

Leg. Finance-House & Senate Finance Comte Files (1991-1992) 816

Introduced: 1/21/91

IN THE HOUSE

Referred: International Trade and Tourism, Labor and Commerce

IN THE SENATE

Referred: International Trade and Tourism, Labor and Commerce, Finance

### EXECUTIVE ORDER NO. 79

1 Under the authority of art. III, sec. 23, of the Alaska Constitution, and in accordance with  
2 AS 24.08.210, I order the following:

3 \* **Section 1. FINDINGS.** As governor, I find that it would be in the best interests of efficient  
4 administration to move the Office of International Trade, including the Alaska Foreign Offices, from the  
5 Office of the Governor to a new Division of International Trade within the Department of Commerce  
6 and Economic Development, thus integrating the state's international trade activities within the state  
7 agency responsible for the comprehensive economic development of the State of Alaska.

8 \* **Sec. 2.** AS 39.25.120(c) is amended by adding a new paragraph to read:

9 (21) the director and deputy director of the division of international trade in the  
10 Department of Commerce and Economic Development.

11 \* **Sec. 3.** AS 44.33.020 is amended by adding a new paragraph to read:

12 (33) foster the growth of international trade within the state and administer Alaska  
13 foreign offices.

14 \* **Sec. 4.** AS 44.33 is amended by adding a new section to read:

#### 15 ARTICLE 9. DIVISION OF INTERNATIONAL TRADE.

16 AS 44.33.800. DIVISION OF INTERNATIONAL TRADE. (a) There is established  
17 within the Department of Commerce and Economic Development the division of international  
18 trade to foster the growth of trade between Alaska and foreign countries.

19 (b) The division of international trade shall maintain foreign offices, including an office  
20 located in Tokyo, Japan and Seoul, Republic of Korea. The foreign offices shall serve as outlets  
21 for information related to economic development, resources, and trade and as contact points for  
22 government and private industry of Alaska and for the Pacific Rim nations of Asia and other  
23 foreign countries to promote and maintain trade between the state and those countries.



# Alaska State Legislature

## Senate

### Office of the Secretary

OFFICIAL BUSINESS

PO BOX V  
CAPITOL BUILDING  
JUNEAU, ALASKA 99811

January 22, 1991

#### MEMORANDUM

TO: Senator Jalmar Kerttula, Co-Chair  
Senator Pat Pourchot, Co-Chair  
Finance Committee

FROM: Nancy Quinto *NQ*  
Secretary of the Senate

RE: Executive Order No. 79

The President has referred Executive Order No. 79 (to move the Office of International Trade, including the Alaska Foreign Offices, from the Office of the Governor to a new Division of International Trade within the Department of Commerce and Economic Development) to your committee.

Section 23, Article III of the Constitution states:

The governor may make changes in the organization of the executive branch or in the assignment of functions among the executive branch or in the assignment of functions among its units which he considers necessary for efficient administration. Where these changes require the force of law, they shall be set forth in executive orders. The legislature shall have sixty days of a regular session, or a full session if of shorter duration, to disapprove these executive orders. Unless disapproved by resolution concurred in by a majority of the members in joint session, these orders become effective at a date thereafter to be designated by the governor.

Attachment

# **CORRECTION**

**THIS DOCUMENT  
HAS BEEN REPHOTOGRAPHED  
TO ASSURE LEGIBILITY**

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23 foreign countries to promote and maintain trade between the state and those countries.

1 (c) The commissioner shall staff the foreign offices with persons the commissioner  
2 selects based on their experience, training, and linguistic ability. The commissioner shall solicit  
3 ideas from the legislature regarding desirable staff qualifications and its recommendations of  
4 persons to staff the offices. The commissioner may hire additional personnel as necessary.

5 (d) The governor shall direct all state agencies, and request the federal government and  
6 private industry, to provide the division of international trade with necessary reports, brochures,  
7 and information requested by division staff.

8 (e) The commissioner shall report annually to the legislature on the activities and  
9 accomplishments of the division of international trade.

10 (f) The expenses of operating the division of international trade and its foreign offices  
11 shall be included in appropriations made to the Department of Commerce and Economic  
12 Development.

13 \* Sec. 5. AS 44.19.075 is repealed.

14 \* Sec. 6. TRANSITION. Contracts, rights, liabilities, and obligations created by or under a law  
15 amended or repealed by this Executive Order, and in effect on March 22, 1991, remain in effect  
16 notwithstanding this Order's taking effect. Records, equipment, appropriations, and other property of  
17 agencies of the state whose functions are transferred under this Order shall be transferred to implement  
18 the provisions of this Order.

19 \* Sec. 7. EFFECTIVE DATE. This Order takes effect March 23, 1991.

20 DATED: 1-21-91

21  
22  
23  
24  
25  
  
Walter J. Hickel  
Governor



# Alaska State Legislature

## Senate

### Office of the Secretary

OFFICIAL BUSINESS

P.O. BOX V  
CAPITOL BUILDING  
JUNEAU, ALASKA 99811

January 22, 1991

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WALTER J. HICKEL  
GOVERNOR

STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

January 21, 1991

The Honorable Richard I. Eliason  
President of the Senate  
P.O. Box V  
Juneau, AK 99811

Dear President Eliason:

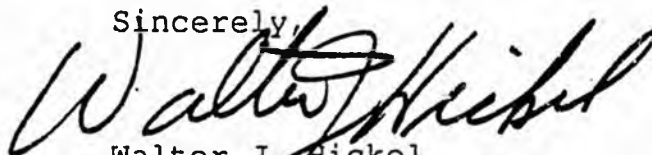
Under the authority of art. III, sec. 23, of the Alaska Constitution, I am transmitting Executive Order No. 79 which would transfer the Office of International Trade from the Governor's Office to the Department of Commerce and Economic Development, effective March 23, 1991.

In accomplishing the transfer, the Executive Order would effect several changes. In addition to creating a Division of International Trade in DCED, it would make it clear that the "Alaska Foreign Offices," referred to in present AS 44.19.075, are within and under the direction of that new division. It would delete the present limitation in that statute of two foreign offices (Tokyo and Seoul) since, in actuality, the state presently has a third office in Taiwan and may wish to establish other offices in the future. Also, it would place the director and deputy director of the new division within the partially exempt service (AS 39.25.120).

I believe that international trade will play an increasingly important role for the Alaska economy over the years ahead and that the State of Alaska can be a significant catalyst in the development of that trade. The state's efforts in that regard can best be carried out by placing the responsibility for those efforts in a new division in the Department of Commerce and Economic Development -- the agency with the overall mission of fostering trade and business growth in the state.

I urge your support of this Order.

Sincerely,



Walter J. Hickel  
Governor

FISCAL NOTE

STATE OF ALASKA  
1991 LEGISLATIVE SESSION

BILL NO. E.O. 79  
*Publish: 1-21-91*

Revision Date: \_\_\_\_\_ Department Affected: Office of the Governor  
 Title: Executive Order transferring BRU: Executive Operations  
Office of International Trade to DCED Component: OIT  
 Sponsor: Rules Committee  
 Requestor: Governor 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						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-

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

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

FUNDING: (Thousands of Dollars)

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

POSITIONS:

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

Estimate of current year impact:

ANALYSIS: (Attach a separate page if necessary.)  
 Funding for the Office of International Trade exists within the state operating budget. These funds will be transferred to the Department of Commerce and Economic Development through the FY 92 budget process.

Prepared By: Michael A. Nizich, Director *Man* Phone: 465-3616  
 Division: Administrative Services Date: 1-18-91  
 Approved by Commissioner: \_\_\_\_\_  
 Agency: Office of the Governor Date: \_\_\_\_\_

FISCAL NOTE

STATE OF ALASKA  
1991 LEGISLATIVE SESSION

BILL NO. E.O. 79  
publish: 1-21-91

Revision Date: \_\_\_\_\_ Department Affected: Commerce & Economic Dev.  
Title: Executive Order transferring BRU: \_\_\_\_\_  
Office of International Trade to DCED Component: \_\_\_\_\_  
Sponsor: Rules Committee  
Requestor: Governor 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						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
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						
OTHER						
TOTAL						

POSITIONS:

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

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

ANALYSIS: (Attach a separate page if necessary.)

Prepared By: Guy Bell, Director Phone: 465-2505  
Division: Administrative Services Date: January 17, 1991  
Approved by Commissioner: Glenn A. Olds  
Agency: Department of Commerce & Economic Development Date: January 17, 1991

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

2

# Alaska State Legislature

Sen. Pat Pourchot, Co-Chairman  
Sen. Jay Kerttula, Co-Chairman

Sen. Al Adams  
Sen. Jim Duncan  
Sen. Lyman F. Hoffman  
Sen. Dick Shultz  
Sen. Rick Uehling



State Capitol  
Juneau, Alaska 99801-1182  
907-465-3712

## Senate Finance Committee

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

TO: Bob Stalnaker, Deputy Director,  
Division of Retirement and Benefits

FROM: Senator Pat Pourchot, Co-chair  
Senate Finance Committee

SUBJECT: Follow up: Meeting with the State Actuary - effects  
on PERS and TRS related to current retirement  
related legislation.

DATE: April 9, 1992

Thank you for coordinating the meeting with Brian McGee and the Senate Finance Committee. It was very helpful information and should provide committee members a broader perspective on retirement system related bills.

One of the concerns with the range of retirement related bills moving through the legislature, is a potential cumulative or long range impact to the PERS and TRS.

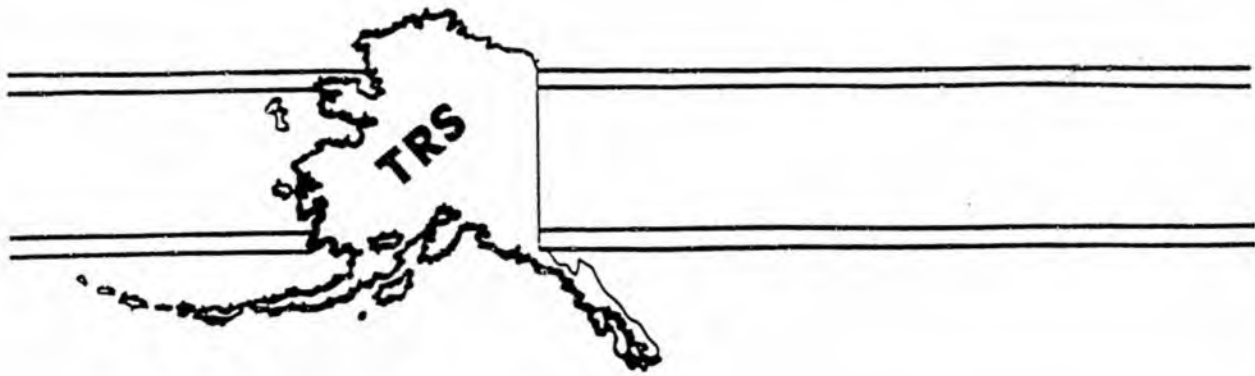
At the meeting, Brian McGee indicated the way to track cumulative effects would be to look at accrued liability and increased employer contribution rates. These projected costs for each bill added together would theoretically produce a single value for the effect of the retirement related bills on the state's retirement system. McGee indicated that a .01 % increase in overall annual employer contribution equates to a value of approximately \$50,000. It would help to have a dollar value reflecting an estimated cost on the analysis page of each fiscal note concerning retirement systems.

At this point, I would like to request that you review the following "active" bills in our committee and provide an updated

analysis on the latest bill versions: SB 338, HB 323, HB 266, HB 371, and, upon redrafting, SB 225. I encourage you to consider doing this with all retirement system related bills in the future.

During the April 7th Senate Finance Committee meeting, Senator Uehling mentioned the idea of front loading the annual costs to the retirement systems with a direct legislative appropriation to the system. I would appreciate comments from your department on the feasibility and desirability of that approach.

Thanks Bob, I appreciate your efforts in working with the Finance Committee.



**State of Alaska  
Teachers' Retirement System**

**Actuarial Valuation Report  
as of June 30, 1990**

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# Highlights

This report has been prepared by William M. Mercer, Incorporated to:

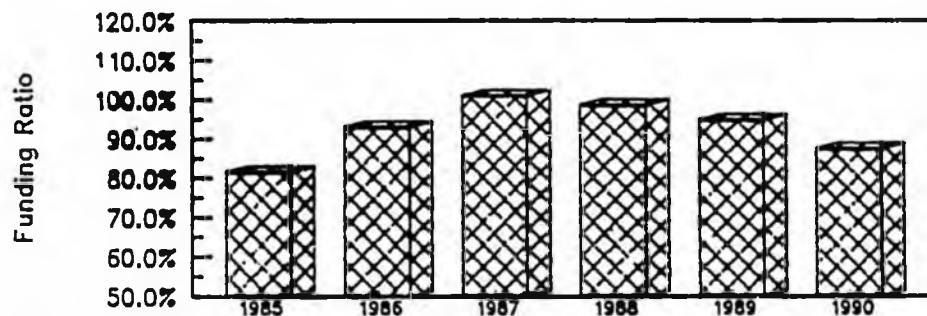
- (1) present the results of a valuation of the Alaska Teachers' Retirement System as of June 30, 1990;
- (2) review experience under the plan for the year ended June 30, 1990;
- (3) determine the appropriate contribution rate for the State and each school district in the System;
- (4) provide reporting and disclosure information for financial statements, governmental agencies, and other interested parties.

The report is divided into two sections. Section 1 contains the results of the valuation. It includes the experience of the plan during the 1989-90 plan year, the current annual costs, and reporting and disclosure information.

Section 2 describes the basis of the valuation. It summarizes the plan provisions, provides information relating to the plan participants, and describes the funding methods and actuarial assumptions used in determining liabilities and costs.

The principle results are as follows:

	<u>1989</u>	<u>1990</u>
Funding Status as of June 30:		
(a) Valuation Assets*	\$ 1,480,389	\$ 1,662,242
(b) Accrued Liability*	1,557,643	1,895,030
(c) Funding Ratio, (a) / (b)	95.0%	87.7%



\* In thousands.

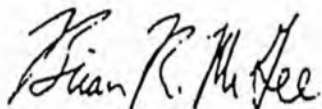
Employer Contribution Rates  
for Fiscal Year:

	<u>1992</u>	<u>1993</u>
(a) Normal Cost Rate	13.26%	14.07%
(b) Past Service Rate	1.90%	5.58%
(c) Total Contribution Rate	15.16%	19.65%
(d) Three-year Average Rate	11.87%	15.69%

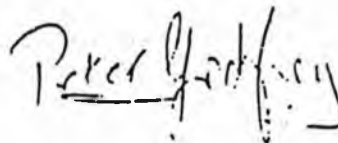
+ due to HB 53

In preparing this valuation, we have employed generally accepted actuarial methods and assumptions, in conjunction with employee data provided to us by the plan sponsor and financial information provided by the audited report from Coopers & Lybrand, to determine a sound value for the plan liabilities. We believe that this value, and the method suggested for funding it, are in full compliance with the Governmental Accounting Standards Board, the Internal Revenue Code, and all applicable regulations.

Respectfully submitted,



Brian R. McGee, FSA  
Principal



Peter L. Godfrey, FLA, ASA  
Consulting Actuary

BRM/PLG/jls

April 11, 1991

## Analysis of the Valuation

As shown in the Highlights section of this report, the funding ratio as of June 30, 1990 has decreased from 95.0% to 87.7%, a 7.3% decrease. The total employer contribution rate has increased from 15.16% of payroll to 19.65%, an increase of 4.49%. The three-year average rate has also increased from 11.87% to 15.69%, a 3.82% increase. The reasons for the change in the funded status and contribution rate are explained below.

### 1. Chapter 97, 1990 SLA

Chapter 97, 1990 SLA passed the Alaska State Legislature last year and was signed into law by Governor Cowper. The bill changed many of the TRS benefit provisions, some of which increase and some decrease the contribution requirements to the System and the funded status of TRS. Some of the major changes include:

- a. Automatic PRPA's will be granted to all current and future retirees.
- b. The benefit formula multiplier was increased for future service over 20 years.
- c. Employee contribution rates were increased by 1.65%, and are now being made on a tax-deferred basis.
- d. Members with 12 years of combined part-time and full-time service are vested.
- e. Normal retirement age for new employees was raised to age 60.
- f. COLA benefits for new employees will be delayed to age 65, unless disabled.
- g. Post-retirement medical benefits for new employees will be reduced.

You will note that items a through d above are effective in FY91 for all employees while items e, f and g, all cost saving items, are applicable only to employees first hired after June 30, 1990. The ultimate cost to the System should be close to the current level. The pattern of costs, however, will be higher in early years when few people are covered by the cost saving features. Contribution rates will then reduce over time as new employees enter the System.

Chapter 97, 1990 SLA caused an increase in the total employer contribution rate of 6.76% and an increase in accrued liability of about \$266,783,000.

## 2. Retiree Medical Insurance

During the year ended June 30, 1990, the System experienced an actuarial gain of \$57,386,000 due to the reduction in retiree medical premiums.

Because, in recent years, the adverse retiree medical premium experience was a major reason for the rapidly increasing employer contribution rate and the deteriorating funding ratio, it is certainly welcome news to be able to comment on a stabilization in retiree medical premiums.

The following table summarizes the monthly premium per benefit recipient since retiree medical benefits have been provided under PERS.

<u>Fiscal Year</u>	<u>Monthly Premium Per Retiree For Health Coverage</u>	<u>Annual Percentage Increase</u>	<u>Average Annual Increase Since 1978</u>
1977	\$ 34.75	--	--
1978	57.64	66%	--
1979	69.10	20%	20%
1980	64.70	- 6%	6%
1981	96.34	49%	19%
1982	96.34	0%	14%
1983	115.61	20%	15%
1984	156.07	35%	18%
1985	191.85	24%	19%
1986	168.25	-12%	14%
1987	165.00	- 2%	12%
1988	140.25	-15%	9%
1989	211.22	51%	13%
1990	252.83	20%	13%
1991	243.98	- 4%	12%
1992	243.98	--	11%

As you can see from the above table, the monthly retiree medical premium reduced to \$243.98 during the year from \$252.83, a decrease of 3.50%. The premium for the 1992 fiscal year remained unchanged.

As noted in last year's valuation report, the State has seen a dramatic shift to post-65 rates which have increased considerably faster than pre-65 rates. However, both rates reduced by 3.50% in FY91 and have remained unchanged for FY92, resulting in the first actuarial gain from medical benefits for the System since the June 30, 1987 valuation of the System.

The effect on the past service contribution rate of this reduction in retiree medical premiums was a reduction of 1.38% of payroll. The effect on the normal cost rate was a reduction of 0.90%, resulting in a reduction in the total employer contribution rate due to medical benefits of 2.28% of payroll.

## 2. Investment Performance

The System once again experienced actuarial gains arising from the investment performance of the Trust assets. Although the return as measured by market values was lower this year than last year, the effect of the five-year smoothing was to increase the return as measured by valuation assets from last year. The approximate rate of return based on market values was 10.03% and the rate based on valuation assets was 11.92%. The resulting actuarial gain was \$43,235,000 which had the effect of reducing the total employer contribution rate by 1.04%.

## 3. Salary Increases

Salary increases during the year were less than anticipated in the valuation assumptions. Salary experience resulted in an actuarial gain of \$20,599,000 which generated a reduction in the total employer contribution rate of .49% of payroll.

## 4. Employee Data

Section 2.2 provides statistics on active and inactive participants. The number of active participants increased .7%, from 8,527 at June 30, 1989 to 8,586 at June 30, 1990. The average age of active participants increased from 41.82 to 42.21 and average credited service increased from 10.61 to 10.62 years.

The number of retirees and beneficiaries increased 2.8%, from 3,098 to 3,184, and their average age increased from 61.85 to 62.45. There was a 60.6% increase in the number of vested terminated participants from 508 to 816. Their average age increased from 45.11 to 46.75.

The overall effect of these participant data changes was an actuarial loss of \$16,505,000, resulting in an increase in the past service contribution rate of 0.40% of payroll. These demographic changes also had the effect of increasing the normal cost rate by .70%, resulting in an increase in the average total employer contribution rate of 1.10% of payroll.

## Retirement Incentive Program

The second Retirement Incentive Program has been available to participants since July 1, 1989. The number of new retirees increased from 187 at June 30, 1989 to 199 at June 30, 1990. Although the full effect of the R.I.P. may not be seen until next year's valuation, the R.I.P. was responsible in part for the increase in the number of new retirees.

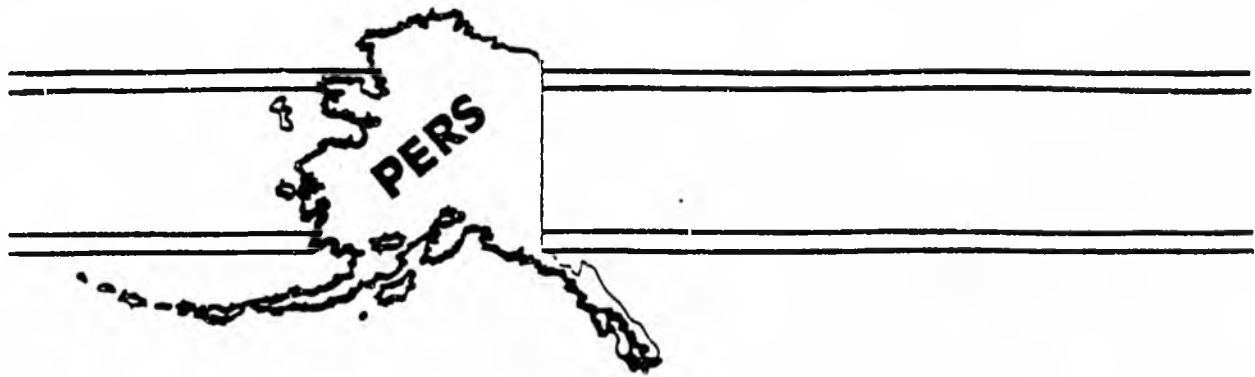
As with the first R.I.P., the cost is being borne by employers based on the actuarial value of the extra benefits, calculated individually for each employee electing to retire under the program. This cost is being paid over a three-year period. If the assumptions underlying the calculated cost of the R.I.P. are met, the total cost to the System will be equal to the employers' payments.

### Summary

The following table summarizes the sources of change in the total employer contribution rate:

(1) Last year's total employer contribution rate (before smoothing) . . .	15.16%
(2) Increase in total employer contribution rate due to Chapter 97, 1990 SLA . . . . .	6.76%
(3) Decrease in past service rate due to retiree medical insurance . . . .	(1.38%)
(4) Decrease in normal cost rate due to retiree medical insurance . . . .	(0.90%)
(5) Decrease due to investment performance . . . . .	(1.04%)
(6) Decrease due to salary increases . . . . .	(0.49%)
(7) Increase in past service rate due to demographic experience . . . . .	0.40%
(8) Increase in normal cost rate due to demographic experience . . . . .	0.70%
(9) Impact of all other factors . . . . .	0.44%
(10) Total employer contribution rate this year (before smoothing) . . . .	19.65%

In summary, the System enjoyed a good year with substantial actuarial gains arising from favorable investment performance and the reduction in medical premiums. The effect of Chapter 97, 1990 SLA, however, caused a substantial increase in current contribution rates and a decrease in the funded status to 87.7%.



**State of Alaska  
Public Employees' Retirement System**

**Actuarial Valuation Report  
as of June 30, 1990**

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# Highlights

This report has been prepared by William M. Mercer, Incorporated to:

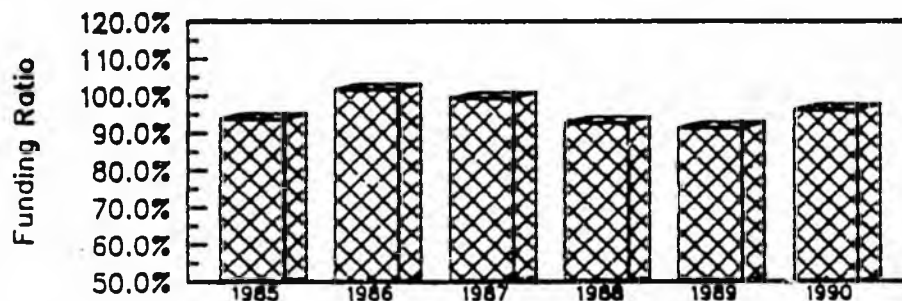
- (1) present the results of a valuation of the Alaska Public Employees' Retirement System as of June 30, 1990;
- (2) review experience under the plan for the year ended June 30, 1990;
- (3) determine the appropriate contribution rates for the State and for each political subdivision in the system;
- (4) provide reporting and disclosure information for financial statements, governmental agencies, and other interested parties.

The report is divided into two sections. Section 1 contains the results of the valuation. It includes the experience of the plan during the 1989-90 plan year, the current annual costs, and reporting and disclosure information.

Section 2 describes the basis of the valuation. It summarizes the plan provisions, provides information relating to the plan participants, and describes the funding methods and actuarial assumptions used in determining liabilities and costs.

The principle results are as follows:

	<u>1989</u>	<u>1990</u>
Funding Status as of June 30:		
(a) Valuation Assets*	\$ 2,348,423	\$ 2,677,486
(b) Accrued Liability*	2,563,268	2,753,518
(c) Funding Ratio, (a) / (b)	91.6%	97.2%



\* In thousands.

Employer Contribution Rates  
for Fiscal Year:

	<u>1992</u>	<u>1993</u>
(a) Consolidated Rate	12.00%	12.83%
(b) Average Past Service Rate	2.20%	.75%
(c) Average Total Contribution Rate	14.20%	13.58%

In preparing this valuation, we have employed generally accepted actuarial methods and assumptions, in conjunction with employee data provided to us by the plan sponsor and financial information provided by Coopers & Lybrand, to determine a sound value for the plan liabilities. We believe that this value and the method suggested for funding it are in full compliance with the Governmental Accounting Standards Board, the Internal Revenue Code, and all applicable regulations.

Respectfully submitted,

Brian R. McGee, FSA  
Principal

Peter L. Godfrey, FIA, ASA  
Consulting Actuary

BRM/PLG/JWJ/jls

April 11, 1991

## Analysis of the Valuation

As shown in the Highlights section of this report, the funding ratio as of June 30, 1990 has increased from 91.6% to 97.2%, a 5.6% increase. The average employer contribution rate has decreased from 14.20% of payroll to 13.58%, a reduction of 0.62%. The reasons for the change in the funded status and contribution rate are explained below.

### 1. Retiree Medical Insurance

During the year ended June 30, 1990, the System experienced an actuarial gain of \$96,813,000 due to the reduction in retiree medical premiums.

Because, in recent years, the adverse retiree medical premium experience was a major reason for the rapidly increasing employer contribution rate and the deteriorating funding ratio, it is certainly welcome news to be able to comment on a stabilization in retiree medical premiums.

The following table summarizes the monthly premium per benefit recipient since retiree medical benefits have been provided under PERS.

<u>Fiscal Year</u>	<u>Monthly Premium Per Retiree For Health Coverage</u>	<u>Annual Percentage Increase</u>	<u>Average Annual Increase Since 1978</u>
1977	\$ 34.75	--	--
1978	57.64	66%	--
1979	69.10	20%	20%
1980	64.70	- 6%	6%
1981	96.34	49%	19%
1982	96.34	0%	14%
1983	115.61	20%	15%
1984	156.07	35%	18%
1985	191.85	24%	19%
1986	168.25	-12%	14%
1987	165.00	- 2%	12%
1988	140.25	-15%	9%
1989	211.22	51%	13%
1990	252.83	20%	13%
1991	243.98	- 4%	12%
1992	243.98	--	11%

As you can see from the above table, the monthly retiree medical premium reduced to \$243.98 during the year from \$252.83, a decrease of 3.50%. The premium for the 1992 fiscal year remained unchanged.

As noted in last year's valuation report, the State has seen a dramatic shift to post-65 rates which have increased considerably faster than pre-65 rates. However, both rates reduced by 3.50% in FY91 and have remained unchanged for FY92, resulting in the first actuarial gain from medical benefits for the System since the June 30, 1987 valuation of the System.

The effect on the past service contribution rate of this reduction in retiree medical premiums was a reduction of 0.95% of payroll. The effect on the consolidated rate was a reduction of 0.47%, resulting in a reduction in the average total employer contribution rate due to medical benefits of 1.42% of payroll.

## 2. Investment Performance

The System once again experienced actuarial gains arising from the investment performance of the Trust assets. Although the return as measured by market values was lower this year than last year, the effect of the five-year smoothing was to increase the return as measured by valuation assets from last year. The approximate rate of return based on market values was 9.94% and the rate based on valuation assets was 11.87%. The resulting actuarial gain was \$68,112,000 which had the effect of reducing the average employer contribution rate by 0.67%.

## 3. Salary Increases

Salary increases during the year were less than anticipated in the valuation assumptions. Salary experience resulted in an actuarial gain of \$6,991,000 which generated a reduction in the average employer contribution rate of 0.07% of payroll.

## 4. Employee Data

Section 2.2 provides statistics on active and inactive participants. The number of active participants increased 3.7%, from 28,044 at June 30, 1989 to 29,086 at June 30, 1990. The average age of active participants increased from 40.17 to 40.37 and average credited service increased from 6.66 to 6.82 years.

The number of retirees and beneficiaries increased 5.7%, from 6,967 to 7,365, and their average age increased from 63.28 to 63.62. There was an 18.6% increase in the number of vested terminated participants from 2,314 to 2,745. Their average age reduced slightly from 42.97 to 42.96.

The overall effect of these participant data changes was an actuarial loss of \$7,216,000, resulting in an increase in the past service contribution rate of 0.07% of payroll. These demographic changes also had the effect of increasing the consolidated rate by 0.61%, resulting in an increase in the average total employer contribution rate of 0.68% of payroll.

### Retirement Incentive Program

The second Retirement Incentive Program has been available to University of Alaska participants since July 1, 1989 and to other participants since October 1, 1989. The number of new retirees increased from 370 at June 30, 1989 to 495 at June 30, 1990. Although the full effect of the R.I.P. may not be seen until next year's valuation, the R.I.P. was responsible in part for the increase in the number of new retirees.

As with the first R.I.P., the cost is being borne by employers based on the actuarial value of the extra benefits, calculated individually for each employee electing to retire under the program. This cost is being paid over a three-year period. If the assumptions underlying the calculated cost of the R.I.P. are met, the total cost to the System will be equal to the employers' payments.

### Summary

The following table summarizes the sources of change in the average employer contribution rate:

(1) Last year's average employer contribution rate . . . . .	14.20%
(2) Decrease in past service rate due to retiree medical insurance . . . . .	(0.95%)
(3) Decrease in consolidated rate due to retiree medical insurance . . . . .	(0.47%)
(4) Decrease due to investment performance . . . . .	(0.67%)
(5) Decrease due to salary increases . . . . .	(0.07%)
(6) Increase in past service rate due to demographic experience . . . . .	0.07%
(7) Increase in consolidated rate due to demographic experience . . . . .	0.61%
(8) Impact of all other factors . . . . .	0.86%
(9) Average employer contribution rate this year . . . . .	13.58%

In summary, the System enjoyed a good year with substantial actuarial gains arising from favorable investment performance and the reduction in medical premiums. These two factors were largely responsible for the increase in the System's funded status to 97.2% of accrued liabilities.

# ALASKA STATE LEGISLATURE

## LEGISLATIVE BUDGET AND AUDIT COMMITTEE

Division of Legislative Finance



P.O. Box 113200  
Juneau, AK 99811-3200  
(907) 465-3795  
FAX (907) 463-4885

### MEMORANDUM

DATE: March 28, 1992

TO: Senator Pat Pourchot, Co-chairman  
Senate Finance Committee

FROM: David Tonkovich, Revenue Analyst <sup>BRT</sup>  
Legislative Finance Division

SUBJ: **Review of Post Retirement Pension Adjustments-  
Teacher's Retirement System**

Your staff requested a review of changes to the Teacher's Retirement System due to passage of Ch. 97, SLA 90 (CS SB53). Among other features that legislation provided an automatic, pre-funded post retirement pension adjustment (PRPA) for retired teachers. I was asked to address these specific questions:

1. What were the arguments in favor and against this legislation?
2. What information was presented in the fiscal note presented with the bill?
3. What has been the experience of the system since implementation of the legislation?

The basis for my review is material presented in the bill file for this legislation. In addition, I've discussed the issue with the Division of Retirement and Benefits and have reviewed information included in the actuarial evaluations of the TRS system. My presentation is facilitated by reference to a series of exhibits included as part of this analysis. Following a brief summary of the provisions of this legislation each of your questions will be addressed.

## Review of CS SB53

The first two exhibits, one from the bill file and one from the Actuarial Valuation Report, provide convenient summaries of the legislation. It is helpful to understand that the bill represents a package of benefit increases, employee contribution increases and cost containment measures. Perhaps the most significant change made by the bill is the provision of an automatic post retirement pension adjustment which is pre-funded.

### Arguments For and Against the Legislation

The Division of Retirement and Benefits prepared a position paper in favor of this legislation (Exhibit 3). Their argument has two key elements.

First, the legislation provided an automatic pension adjustment for cost of living increases. This replaced a system which was characterized as "ad hoc" meaning that adjustments depended on a decision by the Commissioner of Administration.

Second, the legislation changed the funding mechanism for these adjustments from a pay-as-you-go to a pre-funded basis. With a pay-as-you-go system each granted adjustment increased the unfunded liability of the system and as a result employer contributions. With pre-funding,

"...the funding of future PRPA's would be incorporated into the plan, with monies set aside in advance. Employer contribution rates would no longer have to "react" to a pension adjustment..."

The only "negative" contained in the position paper is the administrative cost to the system. These were estimated to be about \$334 thousand in the first year and \$56 thousand in subsequent years.

Additional concerns could be noted which may or may not have been raised in the oral discussions of this bill. There is an equity concern in that benefits would accrue to already retired teachers who did not pay the higher employee contribution rates. Also, because of Constitutional protections, persons who were hired before the effective date of the legislation would not be subjected to the operation of any of the cost containment provisions. A third concern is that this change in the system results in an immediate increase in benefit system costs. As discussed below, these increased initial costs are expected to be offset over a longer time period.

#### Fiscal Note Material

The fiscal note reported out of committee [CSSB 53 (HESS) was dated 3/26/90] showed costs of \$333.9 in FY91 and \$55.9 for each year in the period FY92-FY96. An appropriation of \$333.9 was included in (Ch 209, SLA 90), the new legislation section of the operating budget. It is important to note that these figures represent only the additional administrative costs of the program (See Exhibit 4).

The analysis section of the reported fiscal note includes an estimate of personal service cost savings as a result of the legislation: \$29.1 to the State in FY91 and each year thereafter; \$172.1 to school districts in FY91 and each year thereafter. The analysis indicates that the bill would decrease the TRS contribution rate by .05% in FY91.

It is interesting and helpful to compare that analysis to an evaluation found in an earlier fiscal note (SB53):

This bill is estimated to cost the department of education (DOE) and the University of Alaska (U of A) \$3,783.4 in increased personal services for FY 91 and each year thereafter. This bill is estimated to cost school districts \$22,926.3 in increased personal services for FY91 and each year thereafter.

Those figures are derived by multiplying FY91 salaries for the respective employers by 6.66%, the amount by which the TRS rate was expected to increase, absent the impact of the cost containment measures. These two analyses are found in Exhibits 5 and 6.

A link between these two disparate views of the financial impact of the legislation is provided by Exhibit 7. That document shows the mitigating effect on the required contribution rate of a group of offsetting cost containment measures. It is important to note that provisions for the automatic PRPA , the benefit multiplier, and the additional pre-tax contribution became effective in FY91 for all employees and retirees. The cost savings features are applicable only to those employees hired after June 30, 1990.

The two analyses highlight a dilemma in the presentation of fiscal notes on retirement bills. The true actuarial impact of retirement legislation is evaluated over a long term, in this instance, 25 years. Fiscal notes display revenue and expenditure information over a six year segment at the beginning of that time frame. In the case of SB53, the fiscal note period covers a time of increased retirement benefits, greater unfunded liability, and initially rising employer contribution rates. That six year time period does not, however, accurately portray the long run impacts of the legislation's cost containment provisions. It is my understanding, based on conversations with Retirement and Benefits, that the fiscal note passed out with CS SB53 was developed from this long term perspective. Thus while it appears to understate costs in the early years, it in reality gives a clearer picture of the long run impacts of the Legislation.

#### Experience Since Passage of Legislation

The legislation effectively results in a two-tiered retirement system. One tier consists of TRS members hired before June 30, 1990. These employees are more costly to the system because the only offset to the cost of additional benefits is the higher employee contribution rate. The second tier consists of persons hired after the effective date of the legislation. These employees cost the system less because of their higher contribution rate as well as the influence of the cost containment measures. The effect of this system can be summarized:

The mix of persons in the retirement system will evolve. This results in a pattern of costs that is higher in early years when few members are subject to the cost saving features and decline in later years as new employees enter the system.

The actuarial calculations of required contribution rates will reflect the multiple tier nature of the system. In a single tier system the assumption is that current year benefit levels apply to all employees for the whole actuarial cycle. In a multiple tier system, calculations recognize that the universe of members changes over time and the cost of benefits to the system changes. Rates can be adjusted to reflect this anticipated drop in benefits.

Several attachments show the operation of these factors. Exhibit 8 shows a calculation presented as part of the Actuarial Evaluation Report as of June 30, 1990. This is the first evaluation since passage of the legislation and shows a significant rise in the required contribution rate.

Exhibit 9 presents a history of these rates over time and indicates that the rate actually paid by employers is a 3 year moving average of the actuarial rates. This procedure helps to dampen any sharp increases or decreases in rates and provides some stability for employers. My understanding is that next year's evaluation will show the effects of the multiple tier system and result in an actuarial rate which is lower than the 19.65% calculated for FY93. The smoothed . 3 year average rate, will continue to rise. It will, however, fall in future years as the rate for FY93 drops out of the calculation. This pattern is shown graphically in Exhibit 10.

### Summary

An evaluation of the impacts of this legislation depends on one's time perspective. The legislation has obviously increased required contribution rates and increased the unfunded liabilities of the system in the short term. This is a particularly difficult situation given current budget concerns. Over a longer term however there are advantages to the legislation. The preservation of real retirement incomes, the fact that benefits are prefunded, and the operation of cost containment features would all be considered advantages particularly in a period when budgets are likely to become even more restricted.

## Analysis of the Valuation

As shown in the Highlights section of this report, the funding ratio as of June 30, 1990 has decreased from 95.0% to 87.7%, a 7.3% decrease. The total employer contribution rate has increased from 15.16% of payroll to 19.65%, an increase of 4.49%. The three-year average rate has also increased from 11.87% to 15.69%, a 3.82% increase. The reasons for the change in the funded status and contribution rate are explained below.

### 1. Chapter 97, 1990 SLA

Chapter 97, 1990 SLA passed the Alaska State Legislature last year and was signed into law by Governor Cowper. The bill changed many of the TRS benefit provisions, some of which increase and some decrease the contribution requirements to the System and the funded status of TRS. Some of the major changes include:

- a. Automatic PRPA's will be granted to all current and future retirees.
- b. The benefit formula multiplier was increased for future service over 20 years.
- c. Employee contribution rates were increased by 1.65%, and are now being made on a tax-deferred basis.
- d. Members with 12 years of combined part-time and full-time service are vested.
- e. Normal retirement age for new employees was raised to age 60.
- f. COLA benefits for new employees will be delayed to age 65, unless disabled.
- g. Post-retirement medical benefits for new employees will be reduced.

KEY | You will note that items a through d above are effective in FY91 for all employees while items e, f and g, all cost saving items, are applicable only to employees first hired after June 30, 1990. The ultimate cost to the System should be close to the current level. The pattern of costs, however, will be higher in early years when few people are covered by the cost saving features. Contribution rates will then reduce over time as new employees enter the System.

Chapter 97, 1990 SLA caused an increase in the total employer contribution rate of 6.76% and an increase in accrued liability of about \$266,783,000.

\* new - means for people employed after effective date

## 1. PRPA

- a. age 65 and over the lessor of 75% CPI or 9%
- b. age 60-65. the lessor of 50% CPI or 6%
- c. Ad hoc PRPA up to 4%

Retirees:

- a, b, or c, whichever is greater

Current active:

- a, b, or c, whichever is greater
- minimally eligible for b eight years after retirement

New:

- minimally eligible for b eight years after retirement

## 2. Health Insurance Premium Cost

Retirees/Current active:

- no change

New:

- retiree pays premium to age 60
- pays 50% between age 60 and 65
- age 65 or over, fully paid by TRS

3. Normal retirement changed from age 55 to age 60  
Early retirement changed from age 50 to 55

- applies to New employees only

## 4. No changes on 20 and out

## 5. 10% Alaska cost of living differential (COLA)

Retirees/Current active:

- no change

New:

- not available until age 65

## 6. Employee Contribution Rate

Retirees:

- no effect

Current active/New:

- changes from 7% to 8.65% on 1/1/91
- becomes a before tax contribution

## 7. Benefit Formula

Retirees:

- no change

Current active/New:

- 2%/year for first 20 years
- 2 1/2%/year for each year over 20 years which is earned after the effective date

(if the effective date is 7/1/90, a teacher has on that date 25 years of credited service, teaches one more year for a total of 26, retirees on 7/1/91; formula is 25 years @ 2% + one year @ 2 1/2%)

## 8. Elimination of Military Double Dip

Retirees/Current active:

- no change

New:

- cannot use military time as credited service in the TRS if using those same years to draw a military pension

1990 LEGISLATION  
POSITION PAPER  
DEPARTMENT OF ADMINISTRATION

Division Retirement and Benefits Bill Number CS SB 53

Bill Title An Act relating to Post Retirement Pension Adjustment to TRS.

Position Statement: Explain briefly what the bill does, its impacts and Departments' position, i.e. a) support, b) do not support, c) neutral or d) oppose.

SB 53 provides a tremendous opportunity to guarantee teachers that retirement benefits will keep pace with cost-of-living increases, and at the same time, guarantee employers of a related reduction in employer contributions.

This Committee Substitute was developed to provide retired teachers with an automatic, pre-funded, post retirement pension adjustment (PRPA) and an increased benefit multiplier. Cost containment provisions are included to off-set the pre-funding expense.

The current ad hoc PRPA was established on a pay-as-you-go basis. Every time an ad hoc PRPA is issued, the system's unfunded liability is increased, which, in turn, increases the employers' contribution rate--after the fact. The most important aspect of this bill is that it provides for prefunding the PRPAs. The funding of future PRPAs would be incorporated into the plan, with monies set aside in advance. Employer contribution rates would no longer have to "react" to a pension adjustment, and retirees could enjoy some retirement security.

If passed, effective January 1, 1991 teachers' contributions would increase from 7% to 8.65% of salary. These contributions would be with pre-tax, instead of the current after-tax, dollars. Additionally, for those teachers first hired after this bill's effective date, the following provisions would apply:

1. depending on age, each will share in the cost of the health premium after retirement. (For those already hired, the premium is fully paid);
2. none will be eligible for the Alaska cost of living allowance (COLA) until age 65. If the retiree is an Alaska resident, the COLA is an additional 10% of the retirement benefit; and

3. normal retirement age will be 60 instead of 55.

There are administrative costs to implement the provisions of the bill. These costs would be funded by an appropriation from the Teachers' Retirement System; no general fund monies are needed. On the other hand, employer contributions are made with the support of general fund dollars. Under this legislation the employer contribution rate would be REDUCED by .05%, saving an estimated \$200 thousand each year.

The Department of Administration and the Division of Retirement and Benefits fully support this legislation. It responsibly adjusts the priorities to ensure an automatic pension adjustment for living cost increases. This enhancement should serve well to attract and retain the best of the teaching profession.

## APPROVED:

Director Sally Smith Division Retirement and Benefits

Signature Sally Smith Date 3/23/90

Commissioner Frank S. Baxter

Signature Frank Baxter Date 3/23/90

(For more information, call Sioux Plummer 465-2200)

Rev. 12/89

FISCAL NOTE

REQUEST:

Revision Date: \_\_\_\_\_ Agency Affected: Administration  
 Title: An Act relating to Post Retirement Pension Adjustments in TRS BRU: Retirement and Benefits  
 Sponsor: Duncan Components: Retirement and Benefits  
 Requestor: \_\_\_\_\_

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 91	FY 92	FY 93	FY 94	FY 95	FY 96
PERSONAL SERVICES	55.5	55.5	55.5	55.5	55.5	55.5
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	233.7	.3	.3	.3	.3	.3
SUPPLIES	.2	.1	.1	.1	.1	.1
EQUIPMENT	44.5	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
<b>TOTAL OPERATING</b>	<b>333.9</b>	<b>55.9</b>	<b>55.9</b>	<b>55.9</b>	<b>55.9</b>	<b>55.9</b>
<b>CAPITAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>REVENUE</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	333.9	55.9	55.9	55.9	55.9	55.9
<b>TOTAL</b>	<b>333.9</b>	<b>55.9</b>	<b>55.9</b>	<b>55.9</b>	<b>55.9</b>	<b>55.9</b>

POSITIONS:

FULL-TIME	1	1	1	1	1	1
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS: (Attach a separate page if necessary) THESE ADMINISTRATIVE COSTS WILL BE

BORNE BY THE TEACHERS' RETIREMENT FUND. THEY WILL NOT IMPACT THE GENERAL FUND.

Please refer to page 2 for a detailed discussion of the administrative costs.

THIS BILL IS ESTIMATED TO SAVE THE STATE \$29.1 IN PERSONAL SERVICES COSTS IN FY 91 AND EACH YEAR THEREAFTER. THIS BILL IS ESTIMATED TO SAVE SCHOOL DISTRICTS \$172.1 IN PERSONAL SERVICES COSTS IN FY 91 AND EACH YEAR THEREAFTER. Please refer to page 3 for discussion.

Prepared by: Sally Smith, Director Phone: 465-4460  
 Division: Retirement and Benefits Date: 3/22/90  
 Approved by Commissioner: Frank S. Baxter Date: 3/23/90  
 Agency: Department of Administration

Distribution (by preparer):

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

Committee Substitute for Senate Bill 53  
Fiscal Note - Analysis  
Prepared by Division of Retirement & Benefits  
Department of Administration  
March 9, 1990

Analysis: This bill would establish a pre-funded automatic post retirement pension adjustment (PRPA) and several other cost containment measures in the Teachers' Retirement Systems (TRS). A savings to employers of \$200,000 each year is estimated, after considering the costs for automated systems enhancements and ongoing maintenance.

The PRPA would be granted from July 1 of each year if the Consumer Price Index for Anchorage (CPI-W) increased during the prior calendar year. The bill would also increase the benefit formula to encourage members who accumulate 20 years of membership service to continue teaching. The cost containment provisions implemented by this bill would parallel the Public Employees Retirement System.

The total estimated administrative cost to the division of \$333.9 for FY 91 is for personal and contractual services. During the first year, a permanent programmer/analyst IV would develop the changes to the TRS automated system in cooperation with a firm contracted to assist. In the second and subsequent years the A/P IV would complete the project and provide ongoing maintenance for the automatic PRPA system and benefit calculation systems for both the TRS and the Public Employees Retirement System. Current staff would not be able to absorb this increased workload.

Committee Substitute for Senate Bill 53  
 Analysis of Financial Impact to the Retirement Fund  
 Prepared by Division of Retirement & Benefits  
 Department of Administration  
 March 9, 1990

Analysis: This bill would decrease the state Teachers' Retirement System (TRS) contribution rate by 0.05% in FY 91. The state TRS payroll is estimated to be \$58,159,258 in FY 91 and remain stable thereafter.

The state savings of \$29,080 are calculated as follows:

Department of Education FY 91 estimated salary	\$5,673,729
---	-------------

Decrease in TRS rate	<u>X</u> 0.05%
----------------------	----------------

Total savings.....	\$ 2,837
--------------------	----------

University of Alaska FY 91 estimated salary	\$52,485,529
--	--------------

Decrease in TRS rate	<u>X</u> 0.05%
----------------------	----------------

Total savings.....	\$ 26,243
--------------------	-----------

<u>TOTAL STATE SAVINGS...</u>	<u>\$29,080</u>
-------------------------------	-----------------

In addition to these state savings, the school districts' contribution rates would likely decrease by 0.05% in FY 91. The school districts' salaries are estimated to be \$ 344,238,828 in FY 91 and remain stable each year thereafter.

The school districts' savings of \$103,272 are calculated as follows:

School district FY 91 estimated salaries	\$344,238,828
---	---------------

Decrease in TRS rate	<u>X</u> 0.05%
----------------------	----------------

TOTAL SCHOOL DISTRICT SAVINGS...	<u>\$172,119</u>
----------------------------------	------------------

Passage of this bill will have no measurable impact on the TRS unfunded liability. It will not affect the TRS funding ratio.

Position Title <b>Analyst/Programmer IV</b>		No. of Positions <b>1</b>	Range/Step <b>19A</b>	Barg. Unit <b>GG</b>
Time Status <b>PE/FT</b>	Staff Months <b>12.0</b>	Location <b>Juneau</b>		Election District <b>4</b>
Type of Expenditure		Justification		
		This position will be responsible for the analysis, design, programming, implementation, maintenance, and enhancement of systems and subsystems mandated by CSSB 53. This includes tracking and overseeing contract analyst/programmer work during the first year of the development effort, continuing development to completion in the second or third year, interfacing and maintaining interfaces of the newly developed systems with all other State systems and other systems as appropriate, and maintaining all systems developed by this project as they become operational.		
Amount				
1		2		3
Salary	40,032			
Benefits	15,480			
Premium Pay				
Other				
Total Personal Services		55,512		
Travel		0		
Contractual		350		
Commodities		100		
Equipment		22,250		
Other				
Total Cost		79,212		
Funding Source for Total Cost				
Federal Receipts	1002			
G. F. Match	1003			
General Fund	1004			
I-A Receipts	1006			
CIP Receipts	1061			
Other	Teachers' Retirement 1034	79,212		

8/6B1/030709-0

**Request For  
New Position**

Agency Administration  
 BRU Retirement and Benefits  
 Component Retirement and Benefits

Page 4 of 4  
 Revised Date

**FY 91**

Committee Substitute for Senate Bill 53  
 Analysis of Financial Impact to the Retirement Fund  
 Prepared by Division of Retirement & Benefits  
 Department of Administration  
 March 9, 1990

Analysis: This bill would decrease the state Teachers' Retirement System (TRS) contribution rate by 0.05% in FY 91. The state TRS payroll is estimated to be \$58,159,258 in FY 91 and remain stable thereafter.

The state savings of \$29,080 are calculated as follows:

Department of Education FY 91 estimated salary	\$5,673,729
Decrease in TRS rate	X <u>0.05%</u>
<b>Total savings.....</b>	<b>\$ 2,837</b>

University of Alaska FY 91 estimated salary	\$52,485,529
Decrease in TRS rate	X <u>0.05%</u>
<b>Total savings.....</b>	<b>\$ 26,243</b>

<u><b>TOTAL STATE SAVINGS...</b></u>	<u><b>\$29,080</b></u>
--------------------------------------	------------------------

In addition to these state savings, the school districts' contribution rates would likely decrease by 0.05% in FY 91. The school districts' salaries are estimated to be \$ 344,238,828 in FY 91 and remain stable each year thereafter.

The school districts' savings of \$103,272 are calculated as follows:

School district FY 91 estimated salaries	\$344,238,828
Decrease in TRS rate	X <u>0.05%</u>

<b>TOTAL SCHOOL DISTRICT SAVINGS...</b>	<u><b>\$172,119</b></u>
---	-------------------------

Passage of this bill will have no measurable impact on the TRS unfunded liability. It will not affect the TRS funding ratio.

Senate Bill 53  
 Analysis of Financial Impact to the Retirement Fund  
 Prepared by Division of Retirement & Benefits  
 Department of Administration  
 January 4, 1990

Analysis: To fund this bill the state Teachers' Retirement System (TRS) the contribution rate would increase by 6.66% in FY 90. The state TRS payroll is estimated to be \$58,159,258 in FY 90 and remain stable thereafter.

The state cost of \$3,873,406 is calculated as follows:

Department of Education FY 91 estimated salary		\$5,673,729
Increase in TRS rate	X <u>6.66%</u>	
Total cost.....		\$377,870

University of Alaska FY 91 estimated salary		\$52,485,529
Increase in TRS rate	X <u>6.66%</u>	
Total cost.....		<u>3,495,536</u>

**TOTAL STATE COST... \$3,873,406**

In addition to these state costs, the school districts' contribution rates would also be estimated to increase by 6.66% in FY 91. The school districts' salaries are estimated to be \$ 344,238,828 in FY 91 and remain stable each year thereafter.

The school districts' cost of \$22,926,306 is calculated as follows:

School district FY 91 estimated salaries		\$344,238,828
Increase in TRS rate	X <u>6.66%</u>	
TOTAL SCHOOL DISTRICT COST...		<u>\$22,926,306</u>

Passage of this bill will result in an increase in the TRS unfunded liability of \$225,000,000. It will also result in a decrease in the TRS funding ratio of 10.87%.

## TRS Automatic PRPA

The projected cost of an automatic pre-funded PRPA is 6.66% of teacher compensation. The FY 91 cost of the PRPA is estimated to be \$3,873,406 for the state and \$22,926,306 for the school districts (a copy of the current fiscal note is attached). It is clear that the current provision is too costly for consideration by the administration or the legislature.

The resolution to this problem lies in offering some offsetting cost containment measures which will serve two purposes: 1) help to make the TRS more responsive to the current needs of the employers by instituting a more cost effective system; and 2) offset some or all of the cost of the PRPA.

Each solution is expressed in estimated percentage impact on the TRS rate and in the estimated dollar cost.

Automatic PRPA...	+6.33%
This PRPA would be granted similar the PERS except for an 8 year period vs a 5 year period.	
Retiree participation in medical costs...	-4.04%
Normal retirement at age 60...	-1.72%
10% COLA after age 65...	-0.26%
Additional 1.65% employee pre-tax contribution...	-1.60%
Improved benefit formula 1....	+1.25%
2% for first 20 years	
2-1/2% for all years over 20 years	
No military double dipping...	<u>-0.01%</u>
Total net savings of bill...	<u>-0.05%</u>

This would result in a net savings to the state of \$29,080 and to the school districts of \$172,120.

Approved \_\_\_\_\_  
Frank S. Baxter, CPA  
Commissioner  
Department of Administration

Disapproved \_\_\_\_\_

## Retirement Incentive Program

The second Retirement Incentive Program has been available to participants since July 1, 1989. The number of new retirees increased from 187 at June 30, 1989 to 199 at June 30, 1990. Although the full effect of the R.I.P. may not be seen until next year's valuation, the R.I.P. was responsible in part for the increase in the number of new retirees.

As with the first R.I.P., the cost is being borne by employers based on the actuarial value of the extra benefits, calculated individually for each employee electing to retire under the program. This cost is being paid over a three-year period. If the assumptions underlying the calculated cost of the R.I.P. are met, the total cost to the System will be equal to the employers' payments.

### Summary

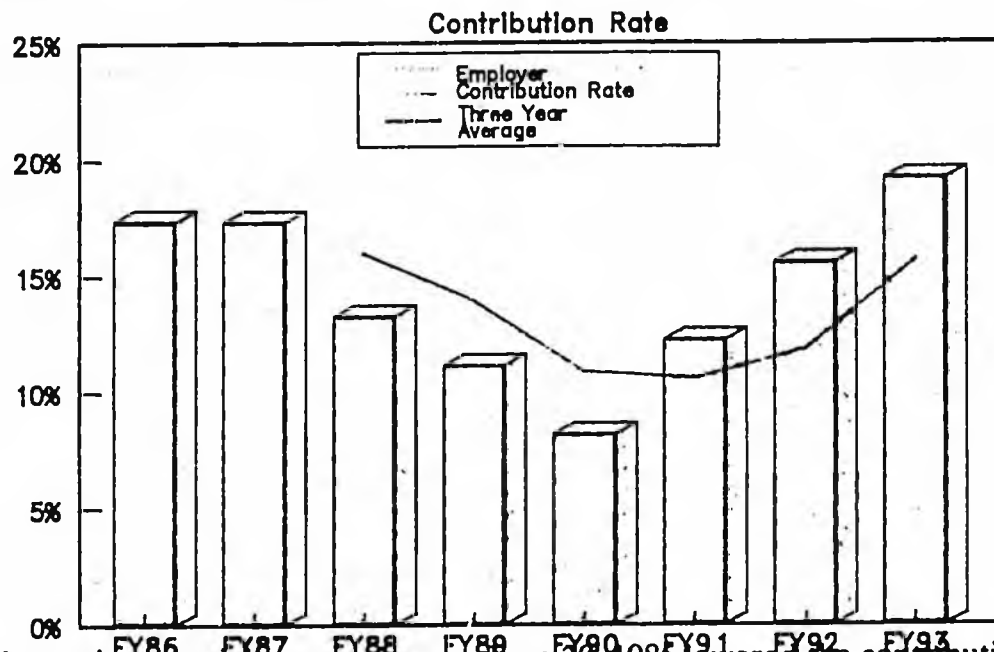
The following table summarizes the sources of change in the total employer contribution rate:

(1) Last year's total employer contribution rate (before smoothing) . . .	15.16%
(2) Increase in total employer contribution rate due to Chapter 97, 1990 SLA . . . . .	6.76%
(3) Decrease in past service rate due to retiree medical insurance . . . .	(1.38%)
(4) Decrease in normal cost rate due to retiree medical insurance . . . .	(0.90%)
(5) Decrease due to investment performance . . . . .	(1.04%)
(6) Decrease due to salary increases . . . . .	(0.49%)
(7) Increase in past service rate due to demographic experience . . . . .	0.40%
(8) Increase in normal cost rate due to demographic experience . . . . .	0.70%
(9) Impact of all other factors . . . . .	0.44%
(10) Total employer contribution rate this year (before smoothing) . . . .	19.65%

In summary, the System enjoyed a good year with substantial actuarial gains arising from favorable investment performance and the reduction in medical premiums. The effect of Chapter 97, 1990 SLA, however, caused a substantial increase in current contribution rates and a decrease in the funded status to 87.7%.

### 1.3(b) Three-Year Smoothing of Total Employer Contribution Rate

<u>Valuation Date</u>	<u>For Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Three-Year Average</u>
6-30-83	FY86	17.36%	
6-30-84	FY87	17.36%	
6-30-85	FY88	13.28%*	16.00%
6-30-86	FY89	11.16%	13.93%
6-30-87	FY90	8.19%	10.87%
6-30-88	FY91	12.27%	10.54%
6-30-89	FY92	15.16%	11.87%
6-30-90	FY93	19.65%**	15.69%



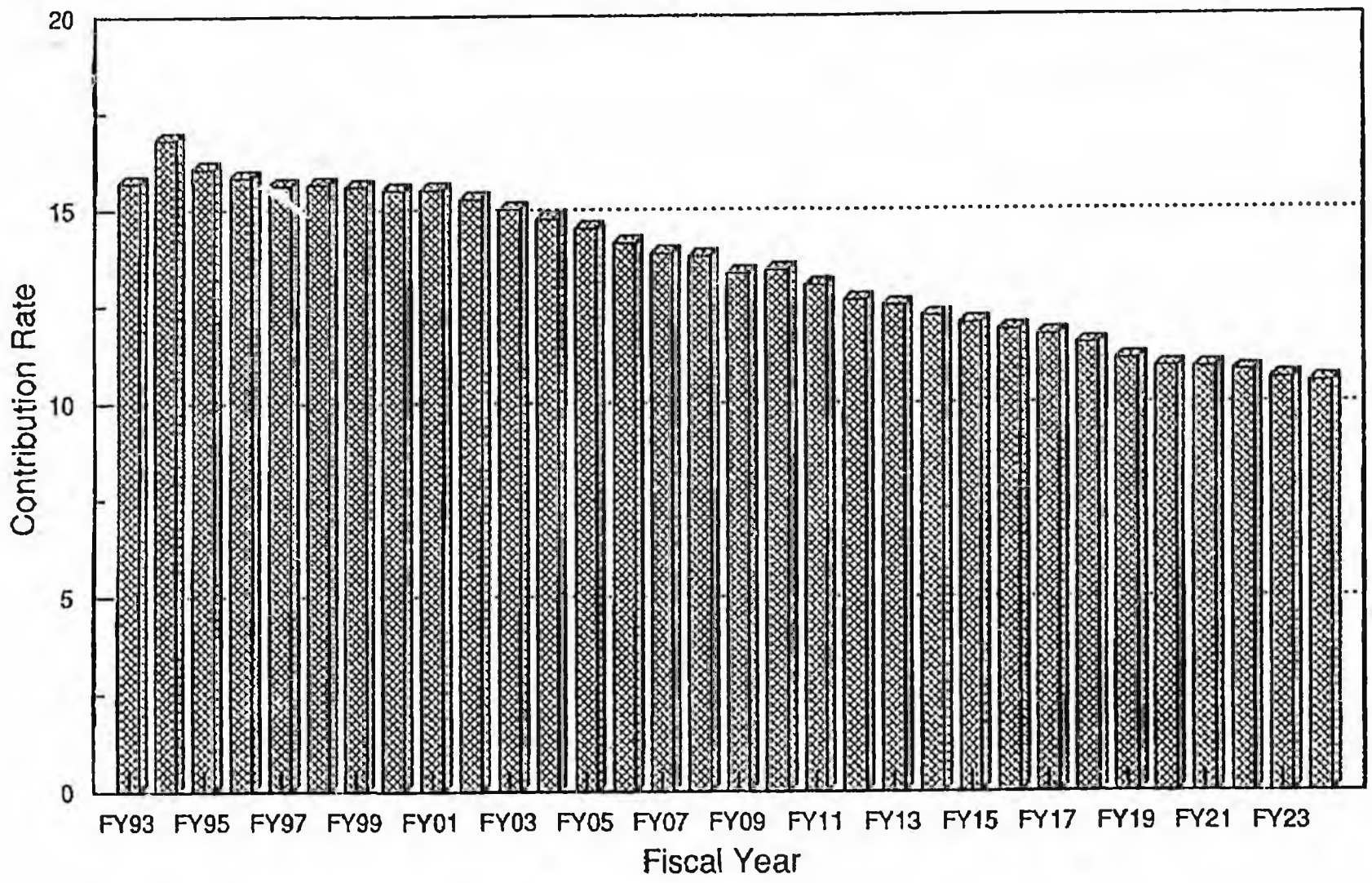
\* A change in actuarial assumptions on June 30, 1985 lowered the contribution rate from 16.68% to 13.28%

\*\* A change in Plan provisions on June 30, 1990 increased the contribution rate from 12.89% to 19.65%.

# State of Alaska

## Teachers' Retirement System

### Projected Contribution Rates



**SB**

**1**

HOUSE COMMITTEE REPORT

(11)

Date Referred: March 13, 1991

FURTHER REFERRALS:

Date of Committee Action: 5/12/92

The FINANCE Committee considered:

CSSB 1(FIN)

CS FOR SENATE BILL NO. 1 (FINANCE)

DEADLINES FOR FUNDING EDUCATION

"An Act relating to deadlines for action on funding of public education; and providing for an effective date."

RECOMMENDATIONS:

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

HCSSB 1 (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 \_\_\_\_\_

[  ] zero fiscal note(s) DOF 2/1/92

SIGNING <u>DO PASS</u>	DP	<u>OTHER RECOMMENDATIONS</u>	DNP	NR	AM
Eileen P. McLaughlin	✓	<del>Barry Young</del>		X	
Mike Spaul	✓	<del>Barry Young</del>			
Jan Brown	✓				
Stephanie Korman	✓				
Geoffrey Janko	✓				
Robert Phillips	✓				
Bronck J. Korman	X				
J. Miller	X				

Mike Spaul <sup>NAUAVIC</sup> E P McLaughlin  
 CHAIRMAN'S SIGNATURE McLaughlin

FISCAL NOTE

No. 1

Bill Version: SB1

(S) Publish Date: 2/1/91

STATE OF ALASKA  
1991 LEGISLATIVE SESSION

Revision Date: \_\_\_\_\_ Department Affected: Education  
 Title: Deadlines for action on funding BRU: K-12 Support  
of public education Component: Foundation  
 Sponsor: Eliason  
 Requestor: Eliason COMPONENT SERIAL NO. 

0	1	4	1
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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						
---------	--	--	--	--	--	--

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

FUNDING: (Thousands of Dollars)

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

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year impact: -0-

ANALYSIS: (Attach a separate page if necessary.)

Changes in CS5B1 (Fin) have no fiscal impact. This fiscal note is appropriate.

3-7-91 date MW Comte Aide (initial)

Prepared By: Mary Hakala Phone: 465-2800  
 Division: Commissioner's Office Date: 1/25/91  
 Approved by Commissioner: Steve Hole Acting Commissioner  
 Agency: Education Date: 1/28/91

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

7-LS0024J  
Ford  
5/11/92

HOUSE CS FOR CS FOR SENATE BILL NO. 1 (FINANCE)  
IN THE LEGISLATURE OF THE STATE OF ALASKA  
SEVENTEENTH LEGISLATURE - SECOND SESSION

BY THE HOUSE FINANCE COMMITTEE

Offered:

Referred:

Sponsor(s): SENATORS ELIASON, Shultz, Fischer, Rodey, Frank, Menard, Jones, Collins, Uehling, Sturgulewski  
REPRESENTATIVE Taylor

A BILL

FOR AN ACT ENTITLED

1 "An Act establishing the instructional unit value at \$61,000 in the formula that provides  
2 state aid for education; and providing for an effective date."

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

4 \* Section 1. AS 14.17.056 is amended to read:

5           Sec. 14.17.056. INSTRUCTIONAL UNIT VALUE. The instructional unit value is  
6           \$61,000 [\$60,000].

7 \* Sec. 2. This Act takes effect July 1, 1992 .

HOUSE CONCURRENT RESOLUTION NO.  
IN THE LEGISLATURE OF THE STATE OF ALASKA  
SEVENTEENTH LEGISLATURE - SECOND SESSION

BY THE HOUSE FINANCE COMMITTEE

Introduced:

Referred:

A RESOLUTION

1 Suspending Uniform Rules 24(c), 35, 41(b), and 42(e) of the Alaska State Legislature  
2 concerning Senate Bill No. 1, relating to deadlines for funding education.

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

4 That under Rule 54 of the Uniform Rules of the Alaska State Legislature, the provisions of  
5 Rules 24(c), 35, 41(b), and 42(e) of the Uniform Rules, regarding changes to the title of a bill, are  
6 suspended in consideration of Senate Bill No. 1, relating to deadlines for funding education.

**SB**

**1**

# SENATE FINANCE COMMITTEE REPORT

DATE: 2/1/91

FURTHER:

DATE TURNED INTO OFFICE: 3-7-91

The Finance Committee considered SENATE BILL NO. 1

"An Act relating to deadlines for action on funding of public education; and providing for an effective date."

and recommended:

replace with \_\_\_\_\_ CS SB 1 (Fin)  same title  
 or adopt \_\_\_\_\_ CS \_\_\_\_\_  new title  
 attached amendment(s)  technical title change (HB only)  
 \_\_\_\_\_ letter of intent adopted

do pass

do not pass

no recommendation

individual recommendations

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

ATTACHES NEW FISCAL NOTE(S):

Dept/Date:

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

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

APPROVES PREVIOUS:

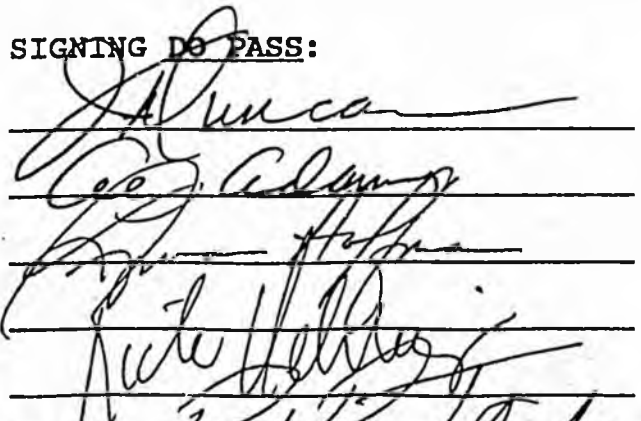
Dept/Date:

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

zero fiscal note(s) DOE 1/25/91

appropriation-no fiscal note

SIGNING DO PASS:



OTHER RECOMMENDATIONS:

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

1. Pat Lusk  
 2. Do pass  
 Co-Chairs: Signatures and Recommendation

FISCAL NOTE

No. 1

Bill Version: SB1

(S) Publish Date: 2/1/91

STATE OF ALASKA  
1991 LEGISLATIVE SESSION

Revision Date: \_\_\_\_\_ Department Affected: Education  
 Title: Deadlines for action on funding BRU: K-12 Support  
of public education Component: Foundation  
 Sponsor: Eliason  
 Requestor: Eliason COMPONENT SERIAL NO. 

0	1	4	1
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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						
---------	--	--	--	--	--	--

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

FUNDING: (Thousands of Dollars)

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

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year impact: -0-

ANALYSIS: (Attach a separate page if necessary.)

Changes in CSSB 1 (Fix) have no fiscal impact. This fiscal note is appropriate.

3-7-91 date JW Comte Aide (initial)

Prepared By: Mary Hakala Phone: 465-2800  
 Division: Commissioner's Office Date: 1/25/91  
 Approved by Commissioner: [Signature] Acting Commissioner  
 Agency: Education Date: 1/28/91

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

**CS FOR SENATE BILL NO. 1 (FINANCE)**  
**IN THE LEGISLATURE OF THE STATE OF ALASKA**  
**SEVENTEENTH LEGISLATURE - FIRST SESSION**

**BY THE SENATE FINANCE COMMITTEE**

**Offered:**

**Referred:**

**Sponsor(s): SENATORS ELLASON, Shultz, Fischer, Rodey, Frank, Menard, Jones, Collins, Uehling, Sturgulewski**

**A BILL**

**FOR AN ACT ENTITLED**

1 "An Act relating to deadlines for action on funding of public education; and providing  
2 for an effective date."

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

4 \* Section 1. AS 14.14.060(c) is amended to read:

5 (c) The borough school board shall submit the school budget for the following school  
6 year to the borough assembly by April 30 [APRIL 1] for approval of the total amount. Within  
7 30 days after receipt of the budget the assembly shall determine the total amount of money to  
8 be made available from local sources for school purposes and shall furnish the school board with  
9 a statement of the sum to be made available. If the assembly does not, within 30 days, furnish  
10 the school board with a statement of the sum to be made available, the amount requested in the  
11 budget is automatically approved. By May 31, the assembly shall appropriate the amount to be  
12 made available from local sources from money available for the purpose.

13 \* Sec. 2. AS 14.17.225(b) is amended to read:

14 (b) Money to carry out the provisions of AS 14.17.010 - 14.17.190 may be appropriated

1 annually by the legislature into the public school foundation account. Before April 7 the  
2 legislature shall appropriate funds for direct and indirect services and other funding under  
3 this chapter for the next fiscal year. If amounts in the account are insufficient to meet the  
4 allocations authorized under AS 14.17.010 - 14.17.190 for a fiscal year, each district's basic need  
5 shall be reduced pro rata as necessary to make the funds available sufficient to meet the  
6 allocations for that fiscal year.

7 \* Sec. 3. AS 37.07.030 is amended to read:

8 Sec. 37.07.030. RESPONSIBILITIES OF THE LEGISLATURE. The legislature shall

9 (1) provide for a budget review function;

10 (2) analyze the comprehensive operating and capital improvements programs and  
11 financial plans recommended by the governor;

12 (3) adopt legislation to authorize implementation of the governor's comprehensive  
13 operating and capital improvements programs and financial plans or appropriate alternatives to  
14 those plans;

15 (4) provide for a post-audit function to cover financial transactions, program  
16 accomplishment, and compliance with legislative intent;

17 (5) adopt or revise the estimate of receipts required to balance the succeeding  
18 fiscal year's budget in order that proposed expenditures do not exceed estimated receipts for that  
19 fiscal year;

20 (6) adopt, revise, or initiate revenue measures in order to balance the succeeding  
21 fiscal year's budget and the capital improvements section of the budget for the succeeding six  
22 years;

23 (7) appropriate money for the public school foundation program under  
24 AS 14.17, pupil transportation, student lunch program, cigarette tax distribution, tuition  
25 students, boarding home grants, youth in detention, and schools for the handicapped no  
26 later than April 7 of each year for the succeeding fiscal year.

27 \* Sec. 4. This Act takes effect July 1, 1991.

AMENDMENT

TO: SB 1

BY: ADAMS

REPLACE EXISTING SECTION 1 WITH THE FOLLOWING AND RENUMBER REMAINING SECTIONS ACCORDINGLY:

\*Section 1. AS 14.11.005 is amended to read:

**Sec. 14.11.005 School construction grant account.**

There is created a school construction grant fund as an account in the general fund. The fund shall be used to make grants for the costs of school construction. Legislative appropriations for school construction shall be deposited in the fund, and the proceeds from the sale of general obligation bonds for school construction may be deposited in the fund. Before April 7 the legislature shall appropriate funds for school construction under this section for the next fiscal year.

AMEND EXISTING SECTION 3 AS FOLLOWS:

Page 3, line 3 after "AS 14.11.100," insert school construction grant fund under AS 14.11.005.

FISCAL NOTE

No. 1

Bill Version: SBI

(S) Publish Date: 2/1/91

STATE OF ALASKA  
1991 LEGISLATIVE SESSION

Revision Date: \_\_\_\_\_ Department Affected: Education  
 Title: Deadlines for action on funding BRU: K-12 Support  
of public education Component: Foundation  
 Sponsor: Eliason  
 Requestor: Eliason COMPONENT SERIAL NO. 

0	1	4	1
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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						
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REVENUE						
---------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

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

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year impact: -0-

ANALYSIS: (Attach a separate page if necessary.)

Prepared By: Mary Hakala Phone: 465-2800  
 Division: Commissioner's Office Date: 1/25/91  
 Approved by Commissioner: Steve Hole Acting Commissioner  
 Agency: Education Date: 1/28/91

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

# Education Budget - 100% Full Funding - FY92

## FY 1992 EDUCATION FUNDING PROGRAMS

12/29/91

	FOUNDATION STATE AID FULL 100% ENTITLEMENT	DEBT RETIREMENT FULL 100% ENTITLEMENT	PUPEL TRANS. FULL AT 100%	TUTION STUDENTS PROJECTED FY 92 FULL	BOARDING HOME PROJECT FY 92 FULL	CIGARETTE TAX PROJECT FY 92 FULL	YOUTH IN DETENT. FY 92 FULL	SCHOOLS FOR THE HANDICAP FY 92 FULL	COMMUNITY SCHOOLS ESTIMATE FY 92	CUMULATIVE PROJECTED ENTITLEMENT FY92 PGMS
ADAK	\$2,173,942	\$0	\$149,306					\$21,544	\$2,344,19	
ALASKA GATEWAY	4,346,718	0	360,187					42,676	4,749,51	
ALEUTIAN REGION	680,468	0	0					0	680,41	
ALEUTIANS EAST	2,916,674	55,441	72,213			14,329		39,250	3,081,91	
ANCHORAGE	162,149,942	32,559,828	8,501,189	6,192,981	3,587	982,003	475,000	2,358,400	1,456,574	214,679,51
ANNETTE ISLANDS	1,305,462	0	8,925					20,000	1,334,31	
BERING STRAIT	12,719,470	0	36,247					125,082	12,880,71	
BRISTOL BAY	1,663,201	669,180	153,794			12,148		20,000	2,518,32	
CHATHAM	2,556,923	0	6,958					25,484	2,589,36	
CHUGACH	1,421,776	0	0					20,000	1,441,77	
COPPER RIVER	5,007,336	0	527,282					50,884	5,665,50	
CORDOVA	2,265,586	33,385	47,720	144,692		16,159		22,180	2,529,70	
CRAIG	2,138,924	0	0	9,380		15,581		20,000	2,183,88	
DELTA/GREELY	4,244,749	0	515,758					42,330	4,802,83	
DILLINGHAM	2,915,918	0	223,139	22,409		17,252		28,500	3,207,21	
FAIRBANKS	60,237,647	15,107,339	4,612,879	5,079,674		346,638	211,549	130,614	85,726,34	
GALENA	1,202,673	5,187	32,300			9,480		20,000	1,269,64	
HAINES	2,258,312	124,196	157,940	32,510		16,231		20,026	2,609,21	
HOONAH	1,405,719	0	15,148	53,151		11,336		20,000	1,505,35	
HYDABURG	981,799	0	3,559	5,503		8,506		20,000	1,019,36	
IDITAROD	4,386,121	0	45,322		24,906			45,916	4,502,26	
JUNEAU	20,626,989	9,152,382	1,084,018	107,785		129,607	74,609	187,690	31,363,08	
KAKE	1,036,056	0	23,327	5,676		9,990		0	1,075,04	
KASHUNAMIUT	1,390,596	0	0					20,000	1,410,59	
KENAI PENINSULA	39,335,955	24,520,970	2,744,620	218,726		231,580		329,524	67,381,37	
KETCHIKAN	10,378,089	4,265,188	508,768	51,825	3,477	70,866		0	15,276,21	
KLAWOCK	1,290,491	0	0	47,846		10,640		20,000	1,368,97	
KODIAK	11,967,600	2,176,883	443,706	813,117	8,774	61,927		115,726	15,585,53	
KUSPUK	4,684,283	0	82,230					46,430	4,812,94	
LAKE AND PENINSULA	5,474,080	112,803	46,327			15,744		51,476	5,700,43	
LOWER KUSKOKWIM	27,763,760	0	256,892				38,842	267,902	28,327,39	
LOWER YUKON	9,908,488	0	18,364					100,090	10,026,95	
MAT-SU	42,994,356	20,281,963	5,375,400	46,105		237,925		338,818	69,254,56	

FY 1992 EDUCATION FUNDING PROGRAMS

	FOUNDATION STATE AID FULL 100% ENTITLEMNT	DEBT RETIREMNT FULL 100% ENTITLEMNT	PUPIL TRANS. FULL AT 100%	TUITION STUDENTS PROJECTED FY 92 FULL	BOARDING HOME PROJECT FY 92 FULL	CIGARETTE TAX PROJECT FY 92 FULL	YOUTH IN DETENT. FY 92 FULL	SCHOOLS FOR THE HANDICAP FY 92 FULL	COMMUNITY SCHOOLS ESTIMATE FY 92	CUMULATIVE PROJECTED ENTITLEMNT FY92 PGMS
NENANA	1,503,966	17,024	71,856	56,130		10,176		20,000	1,679,151	
NOME	4,913,430	1,000,403	178,318	31,900		24,048		47,184	6,195,283	
NORTH SLOPE	8,057,882	8,843,244	254,115			38,619		77,810	17,271,670	
NORTHWEST ARCTIC	11,464,556	0	0		9,375	42,739		141,292	11,657,962	
PELICAN	561,341	0	1,828	2,148		7,114		20,000	592,430	
PETERSBURG	3,051,475	1,148,045	106,352	37,701		22,402		29,806	4,395,582	
PRIBILOF	1,415,689	0	0		32,659			20,000	1,468,348	
RAILBELT	3,013,707	0	204,143					0	3,217,850	
SITKA	6,305,158	2,153,574	402,230	45,384		46,483		62,160	9,014,969	
SKAGWAY	822,752	0	5,099			9,016		20,000	856,867	
SOUTHEAST	5,096,142	0	122,112					0	5,218,254	
SOUTHWEST	5,029,342	0	27,597		45,357			44,134	5,146,430	
ST. MARYS	1,304,147	0	0			8,682		20,000	1,332,829	
TANANA	1,168,693	0	19,426	17,489		8,529		0	1,214,137	
TENALASKA	1,668,678	1,395,073	112,619			12,913		20,000	3,209,283	
TALDEZ	2,699,117	4,430,156	240,605	359,923		23,748		28,302	7,781,851	
TERRANGELL	2,603,887	954,065	53,328	7,020		18,064		25,778	3,662,140	
TAKUTAT	1,157,318	0	54,045	57,393		9,526		20,000	1,298,282	
TUKON FLATS	4,788,884	0	100,717		23,000			41,666	4,954,267	
TUKONKOYUKUK	5,421,496	0	47,307		61,304			56,200	5,586,307	
TUPIIT	3,503,802	0	0					35,818	3,539,620	
OTHER*	10,285,221	0	518,100	432,052	19,561	0	0	719,100	12,446,260	
TOTALS	\$541,746,166	\$128,986,129	\$28,571,313	\$13,878,500	\$230,000	\$2,500,000	\$800,000	\$3,077,500	\$4,864,900	\$724,654,508

MT EDGC/CCS, SCHOOL BUSES AND RATE INCREASES, CANADA TUITION CONTRACTS & INSURANCE, ALASKA YOUTH INITIATIVE ETC.

NOTE: SCHOOLS FOR THE HANDICAPPED TOTALS FOR ANCHORAGE INCLUDE PROVIDENCE HEIGHTS SCHOOL (API),

ALASKA STATE SCHOOL FOR THE DEAF AND THE SPECIAL EDUCATION SERVICE AGENCY (SESA).

# Education Budget - Cumulative Reductions Hickel From Full Funds <sup>B</sup>

P. 67

CUMULATIVE REDUCTIONS FROM FY82 FULL BY DISTRICT PER GOVERNOR'S BUDGET										
1/29/91	FOUNDATION PROGRAM REDUCTION AMOUNT	DEBT RET. REIMBURS REDUCTION AMOUNT	PUPIL TRANS TRANSPORT REDUCTION AMOUNT	TUTION STUDENTS REDUCT. AMOUNT	BOARD HOME NONE	CIG. TAX NO REDUCT	YOUTH IN DETENT REDUCT	SCHOOLS FOR THE HANDICAP REDUCT.	COMMUNITY SCHOOLS REDUCTION AMOUNT	CUMULATIVE REDUCTION BY DISTRICT
ADAK	\$310,953	\$0	\$29,667	\$0	\$0	\$0	\$0	\$0	\$21,544	\$362,164
ALASKA GATEWAY	339,465	0	71,570	0	0	0	0	0	42,676	453,711
ALEUTIAN REGION	53,545	0	0	0	0	0	0	0	0	53,545
ALEUTIANS EAST	268,855	9,119	14,349	0	0	0	0	0	33,250	325,573
ANCHORAGE	14,067,180	5,355,489	1,689,203	333,182	0	0	24,400	319,000	1,456,574	23,245,029
ANNETTE ISLANDS	177,699	0	1,773	0	0	0	0	0	20,000	199,472
BERING STRAIT	1,172,992	0	7,202	0	0	0	0	0	125,082	1,305,276
BRISTOL BAY	170,949	110,068	30,559	0	0	0	0	0	20,000	331,576
CHATHAM	244,116	0	1,383	0	0	0	0	0	25,484	270,983
CHUGACH	111,869	0	0	0	0	0	0	0	20,000	131,869
COPPER RIVER	371,709	0	104,772	0	0	0	0	0	50,884	527,365
CORDOVA	196,274	5,491	9,482	7,784	0	0	0	0	22,180	241,212
CRAIG	164,240	0	0	505	0	0	0	0	20,000	184,745
DELTA/GREELY	364,791	0	102,482	0	0	0	0	0	42,330	509,603
DILLINGHAM	258,415	0	44,338	1,206	0	0	0	0	28,500	332,459
FAIRBANKS	5,093,824	2,484,877	916,588	273,286	0	0	11,549	0	130,614	8,910,739
GALENA	104,490	853	6,418	0	0	0	0	0	20,000	131,761
HAINES	190,027	20,428	31,383	1,749	0	0	0	0	20,026	263,613
HOONAH	111,911	0	3,010	2,860	0	0	0	0	20,000	137,780
HYDABURG	71,323	0	707	296	0	0	0	0	20,000	92,326
IDITAROD	360,598	0	9,006	0	0	0	0	0	45,916	415,520
JUNEAU	1,825,171	1,505,397	215,397	5,799	0	0	2,609	0	187,690	3,742,062
KAKE	89,814	0	4,635	305	0	0	0	0	0	94,754
KASHUNAMIUT	129,102	0	0	0	0	0	0	0	20,000	149,102
KENAI	3,726,655	4,033,245	545,361	11,767	0	0	0	0	329,524	8,646,553
KETCHIKAN	961,581	701,545	100,696	2,788	0	0	0	0	0	1,766,610
KLAWOCK	100,884	0	0	2,574	0	0	0	0	20,000	123,458
KODIAK	1,039,025	358,024	88,165	43,746	0	0	0	0	115,726	1,644,686
KUSPUK	362,862	0	16,339	0	0	0	0	0	46,430	425,631
LAKE AND PENINSULA	440,726	18,554	9,205	0	0	0	0	0	51,476	519,961
LOWER KUSKOKWIM	2,329,463	0	51,045	0	0	0	3,842	0	267,902	2,652,252
LOWER YUKON	967,912	0	3,649	0	0	0	0	0	100,098	1,071,659
MAT-SU	3,495,872	3,332,718	1,068,103	2,480	0	0	0	0	338,818	8,237,991

FEB 01 '91 11:31 ALASKA EDUCATION

**CUMULATIVE REDUCTIONS FROM FY82 FULL BY DISTRICT PER GOVERNOR'S BUDGET**

1/29/91

	FOUNDATION PROGRAM REDUCTION AMOUNT	DEBT RET. REIMBURS REDUCTION AMOUNT	PUPIL TRANS TRANSPORT REDUCTION AMOUNT	TUITION STUDENTS REDUCT. AMOUNT	BOARD HOME AMOUNT NONE	CIG. TAX NO REDUCT	YOUTH IN DETENT REDUCT	SCHOOLS FOR THE HANDICAP REDUCT.	COMMUNITY SCHOOLS REDUCTION AMOUNT	CUMULATIVE AMOUNT REDUCTION BY DISTRICT
NENANA	109,647	2,800	14,278	3,020	0	0	0	0	20,000	149,745
NOME	389,995	164,548	35,432	1,716	0	0	0	0	47,184	632,875
NORTH SLOPE	919,148	1,454,550	50,493	0	0	0	0	0	77,810	2,502,001
NORTHWEST ARCTIC	1,150,559	0	0	0	0	0	0	0	141,292	1,291,851
PELICAN	43,020	0	363	116	0	0	0	0	20,000	63,499
PETERSBURG	261,908	188,832	21,132	2,028	0	0	0	0	29,606	502,907
PRIBILOF	131,199	0	0	0	0	0	0	0	20,000	151,199
RAILBELT	213,424	0	40,564	0	0	0	0	0	0	253,988
SITKA	579,137	354,223	79,924	2,441	0	0	0	0	62,160	1,077,884
SKAGWAY	74,090	0	1,013	0	0	0	0	0	20,000	95,103
SOUTHEAST	411,920	0	24,264	0	0	0	0	0	0	436,184
SOUTHWEST	444,542	0	5,484	0	0	0	0	0	44,134	494,160
ST. MARYS	95,726	0	0	0	0	0	0	0	20,000	115,726
TANANA	89,353	0	3,860	941	0	0	0	0	0	94,154
UNALASKA	159,963	229,464	22,378	0	0	0	0	0	20,000	431,805
VALDEZ	291,204	728,679	47,809	19,364	0	0	0	0	28,302	1,115,358
WRANGELL	212,753	156,926	10,596	378	0	0	0	0	25,778	406,431
YAKUTAT	88,808	0	10,739	3,088	0	0	0	0	20,000	122,635
YUKON FLATS	372,255	0	20,013	0	0	0	0	0	41,666	433,934
YUKONKOYUKUK	466,723	0	9,400	0	0	0	0	0	56,200	532,323
YUPIIT	311,708	0	0	0	0	0	0	0	35,818	347,526
OTHER	-5,508	-400,001	65,883	12,181	0	0	0	32,800	472,226	177,581
<b>TOTALS</b>	<b>\$48,479,206</b>	<b>\$20,815,829</b>	<b>\$5,640,113</b>	<b>\$735,600</b>	<b>\$0</b>	<b>\$0</b>	<b>\$42,400</b>	<b>\$351,800</b>	<b>\$4,864,900</b>	<b>\$78,929,907</b>

# Education Budget - Hickel Fy92

Distribution Copy

*JEH* B

GOVERNOR'S BUDGET PROPOSED										
2/29/91	FOUNDATION	DEBT	PUPIL	TUITION	BOARD	CIGARETTE	YOUTH	SCHOOLS	COMM.	CUMULATIVE
	STATE AID	RETIREMNT	TRANS.	STUDENTS	HOME	TAX	IN DETENT.	FOR HANDIC.	SCHOOL	GOVERNOR
	GOV BUDGET	GOV BUD OF	GOV BUD	GOV BUD	GOV	GOV	GOV	GOV	GOV	BUDGET
	OF 495,266.9	OF 108,170.3	OF 22,931.2	OF 13,142.9	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BY DISTRICT
ADAK	\$1,862,389	\$0	\$119,639	\$0					\$0	\$1,982,028
ALASKA GATEWAY	4,007,253	0	288,617	0					0	4,295,871
ALEUTIAN REGION	626,923	0	0	0					0	626,923
ALEUTIANS EAST	2,647,819	46,322	57,864	0		14,329			0	2,766,333
ANCHORAGE	148,082,762	27,204,339	6,811,988	5,859,798	3,587	982,003	450,600	2,039,400	0	191,434,471
ANNETTE ISLANDS	1,127,763	0	7,152	0					0	1,134,915
BERING STRAIT	11,546,478	0	29,045	0					0	11,575,523
BRISTOL BAY	1,492,252	559,112	123,235	0		12,148			0	2,186,747
CHATHAM	2,312,807	0	5,575	0					0	2,318,382
CHUGACH	1,309,907	0	0	0					0	1,309,907
COPPER RIVER	4,715,627	0	422,510	0					0	5,138,137
CORDOVA	2,069,292	27,894	38,238	136,908		16,159			0	2,288,491
CRAIG	1,974,684	0	0	8,875		15,581			0	1,999,140
DELTA/GREELY	3,879,958	0	413,276	0					0	4,293,234
DILLINGHAM	2,657,503	0	178,801	21,203		17,252			0	2,874,759
FAIRBANKS	55,143,823	12,622,462	3,696,291	4,806,388		346,638	200,000		0	76,815,602
GALENA	1,098,183	4,334	25,882	0		9,480			0	1,137,877
HAINES	2,068,285	103,768	126,557	30,761		16,231			0	2,345,601
HOONAH	1,293,808	0	12,138	50,292		11,336			0	1,367,574
HYDABURG	910,476	0	2,852	5,206		8,506			0	927,040
IDITAROD	4,025,523	0	36,316	0	24,906				0	4,086,745
JUNEAU	18,801,818	7,646,985	868,621	101,986		129,607	72,000		0	27,621,011
KAKE	946,242	0	18,692	5,370		9,990			0	980,294
KASHUNAMIUT	1,261,494	0	0	0					0	1,261,494
KENAI	35,609,300	20,487,725	2,199,259	206,959		231,580			0	58,734,822
KETCHIKAN	9,416,508	3,563,643	406,072	49,037	3,477	70,866			0	13,509,603
KLAWOCK	1,189,607	0	0	45,272		10,640			0	1,245,519
KODIAK	10,928,575	1,818,659	355,541	769,372	6,774	61,927			0	13,940,844
KUSLUK	4,321,421	0	65,891	0					0	4,387,312
LAKE AND PENINSULA	5,033,354	94,249	37,122	0		15,744			0	5,180,469
LOWER KUSKOKWIM	25,434,297	0	205,847	0			35,000		0	25,675,144
LOWER YUKON	8,940,576	0	14,715	0					0	8,955,291
MAT-SU	39,498,484	16,929,245	4,307,297	43,624		237,925			0	61,016,571

FEB 01 '91 11:27 ALASKA EDUCATION

GOVERNOR'S BUDGET PROPOSED										
2001										
	FOUNDATION STATE AID GOV BUDGET OF 495,266.9	DEBT RETIREMENT GOV BUD OF OF 108,170.3	PUPIL TRANS. GOV BUD OF 22,931.2	TUITION STUDENTS GOV BUD OF 13,142.9	BOARD HOME GOV BUDGET	CIGARETTE TAX GOV BUDGET	YOUTH IN DETENT. GOV BUDGET	SCHOOLS FOR HANDIC. GOV BUDGET	COMM. SCHOOL GOV BUDGET	CUMULATIVE GOVERNOR BUDGET BY DISTRICT
NENANA	1,394,319	14,224	57,578	53,110		10,176			0	1,529,407
NOME	4,529,435	835,855	142,886	30,184		24,048			0	5,562,408
NORTH SLOPE	7,138,734	7,388,694	203,622	0		38,619			0	14,769,668
NORTHWEST ARCTIC	10,313,997	0	0	0	9,375	42,739			0	10,366,111
PELICAN	518,321	0	1,465	2,032		7,114			0	528,932
PETERSBURG	2,790,167	959,213	85,220	35,673		22,402			0	3,892,675
PRIBILOF	1,284,490	0	0	0	32,659				0	1,317,149
RAILBELT	2,800,283	0	163,579	0					0	2,963,862
SITKA	5,726,021	1,799,351	322,306	42,923		46,483			0	7,937,084
SKAGWAY	748,662	0	4,086	0		9,016			0	761,764
SOUTHEAST	4,684,222	0	97,848	0					0	4,782,070
SOUTHWEST	4,584,800	0	22,113	0	45,357				0	4,652,270
ST. MARY'S	1,208,421	0	0	0		8,682			0	1,217,103
TANANA	1,079,340	0	15,566	16,548		8,529			0	1,119,983
UNALASKA	1,508,715	1,165,609	90,241	0		12,913			0	2,777,479
VALDEZ	2,407,913	3,701,477	192,796	340,559		23,748			0	6,666,493
WRANGELL	2,391,134	797,139	42,730	6,642		18,064			0	3,255,709
YAKUTAT	1,068,510	0	43,306	54,305		9,526			0	1,175,647
YUKON FLATS	4,416,629	0	80,704	0	23,000				0	4,520,333
YUKON/KOYUKUK	4,954,773	0	37,907	0	61,304				0	5,053,984
YUPIIT	3,192,094	0	0	0					0	3,192,094
OTHER	10,290,729	400,001	452,217	419,871	19,561			686,300		1,977,950
TOTALS	\$495,266,900	\$108,170,300	\$22,931,200	\$13,142,900	\$230,000	\$2,500,000	\$757,600	\$2,725,700	\$0	\$635,433,871

FEB 01 '91 11:28 ALASKA EDUCATION

# DIVISION OF LEGAL SERVICES

## LEGISLATIVE AFFAIRS AGENCY STATE OF ALASKA

P.O. Box Y, Juneau, Alaska 99811  
(907) 465-3867 or 465-2450  
FAX (907) 465-2029

Deliveries to: 240 Main Street  
Court Plaza, Room 500  
Mail Stop 3101

### MEMORANDUM

March 6, 1991

SUBJECT: Education budget deadline  
CSSB 1(Fin)

TO: Senator Pat Pourchot

FROM: Michael F. Ford  
Legislative Counsel

You have asked what would be the legal effect of adding language to CSSB 1(Fin), providing that the prior year's appropriation for education would automatically be made if the legislature failed to appropriate money by the funding deadline. This type of automatic appropriation would not bind a future legislature. Under Article IX, section 13 of the Alaska Constitution each legislature has total and absolute power to fund or not fund as the legislature chooses, subject of course to the governor's veto power. This power cannot be changed by statute, but could be changed by constitutional amendment.

There are numerous examples of similar funding statutes, such as the requirement for funding bonded debt retirement contained in AS 14.11.100(a). However, none of these statutes bind the legislature to make an appropriation. The legislature may weigh competing public needs against available revenue and fund some items and not others, or fund at a lower level than established in statute. In short, the legislature cannot create by statute an enforceable right to appropriate funds.

Please contact me if you have further questions.

MFF:gc  
91-123.glc

ALASKA STATE LEGISLATURE SENATE

SENATOR RICHARD I. ELIASON

PRESIDENT OF THE SENATE  
LABOR & COMMERCE COMMITTEE  
RESOURCES COMMITTEE  
RULES COMMITTEE  
CHAIRMAN, SPECIAL COMMITTEE ON  
DOMESTIC & INTERNATIONAL  
COMMERCIAL FISHERIES



P O BOX 143  
SITKA ALASKA 99835

P O BOX V  
JUNEAU ALASKA 99811  
907 465-4916

FAX (907) 465-4928

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**Senate Bill 1 - Early Funding for Education**

**Sectional Analysis**

Section 1 - Adds language which sets a deadline of April 7 by which the Legislature shall appropriate funds for the school construction account.

Section 2 - Changes the date from April 1 to April 30 for the borough school boards to submit the school budget for the following school year to the borough assembly.

Section 3 - Adds language which sets a deadline of April 7 by which the Legislature shall appropriate funds for the public school foundation account.

Section 4 - Includes as a responsibility of the Legislature, the appropriation of money for public school construction debt retirement, public school foundation program, pupil transportation, student lunch program, cigarette tax distribution, tuition students, boarding home grants, youth in detention, and schools for the handicapped no later than April 7 of each year for the succeeding fiscal year.

Section 5 - July 1, 1991, effective date

ALASKA STATE LEGISLATURE SENATE

SENATOR RICHARD I. ELIASON

PRESIDENT OF THE SENATE  
LABOR & COMMERCE COMMITTEE  
RESOURCES COMMITTEE  
RULES COMMITTEE  
CHAIRMAN, SPECIAL COMMITTEE ON  
DOMESTIC & INTERNATIONAL  
COMMERCIAL FISHERIES



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SITKA, ALASKA 99835

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(907) 465-4916

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**MEMORANDUM**

TO: Senator Pat Pourchot, Co-chair  
Senator Jay Kerttula, Co-chair  
Senate Finance Committee

FROM: Senator Dick Eliason *Dick Eliason*

DATE: February 25, 1991

RE: Senate Bill 1 - Early Funding for Education

Thank you very much for scheduling a public hearing before the Senate Finance Committee for Senate Bill 1. This piece of legislation states that the Legislature shall appropriate money for public school construction debt retirement, public school foundation program, pupil transportation and other appropriate funding for education no later than April 7 of each year for the succeeding fiscal year.

The ability of each local school district to wisely plan its education budget depends a great deal on knowing early in the budget process what financial resources will be available. Senate Bill 1 will insure that by April 7 of each year the local school districts will know exactly what the State's monetary contribution for education will be.

An identical bill passed the Senate and House unanimously in 1989, but unfortunately the legislation was vetoed by Governor Cowper. The passage of Senate Bill 1 will go a long way to assist local school districts in planning their educational programs.

SCHOOL FOUNDATION FUNDING AND K-12 SUPPORT

PROGRAM	FY91 AUTH	FY91 FULL	FY91SUPPL	FY92HICKEL	FY92 REVISED	HB 5
School Foundation	477,785.9	498,827.9	498,827.9	467,143.9	486,535.9	513,623.2
Tuition Students	13,878.5	13,878.5	no suppl.	13,142.9	no change	13,878.5
Youth In Detention	800.0	800.0	no suppl.	757.6	no change	800.0
Handicapped Schools	2,772.6	2,772.6	no suppl.	2,625.7	no change	3,077.5
Pupil Transportation	24,737.0	27,120.6	no suppl.	22,931.2	no change	28,572.0
Community Schools	600.0	4,864.9	no suppl.	.0	no change	600.0
Boarding Home	230.0	230.0	no suppl.	230.0	no change	230.0
<b>TOTAL</b>	<b>520,804.0</b>	<b>548,494.5</b>	<b>541,846.0</b>	<b>506,831.3</b>	<b>526,223.3</b>	<b>560,681.2</b>
These are general funds only. HB 5 also appropriates federal and other funds.						

DOCUMENTS WHICH HAVE NOT BEEN  
FILMED BUT ARE AVAILABLE IN THE  
ORIGINAL FILE INCLUDE:

*Letters of Support*

*St. Bd. of Education*

*PTSA, Nome Chapter*

*NEA - Alaska*

*ACSA*

*Am. Assoc. Univ. Women*

**SB**

**3**

*Waived from HFC  
5-19-91*

CS FOR SENATE BILL NO. 3 (JUDICIARY)  
IN THE LEGISLATURE OF THE STATE OF ALASKA  
SEVENTEENTH LEGISLATURE - FIRST SESSION

BY THE SENATE JUDICIARY COMMITTEE

Offered: 3/29/91  
Referred: Rules

Sponsor(s): SENATORS KERTTULA, Rodey, Uehling, Sturgulewski

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to protection of elderly persons from harm."

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

3 \* Section 1. AS 47.24.020(a) is amended to read:

4 (a) Upon receiving a report of harm, the department shall promptly initiate an  
5 investigation to determine the economic or physical condition of the elderly person named in the  
6 report and whether action or services are needed for the protection of the elderly person. The  
7 department or its designee shall personally interview the elderly person during the investigation  
8 unless the elderly person is unconscious or otherwise physically or mentally impaired to such an  
9 extent as to be unable to respond to questions.

10 \* Sec. 2. AS 47.24.020(c) is amended to read:

11 (c) The department shall immediately terminate an investigation under this section upon  
12 the request of an elderly person who is the subject of a report of harm, except that the  
13 department may not terminate an investigation at any time until after the department or  
14 its designee has conducted a face-to-face interview with the elderly person who is the subject

1 of the report of harm. However, if the department has reasonable cause to believe that the  
2 elderly person is incapacitated, the department may petition the superior court under AS 13.26  
3 for appointment of a guardian or temporary guardian for the elderly person for the purpose of  
4 obtaining consent to continue the investigation.

19-91-2  
2-19-91  
[Handwritten notes and scribbles]