

Leg. Finance-House & Senate Finance Comte Files (1991-1992) 873

WALTER J. HICKEL  
GOVERNOR



STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

March 22, 1991

223

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. 18, of the Alaska Constitution, I am transmitting a bill limiting assignments of permanent fund dividends to government agencies and courts. This bill would merely codify in statute a current regulation of the Department of Revenue, 15 AAC 23.220(a).

The regulation limiting assignments of permanent fund dividends was adopted by the Department of Revenue for three reasons:

1. to end the usurious purchase of dividends by commercial buyers for extraordinary discounts;
2. to reduce the incentive to file fictitious or duplicate applications; and
3. to reduce the number of assignments, which were creating an administrative burden for the department.

15 AAC 23.220(a) is currently being challenged in court for lack of statutory authority. If the state loses the litigation and the regulation is found to be invalid, absent the enactment of this proposed legislation there could be a significant disruption to the 1991 and subsequent year programs. In order to prevent such a disruption, I am recommending the prompt adoption of this legislation, and I urge your support of it.

Sincerely,

A large, stylized handwritten signature of Walter J. Hickel in cursive script.

Walter J. Hickel  
Governor

WALTER J. HICKEL, GOVERNOR

**DEPARTMENT OF REVENUE**

OFFICE OF THE COMMISSIONER

P.O. BOX 5  
JUNEAU, ALASKA 99811-0400  
PHONE: (907) 465-2300  
TELEFAX: (907) 465-2389

February 3, 1992

The Honorable Pat Pourchot  
Co-Chair, Senate Finance Committee  
Alaska State Senate  
State Capital  
Juneau, AK 99801-1182

Dear Senator Pourchot:

The Department requests a hearing before the Senate Finance Committee on SB 223, an act relating to assignments of the right to receive a Permanent Fund Dividend (PFD).

This legislation was requested by the Department of Revenue and approved for introduction last year by the Department of Law. Identical legislation was introduced in the House last year as HB 234. It was heard by the House State Affairs Committee and passed out to the next committee of referral, the House Judiciary Committee.

On November 15, 1991 Superior Court Judge Dana Fabe struck down our regulation prohibiting PFD assignments to anyone other than a government agency. Therefore, passage of SB 223 or HB 234 early in this legislative session is very important. It would be in the State's best interest if this legislation were enacted by March 31, 1992, before the beginning of the 1992 PFD filing period. Accordingly, we would very much appreciate it if you would schedule a hearing on SB 223 at the Committee's earliest convenience.

We have forwarded an updated fiscal note dated January 31, 1992. Please do not hesitate to contact PFD Division Director Tom Williams at 465-2323 if you require more information regarding this legislation. Thank you very much.

Sincerely,

*Thomas C. Williams for:*

Darrel J. Rexwinkel  
Commissioner

DJR:TCW:bro  
92-029

cc: Thomas C. Williams, Director  
Permanent Fund Dividend Division  
Alaska Department of Revenue

Tracy McGill, Legislative Liaison  
Department of Revenue

ALASKA DEPARTMENT OF REVENUE  
PERMANENT FUND DIVIDEND DIVISION

SB 223 ANALYSIS

As of January 31, 1992

This legislation was requested by the Department of Revenue and approved for introduction last year by the Department of Law.

In 1989 the Department adopted 15 AAC 23.220(a) which prohibited PFD assignments to anyone other than a government agency in order to:

- 1) end the usurious arbitrage of Permanent Fund Dividends by commercial buyers who had applicants assign them their dividends in return for an immediate discounted payment;
- 2) stem the increasing temptation for individuals to file fictitious and duplicate applications in order to sell them; and
- 3) stem the substantial increase in the number of assignments the Department was having to process.

Despite the adoption of the regulation, Frontier Financial Services still purchased several thousand 1989 dividends. When the Department did not honor those assignments, Frontier Financial Services challenged the regulation in Court. On November 15, 1991 Superior Court Judge Dana Fabe struck down this regulation stating the Department had no authority to enact it.

Passage of SB 223 early in the current legislative session is very important. It would be in the State's best interest if this legislation were enacted early enough so the Governor could sign it by March 31, 1992, before the beginning of the 1992 PFD filing period.

Without such legislation we face a significant disruption to the 1992 and subsequent year programs. The division would be faced with the task of trying to process an extremely large number of assignments. It would be increasingly difficult to determine if applicants who assigned their dividend were eligible. Consequently, the integrity of the program could be seriously jeopardized.

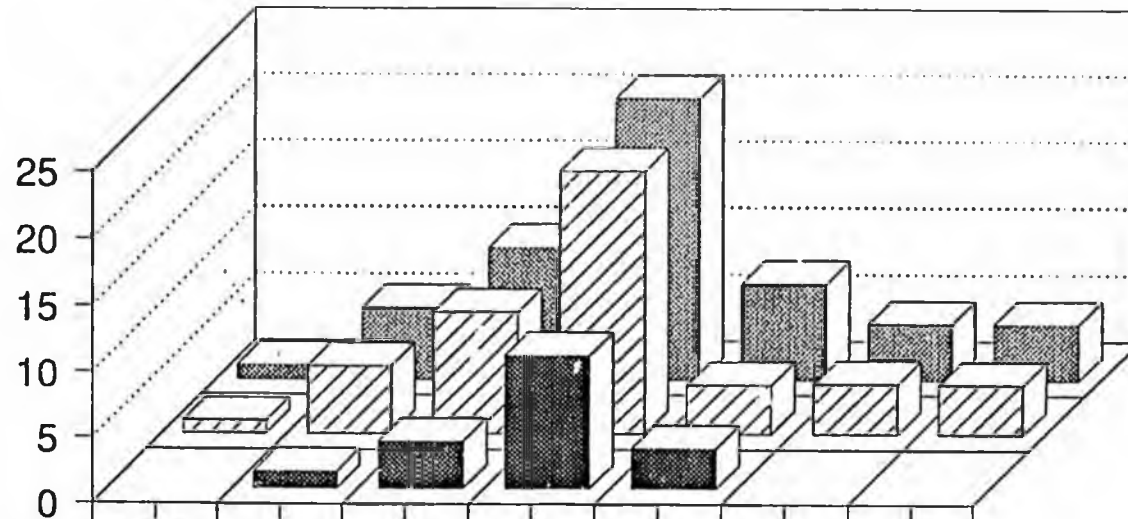
On December 18, 1991 the Department requested an opinion from the Attorney General as to whether or not this legislation would violate or be contrary to any constitutional or other legal provisions regarding the rights of individuals to contract. A copy of the Department of Law's December 31, 1991 opinion concluding there is no legal or constitutional impediment to a statute restricting the assignments of permanent fund dividends is attached. That opinion references HB 234, a bill introduced last year in the House identical to SB 223.

In addition we have attached a bar graph depicting assignment activity from 1985 through 1991.

# PERMANENT FUND DIVIDEND ASSIGNMENTS

## For 1985 - 1991 Dividend Years

Thousands



	1985	1986	1987	1988	1989	1990	1991
Total Assignments	1.047	5.401	9.907	21.132	7.248	4.261	4.256
Matched to File	0.985	5.153	9.243	19.783	3.732	3.847	3.779
Assignments to Buyer		1.282	3.567	10.123	3.041		

Assignments to Buyer
  Matched to File  
 Total Assignments

As of January 16, 1992

# MEMORANDUM

RECEIVED

JAN 3 1992

State of Alaska

Department of Law

STATE OF ALASKA  
DEPT. OF REVENUE  
PFD DIVISION

TO:

Thomas C. Williams, Director  
Permanent Fund Division  
Department of Revenue

DATE: December 31, 1991

FILE NO.:

663-92-0286

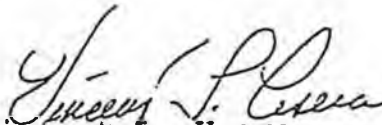
TEL NO.:

465-3600

SUBJECT:

Assignment of PFDs;  
constitutionality of HB 234

FROM:

  
Vincent L. Usera  
Assistant Attorney General  
Commercial Section - Juneau

You have asked whether enactment of HB 234, a statute forbidding the assignment of a permanent fund dividend (PFD) to entities other than government agencies or courts, would constitute interference with an individual's constitutional right to contract. We conclude that it would not.

Alaska's Permanent Fund Dividend program is unique. It gives rise to the right for all state residents who are eligible, to receive a dividend. *Anthony v. State*, 810 P.2d 155 (Alaska 1991). There is presently no statutory impediment to the assignment of dividends and individuals are not restricted in making assignments. We understand the Division is seeking legislation which would change this by prohibiting any assignment of a PFD to other than a governmental agency or a court.

Restrictions on the right to make various types of assignments may be found in other existing laws. Federal statutes prohibit the assignment of claims against the United States, and the federal government and several states bar the assignment of public contracts. Statutes in practically every state, including Alaska, restrict wage assignments, 1/ some barring them entirely, some restricting to whom or in what amount assignments can legally be made. See *Restatement (Second) of Contracts* ch. 15 (Introductory and Statutory Notes) (1981). Alaska also prohibits any attempted assignment of unemployment benefits, 2/ worker's compensation benefits, 3/ benefits payable from the state pension fund, 4/ or rights to maintenance for handicapped

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1/ AS 06.20.290

2/ AS 23.20.405

3/ AS 23.30.160

4/ AS 39.35.500

persons. 5/ 6/ The Restatement also states, "[a] contractual right can be assigned unless . . . the assignment is forbidden by statute or is otherwise inoperative on grounds of public policy . . ." Restatement (Second) of Contracts § 316(2) (1981) (emphasis added). Thus, it becomes clear that, as a general rule, placing statutory restrictions or impediments on or otherwise regulating assignments is not improper and does not violate individual rights to contract.

You raised concerns about article I, section 15 of the Alaska Constitution. 7/ This section, virtually identical in pertinent part to the contracts clause of the U. S. Constitution, 8/ prohibits the impairment of the obligation of contracts, which the U.S. Supreme Court explained "was to be understood as the legal duties imposed upon the contracting parties by the operation of law on the contract." *Eckles v. State*, 760 P.2d 846, 859 (Oregon 1988) (citing *Ogden v. Saunders*, 25 U.S. (12 Wheat.) 213 (1827)).

In a recent leading case in which the subject statute was found to violate the contracts clause, the United States Supreme Court stated:

First of all, it is to be accepted as commonplace that the Contract Clause [of the United States Constitution] does not operate to obliterate the police power of the States. "It is the settled law of this court that the interdiction of statutes impairing the obligation of contracts does not prevent the State from exercising such powers as are vested in it for the promotion of the common weal, or are necessary for the general good of the public, though contracts previously entered into between individuals may thereby be affected. This power, which in its various ramifications is known as the police power, is an exercise of the sovereign right of the Government to protect the lives, health, morals, comfort and general welfare

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5/ AS 23.15.170

6/ Several other statutes regulate the subject matter of assignments and the manner in which they may be made.

7/ Article I, section 15, states in pertinent part: "No law impairing the obligation of contracts . . . shall be passed."

8/ U. S. Const. art. I, § 10.

of the people and is paramount to any rights under contracts between individuals."

*Allied Structural Steel Co. v. Spannaus*, 438 U.S. 234, 241 (1978) reh'g denied 439 U.S. 886 (quoting *Manigault v. Springs*, 199 U.S. 473, 480 (1905)) (emphasis added).

Even though a statute impairs contract rights, it will still be judged on the severity of the impairment, and "[m]inimal alteration of contractual obligations may end the inquiry at its first stage." *Allied Structural Steel* at 245. "[It] is customary in reviewing economic and social regulation, however, [for] courts [to] properly defer to legislative judgment as to the necessity and reasonableness of a particular matter." *United States Trust Co. v. New Jersey*, 431 U.S. 1, 22 (1977), reh'g denied, 431 U.S. 975. See also *Allied Structural Steel*; *Diamond Glue Co. v. United States*, 187 U.S. 611 (1903). If the legislature enacts HB 234, it is presumed that, since the bill contains a statement of public policy, it will have been found to be necessary and reasonable and would survive any challenge on those grounds.

One additional hurdle a statute must clear to avoid violation of the contracts clause is the requirement that its purpose be reasonably connected to a public rather than private interest. *Veix v. Sixth Ward Building & Loan Asscc. of Newark*, 310 U.S. 32 (1940); *Treigle v. Acme Homestead Assoc.*, 297 U.S. 189 (1936). The bill would apply to all individuals who apply for a PFD and is, therefore, directed to the public at large, not to any individual interest. Thus, the bill does not run afoul of the contracts clause on this ground.

All that being said, however, the most salient point is that the contracts clause can only be violated when it impacts contracts already in effect on the date of a legislative enactment; there can be no violation of the clause where it only affects contracts that might be made in the future. A long line of cases expressly supports this well-settled principle, from *Ogden v. Saunders*, 25 U.S. 213 (1827), through *Exxon Corp. v. Eagerton*, 462 U.S. 176 (1983), on remand 440 So. 2d 1031 (Ala. 1983); and it is found by implication in all cases cited herein. See Annot., 57 L.Ed.2d 1279, § 5[b] (1979). As a practical matter, the contracts of concern - assignments of future PFDs - will not likely be formed if the bill is enacted prior to March 31, 1992. It is highly doubtful anyone would pay for an assignment unless the dividend had been applied for, and applications cannot be made prior to March 31 of a given year. 2/ It is possible that some contracts may

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2/ 15 AAC 23.145(a)

have already been formed; however, we feel the bill would still be found constitutional even were it to affect those contracts.

As to other constitutional challenges, we do not believe the bill would run afoul of the equal protection provisions of either the U.S. or Alaska Constitutions, as the bill applies universally to PFD recipients; no class of any sort is excluded. An argument could be advanced that the provision permitting assignment of PFDs to governmental or judicial entities may require equal protection scrutiny, but we believe the provision would pass constitutional muster. The Alaska Supreme Court already has decided that individual rights to a permanent fund dividend are entitled only to minimum protection. It is the law in Alaska that "[a permanent fund] dividend is merely an economic interest and therefore is entitled only to minimum protection under our equal protection analysis." *State v. Anthony*, 810 P.2d 155, 158 (Alaska 1991). The court has adopted a flexible, sliding scale approach to the analysis of equal protection issues. *State v. Erickson*, 574 P.2d 1 (Alaska 1978). Under this approach, the first step is to determine where on the scale to locate the issue. As the right to receive a permanent fund dividend is at the lowest end of the scale, *Anthony*, the Division need only show that the distinction complained of has a fair and legitimate purpose. *Id.* at 12. As articulated by the division, the purpose is to ensure that the courts have a means of affirmatively pursuing restitution and payment of fines and other court-ordered obligations, such as child support. An additional purpose is that the public have a means of meeting legitimate obligations to government by use of the dividend. The state has a legitimate interest in having those obligations met and the public benefits as well. <sup>10/</sup> The purpose is reasonable, and the assignability of PFDs to governments and the courts bears a rational relationship to the state's objectives. Thus, the proposed statute does not offend the equal protection clauses contained in either constitution and should be upheld if challenged on those grounds.

We conclude, therefore, that there is no legal or constitutional impediment to a statute restricting assignments of Permanent Fund Dividends.

VLU/ps

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<sup>10/</sup> Many Alaska citizens make voluntary use of the PFD to repay student loans and other obligations to the state. Since it became possible to do so, repayments have increased the amounts available for further lending from these revolving fund programs.

SHIRAZ

# SENATE FINANCE COMMITTEE REPORT

DATE: 4/8/91

FURTHER:

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

The Finance Committee considered SENATE BILL NO. 225

"An Act relating to credited service in the public employees' retirement system; and providing for an effective date."

# DIED

and recommended:

- replace with \_\_\_\_\_ .S \_\_\_\_\_  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):**

**APPROVES PREVIOUS:**

Dept/Date:  
 fiscal note(s) \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

Dept/Date:  
 fiscal note(s) \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

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

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

appropriation-no fiscal note

**SIGNING DO PASS:**

**OTHER RECOMMENDATIONS:**

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

1. \_\_\_\_\_ 2. \_\_\_\_\_  
 Co-Chairs: Signatures and Recommendations

**SENATE BILL NO. 225**

**IN THE LEGISLATURE OF THE STATE OF ALASKA**

**SEVENTEENTH LEGISLATURE - FIRST SESSION**

**BY SENATORS MENARD, Collins. Rodey**

**Introduced: 3/22/91**

**Referred: State Affairs and Finance**

**A BILL**

**FOR AN ACT ENTITLED**

1 "An Act relating to credited service in the public employees' retirement system; and  
2 providing for an effective date."

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

4 \* **Section 1.** AS 39.35.300 is amended by adding a new subsection to read:

5 (c) Beginning July 1, 1991, in calculating the credited service of a noncertificated  
6 employee of the state boarding school, a year of service shall be determined using the formula  
7 set out in the definition of "year of service" in AS 14.25.220.

8 \* **Sec. 2.** AS 39.35.310 is amended by adding a new subsection to read:

9 (c) Beginning July 1, 1991, in calculating the credited service of a noncertificated  
10 employee of a school district or regional educational attendance area, a year of service shall be  
11 determined using the formula set out in the definition of "year of service" in AS 14.25.220.

12 \* **Sec. 3.** This Act takes effect July 1, 1991.

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

BY

Offered:  
Referred:

Sponsor(s): SENATORS MENARD, Collins, Rodey, Uehling

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to credited service and contributions of noncertificated employees of  
2 public schools in the public employees' retirement system; and providing for an effective  
3 date."

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

5 \* Section 1. AS 39.35.160(a) is amended to read:

6 (a) Beginning January 1, 1987, each peace officer or fire fighter shall contribute to the  
7 system an amount equal to seven and one-half percent of the peace officer's or fire fighter's  
8 compensation. Except as provided in (c) of this section, beginning [BEGINNING] January 1,  
9 1987, each other employee shall contribute to the system an amount equal to six and  
10 three-quarters percent of the employee's compensation. The contributions shall be deducted by  
11 the employer at the end of each payroll period. The contributions shall be deducted from  
12 employee compensation before computation of applicable federal taxes, and the contributions  
13 shall be treated as employer contributions under 26 U.S.C. 414(h)(2).

14 \* Sec. 2. AS 39.35.160 is amended by adding a new subsection to read:

1 (c) A noncertificated employee of the state boarding school or of a school district or  
2 regional educational attendance area who first joined the system on or after January 1, 1993, or  
3 who first joined the system before that date and who elects to receive credited service under  
4 AS 39.35.300(d) or 39.35.310(d) shall contribute to the system an amount equal to 7.35 percent  
5 of the employee's compensation.

6 \* **Sec. 3.** AS 39.35.300 is amended by adding new subsections to read:

7 (c) In calculating the credited service of a noncertificated employee of the state boarding  
8 school who first joined the system on or after January 1, 1993, a year of service shall be  
9 determined using the formula set out in the definition of "year of service" in AS 14.25.220.

10 (d) A noncertificated employee of the state boarding school who first joined the system  
11 before January 1, 1993, may elect to have the employee's credited service determined using the  
12 formula set out in the definition of "year of service" in AS 14.25.220. The election must be  
13 made in writing, is irrevocable, takes effect on the first day of the month following receipt of  
14 election by the administrator, and applies to service earned on or after that date. An employee  
15 who makes this election shall contribute to the system as provided in AS 39.35.160(c) and have  
16 average monthly compensation for service earned on or after the effective date of the election  
17 calculated as provided in AS 39.35.370(g).

18 \* **Sec. 4.** AS 39.35.310 is amended by adding new subsections to read:

19 (c) In calculating the credited service of a noncertificated employee of a school district  
20 or regional educational attendance area who first joined the system on or after January 1, 1993,  
21 a year of service shall be determined using the formula set out in the definition of "year of  
22 service" in AS 14.25.220.

23 (d) A noncertificated employee of a school district or regional educational attendance  
24 area who first joined the system before January 1, 1993, may elect to have the employee's  
25 credited service determined using the formula set out in the definition of "year of service" in  
26 AS 14.25.220. The election must be made in writing, is irrevocable, takes effect on the first day  
27 of the month following receipt of election by the administrator, and applies to service earned on  
28 or after that date. An employee who makes this election shall contribute to the system as  
29 provided in AS 39.35.160(c) and have average monthly compensation for service earned on or  
30 after the effective date of the election calculated as provided in AS 39.35.370(g).

31 \* **Sec. 5.** AS 39.35.370 is amended by adding a new subsection to read:

1                   (g) For an employee receiving credited service under AS 39.35.300(c) or (d) or  
2                   AS 39.35.310(c) or (d), the number of months used in determining average monthly  
3                   compensation, as set out in AS 39.35.680, shall be determined using the formula set out in  
4                   AS 14.25.220.

5   \* Sec. 6. This Act takes effect January 1, 1993.

7-LS1086G ✓  
Cramer  
4/22/92

VERSION G

4-22-92

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

BY THE SENATE FINANCE COMMITTEE

Offered:  
Referred:

Sponsor(s): SENATORS MENARD, Collins, Rodey, Uehling

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to credited service and contributions of noncertificated employees of  
2 public schools in the public employees' retirement system; and providing for an effective  
3 date."

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

5 \* Section 1. AS 39.35.160(a) is amended to read:

6 (a) Beginning January 1, 1987, each peace officer or fire fighter shall contribute to the  
7 system an amount equal to seven and one-half percent of the peace officer's or fire fighter's  
8 compensation. Except as provided in (c) of this section, beginning [BEGINNING] January 1,  
9 1987, each other employee shall contribute to the system an amount equal to six and  
10 three-quarters percent of the employee's compensation. The contributions shall be deducted by  
11 the employer at the end of each payroll period. The contributions shall be deducted from  
12 employee compensation before computation of applicable federal taxes, and the contributions  
13 shall be treated as employer contributions under 26 U.S.C. 414(h)(2).

14 \* Sec. 2. AS 39.35.160 is amended by adding a new subsection to read:

1 (c) Beginning July 1, 1992, a noncertificated employee of the state boarding school or  
2 of a school district or regional educational attendance area shall contribute to the system an  
3 amount equal to 7.35 percent of the employee's compensation.

4 \* Sec. 3. AS 39.35.300 is amended by adding a new subsection to read:

5 (c) In calculating the credited service of a noncertificated employee of the state boarding  
6 school, earned on or after July 1, 1992, a year of service shall be determined using the formula  
7 set out in the definition of "year of service" in AS 14.25.220.

8 \* Sec. 4. AS 39.35.310 is amended by adding a new subsection to read:

9 (c) In calculating the credited service of a noncertificated employee of a school district  
10 or regional educational attendance area, earned on or after July 1, 1992, a year of service shall  
11 be determined using the formula set out in the definition of "year of service" in AS 14.25.220.

12 \* Sec. 5. This Act takes effect July 1, 1992.

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

BY

Offered:  
Referred:

Sponsor(s): SENATORS MENARD, Collins, Rodey, Uehling

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to credited service in the public employees' retirement system; and  
2 providing for an effective date."

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

4 \* Section 1. AS 39.35.300 is amended by adding a new subsection to read:

5 (c) A noncertificated employee of the state boarding school who is vested in the system  
6 may elect to have the employee's credited service, for service performed on or after the later of  
7 the date that the employee became vested and the date that the employee makes the election,  
8 determined using the formula set out in the definition of "year of service" in AS 14.25.220. An  
9 employee who makes this election is obligated to the system in an amount equal to the sum of  
10 the employee contributions that the employee would have owed for the added credited service  
11 and the employer contributions that the employer would have owed for the added credited  
12 service. An employee must be employed by the state boarding school for at least 120 work days  
13 in a school year to be eligible to make an election under this subsection.

14 \* Sec. 2. AS 39.35.310 is amended by adding a new subsection to read:

1           (c) A noncertificated employee of a school district or regional educational attendance area  
2           who is vested in the system may elect to have the employee's credited service, for service  
3           performed on or after the later of the date that the employee became vested and the date that the  
4           employee makes the election, determined using the formula set out in the definition of "year of  
5           service" in AS 14.25.220. An employee who makes this election is obligated to the system in  
6           an amount equal to the sum of the employee contributions that the employee would have owed  
7           for the added credited service and the employer contributions that the employer would have owed  
8           for the added credited service. An employee must be employed by the school district or regional  
9           educational attendance area for at least 120 work days in a school year to be eligible to make an  
10          election under this subsection.

11       \* Sec. 3. This Act takes effect July 1, 1992.

FISCAL NOTE

Bill Version: SB 225

(S) Publish Date: 4/8/91

STATE OF ALASKA  
1991 LEGISLATIVE SESSION

Revision Date: \_\_\_\_\_  
Title: An act relating to credited service in the  
public employees retirement system

Department .. cted: Administration  
BRU: Retirement and Benefits

Sponsor: Menard  
Requestor: \_\_\_\_\_

Component: Retirement and Benefits

COMPONENT SERIAL NO. 64

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	50.0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	50.0	0	0	0	0	

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

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	50.0	0	0	0	0	0
TOTAL	50.0	0	0	0	0	0

POSITIONS

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

Estimate of current year impact: \$50,000

ANALYSIS: (attach a separate page if necessary.) This bill is estimated to increase school district contribution rates by 1.46% in the PERS. This would result in an increase in personal services costs of \$2,047,000 per year. There is no anticipated cost to the state.

The \$50,000 cost in contractual services will be to make the necessary changes the to PERS system.

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

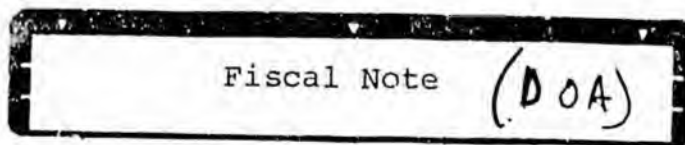
Prepared By: Garv Bader  
Division: Retirement and Benefits

Phone: 465-4460  
Date: April, 1991

Approved by Commissioner: Millett Keller  
Agency: Department of Administration

Date: \_\_\_\_\_

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



FISCAL NOTE

No. 2

STATE OF ALASKA  
1991 LEGISLATIVE SESSION

Bill Version: SB 225

(S) Publish Date: 4/8/91

Revision Date: \_\_\_\_\_  
 Title: Credited service in the Public  
Employees' Retirement System  
 Sponsor: Menard  
 Requestor: Menard

Department Affected: Education  
 BRU: K-12 Support  
 Component: Foundation and Mt. Edqecumbe

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						
<b>TOTAL OPERATING</b>	-0-	-0-	-0-	-0-	-0-	-0-

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

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

FUNDING: (Thousands of Dollars)

GENERAL FUND	-0-	-0-	-0-	-0-	-0-	-0-
FEDERAL FUNDS						
OTHER						
<b>TOTAL</b>	-0-	-0-	-0-	-0-	-0-	-0-

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

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

ANALYSIS: (Attach a separate page if necessary.)

Prepared By: Mary Hakala Phone: 465-2800  
 Division: Commissioner's Office Date: 4/3/91  
 Approved by Commissioner: Steve Adie, Acting Commissioner  
 Agency: Education Date: 4/3/91

Distribution (by preparer): Legis \_\_\_\_\_ Impacted Agency(ies). \_\_\_\_\_

POSITION PAPER  
DEPARTMENT OF ADMINISTRATION

Contact: Gary Bader

Bill Number: SB 225

Phone #: 465-4470

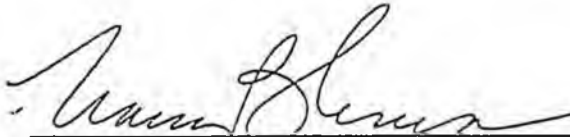
Bill Title: "An act relating to credited service in the PERS."

This bill would allow some noncertified school district employees to receive employment credit in the PERS on the same basis as teachers under the TRS. However, this legislation would discriminate between seasonal nonteaching school district employees and all other seasonal employees, favoring the seasonal school district employees.

Some school district employees would receive a full year of PERS credit for working about nine months, while some co-workers (who normally work a full twelve months each year) would receive the same service credit for working an additional three months. Most municipal governments participating in PERS and the State, use many seasonal workers. This bill would create an inequity between PERS seasonal members working for school districts and seasonal employees working for all other participating employers.

From a broader public policy perspective, the issue is whether we want to provide incentives to move people through the system as fast as possible. The purpose of a retirement system is still to "attract and retain" quality employees to public service, while providing for economic long-term security for the employees and the state. Encouraging a system that reduces these benefits is not quality service to Alaskans.

These impacts to the system argue against liberalizing benefits as provided in this bill.

  
\_\_\_\_\_  
Nancy Bear/Usura  
Commissioner

3/20/92  
Date

# **CORRECTION**

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

FISCAL NOTE

Bill Version: SB 225

(S) Publish Date: 4/8/91

STATE OF ALASKA  
1991 LEGISLATIVE SESSION

Revision Date: \_\_\_\_\_  
Title: An act relating to credited service in the  
public employees retirement system

Department Affected: Administration  
BRU: Retirement and Benefits

Sponsor: Menard  
Requestor: \_\_\_\_\_

Component: Retirement and Benefits  
COMPONENT SERIAL NO. 64

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	50.0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	50.0	0	0	0	0	0

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

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

FUNDING: (Thousands of dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	50.0	0	0	0	0	0
TOTAL	50.0	0	0	0	0	0

POSITIONS

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

Estimate of current year impact: \$50,000

ANALYSIS: (attach a separate page if necessary.) This bill is estimated to increase school district contribution rates by 1.46% in the PERS. This would result in an increase in personal services costs of \$2,047,000 per year. There is no anticipated cost to the state.

The \$50,000 cost in contractual services will be to make the necessary changes to the PERS system.

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

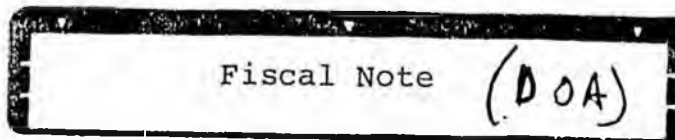
Prepared By: Garv Bader  
Division: Retirement and Benefits

Phone: 465-4460  
Date: April, 1991

Approved by Commissioner: Millett Keller  
Agency: Department of Administration

Date: \_\_\_\_\_

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



Senate Bill 225  
Analysis of Financial Impact to the Retirement Fund  
Prepared by Division of Retirement & Benefits  
Department of Administration  
April 1, 1991

Analysis: To fund this bill the school district Public Employees' Retirement System (PERS) contribution rate would increase by 1.46% in FY 93. The school district PERS payroll is estimated to be \$140,204,085 in FY 93 and increase by 3% each year thereafter.

The school districts' cost of \$2,047,000 is calculated as follows:

School district FY 93 estimated PERS salaries	\$ 140,204.1
Increase in PERS rate	X <u>1.46%</u>
TOTAL SCHOOL DISTRICT COST...	<u>S 2,047.0</u>

Passage of this bill will result in an increase in the PERS unfunded liability of \$25,000,000. It will also result in a decrease in the PERS funding ratio of .9%.

FISCAL NOTE

No. 2

STATE OF ALASKA  
1991 LEGISLATIVE SESSION

Bill Version: SB 225

(S) Publish Date: 4/8/91

Revision Date: \_\_\_\_\_ Department Affected: Education  
 Title: Credited service in the Public BRU: K-12 Support  
Employees' Retirement System Component: Foundation and Mt. Edgecumbe  
 Sponsor: Menard  
 Requestor: Menard COMPONENT SERIAL NO. 

--	--	--	--	--

Expenditures/Revenues: (Thousands of Dollars)

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

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

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						
PART-TIME						
TEMPORARY						

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

ANALYSIS: (Attach a separate page if necessary.)

Prepared By: Mary Hakala Phone: 465-2800  
 Division: Commissioner's Office Date: 4/3/91  
 Approved by Commissioner: Steve Adle, Acting Commissioner  
 Agency: Education Date: 4/3/91

Distribution (by preparer): Legis \_\_\_\_\_ Impacted Agency(ies).

POSITION PAPER  
DEPARTMENT OF ADMINISTRATION

Contact: Gary Bader

Bill Number: SB 225

Phone #: 465-4470

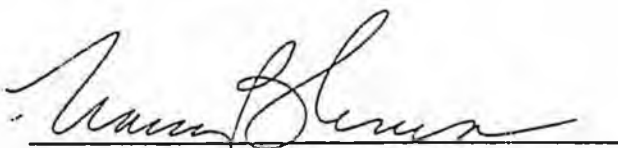
Bill Title: "An act relating to credited service in the PERS."

This bill would allow some noncertified school district employees to receive employment credit in the PERS on the same basis as teachers under the TRS. However, this legislation would discriminate between seasonal nonteaching school district employees and all other seasonal employees, favoring the seasonal school district employees.

Some school district employees would receive a full year of PERS credit for working about nine months, while some co-workers (who normally work a full twelve months each year) would receive the same service credit for working an additional three months. Most municipal governments participating in PERS and the State, use many seasonal workers. This bill would create an inequity between PERS seasonal members working for school districts and seasonal employees working for all other participating employers.

From a broader public policy perspective, the issue is whether we want to provide incentives to move people through the system as fast as possible. The purpose of a retirement system is still to "attract and retain" quality employees to public service, while providing for economic long-term security for the employees and the state. Encouraging a system that reduces these benefits is not quality service to Alaskans.

These impacts to the system argue against liberalizing benefits as provided in this bill.

  
\_\_\_\_\_  
Nancy Bear Usera  
Commissioner

3/20/92  
Date



# Alaska State Legislature

Senator Curt Menard



While in  
Session:  
P.O. Box V  
Juneau, Alaska  
99811  
(907)465-2679

Interim:  
165 E. Parks  
Highway  
Wasilla, Alaska  
99687  
(907)373-2878

Senate  
District  
E

## SPONSOR STATEMENT:

SB 225: "An Act relating to credited service in the Public Employees Retirement System; and providing for an effective date."

I have introduced this legislation to correct an inequity in the manner public school employees accrue service credit toward retirement. Currently non-certificated school district employees receive only partial retirement credit although they are employed for the entire school year. Their certificated co-workers receive a full year of retirement credit for the same period of time.

This legislation will use the same formula for retirement credit for non-certificated school employees that is set out in AS 14.25.220 for certificated employees.

This inequity can not be solved through contract negotiations or by any other avenue. It is up to the legislature to recognize that all public school employees should be treated in an even manner under their retirement systems.

Your support is greatly appreciated.

WE SUPPORT



# University of Alaska Classified Employees Association

## **APEA/AFT** Southeast Chapter

### TESTIMONY ON BEHALF OF APEA/AFT

BEFORE THE SENATE STATE AFFAIRS COMMITTEE 4/5/91

Chairman Pourchot and members of the committee: my name is Carol Burton and I am here today representing the Alaska Public Employees Association/American Federation of Teachers. I urge your support of SB 225 for school district employees and ask that it be amended to include the University of Alaska classified employees.

School district teachers and University faculty who work a 9 month academic year receive a full calendar year's credit in the Teachers Retirement System (TRS). Classified employees working the same period of time are only credited with 9 months service. It is inequitable that the lower paid classified employees are discriminated against in this way, merely because their retirement system is PERS and not TRS.

Thank you for the opportunity to address the committee on this important issue for classified employees.



# ACE

**A** ANCHORAGE  
COUNCIL  
OF EDUCATION  
AFT 4425

April 4, 1991

**To: Representative Gene Kubina, Chair  
House State Affairs Committee**

**Senator Pat Pourchot, Chair  
Senate State Affairs Committee**

**Re: HB 225 "An Act allowing credit for the unused sick leave of an employee participating in the Public Employees Retirement System."**

**SB 225 "An Act relating to credited service in the Public Employees Retirement System."**

We support passage of HB 225 and SB 225. These bills address issues of equity for our non-teaching members. The idea of providing an incentive for conserving sick leave would also, we believe, have the positive impact of decreasing leave usages. Moreover, in years when other monetary advances for these types of employees are not forthcoming. These bills go far in meeting employees' needs.

Please show your public employees you care. Your serious consideration and support for these bills is appreciated.

Thank you.



**Nick Begich  
Vice President for Political Affairs  
Anchorage Council of Education**

TOTEM ASSOCIATION OF EDUCATIONAL SUPPORT PERSONNEL  
1205 E. International Airport Road, Suite 101  
Anchorage, Alaska 99518

(907)562-1183

FAX(907)562-0266

SENATOR CURT MENARD  
Room 9, Capitol  
Juneau, Alaska 99811  
FAX (907)465-3756

ATTN: Senator MENARD

March 26, 1992

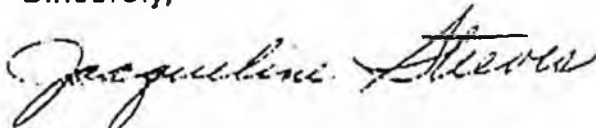
Dear Curt:

As president of the Totem Association of Educational Support Personnel, I want you to know that we consider NEA/Alaska to be co-sponsor of Senate Bill 225.

I do request that you work with NEA/Alaska and its representatives in the advancement of this bill.

It has been a pleasure to support you in the past and TOTEM intends to continue with that support, all 550 members.

Sincerely,



Jacqueline Steevac, President



# NEA-ALASKA

AFFILIATED WITH THE NATIONAL EDUCATION ASSOCIATION

## ANCHORAGE REGIONAL OFFICE

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

## JUNEAU OFFICE

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

## FAIRBANKS REGIONAL OFFICE

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

March 26, 1991

To: **Senator Rodey, Chair  
Members, Senate State Affairs Committee**

Re: **SB 225: "An Act relating to credited service in the public employees' retirement system; and providing for an effective date."**

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

Certificated employees of school districts working under the TRS receive a full year of service credit in the system for each school year in which they are employed by their district. Non-certificated employees of school districts, under the PERS, receive only pro-rata credit for the actual school year as part of the twelve month calendar year. By way of example, a non-certificated public school secretary who has twenty (20) years of service with a district receives only fifteen (15) years of credited service under the PERS.

The situation for a non-certificated employee is compounded by the fact that they are not eligible for unemployment compensation for the period of time when school is not in session. Further, they are generally unable to find other interim public employment under the PERS since they are unable to make a long term commitment to a prospective employer if they desire to continue their employment with the school district.

This inequity becomes even more glaring when the non-certificated employee is compared to a local school board member who is participating in the PERS by virtue of being compensated as a board member. The school board person is given a full year of credit in the PERS even though their responsibility may only require that they attend two or three meetings per month.

Finally, since the basis for calculation of retirement benefits utilizes the final average salary a nine-month employee would not be receiving a benefit advantage over a twelve-month employee.

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

Thank you for your consideration of our position and recommendations.

Respectfully submitted,

Bob Manners  
Executive Director

Don Oberg  
President

cc: **Senator Menard**

# STATE OF ALASKA

## DEPARTMENT OF ADMINISTRATION

### DIVISION OF RETIREMENT AND BENEFITS

WALTER J. HICKEL, GOVERNOR

PLEASE REPLY TO:

P.O. BOX CR  
JUNEAU, AK 99811-0203  
PHONE: (907) 465-4460  
FAX: (907) 465-3086

701 EAST TUDOR RD. SUITE 240  
ANCHORAGE, AK 99503-7445  
PHONE: (907) 563-5885  
FAX: (907) 561-6048

March 19, 1992

The Honorable Curt Menard  
Alaska State Senator  
State Capitol  
Juneau, AK 99801-1182

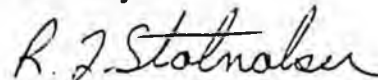
Dear Senator Menard:

In response to your letter of February 24, enclosed is a copy of the department's position paper on Senate Bill 225.

With respect to the "real" cost of this bill, we do not anticipate that the bill will have any direct cost to the State. However, school districts will have a 1.46% increase in their Public Employees' Retirement System contribution rate which will increase their personal services costs. This translates to an increase in personal services costs to school districts of over \$2 million each year. These costs are assumed to be borne entirely by the employer, with no increase to employees.

Enclosed is an updated (1992) fiscal note. If we can be of additional help, please let me know.

Sincerely,



Robert F. Stalnaker  
Deputy Director

RFS/bph  
Enclosures

cc: Paul Fuhs, Legislative Liaison  
Office of the Governor

Gary M. Bader, Director  
Division of Retirement and Benefits  
Department of Administration

Eileen Plate, Special Assistant  
Office of the Commissioner  
Department of Administration

SB 225



# Alaska Public Employees Association **APEA**

Anchorage Field Office: 839 Campbell Street, Suite A, Anchorage, AK 99501 (907) 274-1888  
FEDERATION OF STATE EMPLOYEES/AFT/AFL-CIO

April 4, 1991

To: Senator Pat Pourchot, Chair  
Members, Senate State Affairs Committee

Re: SB 225 "An Act relating to credited service in the Public Employees Retirement System."

The American Federation of Teachers in conjunction with our Paraprofessional and School Related Personnel Division encourages your favorable consideration of SB 225.

Non-certificated public school employees who participate in the Public Employees Retirement System (PERS) are receiving inequitable treatment compared to school board members in the same district who also participate in the PERS system. School board members receive a full year of credit in the PERS, while non-certificated employees receive a prorated service credit for a school year.

Compounding this inequity is the fact that their certificated counterparts who participate in the Teachers Retirement System (TRS) also receive credit for a full year of service.

Your serious consideration and support for this legislation is appreciated.

Ron Melton  
National Representative  
American Federation of Teachers

Fairbanks Field Office  
825 College Road  
Fairbanks, Alaska 99701  
Telephone: (907) 458-5412

State Headquarters  
210 Ferry Way, Suite 200  
Juneau, Alaska 99801  
Telephone: (907) 586-2334

Juneau Field Office  
210 Ferry Way, Suite 200  
Juneau, Alaska 99801  
Telephone: (907) 588-6306

SB 226

# HOUSE COMMITTEE REPORT

(11)

Date Referred: April 24, 1992

FURTHER REFERRALS:

Date of Committee Action: 5/10/92

The FINANCE Committee considered:

CSSB 226(RLS) am

CS FOR SENATE BILL NO. 226 (RLS) am

AIDEA LOAN AUTHORITY

"An Act relating to the financing authority of the Alaska Industrial Development and Export Authority; and providing for an effective date."

**RECOMMENDATIONS:**

be replaced with HCS CS SB 226 (FIN)  the same title  
 a new title

have attached amendments(s)

do pass

do not pass

no recommendations

individual recommendations

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

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

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

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

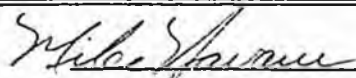
fiscal impact \_\_\_\_\_

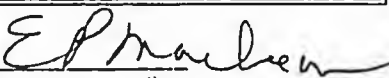
fiscal note(s) \_\_\_\_\_

zero fiscal note \_\_\_\_\_

zero fiscal note(s) DCED 5/5/92

SIGNING <u>DO</u> PASS	DP	OTHER RECOMMENDATIONS	DNP	NR	AM
<u>Eden P. Maclean</u> <small>Maclean</small>	✓	<del>_____</del> <small>Kopmen</small>		X	
<u>Mike Navarre</u> <small>Navarre</small>	✓	<del>_____</del> <small>Sharp</small>		✓	
<u>Mark Boyer</u> <small>Boyer</small>	X	<u>REC'D EC REC</u> <small>Phillips</small>		✓	
<u>Tay Brown</u> <small>Brown</small>	✓	<u>F. Ulmer</u> <small>Ulmer</small>		X	
<u>Ronald L. Larson</u> <small>Larson</small>	X				

  
 CHAIRMAN'S SIGNATURE  
 NAVARRE

  
 Maclean

FISCAL NOTE

No. \_\_\_\_\_  
 Bill Version: CSSB 226 (RLS) am  
 (S) Publish Date: \_\_\_\_\_

STATE OF ALASKA  
 1992 LEGISLATIVE SESSION

Revision Date: 3/23/92

Department Affected: Commerce & Econ Dev

Title: An Act revising the loan authority  
 of AIDEA

BRU: \_\_\_\_\_

Component: AIDEA

Sponsor: Senator Halford

Requestor: Senate Labor & Commerce

COMPONENT SERIAL NO.	1	2	3	4
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EXPENDITURE&REVENUES: (Thousands of Dollars)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0
CAPITAL	0	0	0	0	0	0
REVENUE FUND RESOURCE:	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

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

POSITIONS:

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

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

ANALYSIS (Attach a separate page if necessary.)

The bill will have no additional fiscal impact on the Authority.

Prepared By: Katelyn Carrigan, Development Specialist Phone: (907) 561-8050

Division: AIDEA Date: 3/23/92

Approved by Commissioner: Glenn A. Olds *[Signature]*

Agency: Department of Commerce & Economic Development Date: 3.24.92

Distribution (by preparer): Leg. Fin., Legislative & Changes in CSSB 226 (RLS) and Impacted Agency(ies).  
 have no fiscal impact. This fiscal note is appropriate. Page 1 of 1

SS/dg117220-2/032492a  
 (Rev. 12/01)

Visual AT  
 date Commerce Aide (initials)

## HOUSE CS FOR CS FOR SENATE BILL NO. 226 (FINANCE)

IN THE LEGISLATURE OF THE STATE OF ALASKA

SEVENTEENTH LEGISLATURE - SECOND SESSION

BY THE HOUSE FINANCE COMMITTEE

Offered:

Referred:

Sponsor(s): SENATORS HALFORD, Collins, Rodey, Pearce, Jones, Craft

REPRESENTATIVES Choquette, Ellis

## A BILL

## FOR AN ACT ENTITLED

1 "An Act relating to the financing authority of the Alaska Industrial Development and  
2 Export Authority; and providing for an effective date."

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

4 \* Section 1. PURPOSE. The purpose of this Act is to

5 (1) eliminate a blanket prohibition against the Alaska Industrial Development and Export  
6 Authority's ability to issue bonds, other than refunding bonds, without securing the prior approval of the  
7 legislature and to restore, until June 30, 1995, a provision of law giving the Authority the ability to issue  
8 its bonds to assist in the financing of a development project without prior legislative approval if the  
9 proposed bond issue does not exceed \$10,000,000;

10 (2) modify the requirements and restrictions imposed on the use of money in the Alaska  
11 Industrial Development and Export Authority's enterprise development account to permit the Authority  
12 to improve its capacity to serve as the primary source of secondary project financing in the state;

13 (3) modify the interest rate restriction applicable to the loans guaranteed by the Alaska  
14 Industrial Development and Export Authority; and

1 (4) improve the Alaska Industrial Development and Export Authority's ability to support  
2 the state's expanding tourism industry.

3 \* Sec. 2. AS 44.88.085(g) is amended to read:

4 (g) The authority shall adopt regulations necessary for the following purposes in  
5 connection with its programs for the financing of projects under AS 44.88.155 - 44.88.159:

6 (1) determination of borrower eligibility;

7 (2) loan guidelines and terms, including

8 (A) [, BUT NOT LIMITED TO,] maximum loan amounts;

9 (B) [AND] required loan-to-value ratios; and

10 (C) a method for determining loan interest rates for the loans that are  
11 financed directly from the assets of the authority [, BUT EXCLUDING LOAN  
12 INTEREST RATES];

13 (3) characteristics of projects eligible for loans or purchase of loans; and

14 (4) the qualifications of loan originators and servicers and the method of  
15 allocating amounts available for the purchase of loans.

16 \* Sec. 3. AS 44.88.095(g) is repealed and reenacted to read:

17 (g) Without prior legislative approval, the authority may not issue bonds in an amount  
18 greater than \$10,000,000 to assist in the financing of a development project under AS 44.88.172 -  
19 44.88.177.

20 \* Sec. 4. AS 44.88.095(g) is repealed and reenacted to read:

21 (g) Without prior legislative approval, the authority may not issue bonds, except  
22 refunding bonds.

23 \* Sec. 5. AS 44.88.155(c) is amended to read:

24 (c) Money and other assets of the enterprise development account may be used to secure  
25 bonds of the authority issued to finance the purchase of loans for projects or may [SHALL] be  
26 used to purchase participation in the loans for projects.

27 \* Sec. 6. AS 44.88.155(d) is amended to read:

28 (d) A loan participation purchased [IN WHOLE OR IN PART] by the authority with  
29 assets of the enterprise development account or with proceeds of bonds secured by assets of the  
30 enterprise development account [, OTHER THAN A LOAN WHICH IS FINANCED WITH THE  
31 PROCEEDS OF BONDS OF THE AUTHORITY AND SECURED ONLY BY A PROJECT

1 APPLICANT OR A PROJECT,]

2 (1) may not exceed \$10,000,000;

3 (2) may not be purchased unless

4 (A) the project applicant is not, or, if the applicant is not a single  
5 proprietorship, all members of the business enterprise or enterprises constituting the  
6 project applicant are not, in default on another loan made by the state or by a  
7 public corporation of the state; and

8 (B) at least 20 percent of the principal amount of the loan is retained  
9 by the loan originator;

10 (3) may not be purchased if the loan to be purchased exceeds [EXCEED] the  
11 cost of the project or 75 percent of the appraised value of the project, whichever is less, unless  
12 the amount of the loan in excess of this limit is federally insured or guaranteed or is insured by  
13 a qualified mortgage insurance company;

14 (4) [(3)] may not be purchased if the participation in the loan to be purchased  
15 is for a term longer than three-quarters of the authority's estimate of the life of the project or 25  
16 years from the date the loan is made, whichever is earlier;

17 (5) may be made only if the participation in the loan to be purchased  
18 contains [(4) SHALL CONTAIN] amortization provisions; the amortization provisions

19 (A) must be complete and satisfactory to the authority and require periodic  
20 payments by the borrower;

21 (B) may allow the loan originator to amortize the portion of the loan  
22 retained by the loan originator using a shorter amortization schedule than the amortization  
23 schedule for the portion of the loan held by the authority if (i) in the authority's opinion,  
24 the project financed can support the increased debt service; and (ii) the accelerated  
25 amortization schedule is required to induce the originator to make the loan;

26 (6) may [(5) SHALL] be made only if the participation in the loan to be  
27 purchased is in the form and contains [CONTAIN] the terms and provisions with respect to  
28 insurance, repairs, alterations, payment of taxes and assessments, default reserves, delinquency  
29 charges, default remedies, acceleration of maturity, secondary liens, and other matters the  
30 authority prescribes; and

31 (7) may [(6) SHALL] be made only if the participation in the loan to be

1 purchased is secured as to repayment by a mortgage or other security instrument in the manner  
2 the authority determines is feasible to assure timely repayment under a loan agreement entered  
3 into with the borrower [;

4 (7) MAY NOT BE MADE UNLESS

5 (A) THE PROJECT APPLICANT IS NOT, OR, IF THE APPLICANT IS  
6 NOT A SINGLE PROPRIETORSHIP, ALL MEMBERS OF THE BUSINESS  
7 ENTERPRISE OR ENTERPRISES CONSTITUTING THE PROJECT APPLICANT ARE  
8 NOT, IN DEFAULT ON ANOTHER LOAN MADE BY THE STATE OR BY A  
9 PUBLIC CORPORATION OF THE STATE; AND

10 (B) WITH RESPECT TO THE LOAN, (i) AT LEAST 20 PERCENT OF  
11 THE PRINCIPAL AMOUNT OF THE LOAN IS RETAINED BY THE LOAN  
12 ORIGINATOR; OR (ii) 100 PERCENT OF THE PRINCIPAL AMOUNT OF THE  
13 LOAN IS GUARANTEED BY THE UNITED STATES OR AN AGENCY OR  
14 INSTRUMENTALITY OF THE UNITED STATES;

15 (8) MUST BE

16 (A) FINANCED FROM THE PROCEEDS OF BONDS; OR

17 (B) EXPECTED BY THE AUTHORITY TO BE FINANCED FROM THE  
18 PROCEEDS OF BONDS].

19 \* Sec. 7. AS 44.88.155(h) is amended to read:

20 (h) The provisions of this section apply only with respect to a loan participation  
21 [LOANS] purchased [OR MADE] by the authority for projects under AS 44.88.155 - 44.88.159.

22 \* Sec. 8. AS 44.88.159(d) is amended to read:

23 (d) The provisions of this section apply only to a loan participation purchased [LOANS  
24 FINANCED] under AS 44.88.155 - 44.88.159.

25 \* Sec. 9. AS 44.88.159 is amended by adding a new subsection to read:

26 (e) The interest rate on a loan financed directly from the assets of the authority shall be  
27 determined under the regulations adopted by the authority under AS 44.88.085(g)(2)(C).

28 \* Sec. 10. AS 44.88.190(c) is amended to read:

29 (c) A loan participation purchased or financed by the authority [IN WHOLE OR IN  
30 PART] is exempt from the provisions of AS 45.45.010. A guarantee extended under  
31 AS 44.88.300 or insurance provided under AS 44.88.390 does not constitute insurance for the

1 purposes of AS 21.03.010.

2 \* Sec. 11. AS 44.88.535(a) is amended to read:

3 (a) The authority may guarantee a loan under AS 44.88.500 - 44.88.599 if the

4 (1) loan

5 (A) is commercially reasonable;

6 (B) contains amortization provisions satisfactory to the authority;

7 (C) is secured by adequate collateral; however, the authority may waive  
8 on a case-by-case basis the requirement of collateral for a loan guarantee of \$75,000  
9 [\$50,000] or less for which the proposed loan amortization period does not exceed five  
10 years, but the ability to waive the requirement of this subparagraph or the grant of a  
11 waiver does not prevent the financial institution that holds the loan guaranteed by the  
12 authority from requiring reasonable collateral for the loan;

13 (2) net cash flow from the borrower provides adequate coverage for the debt  
14 service on the loan;

15 (3) term of the loan does not exceed 20 years;

16 (4) loan is originated with and serviced by a state chartered or federally chartered  
17 financial institution;

18 (5) portion of the loan not guaranteed by the authority is held by the originating  
19 financial institution or another financial institution approved by the authority;

20 (6) loan is made to a business with a majority interest held by state residents; and

21 (7) loan guarantee provides a benefit to the borrower.

22 \* Sec. 12. AS 44.88.550 is amended to read:

23 Sec. 44.88.550. INTEREST ON GUARANTEED LOAN. The maximum interest rate  
24 on a loan guaranteed by the authority is

25 [(1) FOR A LOAN GUARANTEE THAT EXCEEDS 65 PERCENT OF THE  
26 LOAN, ONE AND ONE-HALF PERCENTAGE POINTS ABOVE THE PRIME RATE [ON  
27 THE DAY THE LOAN GUARANTEE IS MADE]; AND

28 (2) FOR A LOAN GUARANTEE THAT IS EQUAL TO OR LESS THAN 65  
29 PERCENT OF THE LOAN,] two and three-quarters percentage points above the prime rate [ON  
30 THE DAY THE LOAN GUARANTEE IS MADE].

31 \* Sec. 13. AS 44.88.550 is amended by adding a new subsection to read:

1 (b) If provision is made in the loan guarantee agreement, the interest rate on a loan  
2 guaranteed by the authority may increase or decrease in accordance with the changes in the prime  
3 rate.

4 \* Sec. 14. AS 44.88.900(4) is amended to read:

5 (4) "development project" has the meaning given to "project" in (9)(A), (D), and  
6 (E) of this section;

7 \* Sec. 15. AS 44.88.900(9) is amended to read:

8 (9) "project" means

9 (A) a plant or facility used or intended for use in connection with making,  
10 processing, preparing, transporting, or producing in any manner, goods, products, or  
11 substances of any kind or nature or in connection with developing or utilizing a natural  
12 resource, or extracting, smelting, transporting, converting, assembling, or producing in any  
13 manner, minerals, raw materials, chemicals, compounds, alloys, fibers, commodities and  
14 materials, products, or substances of any kind or nature;

15 (B) a plant or facility used or intended for use in connection with a  
16 business enterprise;

17 (C) commercial activity by a small enterprise;

18 (D) a plant or facility demonstrating technological advances of new  
19 methods and procedures and prototype commercial applications for the exploration,  
20 development, production, transportation, conversion, and use of energy resources;

21 (E) infrastructure for a new tourism destination facility or the  
22 expansion of a tourism destination facility;

23 \* Sec. 16. AS 44.88.900 is amended by adding a new paragraph to read:

24 (15) "loan participation" means the purchase of a portion of an existing loan from  
25 a bank if the bank

26 (A) approved the loan to the borrower after the effective date of this  
27 paragraph; and

28 (B) has obtained from the corporation a prior commitment to participate  
29 in the making of that loan before the loan to the borrower is closed.

30 \* Sec. 17. Section 4 of this Act takes effect July 1, 1995.

31 \* Sec. 18. Except as provided in sec. 17 of this Act, this Act takes effect immediately under

1 AS 01.10.070(c).

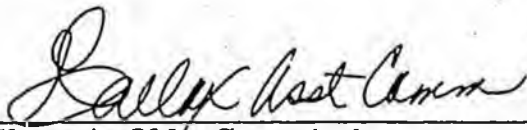
CSSB 226: "An Act revising the loan and loan guarantee authority of the Alaska Industrial Development and Export Authority; and providing for an effective date."

The Authority supports CSSB 226.

The bill, as proposed, reinstates the Authority's ability to issue bonds up to \$10,000,000 for projects which enhance Alaska's economy and provide job opportunities for Alaskans; modifies interest rate restrictions of the Authority's guarantee loan programs and allows the Authority to participate in business development or enhancement loans of any size while limiting the Authority's participation or exposure to \$10,000,000; improves the Authority's ability to develop infrastructure and superstructure to support Alaska's expanding tourism industry while not competing with the private sector; allows the Authority to invest assets of the Authority directly into the Alaskan economy without selling bonds; and diversifies the use of an aircraft facility at the Anchorage International Airport approved by the Legislature in 1990.

While many sections of the proposed legislation are technical amendments, the Authority believes that CSSB 226 is critical to our continued success. All sections of the proposed bill support and enhance the Authority's mission to promote, develop, and advance the general prosperity and economic welfare of the people of Alaska, to relieve problems of unemployment and to create additional employment. The Alaskan banking industry has expressed an interest in increasingly utilizing the Authority's programs with the modifications to the guarantee loan programs and participation loan programs proposed in CSSB 226, which include increasing the limit of unsecured loan guarantees from \$50,000 to \$100,000 and provides for a ceiling of 2-3/4 points over the prime rate on the day a loan guarantee is made.

Staff of the department and the Authority recommend support of this bill.

  
\_\_\_\_\_  
Glenn A. Olds, Commissioner  
Date: 3.15.92

# DIVISION OF LEGAL SERVICES

## LEGISLATIVE AFFAIRS AGENCY STATE OF ALASKA

(907) 465-3867 or 465-2450  
FAX (907) 465-2029  
Mail Stop 3101

240 Main Street, Suite 500  
Juneau, Alaska 99801-2101

### MEMORANDUM

May 10, 1992

**SUBJECT:** HCS CSSB 226 (Finance) (Work Order No. 7-LS1000E)

**TO:** Representative Mike Navarre, Co-Chair  
House Finance Committee

**FROM:** Jack Chenoweth  
Legislative Counsel

Your change from the previous draft adds "infrastructure for" in front of "a new tourism destination facility . . ." in the definition of the term "project" and, by extension, in the definition of the term "development project."

I can't help but wonder what will be the effect of the addition. Usually, "infrastructure" means the installations and improvements supportive of a new facility--that is, the transportation systems, communication links, power supply, and other utility services sufficient to support the proposed new facility. Since AIDEA sells revenue bonds in order to raise the money for the projects and development projects that it undertakes, is AIDEA likely to recoup sufficient revenue from these supportive services in order to exercise this additional ability? Or, does "infrastructure" have some other meaning in this context?

As a drafting matter, placing "infrastructure for" only in front of "a new tourism destination facility" leaves a question of whether "infrastructure for" should also apply to the last part of the subparagraph, the reference to "the expansion of a tourism destination facility." In other words, in an expansion situation, is AIDEA authorized to finance the expansion of the existing tourism destination facility or just the related installations and improvements that constitute the expanded facility's infrastructure?

JBC:mi  
92-070.mai

# National Bank of Alaska



Juneau Office P.O. Box 1189 Juneau, Alaska 99802-1189 (907) 586-3324

March 25, 1992

Senator Rick Halford  
The Alaska State Senate  
Juneau, Alaska 99801

Reference: The Alaska Industrial Development and Export  
Authority


Dear Senator Halford,

AIDEA has become an important tool in providing long term capital for economic development with the results of stability in employment in the state. To businesses in the State the sources of long term funds have shrunk in recent years. The enterprise development account of AIDEA was established to assist the economic needs of business in partnership with other institutions.

We have reviewed a recent draft of Senat bill 226 which we believe will add to the versatility and effectiveness of AIDEA. The loan guarantee program and the loan participation (bank participation) programs will be improved with the bill.

It seems reasonable that the legislature be called upon to fine tune AIDEA from time to time. The banking industry which we are most familiar is in a constant state of change. Changes in the national economy and finance industry sometimes are not in the best interest of Alaska. When possible we should make adjustments so as to promote, develop, and advance the general prosperity and economic welfare of the people, to relieve problems of unemployment, and to create additional employment.

Sincerely Yours,

  
Jan Sieberts

LETTER OF SUPPORT FROM NBA

SB 229

# SENATE FINANCE COMMITTEE REPORT

DATE: 4/19/91

FURTHER:

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

The Finance Committee considered SENATE BILL NO. 229

"An Act making a contingent appropriation to the Department of Administration for a grant to the Municipality of Anchorage for the Ship Creek Basin Waterfront Development Project; and providing for an effective date."

# DIED

and recommended:

- replace with \_\_\_\_\_ CS \_\_\_\_\_
- or adopt \_\_\_\_\_ CS \_\_\_\_\_
- attached amendment(s)
- \_\_\_\_\_ letter of intent adopted

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

- do pass
- do not pass
- no recommendation
- individual recommendations
- further referral to \_\_\_\_\_

**ATTACHES NEW FISCAL NOTE(S):** Dept/Date:

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

**APPROVES PREVIOUS:**

Dept/Date:

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

appropriation-no fiscal note

**SIGNING DO PASS:**

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

**OTHER RECOMMENDATIONS:**

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

1. \_\_\_\_\_ 2. \_\_\_\_\_  
 Co-Chairs: Signatures and Recommendations

## CS FOR SENATE BILL NO. 229 (L&amp;C)

IN THE LEGISLATURE OF THE STATE OF ALASKA

SEVENTEENTH LEGISLATURE - FIRST SESSION

BY THE SENATE LABOR AND COMMERCE COMMITTEE

Offered: 4/19/91  
 Referred: Finance  
 Funding Information: General Fund \$10,070,000  
 Other Funds -0-  
 \$10,070,000

Sponsor(s): SENATORS PEARCE, Uehling, Pourchot, Collins, Rodey, Sturgulewski

## A BILL

## FOR AN ACT ENTITLED

1 "An Act making a contingent appropriation to the Department of Administration for a  
 2 grant to the Municipality of Anchorage for the Ship Creek Basin Waterfront Development  
 3 Project; and providing for an effective date."

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

5 \* Section 1. FINDINGS. The legislature finds

6 (1) the development of basic infrastructure and improvements on publicly-owned land  
 7 is a traditional function of state government;

8 (2) increased tourism offers one of the best economic development opportunities available  
 9 to the state;

10 (3) state funding of infrastructure development as part of the Ship Creek Basin Waterfront  
 11 Development Project will foster private sector business activities and will enable development of  
 12 commercial retail and tourist facilities memorializing the original townsite of Anchorage and showcasing  
 13 the return of salmon to Ship Creek;

1                   (4) that minority-owned and women-owned businesses should be encouraged to  
2 participate in and be employed in the Ship Creek Basin Waterfront Development Project.

3    \* Sec. 2. The sum of \$10,070,000 is appropriated from the general fund to the Department of  
4 Administration for payment as a grant under AS 37.05.315 to the Municipality of Anchorage for the Ship  
5 Creek Basin Waterfront Development Project.

6    \* Sec. 3. The appropriation made by this Act is contingent upon

7                   (1) approval by the Anchorage Economic Development Corporation of enforceable private  
8 sector development commitments to the Ship Creek Basin Waterfront Development Project that in total  
9 exceed \$10,070,000; and

10                  (2) submission of documentation to the Department of Administration before January 1,  
11 1993, by the Anchorage Economic Development Corporation of enforceable private sector development  
12 commitments to the Ship Creek Basin Waterfront Development Project that in total exceed \$10,070,000.

13    \* Sec. 4. The appropriation made by this Act is for a capital project and is subject to AS 37.25.020.

14    \* Sec. 5. This Act takes effect immediately under AS 01.10.070(c).

## SENATE BILL NO. 229

IN THE LEGISLATURE OF THE STATE OF ALASKA

SEVENTEENTH LEGISLATURE - FIRST SESSION

BY SENATORS PEARCE, Uehling, Pourchof, Collins, Rodey, Sturgulewski

Introduced: 3/27/91  
 Referred: L&C, Finance  
 Funding Information: General Fund \$10,070,000  
                           Other Funds     -0-  
   \$10,070,000

## A BILL

## FOR AN ACT ENTITLED

1 "An Act making a contingent appropriation to the Department of Administration for a  
 2 grant to the Municipality of Anchorage for the Ship Creek Basin Waterfront Development  
 3 Project; and providing for an effective date."

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

5 \* Section 1. FINDINGS. The legislature finds

6           (1) the development of basic infrastructure and improvements on publicly-owned land  
 7 is a traditional function of state government;

8           (2) increased tourism offers one of the best economic development opportunities available  
 9 to the state;

10           (3) state funding of infrastructure development as part of the Ship Creek Basin Waterfront  
 11 Development Project will foster private sector business activities and will enable development of  
 12 commercial retail and tourist facilities memorializing the original townsite of Anchorage and showcasing  
 13 the return of salmon to Ship Creek;

1 (4) that minority-owned and women-owned businesses should be encouraged to  
2 participate in and be employed in the Ship Creek Basin Waterfront Development Project to the greatest  
3 feasible extent.

4 \* Sec. 2. The sum of \$10,070,000 is appropriated from the general fund to the Department of  
5 Administration for payment as a grant under AS 37.05.315 to the Municipality of Anchorage for the Ship  
6 Creek Basin Waterfront Development Project.

7 \* Sec. 3. The appropriation made by this Act is contingent upon approval by the Anchorage  
8 Economic Development Corporation of private sector development commitments to the Ship Creek Basin  
9 Waterfront Development Project that in total equal or exceed \$10,070,000.

10 \* Sec. 4. The appropriation made by this Act is for a capital project and is subject to AS 37.25.020.

11 \* Sec. 5. This Act takes effect immediately under AS 01.10.070(c).

**SB 230**

# SENATE FINANCE COMMITTEE REPORT

DATE: 5/3/91

FURTHER:

DATE TURNED  
INTO OFFICE:

5-18-91

The Finance Committee considered SENATE BILL NO. 230

"An Act relating to the payment of unemployment insurance benefits and the computation of employer contribution rates because of the Persian Gulf crisis; and providing for an effective date."

and recommended:

- replace with \_\_\_\_\_ CS \_\_\_\_\_
- or adopt \_\_\_\_\_ CS \_\_\_\_\_
- attached amendment(s)
- \_\_\_\_\_ letter of intent adopted.

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

- do pass
- do not pass
- no recommendation
- individual recommendations
- further referral to \_\_\_\_\_

**ATTACHES NEW FISCAL NOTE(S):**

- fiscal note(s) Dept/Date: \_\_\_\_\_
- zero fiscal note(s) \_\_\_\_\_

**APPROVES PREVIOUS:**

- fiscal note(s) Dept/Date: \_\_\_\_\_
- zero fiscal note(s) 4-4-91  
D. Weber

appropriation-no fiscal note

**SIGNING DO PASS:**

**OTHER RECOMMENDATIONS:**

*[Handwritten signatures]*

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

1. *[Signature]* 2. *[Signature]*  
Co-Chairs: Signatures and Recommendations

FISCAL NOTE

STATE OF ALASKA  
1991 LEGISLATIVE SESSION

BILL N        No. 1  
Bill Version: SB 230  
(S) Publish Date: 5/3/91

Revision Date: \_\_\_\_\_  
Title: "An Act relating to the payment of unemployment insurance...Persian Gulf crisis..."  
Sponsor: Senator Jones  
Requestor: Senate Labor & Commerce

Department Affected: Labor  
BRU: Employment Security  
Component: \_\_\_\_\_  
Unemployment Insurance  
COMPONENT SERIAL NO. 329

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	0.0	0.0	0.0

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

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

FUNDING: (Thousands of Dollars)

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

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year impact: None

ANALYSIS: (Attach a separate page if necessary)

We estimate there are 80 people that would be affected by this bill. The division already has the means to adjust an employer's experience rating and any additional benefits would be paid from the UI Trust Fund. The trust fund would be minimally affected.

Prepared by: Judy Knight, Director *Judy Knight* Phone: 465-2712  
Division: Employment Security Date: 4/4/91

Approved by Commissioner: Nancy Bear Usura *Nancy Bear Usura*  
Agency: Department of Labor Date: 4/4/91

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

## SENATE BILL NO. 230

IN THE LEGISLATURE OF THE STATE OF ALASKA

SEVENTEENTH LEGISLATURE - FIRST SESSION

BY SENATOR JONES

Introduced: 3/27/91  
Referred: L&C, Finance

## A BILL

## FOR AN ACT ENTITLED

1 "An Act relating to the payment of unemployment insurance benefits and the computation  
2 of employer contribution rates because of the Persian Gulf crisis; and providing for an  
3 effective date."

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

5 \* Section 1. Notwithstanding the provisions of AS 23.20.280 - 23.20.310, when computing an  
6 employer's contribution rate, the Department of Labor shall adjust the payroll of an employer whose  
7 payroll has declined because the reserve status of one or more of the employer's employees was  
8 activated because of the Persian Gulf crisis. The department shall make the adjustment by adding to the  
9 payroll the wages that the employer would have paid the employees whose status was activated had they  
10 continued to work for the employer less the amount of any wages paid to new employees hired to  
11 replace the activated employees.

12 \* Sec. 2. (a) Notwithstanding the provisions of AS 23.20.350 and 23.20.530, the Department of  
13 Labor may not, because an individual was called from reserve status to active military service because  
14 of the Persian Gulf crisis, reduce the unemployment benefits to which the individual would otherwise

1 be entitled. If the department finds that during an individual's base period the individual has been called  
2 to active duty because of events in the Persian Gulf, and if the service of active duty constituted the  
3 greater part of the individuals's working time in a calendar quarter, the individual's base period shall  
4 be extended a calendar quarter, subject to the limitation set out in (b) of this section if the extension will  
5 increase the benefits to which the individual is entitled. The extension of an individual's base period  
6 may not exceed four calendar quarters.

7 (b) The maximum benefits payable as a result of the use of wages earned in a calendar quarter  
8 before the individual's current base period, as defined in AS 23.20.520, shall be reduced by the amount  
9 of benefits paid previously as a result of the use of those wages in computing a previous benefit  
10 determination.

11 \* Sec. 3. This Act is repealed June 30, 1995.

12 \* Sec. 4. This Act is retroactive to August 2, 1990.

13 \* Sec. 5. This Act takes effect immediately under AS 01.10.070(c).

**Bill No:** Senate Bill No. 230

**Date:** April 29, 1991

**Title:** "An Act relating to the payment of unemployment insurance benefits and the computation of employer contribution rates because of the Persian Gulf Crisis; and providing an effective date."

**Contact:** Judy Knight  
465-2712

The provisions of Senate Bill No. 230 are designed to assure that 1) the unemployment insurance contribution rates of Alaskan employers do not increase because of payroll declines attributable to employees being called to active duty in the Persian Gulf and 2) assure that workers unemployment insurance benefits are not diminished because of their service in the Persian Gulf.

Specifically, this bill will enable the Department to make adjustments to an employer's contribution rate if it was affected by one or more employees leaving for active duty, and to make adjustments to an individual's unemployment insurance benefits if the individual's base period wages were reduced because of lower pay received while serving in the military in the Persian Gulf.

The Department supports the provisions of Senate Bill 230. It will not have a fiscal impact on the Department.

APPROVED:



Nancy Bear Usera, Commissioner  
Department of Labor

**POSITION PAPER/Department of Labor**

# Alaska State Legislature

Chair, Resources Committee  
Vice-chair, Transportation Committee  
Member, Rules Committee  
Member, Committee on Committees

District A  
Ketchikan, Wrangell, Petersburg,  
Hyder, Myers Chuck, Kupreanof


  
**Senator Lloyd Jones**

P.O. Box V  
Juneau, AK 99811  
907 465-3743  
Fax: 907 465-3922

352 Front Street  
Ketchikan, AK 99901  
907 225-9082  
Fax: 907 225-8546

## MEMORANDUM

To: Senator Pat Pourchot, Co-Chair  
Senate Finance Committee

From: Senator Lloyd Jones 

Date: May 2, 1991

Subj: Senate Bill 230

The Senate Labor and Commerce Committee moved Senate Bill 230 on Wednesday, May 1 and it has a further referral to the Senate Finance Committee. I respectfully ask that you waive the bill on to Rules since the bill has a zero fiscal note.

The bill is intended to help employees and employers affected by the Persian Gulf conflict. Section one of the bill addresses unemployment insurance contribution rates of employers. Because rates are calculated by the number of employees on a payroll, an employer's contribution rate would go up if there was a payroll decline. My bill spreads the cost to all employers in the state. The impact would be minimal, according to the Department of Labor.

Section 2 of the bill addresses unemployment compensation benefits for personnel who served in Desert Storm. If, for any reason, they are put on layoff status SB 230 allows the state to compute benefits based on the employee's higher rate of pay.

Your consideration for a waiver would be greatly appreciated. If not, I would request a hearing as soon as possible.

LJ:gmc  
Attachment

Contact: Division of Retirement and Benefits, P.O. Box CR, Juneau, AK  
99811-0203, telephone (907) 465-4460, Fax 465-3086

**NOTICE OF PROPOSED CHANGES TO REGULATIONS  
STATE OF ALASKA  
DEPARTMENT OF ADMINISTRATION**

Notice is given that the Department of Administration under the authority of AS 39.30.090 proposes to adopt regulations in Title 2 of the Alaska Administrative Code dealing with group health and life insurance coverage for certain state employees called to active military service, to implement AS 39.30.090 as follows:

2 AAC 39 is proposed to be amended by adding a new provision for the continuation of state paid group health and life insurance coverage by state employees serving in the military reserve, National Guard, or state militia units who were called to active duty on or after August 1, 1990. The state portion of the cost of this coverage will be paid by the state. Coverage is limited to five consecutive years of active duty or the date of terminations, if sooner. This change is needed to retain coverage at the same cost and level for state employees while on active military duty.

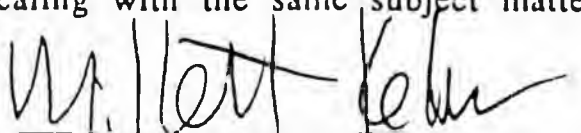
Notice is also given that any person interested may present written statements or arguments relevant to the proposed action by writing to: Division of Retirement and Benefits, P.O. Box CR, Juneau AK 99811-0203, so that they are received no later than April 25, 1991.

This action is not expected to require an increased appropriation.

Copies of the proposed regulations may be obtained by writing to: Division of Retirement and Benefits, P.O. Box CR, Juneau, AK 99811-0203, or by calling (907) 465-4460 or (907) 563-5885 in Anchorage.

The Department of Administration, after the deadline stated above, will either adopt these or other proposals dealing with the same subject matter or decide to take no action on them.

3/20/91  
Date

  
\_\_\_\_\_  
Millett Keller  
Commissioner

## BRIEFING PAPER

Senate Bill No. "An Act relating to the payment of unemployment insurance benefits and the computation of employer contribution rates because of the Persian Gulf crisis; and providing for an effective date"

**Section 1:** Contribution rates of some employers may increase because employee/reservists were called to active service in the Persian Gulf causing a decline in payroll. Employer contribution rates are determined based upon changes in payroll. Employers with the largest declines in payroll receive the highest rates because they are responsible for a greater degree of unemployment and loss of community purchasing power. The contribution system is self-adjusting to maintain the Unemployment Insurance Trust Fund; employer rates fluctuate to replenish benefit dollars paid out.

Section 1 is designed to assure that the contribution rates of Alaskan employers do not decrease because of such declines in payroll. This will be achieved by adding the wages the activated employee would have earned in the quarter to the payroll for the quarter; and deducting any wages that were paid to an employee who replaced the employee that was activated.

**Section 2:** Unemployment Insurance benefits are based on wages earned in a base period the first four of the last five completed calendar quarters. Duration of benefits as well as the weekly benefit amount are derived from these wages. Any change in base period wages has a potential effect on benefit amounts. Reservists who were called up to active service in the Persian Gulf would receive less unemployment insurance benefits upon their return if their military pay were less than they could have otherwise earned. Section 2 is designed to bring the amount of benefits payable up to par with the benefits that would have been payable if the worker had not served in the Persian Gulf. For each quarter that the individual spent the majority of the quarter in active status, the division will extend the base period one calendar quarter. However, the extension to the individual's base period may not exceed four calendar quarters. The benefits payable based on the extended base period will be reduced by any amount of benefits already paid based on the same wages.

**NOTE:** By Federal law, reservists who are called up to active duty have reemployment rights with their former employers when they are released from active duty. Reservists released prior to January 1, 1991, and 30 days in which to contact their former employers to be reinstated to their old jobs. After January 1, 1991, those released from active duty have 90 days to contact their former employer.

MAR 2 1991

Unemployment Insurance employer contribution rates are based on employer's quarterly payroll decline in the past three years. Rates for a year are based on wages paid through the second quarter of the current year. Thus, with the Gulf crisis beginning in August, 1990, this legislation would have no affect on employer 1991 rates, but may affect smaller employers in 1992 ( if those employers had employees leave for Gulf service and not replace them). We have prepared several scenarios on the next page.

Scenario A

Employer ABC has 8 employees in a small retail business. One of his employees, Mr. Plate, gets called for service in the Gulf. Rather than hire a temporary replacement ABC decides to make do with 7 employees until Mr. Plate returns. Mr. Plate earns \$2,000.00 a month at ABC. Mr. Plate's service dates are August 1, 1990, thru March 31, 1991.

ABC's payroll has been steady except for this and is:

<u>YR/QTR.</u>	<u>AMOUNT</u>	<u>DECLINE</u>
88/3	\$48,000.00	\$ 0.00
88/4	48,000.00	0.00
89/1	48,000.00	0.00
89/2	48,000.00	0.00
89/3	48,000.00	0.00
89/4	48,000.00	0.00
90/1	48,000.00	0.00
90/2	48,000.00	0.00
90/3	44,000.00	-4,000.00
90/4	42,000.00	-2,000.00
91/1	42,000.00	0.00
91/2	48,000.00	0.00

ABC's rate for 1991 is 1.74. Because the payroll decline is small compared to total payroll ABC's rate for 1992 will remain at 1.74.

Scenario B

Employer DEF has 3 employees in a small retail business. One of his employees, Mrs. Plate, gets called for service in the Gulf. Rather than hire a temporary replacement DEF decides to make due with 2 employees until Mrs. Plate returns. Mrs. Plate earns \$2,000.00 per month at DEF. Mrs. Plates' service dates are August 1, 1990, thru March 31, 1991.

DEF's payroll has been steady except for this and is:

<u>YR/QTR.</u>	<u>AMOUNT</u>	<u>DECLINE</u>
88/3	\$18,000.00	\$ 0.00
88/4	18,000.00	0.00
89/1	18,000.00	0.00
89/2	18,000.00	0.00
89/3	18,000.00	0.00
89/4	18,000.00	0.00
90/1	18,000.00	0.00
90/2	18,000.00	0.00
90/3	14,000.00	-4,000.00
90/4	12,000.00	-2,000.00
91/1	12,000.00	0.00
91/2	18,000.00	0.00

DEF's rate for 1991 is 1.74. With the payroll decline and small amount of wages DEF's rate for 1992 will be 2.10-costing an additional \$259.00.

**SB 231**

# SENATE FINANCE COMMITTEE REPORT

DATE: 5/13/91

FURTHER:

DATE TURNED INTO OFFICE: ~~5/13/91~~

The Finance Committee considered SENATE BILL NO. 231

"An Act authorizing the commissioner of natural resources to convey land within the Chugach State Park to the Municipality of Anchorage."

and recommended:

- replace with \_\_\_\_\_ CS
  - or adopt CS 51 231 (124)
  - attached amendment(s)
  - \_\_\_\_\_ letter of intent adopted
- same title
  - new title
  - technical title change (HB only)

- do pass
- do not pass
- no recommendation
- individual recommendations
- further referral to \_\_\_\_\_

**ATTACHES NEW FISCAL NOTE(S):**

- fiscal note(s) \_\_\_\_\_ Dept/Date: \_\_\_\_\_
- zero fiscal note(s) \_\_\_\_\_ Dept/Date: 1/27/92

**APPROVES PREVIOUS:**

- fiscal note(s) \_\_\_\_\_ Dept/Date: \_\_\_\_\_
- zero fiscal note(s) \_\_\_\_\_

appropriation-no fiscal note

**SIGNING BY PASS:**

*Jim Dunaway*  
*John H. ...*  
*...*  
*...*  
 1. *...* Co-Chairs

**OTHER RECOMMENDATIONS:**

\_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 2. *...* Co-Chairs

1-27-92 S(FIN)

STATE OF ALASKA  
1992 LEGISLATIVE SESSION

BILL NO. CSSB 231 (CRA) 27 1992

Revision Date: 27-Jan-92 Department Affected: Natural Resources  
 Title: Conveyance of Land BRU: Land Management  
Chugach State Park Components: Land Management  
 Sponsor: Senator Menard  
 Requestor: Senate Finance COMPONENT SERIAL NO. 431

EXPENDITURES/REVENUE: (Thousands of Dollars)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND&STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

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

REVENUE						
Funding Source:						

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
Funding Source:						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of Current year impact: None

ANALYSIS: (Attach a separate page if necessary)

Prepared by: Ron Swanson Phone: 762-2692  
 Division: Land Management Date: 27-Jan-92

Approved by Commissioner: M3 Harold C. Heinze Date: 27-Jan-92  
 Agency: Department of Natural Resources

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

513 231

CS FOR SENATE BILL NO. 231 (CRA)  
 IN THE LEGISLATURE OF THE STATE OF ALASKA  
 SEVENTEENTH LEGISLATURE - FIRST SESSION

BY THE SENATE COMMUNITY AND REGIONAL AFFAIRS COMMITTEE

Offered: 5/3/91  
 Referred: Resources, Finance

Sponsor(s): SENATOR MENARD

A BILL  
 FOR AN ACT ENTITLED

1 "An Act authorizing the commissioner of natural resources to convey land within the  
 2 Chugach State Park to the Municipality of Anchorage."

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

4 \* Section 1. PURPOSE. The purpose of this Act is to authorize the commissioner of natural  
 5 resources to convey certain state-owned land located within the Chugach State Park to the Municipality  
 6 of Anchorage to enable the municipality to enter into the land exchange with the owners of U.S. Survey  
 7 1069 that was authorized by Anchorage Ordinance 87-94. The legislature finds that the conveyance of  
 8 land authorized by this Act and the exchange authorized by Anchorage Ordinance 87-94 will improve  
 9 public access to Bird Creek, resolve pending litigation between the owners of U.S. Survey 1069, the  
 10 state, and the municipality, and ensure that tidelands in the vicinity of Bird Creek will be managed in  
 11 perpetuity as public trust land.

12 \* Sec. 2. Notwithstanding AS 41.21.121, the commissioner of natural resources may convey to the  
 13 Municipality of Anchorage not more than two acres from within ILMT 37208, Section 9, Township 10  
 14 North, Range 1 West, Seward Meridian, if the commissioner determines, after consultation with the

1 commissioner of transportation and public facilities, that the conveyance will not unreasonably interfere  
2 with the operation of the Department of Transportation and Public Facilities and that the Municipality  
3 of Anchorage has agreed in writing to accept title to the land under this Act for the sole purpose of  
4 implementing the land exchange authorized by Anchorage Ordinance 87-94.

5 \* Sec. 3. The commissioner of natural resources may convey to the Municipality of Anchorage the  
6 state interest in tidelands within the land authorized to be ~~conveyed under sec. 2 of this Act only if the~~  
7 Municipality of Anchorage agrees to convey to the state the tidelands on the parcel the Municipality of  
8 Anchorage will receive.

9 \* Sec. 4. If the commissioner conveys land to the Municipality of Anchorage under sec. 2 of this Act,  
10 the commissioner shall, within 30 days of the conveyance, certify to the revisor of statutes the revision  
11 of AS 41.21.121 that is necessary to reflect the conveyance made under this Act. The revisor of statutes  
12 shall incorporate the revision into the next revisor's bill prepared under AS 01.05.036.



# Alaska State Legislature

*Senator Curt Menard*



*While in  
Session:*  
P.O. Box V  
Juneau, Alaska  
99811  
(907)465-2679

*Interim:*  
165 E. Parks  
Highway  
Wasilla, Alaska  
99687  
(907)373-2878

*Senate  
District  
E*

## SPONSOR STATEMENT

SB 231 will resolve the longstanding property title problem of a number of private landowners who inadvertently built homes outside of their property lines on state and Municipality of Anchorage land in the vicinity of Bird Creek.

The three way land exchange described in SB 231 will result in the homeowners receiving approximately .6 acres of state land and approximately 1.5 acres of municipal land on which their homes were mistakenly built. In return the Municipality of Anchorage will receive approximately 4.8 acres of valuable public fishing and recreational access along Bird Creek.

Additionally, an amendment was adopted in the Community and Regional Affairs Committee which will remedy a surveying error which occurred when the land was originally conveyed from the Federal Government. Tidelands, normally reserved to the state in the original conveyances, were not identified along Bird Creek, and consequently were not identified in the State's later conveyance of the Bird Creek Regional Park land to the MOA. The C&RA committee substitute provides for the conveyance of approximately 1.0 - 2.5 acres of tidelands to the state.

Thank you for your consideration of SB 231. I would appreciate your support.

## PROPOSED BIRD CREEK LAND EXCHANGE CSSB 231 (C&RA)

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The Municipality of Anchorage (MOA), the Alaska Department of Natural Resources (DNR) and a group of homeowners who own land along Bird Creek are proposing a land exchange. Bird Creek is located in Bird Creek Valley which is along Turnagain Arm southwest of Anchorage. The lands involved in the proposed land exchange are owned by the homeowners, the Municipality of Anchorage and the State.

The land exchange, as shown on the attached map, would give the public an additional 4.8 acres of land along Bird Creek. This land is heavily used by persons sport fishing for salmon in mid to late summer. This land also possess important fish and wildlife habitat values as a portion of it is a saltwater influenced wetland. This land along Bird Creek is proposed to be conveyed to the MOA and will be added to the Bird Creek Regional Park under municipal ordinance. Tidelands within this parcel, to be conveyed to the MOA will be reconveyed by the MOA to the state. The nearby municipal Bird Creek Regional Park is managed through a cooperative agreement with DNR as part of Chugach State Park. In exchange for this land, the homeowners will receive three pieces of public land totalling 2.05 acres which adjoin the parcel they presently own. The homeowners are interested in these tracts because they mistakenly placed some of their homes just off of the property that they own and on public land owned by the state and municipality.

Until recently, the homeowners thought that they only had to trade land with the MOA. In 1987, voters in the Municipality of Anchorage approved the land exchange in a municipal election. However, a closer review of the land ownership in the area revealed that a portion of one of the three tracts to be conveyed to the homeowners, by the MOA, included an Alaska Department of Transportation and Public Facilities's (DOTPF) material site that is within Chugach State Park. This portion of land is estimated to be 0.6 acres in size. The actual size of the tracts will not be confirmed until the land is surveyed. The material site was established before the land became part of Chugach State Park. DOTFP has agreed to give up their interest in the tract to be conveyed to the homeowners if it is surveyed before it is conveyed. However, because the land is part of Chugach State Park the Alaska State Legislature must authorize the removal of this land from the park.

SB 321, if enacted into law, will authorize the Commissioner of DNR to remove the land from the park and convey it to the MOA if: 1) it is determined that it will not interfere with DOTPF's use of the material site, and 2) MOA will only use the land for the purposes of the proposed land exchange. The land conveyed to the MOA, estimated to be 0.6 acres, will be in addition to the lands it has received from the State under its municipal land entitlement. The acreage of the tidelands that the MOA will reconvey to the State is not know, but is estimated at 1.0 to 2.5 acres.



# STATE OF ALASKA

## DEPARTMENT OF NATURAL RESOURCES

OFFICE OF THE COMMISSIONER

WALTER J. HICKEL, GOVERNOR

400 WILLOUGHBY AVENUE  
JUNEAU, ALASKA 99801-1796  
PHONE: (907) 465-2400  
FACSIMILE: (907) 586-2754

April 24, 1991

The Honorable Steve Frank, Chair  
Senate Community and Regional Affairs Committee  
P.O. Box V  
Juneau, AK 99811

Dear Senator Frank:

Subject: SB 231, which authorizes the conveyance of up to two acres of state land within Chugach State Park to the Municipality of Anchorage.

Position: The Department of Natural Resources supports this bill because it will correct the problems of private land holders who inadvertently built homes outside of their property lines, on state and municipal land, and will allow the Municipality of Anchorage to acquire valuable public fishing and recreational access along Bird Creek. We do, however, recommend an amendment relating to the ownership of tidelands that are part of the exchange. was adopted in CRA CS

Background: The Municipality of Anchorage, the Department of Natural Resources and a group of Bird Creek area homeowners would like to complete a three way land exchange that has been discussed for many years. As a result of the exchange, the homeowners would receive approximately .6 acres of state land and approximately 1.5 acres of municipal land on which their homes were mistakenly built. In return, the public would receive approximately 4.8 acres of sport fishing land along Bird Creek. The exact amount of acreage to be exchanged will not be know until a survey is completed.

This bill authorizes the Department of Natural Resources to convey up to two acres of public land to the Municipality of Anchorage. The area to be conveyed contains a gravel pit managed by the Department of Transportation and Public Facilities and will only be transferred if it does not interfere with DOT/PF use of the site. After receiving the land from the state, the municipality will convey it to the Bird Creek homeowners. In return, the homeowners will convey about 4.8 acres of land along Bird Creek to the municipality to include in the nearby municipal park. The park is managed under a cooperative agreement with the state as part of Chugach State Park. Municipality of Anchorage voters approved the exchange in a 1987 municipal election.

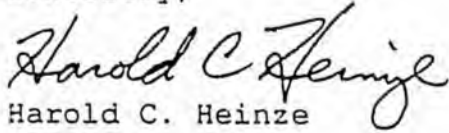
Recommendation: Amend page 2, line 7 to read:

Municipality of Anchorage agrees to convey to the State

(retain) the tidelands on the parcel it will receive  
(permanently in public ownership and to manage the tidelands as  
public trust land).

Please let me know if you need additional information about this  
matter.

Sincerely,



Harold C. Heinze  
Commissioner

cc: Members of the Committee  
Senator Menard  
Bruce Kendall, Legislative Liaison, Office of the Governor  
Frank Turpin, Commissioner, Department of Transportation and  
Public Facilities