state should stand behind an ailing state employee retirement fund and would "strongly consider" signing legislation to make up any of its losses.

Hickel's comments Tuesday came in response to a constituent's question during a radio call-in show on

the Alaska Public Radio Network.

They are at odds with statements Monday by Millett Keller, a Hickel Cabinet member who has taken a lead role in dealing with the crisis in the state Supplemental Benefits System, which could lose up to \$130 million invested in a crumbling California insurance company.

Keller said he thought the

state — unless faced with a legal obligation — shouldn't use money from the general fund to rescue the retirement fund.

"If you have to choose sides between the public and employees, then my belief is that our oath is to the citizens of Alaska," said Keller, Hickel's commissioner of administration, during a legis-

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## SBS: Bailout supported

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lative hearing.

By late Tuesday, administration spokesmen were scrambling to clarify Hickel administration policy on an issue that touches more than 20,000 past and present state employees.

John Manly, a deputy press secretary, said Hickel was speaking in broad terms about the state's obligations. If the legislature sends Hickel a bill to make up any losses, then the governor would probably sign it, Manly said. "He feels like there was a state fiduciary responsibility."

Since 1980, state employees — including most legislators — have made mandatory payments into the Supplemental Benefits System. It supplements a much larger pension system, administered by the Revenue Department, that is not at risk.

State workers had no say in how the supplemental funds were invested. From 1987 to 1989, Department of Administration officials put up to a third of the funds in Executive Life Insurance Co., a California insurer with a portfolio full of junk bonds that was seized earlier this month by regulators. The state of Alaska's entire investment may be lost.

In March, as Executive Life's problems intensified, the Hickel administration proposed a bill that would authorize the use of general fund money to make good on any losses to the employee retirement fund. But that bill was voted down on the Senate floor.

After that, Sen. Pat Pourchot, D-Anchorage, spoke out in favor of bailing out the Supplemental Benefits System, saying it was the state's responsibility to protect the workers. But the administration then backed away from the bill as it sought a still-pending legal opinion on whether the state is liable for lost funds.

On Tuesday, Hickel appeared to once again throw administration support behind general fund appropriations to cover losses that could run as high as \$130 million.

"Somehow, the state has to stand behind the retirement fund," he said. "If the legislation looks like it will solve the problem ... we will strongly consider it because we have an obligation."

Juneau Empire 5/10/91

# Bailout pricetag growing

## House gives unanimous OK to plan

By RALPH THOMAS

THE JUNEAU EMPIRE

The pricetag to bail out an ailing state-employee retirement fund grew by more than \$4 million this week.

Under a Hickey administration plan approved unanimously by the House today, the state will spend up to \$138.1 million to protect the Supplemental Benefits System from losing money on investment contracts with a sinking California insurance company.

If the plan clears the Senate and is signed by the governor, \$45 million will be taken from the state general fund to create a new "investment loss trust fund." The administration would also be allowed to draw up to \$93.1 million from the state's budget reserve to cover the bailout account.

The new fund would be used to prevent the SBS program from losing money on its investment contracts with Executive Life Insurance Co., a junk bond-riddled firm that was seized last month by California insurance regulators.

When the administration's plan was first presented to the House Finance Committee this week, the bailout price stood at \$132 million. But the figure was increased Thursday.

Department of Administration Commissioner Millett Keller said the cost grew by \$2.8 million in April — the increase in "paper value," or interest supposedly earned on the Executive Life contracts.

An additional \$3.3 million was tacked on after the administration discovered it might also have to cover losses suffered by former government workers who are getting monthly annuity checks from Executive Life.

The SBS program was started in 1960 after state workers opted out of the federal Social Security system. The fund has since grown to more than \$620 million, covering more than 22,000 past and present government workers.

Workers contribute about 6 percent of their wages to the program, which is matched by an equal amount from the state.

The Executive Life contracts were purchased between 1987 and 1990.

Under the bailout plan, money will be drawn as needed from the investment loss fund to cover losses on the Executive Life contracts. Meanwhile, the administration will try to recover some or all of the money through lawsuits and by holding out and hoping Executive Life might recover and pay off on the contracts.

If any money is recovered, it would go into the bailout fund and eventually back to the general fund and budget reserve.

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## SBS...

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The administration requested the \$3.3 million to cover former employees receiving Executive Life annuities after it became apparent their losses might not be covered by the company or by California's insurance guarantee pool.

When SBS members go off the payroll, they can request a lump-sum payment or a monthly annuity check.

During 1987 and part of 1990, Executive Life operated the SBS annuity program, and people who chose the annuity option in those years get their checks directly from the insurance firm.

Keller said more than 300 people signed up for SBS annuities from Executive Life, and he estimates the amount owed on those accounts at about \$11 million.

Late last month, California's insurance regulators won court approval to reduce Executive Life's annuity payments by 30 percent until they can better determine the com-

pany's assets and liabilities.

When the company was seized, more than half of its assets were reportedly in high-risk, high-yield junk bonds.

Keller said the extra \$3.3 million in the bailout fund would be used to cover the 30 percent drop in the annuity checks to former Alaska government workers.

The bailout plan was submitted after the administration received a legal opinion on the state's obligation to protect the retirement fund. Details of the legal opinion have not been made public, but several legislators have said the contents of the opinion became obvious when the administration supported the bailout.

Rep. Mike Navarre, D-Kenai, tried during Thursday's Finance Committee meeting to get an admission of liability added to the bailout bill. But Assistant Attorney General Jim Baldwin advised against such a move.

"People can infer from the bill what they want," Baldwin said. "But I think it would not be in the interest of the state to do that at this time."

After the meeting, Baldwin said he would be comfortable discussing the legal opinion after the bailout had the full Legislature's approval.

Meanwhile, the House is scheduled Monday to consider a bill that would set up a system aimed partially at preventing future problems with the investment of employee pension funds.

Senate Bill 18 would establish a public corporation to invest nearly \$5 billion in public employee pension funds, including the SBS money. The corporation would be similar to the Alaska Permanent Fund Corp., which invests the state's \$11 billion oil savings account.

The corporation would include a nine-member board overseeing an executive director and investment staff.

Aside from SBS, the pension corporation would also invest about \$2.7 billion from the Public Employees Retirement System and \$1.7 billion from the Teachers Retirement System. The pension funds currently are managed by the Department of Revenue.

# State knew pension holder was shaky, invested anyway

By HAL BERNTON  
Daily News business reporter

State officials who made ill-fated retirement investments in Executive Life Co. disregarded repeated, published warnings of the risk involved in buying into the California-based insurance company.

Instead, they took the advice of a Seattle consultant who worked for the subsidiary of one of the world's

largest insurance brokers, according to past and present state officials.

Between 1987 and 1990, state officials invested nearly \$130 million — up to 30 percent of a supplemental retirement fund — in Executive Life.

California regulators this month seized Executive Life's parent company — First Executive Corp. — in what might become the na-

tion's largest insurance company insolvency.

The state could lose its entire \$130 million investment, covering more than 20,000 past and present state workers, and might be forced to cover the lost money out of the state treasury.

The main state retirement funds — totaling more than \$5 billion — are separate from the supplemental fund and are handled by a staff of

investment professionals within the Department of Revenue.

But the \$435 million supplemental fund was under the day-to-day management of a Department of Administration accountant, Mike Halverson, who said he had no formal academic training in financial investing. For the past couple of years, he said, he lacked even a working computer system to ade-

quately track employee investments in the retirement fund.

Halverson said he read many press accounts that as early as 1987 cautioned that Executive Life was investing in high-risk "junk" bonds and had invested money in the scandal-racked firm of Wall Street trader Ivan Boesky.

"We were fully aware of what was happening at Ex-

ecutive Life. We just believed they would be all right," Halverson said.

Whenever he had doubts, Halverson said, he turned to Bob Richardson, a former principal in the benefits consulting firm of William M. Mercer Cos., a subsidiary of the huge insurance broker, Marsh & McLennan.

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**INVESTMENTS**

## THE BACK PAGE

### INVESTMENTS: State officials ignored warnings about Executive Life

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Richardson, according to Halverson and other former Administration Department officials, developed the investment strategy that put 100 percent of the retirement money into a kind of insurance company savings bond known as "guaranteed income contracts." No bonds, no stocks, no bank certificates or any other investments to diversify the portfolio.

And according to Halverson, Richardson never waived from that strategy.

"If I got nervous, what I would do is immediately call the only person I knew who could possibly help," Halverson said. "That would be Bob Richardson. I considered him the source of all wisdom."

Elsewhere in the nation, many state retirement fund managers have been wary of concentrating investments in the insurance industry and limit investments in any one company.



Source: Alaska Department of Administration

KEVIN POWELL / Anchorage Daily News

According to Halverson, Richardson repeatedly stated it was almost impossible for Executive Life to go bust within the six-year pay-back

period of the state investments."

Sally Smith, who as director of Halverson's division helped review investment

decisions, confirmed Richardson's company acted as the consultant and recommended that the entire fund be put in insurance companies.

Richardson no longer works for Mercer and could not be found for comment. Halverson and other state officials said he told them in 1989 that he was leaving for a round-the-world cruise and didn't know when he would return. "The last I heard, he was seen off of New Zealand," Halverson said.

Beth Rutherford, a consultant at Mercer, said her company does not get involved in specific investment advice.

The supplemental retirement fund was established in 1980 as state employees opted out of the Social Security system.

Early investments were made with Mutual Benefit Life, then in 1985 the state began taking bids annually to decide which insurance company would get state money. The highest bidder

won the contracts, as long as it was rated A-plus — the highest rating awarded by A.M. Best, a major rating firm.

Executive Life was high bidder for 1987 through 1990 contracts, according to state documents.

As early as 1987, warning alarms were going off about the insurance company. Conning & Co., a stock analyst, published a report stating that First Executive was paying investors higher interest rates due to "a sizable portfolio of high-yield 'junk' bonds. . . In addition to the usual concern over default risk, this strategy is particularly worrisome to investors . . . due to increasing concern by insurance regulators relating to the appropriateness of such investments for life insurers."

Best continued to rate the company A-plus, but in January 1988 other insurance rating companies downgraded First Executive, Halverson said.

But, he said, he was never

told to back away from Executive Life until January 1990, when Best downgraded the company amid an avalanche of press reports detailing the company's problems.

By then, the Administration Department had a new benefits consultant, DeLoitte & Touche. That winter, Administration Commissioner Frank Baxter flew to California and successfully bailed the state out of most of its final investment with First Executive.

By year end, the Administration Department transferred management of the fund to the Revenue Department investment professionals.

As for Halverson, his old files are under lock and chain, and he's planning to leave Juneau for a few weeks.

"There's been a lot of heat. The stress has almost killed me. As far as I'm concerned, this is ancient history. It's not my game anymore."

Wall St. Journal 5/7/91

WUUII HAVE BEEN A TRILING MATTER.

Please Turn to Page C9, Column 3

SOURCE: LITTLEWING

# Should the Company or the Employee Take the Hit on Troubled GIC Accounts?

## YOUR MONEY MATTERS

By JAMES A. WHITE

Staff Reporter of THE WALL STREET JOURNAL

NEW YORK—Should companies pick up the tab for any losses their employees suffer because of problems at insurer First Executive Corp.?

That question is being put to a major test for companies that bought \$3.09 billion in guaranteed investment contracts, or GICs, from First Executive for their employee benefit plans. First Executive's troubled Executive Life units in California and New York were seized by state insurance regulators last month.

GICs, which are fixed-income contracts sold by insurance companies, are extremely popular retirement and savings plan options. While how much Executive Life will pay on the dollar to GIC holders may not be known for months, companies have begun freezing portions of their employee savings plans that were invested in GICs issued by Executive Life. Companies say freezing part of the plans is necessary until they know exactly how much Executive Life will repay on its GICs.

Among the companies imposing freezes are Honeywell Inc., Xerox Corp. and Unisys Corp.; others are expected to follow suit shortly.

Now, in what is believed to be an unprecedented move, Holiday Inns Inc., a unit of Bass PLC, has decided that it—and not employees—ought to bear any GIC-related loss. The hotel chain has promised to make up any losses of principal on the \$12.8 million of its employees' money in a company savings plan that was invested in GICs issued by Executive Life. "Our employees deserve to know that their invest-

### Executive Life GICs Cause a Chill

Companies have frozen or purchased parts of their employee benefit plans invested in guaranteed investment contracts (GICs) issued by Executive Life.

COMPANIES	FACE VALUE OF EXECUTIVE LIFE GIC CONTRACTS (in millions)	PORTION OF GIC FUND	ACTION
Honeywell	\$72.0	16.0%	Executive Life portion frozen
Xerox	66.4	7.5	Executive Life portion frozen
Unisys (2 funds)	40.0 3.0	30.0 7.0	Executive Life portion of both funds frozen
Marathon Oil	20.0	2.0	Executive Life portion frozen
Holiday Inns	12.8	14.0	Executive Life portion frozen; company promises to cover any losses
Georgia-Pacific	5.4	N.A.	Company purchased Executive Life GICs from GIC Fund

N.A.=Not applicable

Source: Company reports

ments will be protected," the company said last week.

A widespread move by companies to shoulder losses for employees due to the problems at First Executive would be a sea change. That's because most of the employee benefit plans that hold First Executive GICs are so-called defined contribution plans.

Defined contribution plans—which include most company-sponsored thrift, profit-sharing and 401(k) plans—place responsibility for any investment losses squarely on employees. Employees usually are given the choice to allocate money in their accounts among several investment options, including stock, bond and GIC funds. (That contrasts with defined benefit plans, which include most long-established pension plans, in which the employer bears

the risk for any losses on the plan's investments.)

Record numbers of defined contribution plans have been set up in the past decade by companies that find them cheaper and easier to administer than defined benefit plans.

Employees in defined contribution plans have suffered losses in the past, most dramatically during the 1987 stock market crash. But the Executive Life GIC problems involve fiduciary questions that go beyond market risk. As a result, the way companies react to losses in this case could portend how they approach their defined contribution plans in future cases.

"We are walking new ground," says benefits consultant Roger C. Bransford of TPF&C. "I think the nature of the (defined

Please Turn to Page C12, Column 3

Sen. Vebbing

## Companies Address Employees' Losses From First Executive

*Continued From Page C1*

contribution) promise is going to be rethought."

Other companies may take a similar view to that of Holiday Inns as fallout from Executive Life spreads, experts say. For one thing, companies are concerned about morale problems if employees have to sustain GIC losses. In addition, though companies may not be legally bound to make up employee losses in defined contribution plans, some companies may worry about possible lawsuits charging them with lapses of their fiduciary duties for not having spotted problems with Executive Life.

"I'm sure there will be litigation surrounding this by people who have lost money on Executive Life," says Howard C. Welzmann, executive director of the Association of Private Pension & Welfare Plans, a benefits trade group that includes corporations, consultants and actuaries. "If the corporate wherewithall is there to make people whole, I think a lot of companies will do that."

Georgia-Pacific Corp. anticipated problems with Executive Life GIC contracts when it acquired Great Northern Nekoosa Corp. last year. Great Northern had purchased \$5.4 million in GICs from Executive Life for its employee savings plan, but Georgia-Pacific officials decided against combining those contracts with its own employee savings plan.

"We were uncomfortable with putting them in" the combined fund, says John E. Stettler, a Georgia-Pacific benefits official. "We felt we had a fiduciary issue." As a result, Georgia-Pacific decided to buy the Executive Life GICs from the employee plan so that any loss would come out of the corporate treasury, not from employees' savings.

3 of 3

Until now, GIC holders have never suffered a loss; but things could be different in the case of Executive Life. Payouts on Executive Life's GIC contracts were suspended when California regulators took over the California unit April 11. (Under a separate action, payments to holders of Executive Life annuities were cut back to 70%.)

### Private Strategy Meeting

Corporate benefit executives from more than 20 companies with employee plans holding Executive Life GICs met privately late last month in New York to come up with a strategy for dealing with the insurer's problems. Unisys, one of the companies represented, says the group plans to hire legal counsel to press the claims of GIC holders before regulators.

Meanwhile, employees must cope with freezes announced by their employers on portions of their benefit plans represented by Executive Life GICs. But even with the freeze, employees can generally still make transfers, withdrawals and other transactions normally allowed on the remainder of their benefit accounts.

In letters to their employees, companies commonly stress that freezing part of their accounts doesn't necessarily mean that money will be lost. However, executives confess they don't yet know what will happen. "It's very frustrating to have to announce something like this to plan participants without having more concrete answers," says Robert Evans, Xerox assistant treasurer.

Some company executives are beginning to worry that a debacle with Executive Life GICs could hurt the GIC market as a whole. Already, a number of companies are shopping for alternatives to GIC that would offer some of the most attractive attributes of GICs, such as stable value, while still providing returns higher than Treasury securities. "A whole lot of people are scrambling to consider if they should do something else," says Charles H. Salisbury Jr., a marketing vice president with mutual fund company T. Rowe Price Associates Inc.

HB 222

## HOUSE BILL NO. 222

IN THE LEGISLATURE OF THE STATE OF ALASKA

SEVENTEENTH LEGISLATURE - FIRST SESSION

BY REPRESENTATIVES JACKO, Foster, Ivan, Lincoln, MacLean, Mackic, G.Phillips, Baker, Gonzales

Introduced: 3/15/91

Referred: Community &amp; Regional Affairs, Finance

Funding Information:	General Fund	\$	-0-
	Other Funds		<u>72,948,922</u>
			\$72,948,922

## A BILL

## FOR AN ACT ENTITLED

1 "An Act making appropriations from the Alaska science and technology endowment for  
 2 water, sewer, and solid waste projects, for statewide road and highway maintenance  
 3 projects, and to fund the rural development initiative fund; and providing for an effective  
 4 date."

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

6 \* Section 1. The sum of \$20,000,000 is appropriated from the Alaska science and technology  
 7 endowment (AS 37.17.020) to the Department of Transportation and Public Facilities for statewide road  
 8 and highway maintenance projects.

9 \* Sec. 2. The sum of \$10,000,000 is appropriated from the Alaska science and technology endowment  
 10 (AS 37.17.020) to the Department of Community and Regional Affairs for capitalization of the rural  
 11 development initiative fund.

12 \* Sec. 3. The sum of \$42,848,922 is appropriated from the Alaska science and technology endowment  
 13 (AS 37.17.020) to the Department of Environmental Conservation for payment as grants from the village  
 14 safe water program (AS 46.07) to the following cities and unincorporated communities for the purposes

1 and in the amounts stated:

2	CITY OR COMMUNITY	PURPOSE	ALLOCATION
3	City of White Mountain	Water and sewer	\$ 617,000
4	City of Thorne Bay	Sewer project	1,100,000
5	Mountain Point	Water and sewer project	2,524,000
6	City of Anderson	Septage disposal facility	300,000
7	Glennallen	Sewer system	1,200,000
8	Anchor Point	Watering point facility	68,000
9	Klukwan	Lagoon	389,000
10	Takotna	Rehabilitation of sanitation facilities	225,000
11	City of Noorvik	Water and sewer upgrade	400,000
12	City of Selawik	Storage/washeteria	800,000
13	City of Mekoryuk	Flush tank and haul demonstration project	180,000
14	City of Unalakleet	Solid waste	1,414,000
15	Nelchina	Waste transfer station and well	42,600
16	Talkeetna	East side sewer and water construction	3,100,000
17	City of Chefornak	Water and sewer system	2,147,499
18	Kokhonak	Water and sewer improvements	100,000
19	City of New Stuyahok	Water, sewer, and solid waste	477,000
20	City of Togiak	Water and sewer construction	257,000
21	City of Gambell	Water and sewer phase III	2,800,000
22	City of Bethel	Wastewater treatment system improvements	623,000
23	City of Lower Kalskag	Solid waste improvements	175,000
24	City of Golovin	Water and sewer progressive improvements plan	
25		phase II	427,280
26	City of Nulato	Water and sewer system phase III	2,382,000
27	City of Emmonak	Sewer and water expansion	1,000,000
28	City of Kotzebue	Sewer main rehabilitation	1,370,000
29	City of Kiana	Sewage treatment renovation	968,000
30	City of Ruby	Sanitary landfill	60,000
31	City of Elim	Sewer ocean outfall line rehabilitation	431,000

1	City of Hooper Bay	Water and sewer upgrade	990,000
2	City of Shageluk	Washeteria/water treatment plant renovation	300,000
3	City of Kaltag	Water and sewer extension	217,380
4	City of Manokotak	Water system improvements	300,000
5	City of Port Lions	Water and sewer	250,000
6	City of Coffman Cove	Water and sewer construction	800,000
7	City of Savoonga	Solid waste	750,000
8	City of Chignik	Sewer upgrade/drainfield replacement	200,000
9	City of Kotzebue	Sewage lagoon upgrade	480,000
10	Chistochina	Safewater	25,000
11	Port Graham	Engineering design/study	75,000
12	City of St. Michael	Water tanker/fire truck/appurtenances	300,000
13	City of Kivalina	Water tank upgrade	900,000
14	South Naknek	Septic tank project	581,000
15	City of Clarks Point	Extension of water and sewer	280,000
16	Healy Lake	Water/sewer project	92,000
17	Tanacross	Water and sewer expansion and repair	200,000
18	City of Atka	Engineering evaluation water/sewer	100,000
19	City of Grayling	Gallery pump project	100,000
20	Birch Creek	Solid waste removal and relocation	10,000
21	Minto	Solid waste site	150,000
22	City of Larsen Bay	Water improvements	530,000
23	Noatak	Solid waste site	300,000
24	City of Kotzebue	Sanitary landfill study	150,000
25	Chenega Bay	Solid waste disposal	383,891
26	City of Chevak	Laundry and sewer disposal lines	37,000
27	City of Shungnak	Solid waste improvements	120,000
28	Point Baker	Engineering feasibility study	25,000
29	City of Eek	Feasibility study-water well drilling	22,500
30	City of St. Michael	Phase II washeteria	474,200
31	City of Kasaan	Water supply improvements-phase I	306,000

1	City of Toksook Bay	Water supply improvements project	550,000
2	Stevens Village	Washeteria upgrade	400,000
3	City of Brevig Mission	Water and sewer design	150,000
4	City of Ouzinkie	Safewater relocation	200,000
5	Gulkana	Water treatment plant rehabilitation	
6		and provision of water storage tank	430,000
7	Birch Creek	Tank rehabilitation	150,000
8	City of Kobok	Water, sewer, and solid waste	1,500,000
9	City of Scammon Bay	Village safe water	150,000
10	Metlakatla	Water tank and feeder lines replacement	584,200
11	City of Teller	Safe water/sewer/solid waste	200,000
12	City of Eagle	Washeteria, lagoon and water project	1,600,000
13	City of Ambler	Water and sewer lines	150,000
14	Venetie	Washeteria rehabilitation	1,470,000
15	City of False Pass	Water supply for new community development	
16		project	280,250
17	City of Eek	Washeteria upgrade	8,122

18 \* Sec. 4. The sum of \$100,000 is appropriated from the Alaska science and technology endowment  
19 (AS 37.17.020) to the Department of Environmental Conservation for engineering feasibility studies for  
20 the village safe water program and for payment as grants under the village safe water program  
21 (AS 46.07) for engineering feasibility studies.

22 \* Sec. 5. The appropriations made by secs. 1 and 3 of this Act are for capital projects and lapse under  
23 AS 37.25.020.

24 \* Sec. 6. The appropriation made by sec. 2 of this Act is for capitalization of a loan fund and does  
25 not lapse under AS 37.25.010.

26 \* Sec. 7. Section 2 of this Act takes effect on the effective date of an Act enacted by the Seventeenth  
27 Alaska State Legislature that creates the rural development initiative fund.

28 \* Sec. 8. Except as provided in sec. 7 of this Act, this Act takes effect immediately under  
29 AS 01.10.070(c).

# House of Representatives

While in Session:  
Box V  
Juneau, AK 99811  
(907)465-4942

P.O. Box 47001  
Pedro Bay, Alaska 99647  
(907)850-2208



Member:  
Finance Committee

Finance  
Subcommittee Chair:  
Courts  
Department of Public Safety  
Finance  
Subcommittee Member:  
Department of Fish and Game

**Rep. George Jacko, Jr.**

## M E M O R A N D U M

TO: Representative Eileen MacLean, Co-chair  
Representative Mike Navarre, Co-chair  
House Finance Committee

FROM: Representative George Jacko, Jr.

DATE: April 18, 1991

SUBJECT: Request for Scheduling House Bills No. 222 and 256

I respectfully request the scheduling of House Bills 222 and 256 in your committee at your earliest convenience. Following are brief summaries of the bills:

### HB 222

This bill appropriates \$73 million from the Alaska Science and Technology Endowment (ASTE) to fund the following three parts:

- 1) \$42.8 million to DEC for statewide village safe water projects;
- 2) \$20 million to DOT/PF for statewide highway and road maintenance projects; and
- 3) \$10 million to DC&RA for capitalizing the Rural Development Initiative Fund (which is created by HB 256).

I and ten co-sponsors introduced this legislation to address critical and important needs of the State of Alaska.

As we draw closer to the 21st century, many communities in the state continue to live with deplorable water and sewer conditions. It's unconscionable that the very basics of health and life safety of the people in this state are given such a low priority.

Governor Hickel's SB 133 funds the first \$6 million of DEC's Village Safe Water Project list, which totals over \$48 million. HB 222 continues where the Governor's list ends, and funds the remaining list of DEC's projects (\$42.8 million total in HB 222).

The list by DEC was compiled and submitted to the Administration in November of 1990. The projects in HB 222 are derived directly from this list. Since November of 1990, I understand this list continues to rapidly grow; it's already \$1 million above the total of \$48 million.

#### HB 256

This bill establishes a revolving loan fund and a fund to purchase capital stock and provide surety bonding. This loan program, combined with bank participation, will provide capital leveraging for the loan applicants.

Specifically, this program would provide loans of up to \$100,000 to one person, or a loan of up to \$200,000 to two or more persons, for commercial purposes by a business located in a community with a population of 5,000 or less. The fund could also be used to provide capital for new business ventures in similarly-sized communities through the purchase or underwriting of stocks and bonds.

As a result of the decline in bank competition in the mid-1980's, it's even more difficult to access capital in rural areas today. HB 256 will aid individuals and communities in rural areas to gain access to capital, which I believe is the greatest need to inspire economic growth and diversify the local economies.

Please contact Rona Sorensen of my staff if you have any questions.

Thank you for any consideration you may give to scheduling these bill as early as possible.

FISCAL NOTE

STATE OF ALASKA  
1991 LEGISLATIVE SESSION

BILL NO. HB 222

Revision Date: \_\_\_\_\_  
Title: Appropriations from Alaska  
Science & Technology Endowment  
Sponsor: Representative Jacko  
Requestor: \_\_\_\_\_

Department Affected: DEC  
BRU: FC&O  
Component: FC&O

COMPONENT SERIAL NO. 

1	6	3	1	7
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EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
PERSONAL SERVICES	0.0	0.0	0.0	0.0	0.0	0.0
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND&STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

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

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

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of current year impact: None

ANALYSIS: (Attach a separate page if necessary.)

The department would be able to administer these grants with existing staff.

Prepared by: Janice Adair  
Division: Commissioner's Office

Phone: 465-2600  
Date: 4/16/91

Approved by Commissioner: *Jan H. Tiedler*  
Agency: Department of Environmental Conservation

Date: 4/18/91

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB, & Impacted Agency(ies).

# NEWS RELEASE

REPRESENTATIVE GEORGE JACKO, JR.

P.O. Box V  
Juneau, AK 99811



FOR INFORMATION CONTACT:

Rona Sorensen

(907) 465-4942

FAX (907) 465-2997

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## FOR IMMEDIATE RELEASE

91-12  
March 15, 1991

### JACKO LEGISLATION APPROPRIATES NEARLY \$73 MILLION

Rep. Jacko and nine co-sponsors introduced legislation this morning which would address critical and important needs of the State of Alaska; both rural and urban. House Bill No. 222 appropriates just shy of \$73 million from the Alaska Science and Technology Endowment (ASTE) for water, sewer, and solid waste projects; statewide road and highway maintenance projects; and to fund the Rural Development Initiative Fund. Another piece of legislation, which is needed to establish this currently non-existing fund, is in the works.

Specifically, HB 222 appropriates \$20 million to the Department of Transportation and Public Facilities for statewide road and highway maintenance projects. The bill appropriates another \$10 million to the Department of Community and Regional Affairs for capitalization of the Rural Development Initiative Fund. The vehicle establishing this fund is still in the draft stage. Lastly \$42.8 million, the largest appropriation of the bill, goes to the Department of Environmental Conservation for statewide water and sewer projects.

-more-

Rep. Jacko stated, "My disappointment with the Administration's haphazard attempt to address the very basic life and health safety needs of communities spurred me to introduce this section of House Bill 222. Governor Hickel proposed to fund merely \$6 million of the total \$48 million requested village safe water projects in his deferred maintenance bill (SB 133). Quite frankly, I see this as an 'eye dropper' approach to one of the most serious problems we have in rural areas of the state."

"I realize this legislation will be controversial and critically analyzed", commented Rep. Jacko. "I agree the ASTE has beautiful, high minded projects that academicians can pontificate about. However, I find these projects very difficult to justify in light of the deplorable water and sewer conditions that exist in rural Alaska today. It's unconscionable that the very basics of health and life safety of the people in this state are given such a low priority. Let me give you a couple of examples.

Kokhanok is a small village in the Lake Iliamna region of District 26. As we draw closer to the 21st century, this village of 152 people, I'm sorry to say, continues to go without safe water and sewer facilities. Each Spring, when the Winter ice begins to thaw, the dumped raw sewage from the community 'honey buckets' thaws too. The two run together; and the reoccurring result is contamination of both the well and the lake from which residents draw their drinking water. PEOPLE ARE DRINKING WATER

3-3-3-3

91-12

March 15, 1991

CONTAMINATED WITH RAW SEWAGE. So is it any surprise that the residents continue to face bouts of hepatitis A and B outbreaks?

Another community in my district, Igiugig, has the same standard sewage facility as Kokhanok; consisting of 'honey buckets' and outhouses. A large percentage of the village residents have either had and developed immunities to Hepatitis B or become carriers of the disease. Just a few weeks ago, high winds and heavy rain contributed to one outhouse's contents flowing down the street. Concerned parents and adults ordered the children stay clear of this area. Shortly thereafter, the ground froze and it snowed. And kids being kids - were spotted playing in this area, eating the snow."

# # # #



# Alaska State Legislature

Please enter into the record my testimony to the House Community + Regional Affairs  
committee name  
committee on HB 222, dated April 10 1991.  
bill/subject

I would like to speak for the residents and property owners of the Nome River Valley. Our concern is that funding for winter road maintenance being done currently from mile 0 to mile 14 of the Beam Rd. in Nome may be cut. There are 21 people living at mile 4 of this road, 10 of these are children. There are another 14 people living farther out the road, 4 of these are children. All of these people are permanent residents. Our concern is that ~~if~~ if we don't have road maintenance we will be unable to bring our children in to school. I question whether it would be cheaper to maintain our road, or to build us a school. We appreciate the excellent services provided to us and would like to see it

Signed:

John A. Dixon John A. Dixon  
Testifier

continue

Nome River Valley Association  
Representing (Optional)

Box 1635 Nome, AK.  
Address

443-3311  
Phone No.



## CITY OF CHIGNIK

General Delivery • Chignik, Alaska 99564 • (907) 749-2280

April 12, 1991

Honorable George G. Jacko., Jr.  
House of Representatives  
State of Alaska  
P.O. Box V  
Juneau, AK 99811

Dear Representative Jacko:

The ability to provide safe water and wastewater facilities is an absolute necessity for both present public health as well as future economic growth and development. Over the years, the Public Health movement has been able to document that one of the greatest contributors to increased life expectancy through decreased incidence and spread of communicable diseases has been the presence of safe and sanitary water and waste-water systems.

We support your efforts to secure the passage of HB 222 for capital projects expenditures for water and sewer systems. We hope other legislators join in your efforts.

Sincerely yours,

A handwritten signature in cursive script that reads "Rick Skonberg" with a flourish at the end.

Richard Skonberg  
Mayor

cc.

Hon. Cliff Davidson  
Hon. Fred Zharoff



## TANANA CHIEFS CONFERENCE, INC.

122 FIRST AVENUE  
FAIRBANKS, ALASKA 99701-4897  
PHONE (907) 452-8251 FAX (907) 451-8938

Post-It™ brand fax transmittal memo 7671		# of pages > 5
To Rep. George Jocko	From Donna Scott	
Co. AK STATE LEG.	Co. Tanana Chiefs	
Dept.	Phone # 452-8251	
Fax # 465-2997	Fax # 465	

April 10, 1991

Representative George Jocko  
P.O. Box V  
State Capitol  
Juneau, Alaska 99811

Dear Representative Jocko:

As I am unable to attend today's Legislative Hearing on House Bills 222 and 256, I am writing to you in support of these two pieces of legislation. I cannot stress enough their importance in providing a much needed boost to village economies. Appropriation of these funds would provide a chance for Native people to participate in the arenas of economic development and entrepreneurship which have more often than not been closed.

Although Tanana Chiefs wholeheartedly supports both HB222 and HB256, it is with special interest that we target support of the \$1.5 million earmarked in HB222 for Rural Entrepreneurship Loans for communities of 5,000 or less. This past fall we began offering a three part Entrepreneurship Training Program. Following extensive recruitment in a number of Interior and Arctic Slope villages (Tanana Chiefs administers employment and training programs for the Arctic Slope as well as the Interior), we brought 14 students into Fairbanks for an intense four week training session.

All 14 students completed the program and are now going through the follow-up phase. With completed business plans in hand, they are in the process of "pounding the pavement" in search of small business loans.

Although we were lucky enough to have a Memorandum of Agreement in place with the National Bank of Alaska for the financing of first time small business loans, still we are only talking about a possible \$2,000 to \$5,000 outside of NBA's regular loan process. Obviously this component of the program gave our students an extra incentive; still, it is not even "in the ballpark" with the kind of money that would be available through HB222.

Tanana Chiefs hopes to continue offering our program. We have an excellent curriculum and instructors. We have the support of the BIA and NBA loan programs. We have a real need in our communities with an unemployment rate in many cases as high as 85%. We also want to offer

viable alternatives for people who would like to have the opportunity to work in their village where jobs are limited - and not have to feel they must leave family and friends behind to accept employment in Fairbanks, Anchorage or Juneau. But, the weak link is still helping our graduates to secure the necessary level of funding needed to give them a true chance to succeed.

At a time when Alaska's urban centers are finally beginning to see some economic upturns, Tanana Chiefs Conference hopes you will take this unique opportunity to assist in providing some new and much needed alternatives for our rural residents.

Thank your for your time and attention to this matter.

Sincerely,  
TANANA CHIEFS CONFERENCE, INC.

*Ted Charles for.*

Will Mayo, President



Donna L. Scott, Director  
Employment and Training

cc: Representative Mark Boyer

attachments

# **Bering Strait Economic Council**

---

**Post Office Box 1008 - Nome ,Alaska 99762 - (907) 443-5252**

## **BOARD OF DIRECTORS RESOLUTION 4-10-91-3**

### **REGARDING SUPPORT FOR HOUSE BILL 256 AND HOUSE BILL 222**

**WHEREAS, the Bering Strait region has great potential for the development of successful new village-based economic development projects, and**

**WHEREAS, the Bering Strait region is currently the most poverty-stricken region of the state and is desperately searching for alternatives to welfare programs, and**

**WHEREAS, economic development in the Bering Strait region is not stymied by the lack of good projects, but by the lack of debt and equity capital for good projects, and**

**WHEREAS, House Bill 256 sets up the Rural Development Initiative program to provide funding for good rural economic development projects, and**

**WHEREAS, House bill 222 provides \$10 million in funding for the Rural Development Initiative program,**

**WHEREAS, the Bering Strait Economic Council is the regional A.R.D.O.R. economic planning organization for the Bering Strait region,**

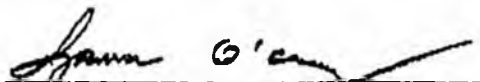
APR 12 '91 14:21  
APR-11-1991 07:08

ST ALASKA DCRA FAIRBANKS 907 451 7251  
FROM

296 P03  
14653348 -101

**NOW THEREFORE, BE IT RESOLVED** that the Board of Directors of the Bering Strait Economic Council strongly supports House Bill 256 and House Bill 222 and urges the Legislature to pass both bills.

Dated at Nome, Alaska this 10th day of April, 1990



**LONNIE O'CONNOR**  
President

★ Fairbanks North Star Borough

809 Pioneer Road

P.O. Box 1267

Fairbanks, Alaska 99707

907/452-4111

April 17, 1991

Honorable George G. Jacko, Jr.  
Alaska State Legislature  
P. O. Box V  
Juneau, AK 99811

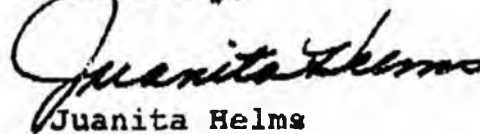
Dear Representative Jacko:

Reference the Fairbanks North Star Borough's stand on HB222, I am supportive of the need and intent of the Bill. However, I believe that if that money could be directed to using the new technology, either developed under ASTF grants, or new technology developed for climates compatible with our bush communities, something more meaningful will be accomplished.

Part of the problem with developing new technology is that the initial capitalization costs are usually higher than the old technology. Marketing is difficult for that reason. Long term savings can be proven, but the initial hurdle of the up front costs are hard to overcome. If this bill would provide the vehicle for using those new technologies which prove to be least cost and least maintenance, you will have accomplished two very noble goals.

I wish you good luck in your deliberations.

Sincerely,



Juanita Helms  
Borough Mayor

JH:rlf

CMA

## Testimony

In Support of House Bills 222/256, To establish the Rural Development Initiative Fund

by Carl Berger, Economic Development Director, Association of Village Council Presidents, Bethel, AK.

I am testifying in support of the effort to appropriate ten million dollars to Dept. of Community & Regional Affairs for capitalization of the Rural Development Initiative fund. It is true that access to capital continues to be the greatest barrier to rural economic development. Providing access to low interest loans for rural business ventures, together with appropriate technical assistance and clear and understandable regulations and guidelines would be an appropriate role for the DCRA. Passage of this legislation will encourage and foster rural small business ventures, strengthen pride in rural people and help to combat social ills by providing viable business enterprise as an alternative. The program will also stimulate the rural economy and provide additional jobs.

Thank you for giving me the opportunity to testify on this important proposed legislation.

Post-It™ brand fax transmittal memo 7671		# of pages > 1	
To	Kenn Sorenson	From	Carl Berger
Co.	Rep. Geo. Jacko	Co.	AVCP
Dept.		Phone #	547-3521
Fax #	465-2997	Fax #	547-2096

APP 2 1991



City of Golovin  
P.O. Box 62059  
Golovin, Alaska  
99762  
Ph: (907) 779-3211  
or 779-3681

April 15, 1991

Alaska House Of Representative  
Honorable Richard Foster  
P.O. Box V  
Juneau, Alaska 99811

Dear Honorable Foster,

On Behalf of the City Of Golovin and its Citizens we fully support HB 222 and seek passage of this HB.

We support the Intent of HB 222

1. Improve the Health and Sanitation conditions in Rural Alaska through Sewer and Water Improvement Projects.
2. Stimulate the Local Economy through various Sewer and Water Projects, thereby creating Jobs for Rural Alaskans.
3. Assure Rural Alaska adequate participation in the FY92 Budget Process thereby fully benefiting from the oil revenues long used to improve Urban Living conditions.
4. Improve the Rural Roads and Transportation Infrastructures, so desperately in need and so often neglected due to Inability to meet Federal Match requirements (section 1 of the Bill).
5. Jump start the long sought Rural Development Initiative Funds under the Dept. Of Community and Regional Affairs.

An identical SB 179 was introduced by Honorable Al Adams for the City Of Golovin's number one priority.

Respectfully,

*Charles A. Lewis Sr.*

Charles A. Lewis Sr.-Mayor

*Harry V. Boone*

Harry V. Boone-Grants Administrator

cc file /Honorable Senator Al Adams



## City of Nulato

P.O. Box 65009  
Nulato, Alaska 99765  
(907) 898-2209  
April 19, 1991



Representative George Jacko Jr.  
P.O. Box V  
Juneau, AK 99811

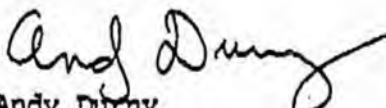
Dear Representative Jacko,

I am writing to express my support for HB-222 which would tap the Alaska Science and Technology Foundation reserves for \$72.9 million. I also support and encourage your efforts to channel these funds to DEC water/sewer priority projects in rural Alaska, to DOT for statewide highway and road maintenance, and to DCRA for capitalization of the Rural Development Initiative Fund.

The Governor's budget bill provides \$6 million for water/sewer priority projects in 10 Alaskan villages, plus \$500,000.00 for village clinic water/sewer statewide. An additional \$42.8 million is needed to meet the water/sewer project needs of 73 communities on the DEC Village Safewater Priority list. Most of these 73 communities do not have running water or sewer services in the homes of their residents. Many of them have only a small community washeteria or watering point. Most villages still must haul water to their homes, and use honey buckets for toilets.

I find it ironic - and hard to believe - that the State has \$108 million in reserve for science and technology at a time when rural Alaskans still lack basic and essential services taken for granted almost everywhere else in our country. Surely we can advance the interest of science without sacrificing the needs of our people. HB-222 would easily provide funds for all the projects on the DEC Village Safewater priority list, would provide an additional \$30.9 million for other important projects statewide, and would leave the Alaska Science and Technology Foundation with a reserve of \$35.1 million. I wholeheartedly support the passage of HB-222. Thank you for your time and consideration.

Sincerely,

  
Andy Durny  
Treasurer

AD/1p

cc: Governor Walter Hickel  
Senator Al Adams  
Senator Lyman Hoffman  
Representative Georgianna Lincoln  
Representative Eileen MacLean

1153 Donna Dr.  
Fairbanks, Ak 99712  
April 1, 1990

Members of the Community and Regional Affairs Committee  
House of Representatives  
Pouch V  
Juneau, AK 99811

Dear committee members,

I feel House Bill #222 sponsored by members of the "Bush caucus" does not warrant any consideration by your committee. This \$73 million dollar raid on money already appropriated to the Alaska Science and Technology Foundation show a blatant disregard of the wisdom of former legislative and executive actions which established the fund. To me it also demonstrates a shortsightedness and lack of understanding on the part of the sponsoring representatives on what the ASTF is designed to do.

As a successful recipient of a grant from the ASTF I may have good reason to be biased. However my project, "Beekeeping in Alaska", has already made an impact on the beekeeping industry in the State. The number of beekeepers in the Delta Junction area, for example, has increased from three or four to an estimated 15. The number of colonies expected to be operated this upcoming season in the same area is estimated at least 51, up from about 10 two years ago.

One of my project's goals is to establish economic models in two rural communities to demonstrate that community effort and cooperation in a small scale beekeeping project can have profitable results. The final analysis is a season or two away but I feel there will be success.

In addition to the economic models I am writing a hands-on Alaskan beekeeping manual, training beekeepers in rural areas, and researching the indoor overwintering of honey bee colonies. The purpose of the program is to benefit rural Alaskans in small communities looking for ecologically sound cottage industries. My efforts would not have come about without the moral support of members of the beekeeping community and the financial support of ASTF.

Money from ASTF has allowed me to leverage funds from other agencies to help expand the beekeeping industry in the State. I received a mini-innovation grant through DCRA to buy community honey extracting equipment for the Delta region. Members on the selection committee for the proposal evidently saw the merits of the small scale project as it was awarded a 97 out of 100 possible points on their rating scale. I have submitted a proposal to USDA Forest Service Rural Development program to assist the beekeepers in the Nenana region in much the same manner as the Delta project. I hope it is obvious to the members of the committee the rural impact of this project and that parallel development of agriculture and beekeeping is a requirement of Mother Nature.

I can almost hear groushings about beekeeping in the arctic regions of the State from our northernmost members. Sure, beekeeping is not suited for every geographic area of the State- neither is oil development. However, the mission of the ASTF is neither to drill for oil in every village or turn us all into beekeepers. It is to transfer technology and utilize research for the benefit of all State residents. A significant contribution to the health and waste disposal problem faced in a good portion of the State is resulting from another ASTF grant- the AlasCan composting and greywater system.

In HB#222 one of the areas slated for funding is community laundry facilities. Are you going to dump thousands more gallons of phosphate laden wash water into the effectively dysfunctional utility systems? ASTF and the US DOE have recognized the potential impact of Clint Elstun's composting toilet and greywater treatment system and seen fit to fund it. I would hope the members of the legislature have the same vision and will resist the urge to raid the ASTF endowment for such a short term and short sighted project.

In closing I would like to point out one often overlooked aspect of ASTF to the committee members. When we hear "Science and Technology", we conjure up mental pictures which range from wild haired scientists sporting white lab coats and chuckling maniacally over bubbling test tubes to the sprawling techno cities of California's Silicon Valley. My personal experience plus meeting with other successful grantees demonstrates that ASTF money is not going to

ivory tower "egg-heads" as many would suspect. Instead it is going to a cross section of Alaskans with an idea and a dream regardless of their educational or professional background (please note- I am in no way inferring the money is going to incompetent people- just that lack of "professional" credentials is no reason to deny funding). Fishermen who have a better idea, farmers who want to experiment with a different feed, inventors with a better toilet, prospectors with a gold recovery idea, laborers turned beekeeper and desiring to share the experience, are examples of the "guy next door" recipients of funding. ASTF is not funding dog powered washing machines nor will it fund "secret extension cords" which plug into the Northern Lights. Take a very good look at the proposals funded, every one of them has or will make a difference to Alaska. Someone from your village may have the next "Good Ideal" Thank you for your time and I again urge you to leave ASTF to benefit all Alaskan for a long time to come.

Sincerely yours,  
Stephen F. Petersen

A handwritten signature in cursive script that reads "Stephen F. Petersen". The signature is written in dark ink and is positioned below the typed name.

1340 Denali Street #3  
Anchorage, AK 99501  
(907) 276-5160

April 24, 1991

To the members of the  
House Finance Committee  
Alaska State Legislature  
Capitol Building, Rm 519  
Juneau, AK

Re: HB 222

Members:

I am writing to express my opposition to HB 222. I have recently returned to Anchorage after spending a year and a half in silicon valley assisting small technology based companies in financing, developing and marketing their technology products. I feel that the funds in the Alaska Science and Technology Foundation reserve will provide greater benefit to the residents of this state if they are used as originally intended, to provide financial assistance for the development of new technologies.

In the 1980's, small companies accounted for much of the growth in employment in the United States. Much of the wealth created in California in the past decade can be traced to the successes of its countless high technology startups. Much of the recent growth in employment in Seattle can also be traced either directly or indirectly to technology based companies, both large and small.

As we enter a new decade, small companies are finding it harder than ever before to raise funding necessary to finance their operations. Venture capitalists are increasingly reluctant to provide seed capital to begin new ventures, and are more interested in continuing to fund operations that have already proven successful. At the same time, costs for new start-ups have skyrocketed in areas traditionally the home to such ventures, such as silicon valley, Orange County, California and Seattle. Properly marketed and administered, a large seed fund such as the Science and Technology Foundation reserve could begin countless ventures that might not otherwise find funding, and could serve as a magnet to attract technology companies to Alaska.

With increasingly cheap communication and transportation, Alaska may find itself able to entice entrepreneurs to its cities, both big and small, to develop and market technology based products.



HB 225

# HOUSE COMMITTEE REPORT

(11)

Date Referred: April 8, 1991

FURTHER REFERRALS:

Date of Committee Action: 3/2/92

The FINANCE Committee considered:

HB 225

HOUSE BILL NO. 225

RETIREMENT CREDIT FOR UNUSED SICK LEAVE

"An Act allowing retirement credit for the unused sick leave of an employee participating in the public employees' retirement system."

**RECOMMENDATIONS:**

be replaced with CSHB 225 (FIN)  the same title  
 a new title

have attached amendments(s)

do pass

do not pass

no recommendations

individual recommendations

additional referral to the \_\_\_\_\_ Committee

ADOPTS: \_\_\_\_\_ letter of Intent

ATTACHES NEW FISCAL NOTE(S): \_\_\_\_\_ (Dept)

APPROVES PREVIOUS: \_\_\_\_\_ (Dept/Date)

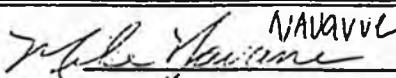
fiscal impact Admin

fiscal note(s) \_\_\_\_\_

zero fiscal note Admin

zero fiscal note(s) \_\_\_\_\_

SIGNING <u>DO</u> PASS	DP	OTHER RECOMMENDATIONS	DNP	NR	AM
<del>Maureen Boyer</del>	X	Mike Yavane NAUAVVE		<input checked="" type="checkbox"/>	
<del>Koponen</del>	X	Tan Porcun BROWN		<input checked="" type="checkbox"/>	
J. Ulmer	X	Bob Sharp		<input checked="" type="checkbox"/>	
		Ronald J. Hanson		<input checked="" type="checkbox"/>	
		Greg Jacko		<input checked="" type="checkbox"/>	
		Thomas Bannus		<input checked="" type="checkbox"/>	
		Eileen P. Mulvan		<input checked="" type="checkbox"/>	

  
 \_\_\_\_\_  
 CHAIRMAN'S SIGNATURE

CS FOR HOUSE BILL NO. 225 (FINANCE)  
 IN THE LEGISLATURE OF THE STATE OF ALASKA  
 SEVENTEENTH LEGISLATURE - SECOND SESSION

BY THE HOUSE FINANCE COMMITTEE

Offered:  
 Referred:

Sponsor(s): REPRESENTATIVES KOPONEN, Davidson, Taylor

A BILL

FOR AN ACT ENTITLED

1 "An Act allowing retirement credit for the unused sick leave of an employee participating  
 2 in the public employees' retirement system."

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

4 \* Section 1. AS 39.35 is amended by adding a new section to read:

5       Sec. 39.35.375. CREDIT FOR UNUSED SICK LEAVE. (a) An employee who is  
 6 employed on or after July 1, 1990, and who retires after July 1, 1992, may elect to add 40  
 7 percent of the unused sick leave credit to the total number of years of credited service under  
 8 AS 39.35.370(c). Unused sick leave shall be credited on a day-for-day basis. Employee contri-  
 9 butions may not be required for credited unused sick leave.

10       (b) An employee retiring before July 1, 1992, who returns to membership service with  
 11 an employer on or after July 1, 1992, and who subsequently retires is eligible for unused sick  
 12 leave credit only with respect to sick leave accrued during membership service on or after July 1,  
 13 1992.

14       (c) Unused sick leave may be added to credited service under this section as of the first

1 day of the month after which  
2 (1) the employee meets the eligibility requirements of this section;  
3 (2) the employee is terminated from covered employment; and  
4 (3) the employee's written election regarding unused sick leave is received and  
5 verified by the administrator.

FISCAL NOTE

BILL NO. HB 225

STATE OF ALASKA  
1992 LEGISLATIVE SESSION

Revision Date: \_\_\_\_\_  
Title: An act allowing retirement credit for unused sick leave

Department Affected: Administration  
BRU: Retirement and Benefits

Sponsor: KOPONEN  
Requestor: House Finance Committee

Component: Retirement and Benefits

COMPONENT SERIAL NO. 64

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
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
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
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REVENUE	0	0	0	0	0	0
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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

Estimate of current year impact: Zero

ANALYSIS: (attach a separate page if necessary.)

Prepared By: Garv Bader *Garv Bader*  
Division: Retirement and Benefits

Phone: 465-4460  
Date: January 23, 1992

Approved by Commissioner: Nancy Bear Usery *Nancy Bear Usery*  
Agency: Department of Administration

Date: 1/24/92

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB & Impacted Agency(ies).

House Bill 225  
 Analysis of Fiscal Implications to the Retirement Fund  
 Prepared by Division of Retirement & Benefits  
 Department of Administration  
 January 23, 1992

Analysis: Based upon a preliminary study of the State and several political subdivisions, we have assumed that each future Public Employees' Retirement System (PERS) retiree would be given credit for 500 hours of sick leave upon passage of this bill. This estimate is an average, recognizing that some employees accrue personal leave and some accrue sick leave.

To fund this bill, the State PERS contribution rate would increase by .21%. The State payroll is estimated to be \$626,535,254 in FY95 and remain stable each year thereafter. The University of Alaska (U of A) PERS payroll is estimated to be \$81,266,873 in FY95 and remain stable each year thereafter.

The State cost of \$1,486.3 is calculated as follows:

Estimated FY95 state PERS salaries	\$626,535,254	
The increase in contribution rate	<u>.21%</u>	
Total State PERS cost.....		\$1,315.7
Plus estimated U of A PERS salaries	\$81,266,873	
The increase in contribution rate	<u>.21%</u>	
Total U of A PERS cost.....		<u>170.6</u>
TOTAL FY95 STATE COSTS...		<u>\$1,486.3</u>

In addition to the State's cost's above, political subdivision costs would increase by \$968.6 in FY95 based on estimated salaries of \$461,219,955. The political subdivision salaries are estimated to remain constant each year thereafter.

Estimated FY95 Political Subdivision PERS salaries	\$461,219,955	
The increase in contribution rate	<u>.21%</u>	

TOTAL FY95 POLITICAL SUBDIVISION COSTS...\$ 968.6

Passage of this bill would result in a .4% decrease in the PERS funding ratio and would increase the present value of the PERS unfunded liability by \$ 11,700,000.

FISCAL NOTE

BILL NO. CSHB 225(FIN)

STATE OF ALASKA  
1992 LEGISLATIVE SESSION

Revision Date: \_\_\_\_\_  
Title: An act allowing retirement credit for unused sick leave

Department Affected: ALLSTATE  
BRU: ALL STATE

Sponsor: KOPONEN  
Requestor: House Finance Committee

Component: ALL STATE  
COMPONENT SERIAL NO. \_\_\_\_\_

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
PERSONAL SERVICES	0	0	594.6	594.6	594.6	594.6
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	594.6	594.6	594.6	594.6

CAPITAL	0	0	0	0	0	0
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REVENUE FUND SOURCE:	0	0	0	0	0	0
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FUNDING: (Thousands of dollars)

GENERAL FUND	0	0	594.6	594.6	594.6	594.6
FEDERAL FUNDS	0	0	0	0	0	0
OTHER FUND SOURCE	0	0	0	0	0	0
TOTAL	0	0	594.6	594.6	594.6	594.6

POSITIONS

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

Estimate of current year impact: \$0

ANALYSIS: (attach a separate page if necessary.) It will also increase personal services cost to political subdivisions by approximately \$387.4 in FY 95 and each year thereafter.  
The attached sheet discusses the fiscal implications of this bill to the Public Employees' Retirement System.

Prepared By: Garv Bader  
Division: Retirement and Benefits

Phone: 465-4460  
Date: January 24, 1992

Approved by Commissioner: Nancy Bear Usura  
Agency: Department of Administration

Date: 3/4/92

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB & Impacted Agency(ies).

Finance Committee Substitute for House Bill 225  
 Analysis of Fiscal Implications to the Retirement Fund  
 Prepared by Division of Retirement & Benefits  
 Department of Administration  
 March 3, 1992

**Analysis:** Based upon a preliminary study of the State and several political subdivisions, we have assumed that each future Public Employees' Retirement System (PERS) retiree would be given credit for 200 hours of sick leave upon passage of this bill. This estimate is based upon the employee receiving credit for 40% of the sick leave that the employee has accrued on average, recognizing that some employees accrue personal leave and some accrue sick leave.

To fund this bill, the State PERS contribution rate would increase by .084%. The State payroll is estimated to be \$626,535,254 in FY95 and remain stable each year thereafter. The University of Alaska (U of A) PERS payroll is estimated to be \$81,266,873 in FY95 and remain stable each year thereafter.

The State cost of \$ 594.6 is calculated as follows:

Estimated FY95 state PERS salaries	\$626,535,254	
The increase in contribution rate	<u>.084%</u>	
Total State PERS cost.....		\$ 526.3
Plus estimated U of A PERS salaries	\$81,266,873	
The increase in contribution rate	<u>.084%</u>	
Total U of A PERS cost.....		<u>68.3</u>
<b>TOTAL FY95 STATE COSTS...</b>		<b><u>\$ 594.6</u></b>

In addition to the State's cost's above, political subdivision costs would increase by \$387.4 in FY95 based on estimated salaries of \$461,219,955. The political subdivision salaries are estimated to remain constant each year thereafter.

Estimated FY95 Political Subdivision PERS salaries	\$461,219,955	
The increase in contribution rate	<u>.084%</u>	
<b>TOTAL FY95 POLITICAL SUBDIVISION COSTS...\$ 387.4</b>		

Passage of this bill would result in a .16% decrease in the PERS funding ratio and would increase the present value of the PERS unfunded liability by \$ 4,680,000.

Alaska State Capitol  
Juneau, AK 99801-1182  
XXXXXXX  
XXXXXXX  
Juneau, Alaska 99811  
(907) 465-4992

Alaska State Legislature  
Representative Niilo Koponen  
House District 21

119 N. Cushman, Suite 207  
Fairbanks, Alaska 99701  
(907) 456-8172

POSITION PAPER for HB 225

This bill corrects an inequity in the retirement system which unfairly discriminates against public employees.

HB 225 would apply to all Public Employees excluding those whose benefits have been negotiated under other contracts. Public employees have long been overlooked in nearly every aspect of their employment conditions. For example, many have no unemployment compensation, and there is no procedure for disbursing accumulated unused sick leave at termination or retirement, as is found in other organized employee benefit packages.

Educational support staff would be the principal beneficiaries in an attempt to create equity within school staff. HB 225 amends the provisions of the Public Employee's Retirement System (PERS) to make the calculation of credited service for non-certificated employees in the Teachers Retirement System (TRS) and for Legislative staffers in PERS. Teachers who are covered by TRS receive a full years credit for 180 days of work, while educational support staff receive only a percentage of each year's credit in one year.

It is imperative that public employees attend their jobs with few absences, because substitutes for janitors, secretaries, teachers' aides, nurses etc., are uncommonly found (a result of low wages, long and odd hours, and the requirement to be an Alaska Public Employee). The absence of any one of these employees is not only disruptive to the days' events in a public facility, but can have harmful effects in the event of an emergency. This bill would encourage those Public Employees to not sacrifice their retirement monies for personal leave.



# NEA-ALASKA

AFFILIATED WITH THE NATIONAL EDUCATION ASSOCIATION

## ANCHORAGE REGIONAL OFFICE

1411 W. 33RD AVENUE  
ANCHORAGE, ALASKA 99503  
(907) 274-0536  
FAX: (907) 274-0551

## JUNEAU OFFICE

105 MUNICIPAL WAY, SUITE 302  
JUNEAU, ALASKA 99801  
(907) 586-3090  
FAX: (907) 586-2744

## FAIRBANKS REGIONAL OFFICE

2118 CUSHMAN STREET  
FAIRBANKS, ALASKA 99701  
(907) 456-4435  
FAX: (907) 456-2159

February 26, 1992

**To:** Representative's Navarre and MacLean, Co-Chairs  
Members, House Finance Committee

**Re:** HB 225: *"An Act allowing credit for the unused sick leave of an employee participating in the public employees" retirement system."*

NEA-Alaska strongly supports and encourages your favorable consideration of HB 225.

Non-certificated employees of public school districts and state employees should have access to the same level of retirement benefits under the PERS as their certificated employee counterparts who are covered by the TRS.

An employer clearly benefits when employees do not fully utilize the paid sick leave benefits to which they are entitled under law or a collective bargaining agreement. This represents not only a financial savings to employers, but also provides for greater continuity in critical programs and services.

The ability to apply up to one year of accrued unused sick leave toward credited service in the computation of their retirement benefits is an appropriate acknowledgment of the worth of the service of an employee. Further, it is an incentive for all employees to be conscientious in their use of paid leave.

It is time for all public school employees to be treated equitably and in the same manner under their retirement systems.

Thank you for your consideration of our position and recommendation.

Respectfully submitted,

Vernon O. Marshall  
Executive Director

Don Oberg  
President

cc: Representative Koponen

WRITTEN TESTIMONY OF  
THE ALASKA STATE EMPLOYEES ASSOCIATION/AFSCME LOCAL 52  
ON BEHALF OF HOUSE BILL 225  
"RETIREMENT CREDIT FOR UNUSED SICK LEAVE"  
BEFORE THE  
HOUSE FINANCE COMMITTEE  
FEBRUARY 26, 1992

FOR THE COMMITTEE'S RECORD, MY NAME IS DICK FARRIS. I AM A STATE EMPLOYEE IN FAIRBANKS AND A MEMBER OF ASEA/AFSCME LOCAL 52'S STATEWIDE POLITICAL ACTION COMMITTEE. P.O. BOX 80937, FAIRBANKS, ALASKA 99708. MY TESTIMONY TODAY NOT ONLY REFLECTS MY VIEWS, BUT THOSE OF THE 8,500 WORKING MEN AND WOMEN WHO EMBODY THE ALASKA STATE EMPLOYEES ASSOCIATION.

I WOULD LIKE TO THANK THE CO-CHAIRS AND MEMBERS OF THE HOUSE FINANCE COMMITTEE FOR SCHEDULING HOUSE BILL 225 FOR TODAY'S PUBLIC HEARING, AND FOR PROVIDING THIS OPPORTUNITY TO TESTIFY IN FAVOR OF THE BILL.

I WOULD ALSO LIKE THANK, REP. NILO KOPONEN, OF MY DISTRICT--FAIRBANKS--FOR INTRODUCING THIS BILL WHICH, WE BELIEVE, BENEFITS THE STATE AS WELL AS ITS EMPLOYEES.

WITHOUT HOUSE BILL 225, EMPLOYEES WHO TAKE CARE OF THEIR HEALTH AND WHO MISS VERY FEW DAYS OF WORK, ARE BEING PENALIZED, IN A SENSE, BECAUSE THEY LOSE THEIR ACCUMULATED SICK LEAVE THE MINUTE THEY RETIRE. THIS IS BAD FOR MORALE.

BY PASSING HOUSE BILL 225, YOU HELP THE STATE PROVIDE AN ECONOMIC INCENTIVE TO EMPLOYEES TO TAKE CARE OF THEIR HEALTH. THIS, IN TURN, REDUCES ABSENTEEISM, WHICH SAVES THE STATE THE COST OF HIRING TEMPORARIES TO REPLACE EMPLOYEES WHO ARE OUT WITH AN ILLNESS.

(CONTINUED)

ASEA/AFSCME LOCAL 52  
TESTIMONY ON H.B. 225, PAGE 2

FURTHER, HOUSE BILL 225 WOULD SAVE THE STATE MONEY. BY ALLOWING EMPLOYEES TO CREDIT THEIR UNUSED SICK LEAVE TOWARD RETIREMENT, THE COST OF THAT UNUSED SICK LEAVE IS BORNE BY THE PUBLIC EMPLOYEE RETIREMENT SYSTEM, NOT THE STATE'S GENERAL FUND. AS IT STANDS NOW, EMPLOYEES, WHO ARE ONLY HUMAN, HAVE AN INCENTIVE TO USE AS MUCH OF THEIR SICK LEAVE AS POSSIBLE BEFORE RETIREMENT AND THIS COST IS BORNE BY THE GENERAL FUND.

THUS, YOUR APPROVAL OF HOUSE BILL 225 TODAY WOULD NOT ONLY SAVE THE STATE MONEY AND IMPROVE EMPLOYEE MORALE, IT IS ALSO A VERY FAIR THING TO DO.

I BELIEVE THE COMMITTEE RECORD ON THIS BILL REFLECTS THE STRONG SUPPORT OF THE STATE'S OTHER PUBLIC EMPLOYEE UNIONS FOR THIS BILL BUT, IF THAT IS NOT REFLECTED, LET ME SAY THAT THOSE UNIONS SUPPORTING THIS BILL INCLUDE THE INLAND BOATMENS' UNION OF THE PACIFIC-ALASKA REGION; THE ALASKA PUBLIC EMPLOYEES ASSOCIATION; PUBLIC EMPLOYEES LOCAL 71, AND THE ALASKA STATE AFL-CIO.

AGAIN, MY THANKS FOR THIS OPPORTUNITY TO TESTIFY. IF YOU HAVE ANY QUESTIONS, I WILL DO MY BEST TO TRY TO ANSWER THEM.

(END TESTIMONY)



EDUCATION SUPPORT STAFF ASSOCIATION  
2118 Cushman Street  
Fairbanks, Alaska 99701  
(907) 452-2023

February 24, 1992

Representative Niilo Koponen  
Alaska State Legislature  
P.O. Box V (MS 3100)  
Juneau, AK 99811

RE: HB 225

Dear Niilo:

I am thanking you again for introducing HB 225: "An act allowing retirement credit for the unused sick leave of an employee participating in PERS."

I understand these is to be a hearing on HB 225 in House Finance on Wednesday, February 26, 1992, and that you were the catalyst for placing the issue on the agenda. We appreciate the kind of support you have given us.

If we are successful in getting this legislation passed, a long-standing inequity will finally be rectified. We are organizing our members to help pass this bill.

Thanks again for your movement and support on this issue.

Very truly yours,

*Susan B. Annis*  
*by Frank Beld*

Susan B. Annis  
President

SBA/fb

April 4, 1985

APR 10 1985

House State Affairs Committee :  
Rep. Katie Hurley, Chairperson  
Alaska State Legislature  
Pouch V (MS-3100)  
Juneau, Alaska 99811

Dear Katie:

I am employed at West Valley High School in the North Star Borough School district in Fairbanks, Alaska as a 9-10 month employee.

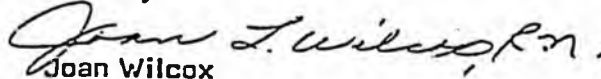
I find it extremely frustrating to plan for retirement with accumulating only a percentage of each years credit with the Alaska Retirement system. The teachers in the state and also connected with the Alaska Retirement system receive a full year credit for 180 days of work. I work longer and get less.

I am asking for equity. Is that not fair? I work just as hard and feel that I should not be dicriminated against any longer. I hope that you understand my position.

Will you please work toward passing this ~~bill~~ - H.B. 292 out of you committee with a favorable "DO PASS" response.

Thank you for your concern and committment to representing the wishes of this concerned Alaskan voter.

Sincerely,



Joan Wilcox

Nurse

1308 Denali Way

Fairbanks, Alaska (9701)



ALASKA STATE EMPLOYEES ASSOCIATION  
AFSCME Local 52, AFL-CIO

TO: The Honorable Eileen MacLean and Mike Navarre, co-chairpersons of the House Finance Committee and to Committee members.

FROM: Paul DeSloover, President, ASEA/AFSCME Local 52, AFL-CIO

DATE: May 7, 1991

SUBJECT: House Bill 225, allowing retirement credit for unused sick leave.

The Alaska State Employees Association, AFSCME, Local 52 would like to thank the House Finance Committee for providing this opportunity to testify for the committee's permanent record on House Bill 225, sponsored by Rep. Niilo Koponen.

As the committee members are aware, this bill would allow public employees participating in the state's Public Employee Retirement System, or PERS, to obtain retirement credit for the unused sick leave they accrue during employment.

Rep. Koponen should be applauded for introducing H.B. 225 because it seeks to rectify an area of concern for both public employers as well as public employees. While a vast majority of state employees take their public service seriously and only use their sick leave as intended--namely, for an illness that prohibits the employee from performing his or her duties--the monthly accrual of sick leave remains a negotiated benefit to which all public employees are entitled.

Under current state law, an ASEA/AFSCME Local 52 member must "use or lose" his or her sick leave. While some public employee unions have negotiated this provision to combine sick and vacation leave under one "personal leave" category, our union has not yet achieved this in its negotiated settlement with the state. Under the "use it or lose it" system, and despite the best efforts of state and union management to protect the integrity of the system, it is safe to say that some, rare cases, of system abuse may occur.

(continued)

ANCHORAGE OFFICE  
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Fairbanks, AK 99701  
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TOLL free 800-478-2305

ASEA/AFSCME Local 52  
Testimony on H.B. 225  
Page 2

H.B. 225, if approved by this committee and the full Legislature, would almost surely eliminate any abuse of the state's sick leave policies because the employees will tend to save their leave to enhance their retirement. As various studies have indicated, such an option would save the state money because absenteeism will decline. A reduction in absenteeism also means a concomitant increase in service to the Alaska public, whom we are all here to serve to the best of our abilities.

In those situations where the sick leave and vacation leave are merged into one category--personal leave--passage of H.B. 225 means large cash-out payments are avoided, further saving the state money. Passing this bill will also remove some of the inequities in the state's leave policies.

In closing, I want to again thank this committee for allowing this testimony. And, on behalf of ASEA/AFSCME Local 52's approximately 8,500 members, I respectfully urge you to approve House Bill 225. Thank you.

(end testimony)



ALASKA STATE EMPLOYEES ASSOCIATION  
AFSCME Local 52, AFL-CIO

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As the committee members are aware, this bill would allow public employees participating in the state's Public Employee Retirement System, or PERS, to obtain retirement credit for the unused sick leave they accrue during employment.

Rep. Koponen should be applauded for introducing H.B. 225 because it seeks to rectify an area of concern for both public employers as well as public employees. While a vast majority of state employees take their public service seriously and only use their sick leave as intended--namely, for an illness that prohibits the employee from performing his or her duties--the monthly accrual of sick leave remains a negotiated benefit to which all public employees are entitled.

Under current state law, an ASEA/AFSCME Local 52 member must "use or lose" his or her sick leave. While some public employee unions have negotiated this provision to combine sick and vacation leave under one "personal leave" category, our union has not yet achieved this in its negotiated settlement with the state. Under the "use it or lose it" system, and despite the best efforts of state and union management to protect the integrity of the system, it is safe to say that some, rare cases, of system abuse may occur.

(continued)

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ASEA/AFSCME Local 52  
Testimony on H.B. 225  
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In those situations where the sick leave and vacation leave are merged into one category--personal leave--passage of H.B. 225 means large cash-out payments are avoided, further saving the state money. Passing this bill will also remove some of the inequities in the state's leave policies.

In closing, I want to again thank this committee for allowing this testimony. And, on behalf of ASEA/AFSCME Local 52's approximately 8,500 members, I respectfully urge you to approve House Bill 225. Thank you.

(end testimony)

# SENATE FINANCE COMMITTEE REPORT

DATE: 5/10/92

FURTHER:

DATE TURNED  
INTO OFFICE: \_\_\_\_\_

The Finance Committee considered CS FOR HOUSE BILL NO. 225 (FINANCE)

"An Act allowing retirement credit for the unused sick leave of an employee participating in the public employees' retirement system."

and recommends:

- replace with \_\_\_\_\_ CS \_\_\_\_\_ (FINANCE)  
or  adopt previous \_\_\_\_\_ CS \_\_\_\_\_ (\_\_\_\_\_)  
 attaches amendment(s)

- same title  
 new title  
 technical  
title change  
(HB only)

adopts \_\_\_\_\_ Letter of Intent

further referral to the \_\_\_\_\_

do pass

do not pass

no recommendation

individual recommendations

**NEW FISCAL NOTES:** Dept/Date

**zero** fiscal notes \_\_\_\_\_

\_\_\_\_\_

fiscal notes \_\_\_\_\_

\_\_\_\_\_

appropriation--no fiscal note

**DO PASS:**

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

1. \_\_\_\_\_

Co-Chair: Signature/Recommendation

**PREVIOUS FISCAL NOTES:** Dept/Date

**zero** fiscal notes \_\_\_\_\_

\_\_\_\_\_

fiscal notes \_\_\_\_\_

\_\_\_\_\_

**OTHER RECOMMENDATIONS:**

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

2. \_\_\_\_\_

Co-Chair: Signature/Recommendation

**CS FOR HOUSE BILL NO. 225 (FINANCE)**  
**IN THE LEGISLATURE OF THE STATE OF ALASKA**  
**SEVENTEENTH LEGISLATURE - SECOND SESSION**

BY THE HOUSE FINANCE COMMITTEE

Offered: 3/4/92  
 Referred: Rules

Sponsor(s): REPRESENTATIVES KOPONEN, Davidson, Taylor

**A BILL**

**FOR AN ACT ENTITLED**

1 "An Act allowing retirement credit for the unused sick leave of an employee participating  
 2 in the public employees' retirement system."

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

4 \* Section 1. AS 39.35 is amended by adding a new section to read:

5       Sec. 39.35.375. CREDIT FOR UNUSED SICK LEAVE. (a) An employee who is  
 6       employed on or after July 1, 1990, and who retires after July 1, 1992, may elect to add 40  
 7       percent of the unused sick leave credit to the total number of years of credited service under  
 8       AS 39.35.370(c). Unused sick leave shall be credited on a day-for-day basis. Employee contri-  
 9       butions may not be required for credited unused sick leave.

10       (b) An employee retiring before July 1, 1992, who returns to membership service with  
 11       an employer on or after July 1, 1992, and who subsequently retires is eligible for unused sick  
 12       leave credit only with respect to sick leave accrued during membership service on or after July 1,  
 13       1992.

14       (c) Unused sick leave may be added to credited service under this section as of the first

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day of the month after which

- (1) the employee meets the eligibility requirements of this section;
- (2) the employee is terminated from covered employment; and
- (3) the employee's written election regarding unused sick leave is received and verified by the administrator.

ALASKA STATE LEGISLATURE  
HOUSE BILL NO. 225

HISTORY IN THE HOUSE

1991  
3/20 Read first time and referred to:  
STA FIN

4/8 STA RPT CS( ) New Title  
4 DP 6 DNP 2 NR 0 AM  
1 FN (2) OFN Previous FN

1992  
3/4 FIN RPT CS(FIN) New Title  
3 DP 0 DNP 7 NR 0 AM  
1 FN 1 OFN Previous FN

RPT CS( ) New Title  
DP DNP NR AM  
FN OFN Previous FN

4/29  
4/29 Read second time  
CS(Fin) Adopted

Amended

4/30 Advanced

4/30 Read third time

Return to second for specific amendment

4/30 PASSED EFD Same \_\_\_ or  
Yeas 27 Yeas  
Nays 13 Nays  
Excused 0 Excused  
Absent 0 Absent

Intent adopted

4/30 Reconsideration by Hanken  
5/1 Reconsideration not taken up

PASSED ON RECON. EFD Same \_\_\_ or  
Yeas Yeas  
Nays Nays  
Excused Excused  
Absent Absent

Intent adopted

5/1 Reported correctly engrossed  
Signed by Speaker, to the Senate

*Kristen Gray*  
Chief Clerk of the House

HISTORY IN THE SENATE

1992  
5/1 XFC, FIN

5/10 RPT( ) CS 3 DP NR DNP AM  
New Title Same Title PHF+P Previous FN  
FN OFN To 200

RPT( ) CS DP NR DNP AM  
New Title Same Title Previous FN  
FN OFN To

RPT( ) CS DP NR DNP AM  
New Title Same Title Previous FN  
FN OFN To

Rules Calendar( ) CS AM Other  
New Title Same Title Previous FN  
FN OFN

Read second time

CS Adopted ( ) New Title  
Amended Advanced

Read third time

Letter of Intent adopted  
Return to second for specific amendment

PASSED EFD Same \_\_\_ or  
Yeas Yeas  
Nays Nays  
Excused Excused  
Absent Absent

Reconsideration  
Reconsideration not taken up

PASSED EFD Same \_\_\_ or  
Yeas Yeas  
Nays Nays  
Excused Excused  
Absent Absent

Reported correctly engrossed  
Signed by President, to the House

Secretary of the Senate

HOUSE-SENATE HISTORY Continued

19

Received from the Senate  
\_\_\_\_\_

Concur in Senate amendment  
Y\_\_\_ N\_\_\_ E\_\_\_ A\_\_\_  
\_\_\_\_\_ Efd same or Y\_\_\_ N\_\_\_ E\_\_\_ A\_\_\_

Failed to concur Senate amendment, ask Senate recede  
Y\_\_\_ N\_\_\_ E\_\_\_ A\_\_\_

Senate failed to \ receded from amendment  
Y\_\_\_ N\_\_\_ E\_\_\_ A\_\_\_

CC appointed by House \_\_\_\_\_ Chair  
\_\_\_\_\_

CC appointed by Senate \_\_\_\_\_ Chair  
\_\_\_\_\_

(H) Granted Limited Powers of Free Conference

(S) Granted Limited Powers of Free Conference

19

(H) Adopted CC Rpt \_\_\_\_\_  
Y\_\_\_ N\_\_\_ E\_\_\_ A\_\_\_  
\_\_\_\_\_ Efd same or Y\_\_\_ N\_\_\_ E\_\_\_ A\_\_\_

(S) Adopted CC Rpt \_\_\_\_\_  
Y\_\_\_ N\_\_\_ E\_\_\_ A\_\_\_  
\_\_\_\_\_ Efd same or Y\_\_\_ N\_\_\_ E\_\_\_ A\_\_\_

To enrolling  
Reported enrolled and sent to Governor  
\_\_\_\_\_ By Governor

Legislative Resolve Number \_\_\_\_\_

Filed with Lieutenant Governor

FISCAL NOTE

STATE OF ALASKA  
1992 LEGISLATIVE SESSION

No. 4  
Bill Version: CSHB 225 (FIN)  
(H) Publish Date: 3-4-92

Revision Date: \_\_\_\_\_  
Title: An act allowing retirement credit for unused sick leave

Department Affected: Administration  
BRU: Retirement and Benefits

Sponsor: KOPONEN  
Requestor: House Finance Committee

Component: Retirement and Benefits

COMPONENT SERIAL NO. 64

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
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
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
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REVENUE	0	0	0	0	0	0
---------	---	---	---	---	---	---

FUNDING: (Thousands of dollars)

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

POSITIONS

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

Estimate of current year impact: Zero

ANALYSIS: (attach a separate page if necessary.)

Prepared By: Garv Bader  
Division: Retirement and Benefits

Phone: 465-4460  
Date: January 23, 1992

Approved by Commissioner: Nancy Bear Usery  
Agency: Department of Administration

Date: 1/24/92

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB & Impacted Agency(ies).

COMMITTEE COPY

FISCAL NOTE

No. 3

Bill Version: CSHB 225 (FIN)

(H) Publish Date: 3-4-92

STATE OF ALASKA  
1992 LEGISLATIVE SESSION

Revision Date: \_\_\_\_\_  
Title: An act allowing retirement credit for unused sick leave

Department Affected: ALL STATE  
BRU: ALL STATE

Sponsor: KOPONEN  
Requestor: House Finance Committee

Component: ALL STATE  
COMPONENT SERIAL NO. \_\_\_\_\_

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
PERSONAL SERVICES	0	0	594.6	594.6	594.6	594.6
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	594.6	594.6	594.6	594.6

CAPITAL	0	0	0	0	0	0
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REVENUE FUND SOURCE:	0	0	0	0	0	0
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FUNDING: (Thousands of dollars)

GENERAL FUND	0	0	594.6	594.6	594.6	594.6
FEDERAL FUNDS	0	0	0	0	0	0
OTHER FUND SOURCE	0	0	0	0	0	0
TOTAL	0	0	594.6	594.6	594.6	594.6

POSITIONS

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

Estimate of current year impact: \$0

ANALYSIS: (attach a separate page if necessary.) It will also increase personal services cost to political subdivisions by approximately \$387.4 in FY 95 and each year thereafter.

The attached sheet discusses the fiscal implications of this bill to the Public Employees' Retirement System.

Prepared By: Garv Bader  
Division: Retirement and Benefits

Phone: 465-4460  
Date: January 24, 1992

Approved by Commissioner: Nancy Bear Usura  
Agency: Department of Administration

Date: 3/4/92

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB & Impacted Agency(ies).

**COMMITTEE COPY**

Finance Committee Substitute for House Bill 225  
Analysis of Fiscal Implications to the Retirement Fund  
Prepared by Division of Retirement & Benefits  
Department of Administration  
March 3, 1992

Analysis: Based upon a preliminary study of the State and several political subdivisions, we have assumed that each future Public Employees' Retirement System (PERS) retiree would be given credit for 200 hours of sick leave upon passage of this bill. This estimate is based upon the employee receiving credit for 40% of the sick leave that the employee has accrued on average, recognizing that some employees accrue personal leave and some accrue sick leave.

To fund this bill, the State PERS contribution rate would increase by .084%. The State payroll is estimated to be \$626,535,254 in FY95 and remain stable each year thereafter. The University of Alaska (U of A) PERS payroll is estimated to be \$81,266,873 in FY95 and remain stable each year thereafter.

The State cost of \$ 594.6 is calculated as follows:

Estimated FY95 state PERS salaries	\$626,535,254	
The increase in contribution rate	<u>.084%</u>	
Total State PERS cost.....		\$ 526.3
Plus estimated U of A PERS salaries	\$81,266,873	
The increase in contribution rate	<u>.084%</u>	
Total U of A PERS cost.....		<u>68.3</u>
<b>TOTAL FY95 STATE COSTS...</b>		<b>\$ 594.6</b>

In addition to the State's cost's above, political subdivision costs would increase by \$387.4 in FY95 based on estimated salaries of \$461,219,955. The political subdivision salaries are estimated to remain constant each year thereafter.

Estimated FY95 Political Subdivision PERS salaries	\$461,219,955
The increase in contribution rate	<u>.084%</u>

**TOTAL FY95 POLITICAL SUBDIVISION COSTS...\$ 387.4**

Passage of this bill would result in a .16% decrease in the PERS funding ratio and would increase the present value of the PERS unfunded liability by \$ 4,680,000.

HB 226

HOUSE COMMITTEE REPORT

(11)

Date Referred: April 22, 1991

FURTHER REFERRALS:

Date of Committee Action: 5-9-91

The FINANCE Committee considered:

HB 226

HOUSE BILL NO. 226

ELECTRICAL SERVICE EXTENSION FUND

"An Act creating the electrical service extension grant program."

RECOMMENDATIONS:

be replaced with \_\_\_\_\_

ES HB 226 (Fin)

the same title

a new title

have attached amendments(s)

do pass

do not pass

no recommendations

individual recommendations

additional referral to the \_\_\_\_\_ Committee

ADOPTS: \_\_\_\_\_ letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept) \_\_\_\_\_

APPROVES PREVIOUS: (Dept/Date) \_\_\_\_\_

fiscal impact \_\_\_\_\_

fiscal note(s) \_\_\_\_\_

zero fiscal note PCED

zero fiscal note(s) \_\_\_\_\_

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	DNP	NR	AM
<i>[Signature]</i>	X				
<i>[Signature]</i>	X				
<i>[Signature]</i>	✓				
<i>[Signature]</i>	X				
<i>[Signature]</i>	X				
<i>[Signature]</i>	✓				
<i>[Signature]</i>					
<i>[Signature]</i>	X				
<i>[Signature]</i>	X				

*[Signature]* *[Signature]*  
CHAIRMAN'S SIGNATURE

CS FOR HOUSE BILL NO. 226 (FINANCE)  
 IN THE LEGISLATURE OF THE STATE OF ALASKA  
 SEVENTEENTH LEGISLATURE - FIRST SESSION

BY THE HOUSE FINANCE COMMITTEE

Offered:  
 Referred:

Sponsor(s): REPRESENTATIVES KUBINA, Moyer

A BILL

FOR AN ACT ENTITLED

1 "An Act creating the electrical service extension grant program."

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

3 \* Section 1. AS 44.83 is amended by adding a new section to read:

4 ARTICLE 8A. ELECTRICAL SERVICE EXTENSION GRANT PROGRAM.

5 Sec. 44.83.370. ELECTRICAL SERVICE EXTENSION FUND ESTABLISHED. (a)

6 The electrical service extension fund is established as a separate fund in the authority. The fund  
 7 consists only of money appropriated to it by the legislature.

8 (b) The authority may make grants from the electrical service extension fund to  
 9 certificated electric utilities and to electric utilities exempt from certification under AS 42.05.711  
 10 to pay for costs of site preparation and construction for the extension of electrical service to  
 11 private residences and small businesses not currently served by an electric utility. The amount  
 12 of a grant may not exceed 60 percent of the total cost of construction for the extension of  
 13 electrical service. The costs considered in making a grant may not include costs of planning,  
 14 feasibility studies, or design.

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(c) An electric utility that has received a grant under this section may charge a connection fee for initial connection to the electrical service made available because of the construction. The connection fee for each residential or commercial structure shall conform to the line extension policy of the utility.

(d) The authority shall adopt regulations under the Administrative Procedure Act (AS 44.62) to implement this section.

(e) In this section, "certificated" means holding a certificate of public convenience and necessity issued by the Alaska Public Utilities Commission under AS 42.05.

FISCAL NOTE

STATE OF ALASKA  
1991 LEGISLATIVE SESSION

BILL NO. CSHB 22(FIN)

Revision Date: \_\_\_\_\_ Department Affected: DGED  
 Title: An Act creating the BRU: \_\_\_\_\_  
electrical service extension grant Component: \_\_\_\_\_  
 program.  
 Sponsor: Kubina  
 Requestor: HOUSE FINANCE COMMITTEE COMPONENT SERIAL NO. 

--	--	--	--

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-

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

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

FUNDING: (Thousands of Dollars)

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

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year impact: \_\_\_\_\_

ANALYSIS: (Attach a separate page if necessary.)

Prepared By: Representative Mike Navarre, Co-Chair *Mike Navarre* 465-3706  
Representative Eileen Maclean, Co-Chair *Eileen Maclean* Phone: 465-3722  
 Division: HOUSE FINANCE COMMITTEE Date: 5/9/91

Approved by Commissioner: \_\_\_\_\_  
 Agency: \_\_\_\_\_ Date: \_\_\_\_\_

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB, & Impacted Agency(ies).

7-LS0965G  
Cramer  
5/7/91

CS FOR HOUSE BILL NO. 226 ( )  
IN THE LEGISLATURE OF THE STATE OF ALASKA  
SEVENTEENTH LEGISLATURE - FIRST SESSION

BY

Offered:  
Referred:

Sponsor(s): REPRESENTATIVES KUBINA, Moyer

A BILL

FOR AN ACT ENTITLED

1 "An Act creating the electrical service extension grant program."

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2 connection fee for initial connection to the electrical service made available because of the  
3 construction. The connection fee for each residential or commercial structure shall conform to  
4 the line extension policy of the utility.

5           (d) The authority shall adopt regulations under the Administrative Procedure Act  
6 (AS 44.62) to implement this section.

7           (e) In this section, "certificated" means holding a certificate of public convenience and  
8 necessity issued by the Alaska Public Utilities Commission under AS 42.05.

FISCAL NOTE

No. 1

Bill Version: CSHB 226(L&C)

(H) Publish Date: 4/22/91

STATE OF ALASKA  
1991 LEGISLATIVE SESSION

Revision Date: \_\_\_\_\_ Department Affected: Commerce & Economic Development

Title: "An Act creating the electrical serv extension grant program" BRU: \_\_\_\_\_

Sponsor: Kubina Component: \_\_\_\_\_

Requestor: (H) Labor & Commerce COMPONENT SERIAL NO. 

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Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
PERSONAL SERVICES	37.0	27.0	27.0	27.0	27.0	27.0
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>37.0</b>	<b>27.0</b>	<b>27.0</b>	<b>27.0</b>	<b>27.0</b>	<b>27.0</b>

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

GENERAL FUND	37.0	27.0	27.0	27.0	27.0	27.0
FEDERAL FUNDS						
OTHER						
<b>TOTAL</b>	<b>37.0</b>	<b>27.0</b>	<b>27.0</b>	<b>27.0</b>	<b>27.0</b>	<b>27.0</b>

POSITIONS:

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

Estimate of current year impact: no FY 91 fiscal impact

ANALYSIS: (Attach a separate page if necessary.) See attached

Prepared By: Robert E. LeResche, Executive Director Phone: 465-3575

Division: Alaska Energy Authority Date: \_\_\_\_\_

Approved by Commissioner: Glenn Olds *Glenn Olds* Asst. Comm.

Agency: Commerce & Economic Development Date: 6/25/91

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB, & Impacted Agency(ies).

This bill would amend AS 44.33 by adding a new section creating the Electrical Service Extension Grant Program, which establishes an Electrical Service Extension Fund in the Department of Commerce and Economic Development. The Fund would consist only of money appropriated by the Legislature. The bills allow for the Department to make grants from the fund to certified electric utilities and to electric utilities exempt from certification under AS 42.05.711. The grants are to be used to pay for the costs of site preparation and construction for the extension of electrical service into areas not currently served by and electric utility. The amount of a grant may not exceed 50 percent of the total cost of construction for the electrical extension project. Grant funds may not be used to cover costs of planning, feasibility studies, or design of an extension project.

HB 226 allows that an electric utility constructing an extension project through a grant made under this section, may charge a connection fee for the initial connection to the electrical service made available through the construction. The residential or commercial connection fee may not exceed \$1,000.

The Department is required to adopt regulations to implement Sec. 44.33.601 as proposed in HB 226. The Department's responsibility for administration of loans made from the electrical service extension fund and adoption of regulations will provide for the fiscal impact as noted above. Additional funding for personal services would be required to pay position costs associated with administration of the program. The funding level for the grant program would be determined each fiscal year through legislative appropriation to the fund. HB 227 proposes \$1,000,000 to be appropriated for initial capitalization of the electrical service extension fund when established.