

ALASKA LEGISLATURE COMMITTEE FILES 1985-1986 86/2

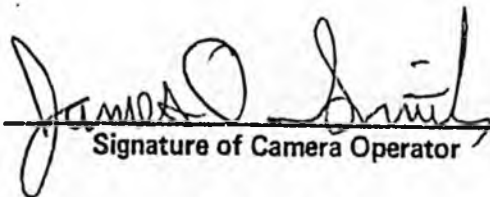
3684 HSTA HB 252 - HB 262 560



# RECORDS CERTIFICATION



I, the undersigned, an employee of the State of Alaska, do hereby certify that the microfilm images on this microform are accurate reproductions of the original records of the State of Alaska as accumulated during the regular course of business, and that it is the established policy and practice of this State to microfilm its records and to dispose of the original records after microfilm reproductions have been made.

  
Signature of Camera Operator

  
Date

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COMMITTEE REPORT  
HOUSE

FINANCE

(7)

FURTHER:

3/1/35

Date:

4/17/85

Mr. Speaker:

The Committee on STATE AFFAIRS has had HB 252

"An Act relating to state retirement benefits; and providing for an effective date."

under consideration and reports it back as follows:

do pass  do not pass

do pass with attached amendments(s)

replace with CS for HR 252 (SA)  same title  new title

and recommends do not pass

AND attaches a "Letter of Intent"  ~~New~~ Fiscal Note Sup 53

reports it back without recommendation  Zero Fiscal Note Attached

referred to the \_\_\_\_\_ Committee

MEMBERS SIGNING  
DO PASS

MEMBERS HAVING  
OTHER RECOMMENDATIONS:

Katie Hurley  
Mr. W. H. D.  
Mr. P. ...  
Mr. ...  
Mr. ...

...  
...  
...  
...  
...

Katie Hurley  
CHAIRMAN

STATE OF ALASKA 1985 LEGISLATIVE SESSION  
FISCAL NOTE

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

Page 1 of 3

**REQUEST**

Bill/Resolution No.: CSHB 252 (SA)  
 Title: "An Act relating to state retirement benefits;..."  
 Sponsor: M.M. Miller  
 Requestor: Hurley  
 Date of Request: 4/17/85

**FISCAL DETAIL**

Agency Affected: All State Agencies  
 Program Category Affected: Labor Services  
 BRU, Program or Subprogram(s) Affected: PERS

**EXPENDITURES/REVENUES: (Thousands of Dollars)**

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
Operating						
100 Personal Svcs		60.6				
100 Rtmnt & Brfts		[1,102.8]	[1,232.1]	[1,371.7]	[1,522.4]	[1,685.3]
200 Travel						
300 Contractual		178.3				
400 Supplies		1.0				
500 Equipment		10.0				
600 Land & Struct						
700 Grants, Claims						
700 TRS Match						
TOTAL OPERATING	-0-	[852.9]	[1,232.1]	[1,371.7]	[1,522.4]	[1,685.3]
CAPITAL						
REVENUE						

**FUNDING: (Thousands of Dollars)**

GENERAL FUND	[747.1]	[1,113.7]	[1,240.0]	[1,376.3]	[1,523.5]
FEDERAL FUNDS	[50.7]	[56.7]	[63.1]	[70.0]	[77.5]
OTHER	[55.1]	[61.7]	[68.6]	[76.1]	[84.3]
TOTAL	[852.9]	[1,232.1]	[1,371.7]	[1,522.4]	[1,685.3]

**POSITIONS:**

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

**ANALYSIS:** (Attach a separate page if necessary)

*J.K. Humphreys*

Prepared By: J.K. Humphreys, Director Phone: 465-4470  
 Division: Retirement & Benefits Date: 4/17/85

Approved by Commissioner: Lisa Rudd Date: 4/19/85  
 Agency: Department of Administration

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

CS House Bill 252 (State Affairs)  
Fiscal Note Analysis  
Prepared by Division of Retirement & Benefits  
Department of Administration

April 17, 1985

IV Analysis: This bill applies only to the Public Employees' Retirement System (PERS). It would provide for an automatic, post retirement pension adjustment (PRPA) and an increased benefit multiplier for covered members. There is a provision for the employer to withhold employee contributions before taxes rather than the current after tax contributions to begin effective January 1, 1986. The bill also contains several cost containment provisions which would affect only those members first hired after the effective date. Those cost containment provisions are: a partial pay provision for health coverage for retirees; no COLA before age 65; no military credit shall be granted if the member is eligible to receive a benefit for the same service from the Federal Government and increasing the normal retirement age from 55 to 60.

This is estimated to result in a .203% decrease in the PERS employer contribution rate for FY 86. The PERS state salaries for FY 86 are estimated to be \$544,046,592.00 and are estimated to increase at 8% per year.

The state savings of \$852.9 is calculated as follows:

The change in the PERS employer contribution rate (.203%) times the estimated FY 86 state PERS salaries (\$544,046,592) equals	[\$1,102.8]
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Plus administrative costs displayed on the following page	<u>249.9</u>
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Total state FY 86 costs	<u><u>[\$852.9]</u></u>
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In addition to the State costs above, this would result in an increase in Political Subdivision contributions as follows:

FY 86	FY 87	FY 88	FY 89	FY 90
<u>[\$1,273.0]</u>	<u>[\$1,374.8]</u>	<u>[\$1,484.8]</u>	<u>[\$1,603.6]</u>	<u>[\$1,731.9]</u>

The total present value of the savings provided by this bill in the PERS is \$26,930,000; the bill would cause a 9.9% decrease in the funding ratio.

CS House Bill 252 (State Affairs)  
Fiscal Note Analysis  
Prepared by Division of Retirement & Benefits  
Department of Administration

April 17, 1985

FY 86 Administrative Costs

Personal Services:

2 non-permanent retirement  
technicians for 12 months \$60.6

Contractual:

Telephone and other contractual  
costs for 2 positions 2.0  
Contractual costs for enhancing  
the PERS data processing system 106.3  
Contractual costs for enhancing  
the state payroll system 70.0

Supplies:

Supplies for 2 positions 1.0

Equipment:

Equipment accommodations for 2  
non-permanent positions 10.0

Total FY 86 administrative costs \$249.9



SCS CS House Bill 252 (State Affairs)  
Fiscal Note Analysis  
Prepared by Division of Retirement & Benefits  
Department of Administration

February 12, 1986

IV Analysis: This bill applies primarily to the Public Employees' Retirement System (PERS). It would provide for an automatic, post retirement pension adjustment (PRPA) and an increased benefit multiplier for covered members. It increases the employee contribution rate by an additional 2½% of salary, increases the indebtedness contributions for military service credit by 2½% and provides for the employer to withhold employee contributions before taxes rather than the current after tax contributions to begin effective January 1, 1987. The bill also contains several cost containment provisions which would affect only those members first hired after the effective date. Those cost containment provisions are: a partial pay provision for health coverage for retirees; no COLA before age 65; no military credit shall be granted if the member is eligible to receive a benefit for the same service from the Federal Government and increasing the normal retirement age from 55 to 60. The bill also increases benefits for the two territorial retirees by \$100.00 per month.

This is estimated to result in a .27% decrease in the PERS employer contribution rate for FY 87. The PERS state salaries for FY 87 are estimated to be \$590,176,728.00 and are estimated to increase at 8% per year.

The state savings of \$1,303.0 is calculated as follows:

The change in the PERS employer contribution rate (.27%) times the estimated FY 87 state PERS salaries (\$590,176,728) equals	[ \$1,593.5 ]
Increased benefits for two territorial retirees per year	2.4
Plus administrative costs displayed on the following page	<u>288.1</u>
Total state FY 87 savings	<u><u>[ \$1,303.0 ]</u></u>

In addition to the State savings above, this would result in savings in Political Subdivision contributions as follows:

FY 87	FY 88	FY 89	FY 90	FY 91
<u>[ \$1,296.7 ]</u>	<u>[ \$1,400.4 ]</u>	<u>[ \$1,512.5 ]</u>	<u>[ \$1,633.5 ]</u>	<u>[ \$1,764.1 ]</u>

SCS CS House Bill 252 (State Affairs)  
Fiscal Note Analysis  
Prepared by Division of Retirement & Benefits  
Department of Administration

February 12, 1986

FY 87 Administrative Costs

Personal Services:

2 non-permanent retirement  
technicians for 12 months \$77.6

Contractual:

Telephone and other contractual  
costs for 2 positions 2.0  
Contractual costs for enhancing  
the PERS data processing system 127.5  
Contractual costs for enhancing  
the state payroll system 70.0

Supplies:

Supplies for 2 positions 1.0

Equipment:

Equipment accommodations for 2  
non-permanent positions 10.0

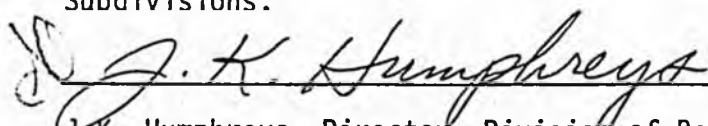
Total FY 87 administrative costs \$288.1

Position Paper

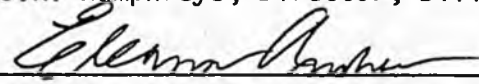
SCSCS House Bill 252 (State Affairs)

This bill applies primarily to the Public Employees' Retirement System (PERS). It would provide for an automatic, post retirement pension adjustment (PRPA) and an increased benefit multiplier for covered members. Employee contributions would be increased and placed on a pre-tax basis effective January 1, 1987. The bill also contains several other cost containment provisions which would affect only those members first hired after the effective date: a partial pay provision for health coverage for retirees; no geographical cost of living allowance before age 65; no military credit if a member is eligible to receive a benefit for the same service from the Federal Government and an increase in the normal retirement age from 55 to 60. It also increases benefits for the two territorial retirees by \$100.00 per month.

The Department supports this bill because it provides for a more fiscally responsible funding method for post retirement pension adjustments and provides for several cost containment provisions which, while still leaving the PERS one of the most generous retirement systems in any state, provide welcome, net FY 87 savings to the State and Political Subdivisions.

  
\_\_\_\_\_  
J.K. Humphreys, Director, Division of Retirement & Benefits

2/5/86  
Date

  
\_\_\_\_\_  
Eleanor Andrews, Commissioner, Department of Administration

2/6/86  
Date

# STATE OF ALASKA

## DEPARTMENT OF ADMINISTRATION

### DIVISION OF RETIREMENT & BENEFITS

POUCH CR (MS 0203)  
JUNEAU, ALASKA 99811

Public Employees' Retirement System  
Teachers' Retirement System  
Judicial Retirement System  
Elected Public Officials Retirement System  
National Guard Retirement System  
Territorial Retirement System  
Retirees' Voluntary Dental-Vision-Audio Plan  
Supplemental Benefits System  
Group Health/Life Insurance Benefits  
Deferred Compensation Plan  
Public Employers Social Security Contributions

*Bill Sheffield, Governor*

(907) 465-4470

April 12, 1985

APR 12 1985

Honorable Katy Hurley  
Chairman  
House State Affairs Committee  
Pouch V  
Juneau, AK 99811

Dear Representative Hurley:

This letter is in response to your request for examples of variations of HB 252 which would provide an automatic post retirement pension adjustment (PRPA) with little or no cost to the state. For discussion purposes, I will provide two different scenarios which I feel will still provide valuable benefits to the Public Employees' Retirement System (PERS) members at significantly lower cost.

The first scenario is the same as HB 252 with the following exceptions:

- 1) To provide for an automatic 75% PRPA only for retirees age 65 and older and for disabled members (estimated cost: 4.93% of payroll);
- 2) provide for a benefit formula of 2% per year for service less than 10 years, 2½% per year for service 10 years or greater but less than 20 years, and 2¾% per year for service of 20 years or more for qualifying service earned after the effective date (estimated cost of .74% of payroll);
- 3) full health coverage would be provided for retirees age 65 and older and disabled members, retired members 60 years old or older but less than 65 years would be eligible to purchase full Health care coverage for one half the group rate, and retirees less than 60 years old could purchase the coverage at the full group rate (approximate saving of 2.8% of payroll); and
- 4) no increase in employee contribution. This version of HB 252 would achieve a net savings of .19% of FY 86 state payroll or approximately \$1,033.7 in FY 86.

The second scenario is the same as the first with the following exceptions:

It would provide for an automatic 50% PRPA for retirees at age 60 through age 64 and an automatic 75% PRPA for retirees age 65 and older and for disabled members (estimated cost: of 7.1% of payroll); and it would provide for the increases in employee contributions the same as in HB 252 (estimated cost saving: 1.5% of payroll). This second version would result in a net cost of .48% of payroll or approximately \$2,611.4 in FY 86.

Honorable Katy Hurley

-2-

April 12, 1985

As I stated earlier, these scenarios are simply two examples of versions of HB 252 which would retain the automatic PRPA and yet keep the cost low at a time when revenue to the state is shrinking. I hope that this letter has provided you with some material for further consideration. We will be happy to provide further information and look forward to working with your committee on HB 252.

Sincerely,

A handwritten signature in cursive script that reads "J.K. Humphreys". The signature is written in dark ink and is positioned above the printed name and title.

J.K. Humphreys  
Director

JKH/skd/5

cc: Rebecca Burch  
Special Assistant to the Commissioner  
Department of Administration

Ski Olsonoski, Deputy Commissioner  
Department of Administration

INTRODUCTION OF BILLS (House)

HB 252. (cont'd)

--the lesser of 75 percent of the increase in the cost of living in the preceding calendar year or nine percent, for recipients who on July 1 are at least 65 years old and for members receiving disability benefits;

--the lesser of 50 percent of the increase in the cost of living in the preceding calendar year or six percent, for recipients who on July 1 are at least 60 but less than 65 years old; and

--the lesser of 25 percent of the increase in the cost of living in the preceding calendar year or three percent, for recipients who on July 1 are at least 55 but less than 60 years old.

If a recipient was not receiving benefits during the entire preceding calendar year the increase would be adjusted accordingly. If at the time of first receiving a retirement benefit the member was receiving a disability benefit the retirement benefit would be increased by a percentage equal to the total cumulative percentage increase that has been applied to the member's disability benefit. Pension adjustments would be granted when computing occupational death benefits or survivor's benefits. The increase in benefits would be effective July 1 of each year, based on the Anchorage consumer price index.

Amends section relating to the cost of living allowance (AS 39.35.480) to reflect that person receiving the benefit must be 65 years old or receiving a disability benefit.

Amends section relating to medical benefits (AS 39.35.535) so that a benefit recipient may elect to receive major medical insurance coverage. The member must be younger than 55 and must pay an amount equal to the full monthly group premium for retiree major medical insurance coverage. A person between 55 and 60 must pay one half of the full monthly group premium, and a disabled member or person over 60 is not required to make premium payments.

Amends definition of "compensation" under AS 39.35 (PERS) to include employee contributions to the retirement fund (currently includes cost-of-living differentials, payments for leave that is actually used by the employee, the amount by which the employee's wages are reduced under supplemental employee benefits, and any amount deferred under an employer-sponsored deferred compensation plan.

Amends definition of "early retirement" by raising the age to 55 (now 50).

The changes in the sections listed apply only to members first hired under the PERS after June 30, 1985:

military service benefits, raising age for normal retirement, early retirement, normal and early retirement with benefits under teachers' system and legislative system, cost of living benefits for persons over 65 or who are receiving disability benefits, and

INTRODUCTION OF BILLS (House)

HB 252, (cont'd)

sections on medical benefits and changing definition of early retirement.

Changes in PERS enacted in this bill that require a reduction in benefits to members of the retirement system apply only to members who are first hired after June 30, 1985. Other sections of the bill apply to all members of PERS, regardless of the date of hire. Act takes effect July 1, 1985.

Introduced March 1 and referred to State Affairs, Finance.

Municipal  
Property  
Exemptions  
(fire  
protection)

HOUSE BILL NO. 253, by Reps. Koponen, Davis, Larson, M. W. Miller, Ringstad, Sund, Marrou and Hurley. Would allow a municipality, by ordinance, to exempt land from a tax for fire protection service and facilities and may levy the tax only on improvements, including personal property affixed to the improvements.

Amends AS 29.63 (Special Assessments and Service Areas) by adding a section providing for an optional exemption. The section states: "If an assessment under this chapter is for a fire protection facility, a municipality may exempt land and levy the assessment only on improvements, including personal property affixed to the improvements.

Provides Act takes effect January 1, 1986.

Introduced March 1 and referred to Community & Regional Affairs.

School  
Construction  
(state aid)

HOUSE BILL NO. 254, by Reps. Larson, Duncan, Koponen, Davis and Hurley. Provides for state aid for school construction for unhoused students. During each fiscal year the state would be required to give each municipal school district that qualifies for retirement of school construction debt a portion of those payments if the Commissioner of Education determines that:

--the project being funded is required to house students who would otherwise have to be double shifted or would have to be housed in portable or relocatable buildings, and

--the average of the district's local contribution for operating and capital expenses of education over the past three years exceeds the equivalent of a three mill levy on the full and true value of taxable real and personal property in the district, as determined under AS 14.17.140 (Determination of Full and True Value by Department of Community and Regional Affairs).

If a school construction project meets the requirements and the district receives state funding as a grant for the project, a portion of the debt equal to the amount appropriated may be retired under state aid provisions. The amount to be retired is equal to 80 percent of the payments described in AS 14.11.100(a)(5), excluding grant payments. Note: that section states that, subject to certain conditions, the state shall allocate 50 percent of the

INTRODUCTION OF BILLS (House)

Excise Tax on Cigarettes  
(increasing)

HOUSE BILL NO. 249, by Reps. Adams, M. M. Miller, Binkley, Hurley and Pourchot. (also see SE 94, pages 114, 303, similar). Would increase the excise tax on cigarettes imported or acquired in Alaska to five and one-half mills on each cigarette. The increase would take effect October 1, 1985. The intent is that the tax be used principally to fund health care and health education programs.

Health care programs shall consist of those traditionally funded by the state including nursing, family health, community health grant and mental health grant programs. Educational programs shall include promoting health education programs for all grades to enhance wellness, good nutrition, and physical and mental fitness and to encourage the avoidance of unnecessary health risks including smoking and the use of alcohol and other drugs.

Introduced March 1 and referred to Health, Education & Social Services, Finance.

Appropriation  
(special)  
(Nistler Rd.)

HOUSE BILL NO. 250, by Rep. Shultz. Makes a special appropriation in the amount of \$915,000 to the Dept. of Transportation for bituminous sulfate treatment of Nistler Road. Appropriation is for a capital project and do not lapse. Act takes effect immediately.

Introduced March 1 and referred to Transportation, Finance.

Board of Vet Examiners  
(extending)

HOUSE BILL NO. 251, by the Labor & Commerce Committee. Extends the Board of Veterinary Examiners to June 30, 1989 (currently set to terminate June 30, 1985). Provides Act takes effect immediately.

Introduced March 1 and referred to Labor & Commerce, Finance.

State Retirement Benefits

HOUSE BILL NO. 252, by Reps. M. M. Miller and Duncan. Makes changes relating to Public Employees' retirement benefits:

Beginning July 1, 1985 peace officer's and firemen's contributions to retirement would increase to seven percent (now at five percent), and all other employees would increase to six and a quarter percent (now at four and a quarter). The contributions would be deducted by the employer at the end of each payroll period and before computation of applicable federal taxes, and would be treated as employer contributions.

An employee would be entitled to credited service for active military service if the employee did not receive a dishonorable discharge "and is not entitled to receive benefits from the United States government for the same service." (underlined language new - see HB 234, this report, same subject).

Changes the method for determining indebtedness for prior military service. The employee's compensation is multiplied by the number of years of military service and this product multiplied by six percent for members who are first eligible to claim military service before July 1, 1985, or eight percent for members who are

INTRODUCTION OF BILLS (House)

HB 252, (cont'd)

first eligible to claim this military service on or after July 1, 1985 (currently the compensation is multiplied by six percent, this product multiplied by the number of years of military service credited).

Raises the age at which certain employees are eligible to take their retirement:

--raises age at which a terminated, vested employee, or a peace officer or fireman with 20 years of credited service, or all other employees with at least 30 years of credited service are eligible for a normal retirement to age 60 (now 55). Vested, terminated employees are eligible for early retirement benefits at age 55 (now 50).

--the monthly amount of a retirement benefit for state employees is "...two percent of the average monthly compensation times the years of service through 10 years, plus two and one-quarter percent of the average monthly compensation times the years of service over 10 years through 20 years, plus two and one-half percent of the average monthly compensation times the years of credited service for service over 20 years...." (underlined language added).

--an employee is eligible for a normal retirement benefit at age 60 (now 55) with at least two years of credited service if the employee also is eligible for a normal retirement salary under the teachers' retirement system.

--an employee is eligible for an early retirement benefit at age 55 (now at age 50) with at least two years of credited service if the employee also is eligible for an early retirement salary under TRS.

--an employee is eligible for a normal retirement benefit at age 60 (now 55) or an early retirement benefit at age 55 (now 50) if the employee has at least 60 days of credited service as a temporary employee of the legislature during each of five legislative sessions.

Rewrites the post-retirement pension adjustment law. Under current law when the administrator determines that the cost of living has increased and the financial condition of the retirement fund permits, the benefit payments are increased. The amount of the increase may not exceed the increase in the cost of living since the date of retirement, or four percent of the retirement benefit compounded for each year of retirement. Under the rewrite, as proposed by this bill:

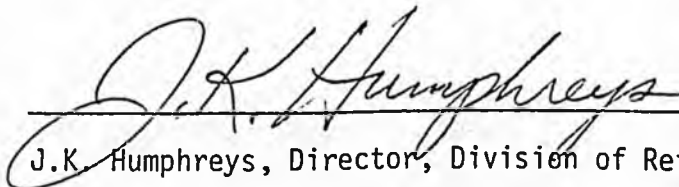
Once each year the administrator would be required to increase benefit payments to eligible disabled members and to persons age 55 or older receiving benefits in the preceding calendar year. The increase in benefit payments applies to total benefit payments except the cost-of-living allowance. The amount of the increase is a percentage of the current benefit equal to:

Position Paper

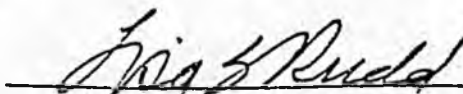
CS House Bill 252 (State Affairs)

This bill applies only to the Public Employees' Retirement System (PERS). It would provide for an automatic, post retirement pension adjustment (PRPA) and an increased benefit multiplier for covered members. Employee contributions would be increased and placed on a pre-tax basis effective January 1, 1986. The bill also contains several other cost containment provisions which would affect only those members first hired after the effective date: a partial pay provision for health coverage for retirees; no geographical cost of living allowance before age 65; no military credit if the member is eligible to receive a benefit for the same service from the Federal Government and an increase in the normal retirement age from 55 to 60.

The Department supports this bill because it provides for a more fiscally responsible funding method for post retirement pension adjustments and provides for several cost containment provisions which, while still leaving the PERS one of the most generous retirement systems in any state, provide welcome, net FY 86 savings to the State and Political Subdivisions.

  
\_\_\_\_\_  
J.K. Humphreys, Director, Division of Retirement & Benefits

4/19/85  
Date

  
\_\_\_\_\_  
Lisa Rudd, Commissioner, Department of Administration

4/24/85  
Date

STATE OF ALASKA 1985 LEGISLATIVE SESSION  
FISCAL NOTE

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

Page 1 of 3

**REQUEST**

Bill/Resolution No.: HB 252  
 Title: "An Act relating to state retirement benefits;..."  
 Sponsor: M.M. Miller  
 Requestor: \_\_\_\_\_  
 Date of Request: \_\_\_\_\_

**FISCAL DETAIL**

Agency Affected: All State Agencies  
 Program Category Affected: Labor Services  
 BRU, Program or Subprogram(s) Affected: PERS

**EXPENDITURES/REVENUES: (Thousands of Dollars)**

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
Operating						
100 Personal Svcs		60.6				
100 Rtmnt & Bnfts		18,062.3	19,507.3	21,067.9	22,753.3	24,573.6
200 Travel						
300 Contractual		108.3				
400 Supplies		1.0				
500 Equipment		10.0				
600 Land & Struct						
700 Grants, Claims						
700 TRS Match						
<b>TOTAL OPERATING</b>	<b>-0-</b>	<b>18,242.2</b>	<b>19,507.3</b>	<b>21,067.9</b>	<b>22,753.3</b>	<b>24,573.6</b>
<b>CAPITAL</b>						
<b>REVENUE</b>						

**FUNDING: (Thousands of Dollars)**

GENERAL FUND		16,328.3	17,634.6	19,045.4	20,569.0	22,214.5
FEDERAL FUNDS		830.9	897.4	969.2	1,046.7	1,130.4
OTHER		1,083.0	975.3	1,053.3	1,137.6	1,228.7
<b>TOTAL</b>	<b>-0-</b>	<b>18,242.2</b>	<b>19,507.3</b>	<b>21,067.9</b>	<b>22,753.3</b>	<b>24,573.6</b>

**POSITIONS:**

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

**ANALYSIS:** (Attach a separate page if necessary)

Prepared By: J.K. Humphreys, Director Phone: 465-4470  
 Division: Retirement & Benefits Date: 3/21/85

Approved by Commissioner: Lisa Rudd Date: 3-24-85  
 Agency: Department of Administration

Distribution (by Agency preparing fiscal note):

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

House Bill 252  
Fiscal Note Analysis  
Prepared by Division of Retirement & Benefits  
Department of Administration

March 21, 1985

IV Analysis: This bill applies only to the Public Employees' Retirement System (PERS). It would provide for an automatic, Post Retirement Pension Adjustment (PRPA) and an increased benefit multiplier for covered members. There is a provision for the employer to withhold employee contributions before taxes rather than the current after tax contributions. The bill also contains several cost containment provisions which would affect only those members first hired after the effective date. Those cost containment provisions are: a partial pay provision for health coverage for retirees; COLA before age 65; no military credit shall be granted if the member is eligible to receive a benefit for the same service from the Federal Government and increasing the normal retirement age from 55 to 60.

This is estimated to result in a 3.32% increase in the PERS employer contribution rate. The PERS state salaries for FY 86 are estimated to be \$544,046,592.00 and are estimated to increase at 8% per year.

The state cost of \$18,242.2 is calculated as follows:

The change in the PERS employer contribution rate (3.32%) times the estimated FY 86 state PERS salaries (\$544,046,592) equals	\$18,062.3
Plus administrative costs displayed on the following page	<u>179.9</u>
Total state FY 86 costs	<u>\$18,242.2</u>

In addition to the State costs above, this would result in an increase in Political Subdivision contributions as follows:

<u>FY 86</u>	<u>FY 87</u>	<u>FY 88</u>	<u>FY 89</u>	<u>FY 90</u>
\$14,230.2	\$15,368.6	\$16,598.1	\$17,926.0	\$19,360.0

The total present value of the cost of this bill in the PERS is \$159,417,000.00; the bill would cause an 11.2% decrease in the funding ratio.

House Bill 252  
Fiscal Note Analysis  
Prepared by Division of Retirement & Benefits  
Department of Administration

March 21, 1985

FY 86 Administrative Costs

Personal Services:

2 Non Permanent Retirement Technicians for 12 months	\$60.6
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Contractual:

Telephone and other Contractual costs for 2 positions	2.0
Contractual costs for enhancing the PERS.	106.3

Supplies:

Supplies for 2 positions	1.0
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Equipment:

Equipment accommodations for 2 Non-Permanent positions	<u>10.0</u>
---	-------------

Total FY 86 Administrative Costs	<u>\$179.9</u>
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Alaska Public  
Employees Association **APEA**

State Headquarters: 340 N. Franklin, Juneau, AK 99801 (907) 586-2334

TO: Representative Katie Hurley, Chairperson  
House State Affairs Committee

FROM: Cherie Shelley  
Executive Director, APEA

SUBJECT: House Bill 252 - Retirement

DATE: April 1, 1985

A guaranteed cost-of-living adjustment for retirees has long been a legislative priority of APEA and other public employee groups in Alaska. We have worked with successive legislatures to develop a bill which will provide Alaska's senior citizens with annual pension adjustments and maintain the financial integrity of the Public Employees' Retirement System.

House Bill 252 is the result of this long-standing effort. The bill contains significant cost saving provisions including:

EMPLOYEE CONTRIBUTIONS - The amount of employee contributions will be increased by two percent. Each peace officer and firefighter will contribute seven percent and every other employee will contribute six and one-quarter percent of compensation. Contributions will be deducted from employee compensation before computation of applicable federal taxes and the contributions will be picked up by the employer under 26 U.S.C. 414 (h)(2). This will have little impact on the take home pay of most employees.

NORMAL RETIREMENT AGE - The bill will increase the normal retirement age from 55 to 60 years with at least five years of credited service. This provision will apply only to members first hired after June 30, 1985.

MEDICAL BENEFITS - The bill will require retirees under the age of 60 who are not disabled to pay either all or a portion of the monthly premium for major medical insurance coverage. A retiree who is younger than 55 years must pay the full monthly premium. A retiree who is at least 55 years of age

Fairbanks Field Office  
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Fairbanks, AK 99701  
Telephone: (907) 456-5412

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Telephone: (907) 274-1688

Juneau Field Office  
227 4th Street  
Juneau, AK 99801  
Telephone: (907) 586-6305

but is less than 60 years must pay one-half the monthly premium. Disabled members or retirees 60 years of age or older will not be required to make premium payments.

The increase in employee contributions, increase in early and normal retirement ages, and payment of medical premiums will provide substantial savings to the system which will allow these benefit increases:

POST RETIREMENT PENSION ADJUSTMENT - Once each year the administrator will increase benefit payments to eligible disabled members and persons age 55 or older receiving benefits under the Public Employees' Retirement System in the preceding calendar year.

Recipients who are at least 65 years old and members receiving disability benefits will receive the lesser of 75 percent of the increase in the cost of living or nine percent. Recipients who are at least 60 but less than 65 years old will receive the lesser of 50 percent of the increase in the cost of living or six percent. Recipients who are at least 55 but less than 60 years old will receive the lesser of 25 percent of the increase in the cost of living or three percent.

The post retirement pension adjustment is effective July 1 of each year and is based on the percentage increase in the consumer price index for urban wage earners and clerical workers for Anchorage, Alaska during the previous calendar year.

BENEFIT CALCULATION - The monthly amount of a retirement benefit for a peace officer or firefighter will remain unchanged.

For all other employees, the monthly retirement benefit would be (1) two percent of the average monthly compensation multiplied by the years of credited service through ten years; plus (2) two and one-quarter percent of the average monthly compensation multiplied by the years of service in excess of ten years through twenty; plus (3) two and one-half percent of the average monthly compensation multiplied by the years of service in excess of twenty years. An actuarial adjustment would be made for an early retirement benefit.

This legislation will permit cost of living adjustments funded by increased employee contributions and cost saving changes. The Alaska Public Employees Association supports this bill and urges the committee to consider it favorably.



Alaska Public  
Employees Association **APEA**

State Headquarters: 340 N. Franklin, Juneau, AK 99801 (907) 586-2334

March 8, 1985

Representative Katie Hurley, Chairperson  
House State Affairs Committee  
Pouch V  
Juneau, AK 99811

Dear Representative Hurley:

Currently there are two bills that have been referred to your committee that are of concern to our members. The bills in question are HB 252 and HB 10.

One of the provisions of HB 252 is to increase the benefit for retirees. APEA has supported this concept for a number of years through various pieces of retirement legislation that have not seen the light of the House floor. We do know from our members who have retired and now belong to the senior citizens group that an increase in the benefit formula would be a real boon and would help alleviate some of the economic pressures that they face.

HB 10 would increase the employee/employer contributions to the Supplemental Annuity Plan under the SBS program. This would allow our state employees a more efficient use of deferred comp plans and afford them the tax shelters that are so readily available in the private sector.

Because these two pieces of legislation are high on the priority list of our members, I respectfully request that committee hearing dates are scheduled in the very near future.

Thank you.

Sincerely,

Cherie Shelley  
Executive Director

CS/kb

Fairbanks Field Office  
825-D College Road  
Fairbanks, AK 99701  
Telephone: (907) 456-5412

Anchorage Field Office  
833 Gambell Street, Suite A  
Anchorage, AK 99501  
Telephone: (907) 274-1680

Juneau Field Office  
227 4th Street  
Juneau, AK 99801  
Telephone: (907) 586-6305

# Alaska State Legislature



## House of Representatives House Judiciary Committee

Pouch V  
State Capitol  
Juneau, Alaska 99811  
(907) 465-4990

MEMO: March 29, 1985

TO: Hon. Katie Hurley  
Chairwoman, House State Affairs Committee

FROM: *for* Rep. M. Mike Miller *M*

RE: HB 252/relating to state retirement benefits

This bill would provide for an automatic funded Post Retirement Pension Adjustment (PRPA) mechanism in the Public Employees' Retirement System (PERS).

The purpose of the legislation would be to provide an annual PRPA based on inflationary increases in the Alaska cost of living, in place of the existing situation, which is an ad hoc system based on legislative whim. Under the existing situation, retirees often wait years for the legislature to provide for a cost-of-living adjustment to their pensions, during which time inflation may wreak havoc with their financial security.

In an effort to reduce fiscal impact to an acceptable level, this proposal contains significant cost containment features -- increasing retirement age, restricting the Alaska Cost of Living Allowance (COLA) to older retirees (those over age 65), providing for some payment of health costs by younger retirees -- which substantially offset the costs of the PRPA and benefit formula improvements. Further cost reduction is achieved by increasing employee contributions and providing for employer "pick-up" of these contributions -- that is, taking contributions before, instead of after, taxes so contributions to the system can be increased with no decrease in the average employee's take-home pay.

There would be a fiscal impact to the state under this bill. I know what this was calculated to be when a similar proposal was under discussion in the Thirteenth Legislature, but I am not sure what the existing fiscal note will tell us.

Attached you will find a section analysis of HB 252. Other information will be provided by the division of retirement and benefits, and by APEA.

HB 252

SECTION ANALYSIS

This bill would provide for an annual post-retirement pension adjustment (PRPA) for public employees who are members of the Public Employee Retirement System (PERS).

SECTION 1: increase the contribution rates for peace officers and firefighters, and for all other employees who are members of PERS. The section provides for the employer to deduct contributions at the end of each payroll period, prior to computation of federal payroll taxes. The section also provides for the employer to "pick up" the contribution. These two changes benefit the employee under the federal tax code, leaving most employees' net income substantially unchanged.

The change would improve cash flow for the system while providing deferred contributions from the employees.

SECTION 2: prevents PERS members from receiving PERS credit for military service for which they are also eligible to receive benefits from the federal government (prevents "double dipping")

SECTION 3: revises the formula by which federal service is credited as a result of changes made in Section 2.

SECTION 4: increases the age from 55 to 60 at which a terminated employee with five years credited service is eligible to receive normal retirement benefits.

SECTION 5: increases the age from 50 to 55 at which a terminated employee with five years credited service is eligible to receive early retirement benefits.

SECTION 6: amends the PERS benefit formula multiplier from two percent per year of service throughout the period of employment to a new multiplier based on two percent for the first ten years of employment, two-and-one quarter percent ( $2\frac{1}{4}\%$ ) for service from 11 to 20 years, and two-and-one-half percent ( $2\frac{1}{2}\%$ ) for service beyond 20 years.

SECTION 7: increases by five years, from 55 to 60, the minimum age at which an employee becomes eligible for normal retirement benefits if the employee has at least two years credited service, if the employee also is eligible to receive a normal retirement benefit under the Teachers Retirement System (TRS). <sup>Salary</sup>

SECTION 8: increases by five years (from 50 to 55) the minimum age at which an employee becomes eligible for an early retirement benefit, if also eligible to receive an early retirement salary under TRS.

SECTION 9: increases by five years the age at which a temporary legislative employee may receive a normal retirement salary (from 55 to 60) or an early retirement benefit (from 50 to 55).

SECTION 10: provides a formula for annual post-retirement pension adjustment for disabled members and retirees under PERS. The PRPA would be calculated at:

- for recipients age 65 or older, the lesser of 75 percent of the increase in the cost of living in the preceding calendar year or nine percent;
- for recipients at least 60 years of age but less than 65, the lesser of 50 percent of the increase in the cost of living in the preceding calendar year or six percent;
- for recipients at least 55 but less than 60, the lesser of 25 percent of the cost of living in the preceding calendar year or three percent.

It also provides for computation of benefits for those not receiving benefits during all of the preceding year, and for those moving from disability benefits to retirement benefits; and for occupational death benefits or survivor benefits.

The cost of living factor is to be based on the consumer price index for urban wage earners and clerical workers for Anchorage, as determined by the U.S. Department of Labor, Bureau of Labor Statistics.

SECTION 11: limits Alaska cost-of-living allowance (COLA) currently paid to all PERS benefit recipients who reside in Alaska (regardless of retirement age) to those who are disabled or are age 65 or older and who reside in Alaska.

SECTION 12: amends the major medical benefits program to provide for a three-tiered health payment plan. Under this provision, members under age 55 would pay the entire major medical insurance premium; those between 55 and 60 would pay one-half of the premium; those over age 65 would not be required to pay a premium.

SECTION 13: amends the definition of "compensation" to include the employer-"picked up" contributions under Sec. 1 of this bill.

SECTION 14: amends the definition of "early retirement" to increase the age of eligibility from 50 to 55.

SECTION 15: Provides that sections of this bill which reduce or take away benefits, in conformance with the doctrine established in the court case Hoffbeck v. Hammond, apply only to those employees hired after this legislation takes effect. Other sections apply to all existing PERS members as well as future hires.

SECTION 16: Effective date -- July 1, 1985 assuming passage of the bill during the first session of the Fourteenth Legislature.

There is a fiscal note for the bill.

####

# Alaska State Legislature




## House of Representatives House Judiciary Committee

Pouch V  
State Capitol  
Juneau, Alaska 99811  
(907) 465-4990

MEMO: March 14, 1985

TO: Hon. Katie Hurley  
Chairwoman, State Affairs Committee

FROM: Rep. M. Mike Miller 

RE: HB 10/re: Voluntary contributions to SBS  
HB 252/re: PERS: Retirement age; benefits amendments  
Request for hearings

MAR 14 1985

I would appreciate the timely scheduling of the above-referenced bills for a hearing by the State Affairs Committee.

HB 10 is a relatively simple bill that would allow public employees to make voluntary contributions to the supplemental benefits system; there would be no fiscal impact.

HB 252 is broader in scope, and does have fiscal impact. The bill would provide for an annual cost-of-living adjustment to retirees under PERS instead of the existing ad hoc adjustments made at the whim of the legislature. The bill would put the adjustment on a sound actuarial basis, partly with funding by the state, and partly through increased contributions by employees and an increase in the retirement age eligibility for most state workers (future hires).

Bob Speed of my staff is following these two bills, and can provide information, as can Cherie Shelley of APEA. Please feel free to discuss this request with me at your convenience.

P.O. Box 89036  
Anchorage, Alaska 99508  
March 7, 1985

Representative Katie Hurley  
Alaska State Legislature  
Pouch V  
Juneau, Alaska 99811

MAR 11 1985

Dear Representative Hurley,

I submit the following comments to House Bill 252 concerning state retirement benefits.

Section 2. concerning credit for military service. I support this amendment and have done so since double benefits for military service were first permitted.

Section 6. concerning a retroactive increase in retirement benefits for current employees. (Amendments do not benefit retirees unless expressly stated in the amendment. AS 39.35.547)

I disagree with current employees receiving a retroactive increase in benefits for years of service that the retirees were also employees. The retirees have made the same retirement contributions for those past years as the current employees have. The cost of the increased benefits to current employees will come from either the existing PERS resources or from additional state funding. If the state has funds available for retroactive benefits, then those funds should be used to benefit both retirees and employees. In no case should the PERS reserves be used to fund retroactive benefits that are not granted equally to both retirees and employees.

Funding benefits for employees and not retirees impacts the state resources that are available to retirees, because the employee's benefits consume all of the available money leaving nothing to correct the retirees' problems that are caused by inflation and other factors. An example is the recent adjustment made by the Department of Administration whereby the medical benefits deductible was changed from \$50 to \$100. There are 3000 retirees, so the maximum savings to be made is approximately \$150,000. Yet the state is willing to spend money to fund retroactive benefits for current employees.

Benefits for current employees are frequently the subject of APEA negotiations with the state and there may have been trade-offs for the medical deduction increase, but the retirees got no trade-off. The retirees got only the increased expense. The retirees have no representation nor are we in the position to negotiate. Our only representation at the "bargaining table" is by our elected legislators.

*Retirees  
&  
Katie  
where is bill  
I should  
acknowledge*

The fair solutions are either to grant the retroactive service credit to retirees or to eliminate the retroactive service credit for employees and, instead, apply the benefit formula only to service after the effective date of the Act. Either program should be easy to administer in this day of computers.

Section 10. concerning the post-retirement pension adjustment (PRPA). The present PRPA is a maximum of 4% when approved by the Department of Administration and when the financial condition of the retirement fund permits.

According to the Division of Retirement and Benefits, retirees would continue to benefit from any "ad hoc" PRPA's which might be granted under the old law if that were more to their advantage. However, the financial condition of the retirement fund could be impaired by retroactive benefits granted to current employees so that the PRPA cannot be granted to the current retirees.

The PRPA amendments proposed by HB 252 are skewed to future retirees who are already 65 or older when the consumer price index (CPI) increase is at least 5 1/3%. Those future retirees under 65 will be worse off unless the CPI increase is 8% or more and retirees between 55 and 60 will be worse off regardless of how high the CPI goes. The Division of Retirement and Benefits says that this is intended because the younger retirees have more options available with which to make up their losses to inflation. However, under the proposed law, if an employee retires at 55 and the annual CPI increase is 6%, that retiree will be 19% behind the cost of living at age 60; 30% behind at 65; and 40% behind at 75. During those 20 years, that retiree will have had to supplement his retirement benefits with an additional \$1180 for each \$100 of retirement benefits at age 55 in order to maintain the original standard of living.

Under the present PRPA, that same retiree will be 9% behind at 60; 17% behind at 65; and 32% behind at 75 and will have had to supplement the benefit with \$799 during the 20 years. And, the present law does permit some catch-up for years when the CPI increase is less than 4%.

As admirable as the proposed PRPA for the older retirees might appear, the only way an employee can maintain a semblance of parity with the cost-of-living is to never retire! Current employees benefit from cost-of-living increases in their salaries which are then the basis for calculating their retirement benefits. But the minute the employee retires, he begins to fall behind the power curve of inflation. But if the present PRPA or the proposed PRPA are beneficial, then perhaps similar cost-of-living adjustments should be applied to current employees.

In any case, I believe that all retirees should receive the same PRPA. We all contributed to PERS with the expectation of receiving benefits based on the same formula.

No one anticipated the high rate of inflation that has occurred since 1968. Based on previous experience, the state established the 4% PRPA which was thought to be adequate to maintain parity for retirees. The state presently manages to keep up with the CPI in its employees' salaries, so it seems that it should be able to keep up with the CPI in its retirees' benefits and not expect the retirees to adjust to a 75%, 50% or 25% shortfall.

But, if the state can't afford to fund a PRPA that maintains parity with the CPI for retirees, or it can't afford to retroactively increase benefits to retirees, or it can't afford a \$50 deductible health insurance for retirees, then it can't afford to retroactively increase the retirement benefits of employees.

Sincerely,

A handwritten signature in cursive script that reads "Tom E. Main".

Tom E. Main

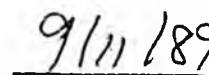


# RECORDS CERTIFICATION



I, the undersigned, an employee of the State of Alaska, do hereby certify that the microfilm images on this microform are accurate reproductions of the original records of the State of Alaska as accumulated during the regular course of business, and that it is the established policy and practice of this State to microfilm its records and to dispose of the original records after microfilm reproductions have been made.

  
Signature of Camera Operator

  
Date

HB

262

HOUSE STATE AFFAIRS COMMITTEE

Bill Number 262 Title Child Care in State State Date Rec'd \_\_\_\_\_

Fiscal Note	Position Paper	Date requested	From	Amount	Date Rec'd	
					Note	Paper
DOT/PF		<del>3/18/85</del>	Clashum		✓	✓
MESS			FVS	Ø	✓	✓
C&RA					✓	✓
DOT					✓	✓

CONTACTS

BACKUP LIST

Nancy Crockett : Clocks in notified  
 Rob Walker : H. Research x 3751  
 Liz Show : Ass't. A.G. x 3603  
 Ed Kern : LAA legal x 2450

- C&RA pos papers F-note ✓
- Univ. of Ark pos papers ✓
- MESS pos paper x
- MESS F-note ✓
- DOT/PF F-note ✓
- DOT/PF analysis
- DOT/PF pos ✓

HEARING INFORMATION

tentative ~~3/18/85~~ 3/27 (7c) - Legal Analysis  
 4-8 4-10 - revised DOT/PF F-note

Rudd to attend

NOTES:

companion SB 165 4/4/85 SFIN

DOT/PF Susan Fleischauer x 3900 notified  
 APEA notified 3/18/85 3/26 sending pos paper  
 Dr. Julie Carnahan, EXEC. ASST to CHANCELLOR - Files Univ 'Ark  
 786-1920 notified  
 will send report  
 ♀ Commission notified 3/19/85  
 Karen Cooper Providence Hosp 3/23 left mess.  
 Lidia Serkess notified 4/1 Pudge Klennhoff

FINAL ACTION

passed out CS HB 262  
 4-10-85 backup to Finance 4-21-85

See subject files: Daycare

COMMITTEE REPORT

4/15

HOUSE

(7)

FURTHER: FINANCE

3/4/85

Date: April 10, 1985

Mr. Speaker:

The Committee on STATE AFFAIRS has had HB 262

"An Act relating to child care centers in state buildings; and providing for an effective date."

under consideration and reports it back as follows:

- do pass  do not pass
- do pass with attached amendments(s)
- replace with CS for HB 262 (SA)  same title  
 new title
- and recommends it do pass
- AND attaches a "Letter of Intent"  New Fiscal Note *Supp 48*  
 Zero Fiscal Note Attached
- reports it back without recommendation
- referred to the \_\_\_\_\_ Committee

MEMBERS SIGNING DO PASS

[Signature]

[Signature]

[Signature]

[Signature]

[Signature]

[Signature]

[Signature]

[Signature]

[Signature]

[Signature]

MEMBERS HAVING OTHER RECOMMENDATIONS:

[Signature]

[Signature]

[Signature]

[Signature]

[Signature]

[Signature]

[Signature]

CHAIRMAN

working

Introduced: 3/4/85  
Referred: State Affairs  
and Finance

BY CLOCKSIN, POURCHOT, COLLINS,  
DUNCAN, GOLL, GRUENBERG, HURLEY,  
KOPONEN, M.M. MILLER, PEARCE,  
SUND AND UEHLING

1 IN THE HOUSE

2 HOUSE BILL NO. 262

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to child care centers in state  
7 buildings; and providing for an effective date."

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

9 \* Section 1. FINDINGS AND INTENT. (a) The legislature finds that it  
10 is in the public interest to foster the productivity of Alaska workers and  
11 to encourage and assist Alaska parents to further their own formal educa-  
12 tion. The achievement of these goals will be served by establishing facil-  
13 ities for quality child care services in or near the workplace and on the  
14 campuses of the University of Alaska and the state's community colleges.  
15 To that end, this Act provides for the creation of privately operated child  
16 care centers in <sup>certain</sup> state buildings.

17 (b) It is the intent of the legislature to encourage private employ-  
18 ers to provide adequate child care facilities for their employees.

19 \* Sec. 2. AS 35.10.010 is amended to read:

20 Sec. 35.10.010. STANDARD PLANS AND SPECIFICATIONS AND LIMITATION  
21 ON COST. The department shall prepare and adopt plans and specifica-  
22 tions and determine standards for the construction of each public  
23 work. Each public work shall be limited in cost to the amount of the  
24 appropriation made for that purpose. The plans and specifications may  
25 be amended from time to time as the department considers advisable,  
26 except that plans for a child care center under AS 35.10.021 may not  
27 be deleted or substantially altered. This section does not apply to  
28 the construction of school buildings in incorporated cities, unless  
29 the construction is done in whole or in part with state funds, or to

1 the construction of school buildings when the construction amounts to  
2 less than \$2,000.

3 \* Sec. 3. AS 35.10 is amended by adding a new section to read:

4 Sec. 35.10.021. CHILD CARE CENTERS IN STATE BUILDINGS. (a) ~~The~~ <sup>A</sup>  
5 ~~person or agency responsible~~ <sup>BOARD OF ACTS</sup> for planning the construction, expansion,  
6 or major renovation of a building owned or leased by the state, shall  
7 determine the need for a child care center in the building. The  
8 determination shall be based on an assessment of

9 (1) the child care needs of public and private employees  
10 who work in the building or in neighboring buildings;

11 (2) the child care needs of students who attend classes or  
12 other school functions in the building or in neighboring buildings;

13 (3) the availability of licensed child care centers located  
14 within a convenient distance from the building.

15 (b) If it is determined under (a) of this section that a child  
16 care center is needed in a building that is owned or leased by the  
17 state, then (1) plans for construction, expansion, or major renovation  
18 of the building shall include plans for a child care center in the  
19 building; and (2) a child care center shall be established in the  
20 building. The child care center shall be designed to meet and shall  
21 meet state health, safety, and licensing requirements.

22 (c) The person or agency responsible for assigning or leasing  
23 space in a building in which a child care center under this section is  
24 determined to be needed and is required to be located shall award a  
25 contract for the lease of space in the building on a competitive bid  
26 basis to a private licensed child care services provider for the  
27 operation of the child care center. The bid requests shall specify  
28 that the child care center must (1) comply with state health, safety,  
29 and licensing requirements; (2) provide learning activities

1 appropriate to the ages of the children enrolled in the center; (3)  
2 maintain a staff-to-child ratio that permits proper supervision of the  
3 children enrolled in the center; and (4) allow and encourage parental  
4 involvement in the center's activities, including unannounced visits  
5 by parents. The bid requests shall specify and the lease shall  
6 provide that the space for the child care center be rented at a rate  
7 equal to the average cost per square foot of space leased by child  
8 care providers in the community in which the building is located as  
9 determined by the person or agency responsible for assigning or  
10 leasing the space.

*Boucher/Navard  
SUS? Amy*  
11 (d) Use of a child care center in a building owned or leased by  
12 the state is open to the public, subject to state health, safety, and  
13 licensing requirements. However, preference may be made for the child  
14 care needs of the public and private employees working in or near the  
15 building.

16 (e) The requirements of (a) and (b) of this section do not apply  
17 to a building leased by the state under a pre-built lease providing  
18 for renovations for the state if the building cannot meet or *be reasonably*  
19 renovated to meet the indoor and outdoor space requirements for a child  
20 care center that are established under regulations adopted by the  
21 Department of Health and Social Services.

22 (f) The Department of Administration may adopt regulations to  
23 implement the provisions of this section.

24 (g) In this section

25 (1) "building" means a building in which the space occupied  
26 by state employees is used primarily for administrative, clerical,  
27 educational, or executive functions;

28 (2) "leased" means leased under a pre-built lease with  
29 provisions for renovations for the state or under a lease for a

1 building to be built according to state specifications, but "leased"  
2 does not include the renewal of existing leases.  
3 \* Sec. 4. This Act takes effect immediately in accordance with AS 01.-  
4 10.070(c).

new sec 4.  
(1)  
(2)

# MEMORANDUM

State of Alaska  
Department of Transportation & Public Facilities

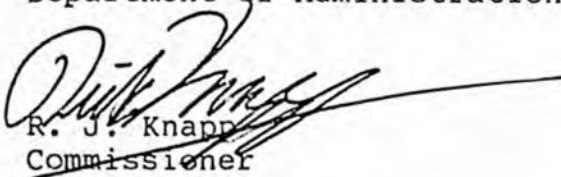
TO: Lisa Rudd  
Commissioner  
Department of Administration

DATE: April 8, 1985

FILE NO:

TELEPHONE NO: 465-3900

FROM:

  
R. J. Knapp  
Commissioner

SUBJECT: HB 262

For some time now, we have been wrestling with a fiscal note and position paper addressing House Bill No. 262. This bill relates to child care centers in State buildings.

The proposed bill places the responsibility for adopting regulations to implement child care centers in State buildings with your department. Since your staff would be more familiar with how the program would be carried out, we would like to provide you with the cost data on a square foot basis which could be used to do a complete analysis and fiscal note for the bill.

As we see it, there are really only two conditions that need to be addressed. They are as follows:

Condition No. 1 - Renovation of existing space to accommodate a child care center. The cost to the State would be approximately 55 dollars per square foot, and would apply whether the space is owned or leased.

Condition No. 2 - Construction of new space to accommodate a child care center. The cost to the state for this condition would be about 173 dollars per square foot, and would apply to either State-owned or leased space.

I hope this information is sufficient to permit a complete fiscal note for the bill.

RECEIVED  
OFFICE OF ADMINISTRATION  
DEPT. OF TRANSPORTATION & PUBLIC FACILITIES

1985 APR -8 A 10 42

RECEIVED

STATE OF ALASKA 1985 LEGISLATIVE SESSION  
FISCAL NOTE

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

Page 1 of 3

**REQUEST**

Bill/Resolution No.: CS HB 262(SA)  
 Title: An act relating to child care centers in State buildings  
 Sponsor: Clocksin, Pourchot, et al.  
 Requestor: \_\_\_\_\_  
 Date of Request: \_\_\_\_\_

**FISCAL DETAIL**

Agency Affected: DOT/PF and Administration  
 Program Category Affected: \_\_\_\_\_  
 BRU, Program or Subprogram(s) Affected: DOT/PF--Design and Construction  
Administration--Leasing and Facilities

**EXPENDITURES/REVENUES: (Thousands of Dollars)**

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
<b>OPERATING</b>						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL	-0-	61.0	51.0	107.0	102.0	158.0
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
<b>TOTAL OPERATING</b>	-0-	61.0	51.0	107.0	102.0	158.0
<b>CAPITAL</b>	-0-	61.0	51.0	107.0	102.0	158.0
<b>REVENUE</b>	-0-	61.0	51.0	107.0	102.0	158.0

**FUNDING: (Thousands of Dollars)**

GENERAL FUND	-0-	61.0	51.0	107.0	102.0	158.0
FEDERAL FUNDS						
OTHER						
<b>TOTAL</b>	-0-	61.0	51.0	107.0	102.0	158.0

**POSITIONS:**

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

**ANALYSIS: (Attach a separate page if necessary)**

Analysis attached, pages 2 and 3.

Prepared By: Robert J. Link  
 Division: General Services & Supply

Phone: 465-2250

Date: April 10, 1985

Approved by Commissioner: Lisa Rudd  
 Agency: Department of Administration

Date: 4-12-85

**Distribution (by Agency preparing fiscal note):**

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

Rev. 7/1/84

HB 262  
Fiscal Note Analysis  
Prepared by Division of General Services & Supply  
Department of Administration

Space Requirements:

35	Square feet inside space per child
<u>x 1.40</u>	40% circulation, bathroom facilities, kitchen, other common area
49	Square feet of inside space per child
<u>x 50</u>	Children
2,450	Square feet
<u>+ 800</u>	Square feet (one adult per each six children at 100 square feet per adult)
3,250	Total square feet inside space for a 50-child facility

3,250 square feet x \$2.50 (estimate cost per square foot) - \$8,125.00 per month

75	Square feet of outside space per child
<u>x 50</u>	Children
3,750	Total square feet outside space for a 50-child facility

3,750 square feet (outside) x \$.10 (estimate cost per square foot) = \$375.00 per month.

8,125	Per month inside space
<u>+ 375</u>	Per month outside space
8,500	Per month total x 12 months = \$102,000.00 annual space cost per 50-child facility in a State leased facility

102,000	Annual space cost
5,000	Implementation study per facility
5,000	Cost to write regulations
<u>97,500</u>	3,250 square feet x 2.50 (estimate cost per square feet) x 12 months (cost of new leased office space if child care facility is placed in a fully occupied State-owned building, displacing State personnel).
388,250	Gross cost to implement one child care center in a State-owned facility including 178,750 Renovation costs (per Department of Transportation and Public Facilities estimate)
<u>- 51,000</u>	Private operator's estimated current space costs per 50-child facility
337,250	Net cost to implement one child care center in a State-owned building
<u>- 276,250</u>	Cost avoidance if no State personnel are displaced and child care center is placed in leased space
61,000	Net cost to implement one child care center in a State-leased building

Based on the recent history of State space renovations and/or consolidations, we estimate that child care facilities would be implemented at the rate of one every two years.

Explanation of costs FY 86 through FY 90 at an implementation rate of one 50-child day care center every two years in a State-leased facility.

FY 86	51,000	Subsidy cost of leased space first child care center
	5,000	Implementation study per facility
	+ 5,000	Cost to write regulations
	<u>61,000</u>	Total*
FY 87	51,000	Subsidy cost of leased space first child care center continued
FY 88	51,000	Subsidy cost of leased space first child care center continued
	5,000	Implementation study for second facility
	+ 51,000	Subsidy cost of leased space second child care facility
	<u>107,000</u>	Total
FY 89	102,000	Subsidy cost of leased space first and second child care centers continued
FY 90	102,000	Subsidy cost of leased space first and second child care centers continued
	5,000	Implementation study for third facility
	51,000	Subsidy cost of leased space third child care center
	<u>158,000</u>	Total

The subsidy costs of leased space are based on the difference in cost of leased office space versus the estimated cost of leased child care facility space. For the purpose of this analysis, office space is valued at \$2.50 per square foot and child care facility space is valued at \$1.25 per square foot.

Department of Transportation and Public Facilities has advised us that the additional cost to add a day care center on to a new State facility being constructed by the State, would cost approximately \$563,000.

\*This does not include the funding the Department of Transportation and Public Facilities would require to prepare the standard plans and specifications required by the bill.

Original sponsors: Clocksin, Pourchot,  
Collins, et al

1 IN THE HOUSE

BY THE STATE AFFAIRS COMMITTEE

2 CS FOR HOUSE BILL NO. 262 (State Affairs)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to child care centers in state  
7 buildings; and providing for an effective date."

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

9 \* Section 1. FINDINGS AND INTENT. (a) The legislature finds that it  
10 is in the public interest to foster the productivity of Alaska workers and  
11 to encourage and assist Alaska parents to further their own formal educa-  
12 tion. The achievement of these goals will be served by establishing facil-  
13 ities for quality child care services in or near the workplace and on the  
14 campuses of the University of Alaska and the state's community colleges.  
15 To that end, this Act provides for the creation of privately operated child  
16 care centers in certain state buildings.

17 (b) It is the intent of the legislature to encourage private employ-  
18 ers to provide adequate child care facilities for their employees.

19 \* Sec. 2. AS 35.10.010 is amended to read:

20 Sec. 35.10.010. STANDARD PLANS AND SPECIFICATIONS AND LIMITATION  
21 ON COST. The department shall prepare and adopt plans and specifica-  
22 tions and determine standards for the construction of each public  
23 work. Each public work shall be limited in cost to the amount of the  
24 appropriation made for that purpose. The plans and specifications may  
25 be amended from time to time as the department considers advisable,  
26 except that plans for a child care center under AS 35.10.021 may not  
27 be delatad or substantially altered. This section does not apply to  
28 the construction of school buildings in incorporated cities, unless  
29 the construction is done in whole or in part with state funds, or to

1 the construction of school buildings when the construction amounts to  
2 less than \$2,000.

3 \* Sec. 3. AS 35.10 is amended by adding a new section to read:

4 Sec. 35.10.021. CHILD CARE CENTERS IN STATE BUILDINGS. (a) A  
5 person or agency, when planning the construction, expansion, or major  
6 renovation of a building owned or leased by the state, shall determine  
7 the need for a child care center in the building. The determination  
8 shall be based on an assessment of

9 (1) the child care needs of public and private employees  
10 who work in the building or in neighboring buildings;

11 (2) the child care needs of students who attend classes or  
12 other school functions in the building or in neighboring buildings;

13 (3) the availability of licensed child care centers located  
14 within a convenient distance from the building.

15 (b) If it is determined under (a) of this section that a child  
16 care center is needed in a building that is owned or leased by the  
17 state, then (1) plans for construction, expansion, or major renovation  
18 of the building shall include plans for a child care center in the  
19 building; and (2) a child care center shall be established in the  
20 building. The child care center shall be designed to meet and shall  
21 meet state health, safety, and licensing requirements.

22 (c) The person or agency responsible for assigning or leasing  
23 space in a building in which a child care center under this section is  
24 determined to be needed and is required to be located shall award a  
25 contract for the lease of space in the building on a competitive bid  
26 basis to a private licensed child care services provider for the  
27 operation of the child care center. The bid requests shall specify  
28 that the child care center must (1) comply with state health, safety,  
29 and licensing requirements; (2) provide learning activities

1 appropriate to the ages of the children enrolled in the center; (3)  
2 maintain a staff-to-child ratio that permits proper supervision of the  
3 children enrolled in the center; and (4) allow and encourage parental  
4 involvement in the center's activities, including unannounced visits  
5 by parents. The bid requests shall specify and the lease shall pro-  
6 vide that the space for the child care center be rented at a rate  
7 equal to the average cost per square foot of space leased by child  
8 care providers in the community in which the building is located as  
9 determined by the person or agency responsible for assigning or leas-  
10 ing the space.

11 (d) Use of a child care center in a building owned or leased by  
12 the state is open to the public, subject to state health, safety, and  
13 licensing requirements. However, preference may be made for the child  
14 care needs of the public and private employees working in or near the  
15 building.

16 (e) The requirements of (a) and (b) of this section do not apply  
17 to a building leased by the state under a pre-built lease providing  
18 for renovations for the state if the building cannot meet or reason-  
19 ably be renovated to meet the indoor and outdoor space requirements  
20 for a child care center that are established under regulations adopted  
21 by the Department of Health and Social Services.

22 (f) The Department of Administration may adopt regulations to  
23 implement the provisions of this section.

24 (g) In this section

25 (1) "building" means a building in which the space occupied  
26 by state employees is used primarily for administrative, clerical,  
27 educational, or executive functions;

28 (2) "leased" means leased under a pre-built lease with  
29 provisions for renovations for the state or under a lease for a

1 building to be built according to state specifications, but "leased"  
2 does not include the renewal of existing leases.

3 \* Sec. 4. This Act applies only to

4 (1) buildings for which construction, expansion, or major reno-  
5 vation plans are developed on or after the effective date of this Act; and

6 (2) buildings for which construction, expansion, or major reno-  
7 vation plans have been developed, but the construction, expansion, or major  
8 renovation of which has not begun before the effective date of this Act.

9 \* Sec. 5. This Act takes effect immediately in accordance with AS 01.-  
10 19.070(c).

# STATE OF ALASKA

## DEPT. OF COMMUNITY & REGIONAL AFFAIRS

OFFICE OF THE COMMISSIONER

BILL SHEFFIELD, GOVERNOR

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JUNEAU, ALASKA 99811  
PHONE: (907) 465-4700

949 E. 36TH AVENUE, SUITE 400  
ANCHORAGE, ALASKA 99508  
PHONE: (907) 563-1073

March 26, 1985

MAR 26 1985

### POSITION PAPER

RE: House Bill 262

SPONSOR: Representative Clackson, et. al.

#### Program Effects of Bill

The Department of Community and Regional Affairs supports the concept of employer related exploration of child care incorporated in House Bill 262.

The State of Alaska is one of the larger employers in Alaska. Nationally, employer related child care has become a major issue for employers and employees. This increased demand is largely the result of the increasing prevalence of two-wage earner and single parent families. In Alaska:

- o 43% of the jobs are held by women;
- o A higher percentage of working mothers are in the labor force;
- o Of all husband and wife teams, 52% are both wage earners;
- o 46% of women who have children under six years of age, are in the labor force;
- o 70% of single women who have children under six years of age are in the labor force;
- o 23% of single parent men have responsibility for children who are under six years of age.

Studies by employers who have instituted some form of employer support of their working parents have found:

- o reduction in absenteeism;
- o increase in productivity;

- o reduction in turn over; and
- o ease of recruiting new employees.

In Alaska, the number of employers involved in support of on-site child care is growing:

- o Providence Hospital built a \$2.1 million Child Development Center with 146 child care spaces for its' employees and operates 18 hours a day, 365 days per year. Current child care charges are \$335 for a preschool child;
- o Ketchikan General Hospital renovated existing space for a 43-space center, operates 16 hours daily and charges \$265;
- o Fort Wainwright has just completed a \$2.5 million, 100 child care space facility for its soldier parent children. The center currently has a waiting list of 200 children, and it is anticipated another center will be built. The current charges are \$285 a month for a preschool child;
- o The Kodiak Coast Guard base is in the final stages of planning for its new child care center for its' employees;
- o Tanaina is a 60 space child development center for children of staff and students at the University of Alaska, Anchorage and Anchorage Community College. The current charges are \$360 for a preschool child.

During the past year our staff has consulted with businesses, employee groups and community college personnel and support groups relating to on-site child care. In some instances, near-site space was available and would meet the needs of working parents. In other instances other options, such as voucher programs have been instituted by the employer. And there are times both the employer and the employees agree that on-site care is the most desirable model.

Dr. Dana Friedman, Conference Board, and a leading authority on corporate child care states that "government has a role as educator, broker, facilitator and role model". House Bill 262 would see State government as role model. Dr. Friedman will be in Alaska on April 11th with Harold Heinze, President of ARCO, Alaska, Inc., will address these issues for corporate executive officers.

States which currently provide on-site child care are: Washington, California, New York, and Missouri. Other states are surveying employer needs to determine potential use, as has the State of Alaska in its Juneau survey.

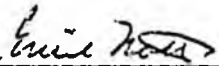
With Alaska as the fastest growing state in the nation, a population younger than the national average, the second highest birthrate of the fifty states, a population with the second highest educational attainment, and a higher percentage of its women with children under the age of six years in the active labor force, the pressure on employers to respond to the needs of working parents will continue to grow.

House Bill 262 is one way for the State of Alaska, as an employer, to explore the needs of its working families.

Fiscal Impact:

The Department does not perceive any fiscal impact. Staff already consult with employers on needs for child care in a given community or location.

If parents are eligible for the Day Care Assistance Programs, they are either already participating or are on a waiting list to participate. The impact on this program would be a transfer of care from one child care facility to another. If parents are students, the same circumstances are projected to be true.

  
\_\_\_\_\_  
Emil Notti, Commissioner

STATE OF ALASKA 1985 LEGISLATIVE SESSION  
FISCAL NOTE

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

REQUEST

Bill/Resolution No.: HB 262  
 Title: Child Care centers in  
State buildings.

FISCAL DETAIL

Agency Affected: DCRA  
 Program Category Affected: \_\_\_\_\_

Sponsor: Rep. Clocksin, et al.  
 Requestor: State Affairs Committee  
 Date of Request: \_\_\_\_\_

BRU, Program or Subprogram(s) Affected: \_\_\_\_\_

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
<b>OPERATING</b>						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
<b>TOTAL OPERATING</b>		-0-	-0-	-0-		

<b>CAPITAL</b>						
----------------	--	--	--	--	--	--

<b>REVENUE</b>						
----------------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

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

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: Attach a separate page if necessary

Prepared By: Jennifer Fate  
 Division: Commissioner's Office

Phone: 465-4700  
 Date: 3/25/85

Approved by Commissioner: Emil Motti  
 Agency: Community and Regional Affairs

Date: 3/26/85

Distribution (by Agency preparing fiscal note):

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

7/1/84

## ANALYSIS - HB 262

### Program Description

The state would place child care centers within state owned and leased buildings when it is determined that the facility would "foster the productivity" and assist in furthering the formal education of the Alaska worker. Preference, towards the use of the facility, would be granted to the workers in or near the building.

### Program Implementation

The program as proposed would consist of a five year program which would produce facilities capable of servicing 1260 full time children. The composition of the day care facilities statewide would be a mix of both leased and owned facilities. Assumptions giving rise to the fiscal note expenditures and program implementation are as follows:


- (1) It is assumed that all state owned buildings and any planned or not yet leased building would be subject to Sec. 35.10.021. This would make the program available to nearly all communities statewide.
- (2) A five year implementation period is needed to effect changes statewide in an orderly fashion.
- (3) Children at the ratio of 14 per 100 employees are expected to participate with an employment base of 9,000.
- (4) Minimum statewide facility size shall be 68.3 square feet per child.
- (5) Statewide construction costs would be \$60.64/sq. ft. (1985 dollars) and inflated 4% per year until constructed. Such costs are based on providing 75% of all facilities through lease agreements (requiring an average upgrade of \$20.00/sq. ft.) and 25% of all facilities by new construction at \$150.00/sq. ft.
- (6) Lease costs as provided in line 300 of the operating budget reflect costs originated in the Fiscal Note pertaining to SB 165 dated 2/25/85 and prepared by Division of General Services and Supply, Department of Administration.



Dept. of Transportation & Public Facilities

# Position Paper

BILL NO: HB 262

APPROVED:   
R. J. Knapp  
Commissioner

TITLE: An act relating to child care centers  
in state buildings

DATE: March 14, 1985

---

Recommendation:

It is recommended that the scope of the legislation be revised to implement a smaller one year pilot program that could be used to establish three day care centers. Such an option could provide information which would either substantiate or refute the assumptions contained within the legislation. This would be similar in scale to the program budgeted in the Fiscal Note for SB 165.

Comments:

- (1) Initial costs of a one year pilot program could be accomplished for approximately \$350,000 which would provide day care in the following manner:
  - (a) Urban 50 child facility - lease cost \$61,000/yr (as per Fiscal Note, SB 165). Remodel costs \$65,000.
  - (b) Suburban 15 child facility - new construction \$146,000.
  - (c) Bush 5 child facility - new construction \$78,000.
- (2) Terminology changes with HB 262:
  - (a) The terminology "or its delegated authority" should be included after the words "The department", line 21, page 1.
  - (b) The terminology "of Administration" should be deleted from line 22, page 3. †

STATE OF ALASKA  
THE LEGISLATURE

POUCH Y STATE CAPITOL  
JUNEAU, ALASKA 99811  
907 465 3800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

March 22, 1985

SUBJECT: Sectional analysis of HB 262  
TO: Representative Don Clocksin  
FROM: Edward H. Hein *EHH*  
Legislative Counsel

Section 1 states the legislative findings and intent relating to the need for child care centers in state buildings.

Section 2 provides that Department of Transportation and Public Facilities may not delete or substantially alter plans for a child care center in a state building.

Section 3 requires that any person or agency that plans construction, expansion or major renovation of a state building determine whether there is a need for a child care center in the building. If there is such a need, the construction, etc. plans must include plans for a child care center and a center must in fact be established in the building. The center must be designed to and must actually meet state health, safety, and licensing requirements. The center will be leased to a private licensed child care services provider on a competitive bid basis. The bid requests must specify that the center must comply with health, safety and licensing requirements; must provide learning activities; must maintain certain staff-to-child ratios; and must allow parental involvement. The lease shall be at an average rate for child care centers in the community. Use of the center is open to the public, but there may be a preference for employees in or near the building. A state building need not have or plan for a child care center if the building is leased by the state under a pre-built lease and the building cannot meet or be renovated to meet the state's space requirements for a center.

EHH:csh  
c3/060

POSITION PAPER

HOUSE BILL 262

For an Act entitled: "An Act relating to child care centers in state buildings; and providing for an effective date."

As the agency with primary responsibility for child protection, the Department of Health and Social Services views safe and adequate child care as a critical measure to prevent child abuse and neglect. The department supports House Bill 262 which provides for child care centers in state buildings.

The Department of Health and Social Services is impacted in that it has the responsibility to license all child care facilities. It will be important that the department be consulted early in the planning process to ensure that child care center plans meet all applicable licensing requirements including fire safety, sanitation, staffing, and program requirements. These requirements must be met before the center begins operation. The responsibility to provide technical assistance to new programs is already within the scope of the department's responsibilities and activities.

With 19,300 employees, the State of Alaska, including the university system, is the largest employer in the state. As such it is most appropriate that the state act as a model to encourage private employers to provide adequate child care facilities for their employees. There is a demonstrated need for additional child care facilities; there are cost benefits in terms of employee job satisfaction, productivity, and reduced employee absences and turnover; and finally there are benefits to family relationships in providing opportunity for parents to be near their children.

The division supports this bill but would also suggest adding a provision to the bill that would allow the state to contract for a satellite system of family child care homes. This concept would extend child care in certain locations where there may not be sufficient need to establish a center. It could also be used where parents prefer a home setting especially for infants and for school age children. A satellite system of family child care homes could meet the child care needs of such employees with provision for a central operator's office provided either in the state building or contracted through a nearby center or other social service organization. A satellite system of licensed family child care homes could be operated where there is insufficient need for an on-site child care center. It could also be operated in conjunction with the on-site child care center.

There would be benefits to the private home providers in cost sharing, supportive services, and referral; and there would be benefits in meeting the needs of parents whose school age children need child care but where it is not feasible to transport the school age child to an on-site center.

Position Paper  
House Bill 262  
Page 2

The department believes that such a system would serve as an enhancement to a child care center and provide a form of employer assisted child care in areas where a center is not feasible, and therefore has consulted with the Department of Administration and gained concurrence that mechanisms for such systems could be accommodated in regulations. There would be no additional department fiscal impact to accommodate a satellite family child care home concept. Application for licensure of homes would be handled as it is currently handled, and the department would have the additional support of a central operator in supervising those homes.

To summarize, the department supports this bill and the concept it promotes with the recommendation that the bill be revised to provide for satellite home systems as an additional method to meet employees' child care needs. The department would be available to provide consultation regarding an amendment if requested.

RECOMMENDED:

Michael L. Price

Michael L. Price, Director  
Division of Family  
and Youth Services

DATE:

March 12, 1985

APPROVED:

John R. Pugh  
John R. Pugh, Commissioner  
Department of Health  
and Social Services

DATE:

3/17/85

STATE OF ALASKA 1985 LEGISLATIVE SESSION  
FISCAL NOTE

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

REQUEST

Bill/Resolution No.: HB No.262  
 Title: An Act relating to child care centers in state buildings  
 Sponsor: Rep. Clocksin  
 Requestor: \_\_\_\_\_  
 Date of Request: 3/4/85

FISCAL DETAIL

Agency Affected: Health and Social Services  
 Program Category Affected: Social Services  
 BRU, Program or Subprogram(s) Affected: Purchased Services BRU, Social Services BRU

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
<b>OPERATING</b>						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
<b>TOTAL OPERATING</b>	-0-	-0-	-0-	-0-	-0-	-0-
<b>CAPITAL</b>	-0-	-0-	-0-	-0-	-0-	-0-
<b>REVENUE</b>	-0-	-0-	-0-	-0-	-0-	-0-

FUNDING: (Thousands of Dollars)

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

POSITIONS:

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

ANALYSIS: Attach a separate page if necessary

N/A

Prepared By: Michael L. Price Phone: 465-3170  
 Division: Family and Youth Services Date: 3/7/85

Approved by Commissioner: John A. Pyle Date: 3/17/85 JCC  
 Agency: Health & Social Services

Distribution (by Agency preparing fiscal note):

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

# STATE OF ALASKA

## DEPARTMENT OF LAW

OFFICE OF THE ATTORNEY GENERAL

BILL SHEFFIELD, GOVERNOR

REPLY TO:

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POUCH K - STATE CAPITOL  
JUNEAU, ALASKA 99811  
PHONE: (907) 465-3600

465-3603

April 10, 1985

The Honorable Katie Hurley  
Alaska State Legislature  
Pouch V  
Juneau, AK 99811

Re: HB 262 Child Care Centers  
in State Buildings

Dear Representative Hurley:

You have asked this office to comment on the "constitutionality" of proposed AS 35.10.021(d) which provides:

Use of a child care center in a building owned or leased by the state is open to the public, subject to state health, safety, and licensing requirements. However, preference may be made for the child care needs of the public and private employees working in or near the building.

The portion of that provision which concerns you is the last sentence regarding possible "preferential" treatment for employees in or near the building in which the day care is located. Your main focus at the hearing on April 8, 1985, was the fact that these employees whose children attend day care in a state building would be enjoying a benefit not available to other persons. You have questioned whether it is permissible to treat these two groups differently allowing the possibility that preference will be given to one group based at least partially on the location of the parent's work place. The equal protection contention would be that some parents were denied equal protection as they are not given preference in day care facilities.

When no fundamental right or suspect category is involved, the test used in determining questions of equal protection in Alaska is considered to be flexible and dependent upon

the importance of the rights involved. 1/ The Alaska Supreme Court has articulated a test in which one initially must look to the purpose of the statute, viewing the legislation as a whole, and the circumstances surrounding it. Examining the means used to accomplish the legislative objectives and the reasons advanced therefore, one must then determine whether the means chosen substantially further the goals of the enactment. Finally, the state interest in the chosen means must be balanced against the nature of the constitutional right involved. 2/

One of the purposes of providing for child care centers in state buildings is to allow parents and children to be in close proximity during the parents' work hours. To foster that goal, preference for placement at a child care center may be given to parents who work in or near the child care center. 3/ The goal implied in the proposed legislation appears to be a valid one ... providing child care in a manner which is beneficial to parent and child. The means chosen to meet that goal ... providing for child care facilities in state buildings is fairly and substantially related to the goal, as is the possible preference to be given to employees working in or near the building containing the day care. These facilities would serve as examples to other public and private businesses to provide day care

---

1/ For purposes of this discussion we assume that day care in a state building may be viewed as a right based on the fact that the rental charge for the space will be subsidized by the state to insure that the facility can compete with other day care facilities in the area. We assume that the argument is that a state benefit is being provided and that there should be no impermissible discrimination practiced in distributing the benefit. Here the "discrimination" involved is based not on where a person lives, or on his or her status as a public or private employee, but on whether his or her place of employment is in or near a state building that houses a child care center.

2/ Isakson v. Rickey 550 P.2d 359, 363 (Alaska 1976).

3/ One might also liken this situation to the neighborhood school concept. But here we do not have the problem of invidious discrimination as a result of racially segregated housing areas. Please note that the language of the provisions is permissive. Preference is not mandated. The Department of Administration may use its regulatory authority to specify when preference may actually be given.

The Honorable Katie Hurley  
Alaska State Legislature  
Re: HB 262

April 10, 1985  
Page 3

facilities. It appears that the classification chosen by the proposed legislation bears a fair and substantial relation to the object of the legislation and would therefore meet Alaska's equal protection test.

Sincerely yours,

NORMAN C. GORSUCH  
ATTORNEY GENERAL

By:

*Elizabeth L. Shaw*  
Elizabeth L. Shaw  
Assi *EL* Attorney General

ELS:bap

STATE OF ALASKA 1985 LEGISLATIVE SESSION  
FISCAL NOTE

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

REQUEST

Bill/Resolution No.: CS HB 262(SA)  
 Title: Child Care centers in  
 State buildings.

FISCAL DETAIL

Agency Affected: DCRA  
 Program Category Affected: \_\_\_\_\_

Sponsor: Rep. Clocksin, et al.

BRU, Program or Subprogram(s) Affected: \_\_\_\_\_

Requestor: State Affairs Committee

Date of Request: \_\_\_\_\_

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
<b>OPERATING</b>						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
<b>TOTAL OPERATING</b>		-0-	-0-	-0-		

<b>CAPITAL</b>						
----------------	--	--	--	--	--	--

<b>REVENUE</b>						
----------------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

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

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: Attach a separate page if necessary

Prepared By: Jennifer Fate  
 Division: Commissioner's Office

Phone: 465-4700  
 Date: 3/25/85

Approved by Commissioner: Emil Notti  
 Agency: Community and Regional Affairs

Date: 3/26/85

Distribution (by Agency preparing fiscal note):

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

STATE OF ALASKA 1985 LEGISLATIVE SESSION  
FISCAL NOTE

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

REQUEST

Bill/Resolution No. HB No. 262 (SA)  
Title: An Act relating to child care centers in state buildings

Sponsor: Rep. Clocksin

Requestor: \_\_\_\_\_

Date of Request: 3/4/85

FISCAL DETAIL

Agency Affected: Health and Social Services

Program Category Affected: Social Services

BRU, Program or Subprogram(s) Affected: \_\_\_\_\_

Purchased Services BRU, Social Services

BRU

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
<b>OPERATING</b>						
100 PERSONNEL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
<b>TOTAL OPERATING</b>	-0-	-0-	-0-	-0-	-0-	-0-

<b>CAPITAL</b>	-0-	-0-	-0-	-0-	-0-	-0-
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<b>REVENUE</b>	-0-	-0-	-0-	-0-	-0-	-0-
----------------	-----	-----	-----	-----	-----	-----

FUNDING: (Thousands of Dollars)

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

POSITIONS:

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

ANALYSIS: Attach a separate page if necessary

N/A

Prepared By: Michael L. Price *Michael L. Price* Phone: 465-3170  
Division: Family and Youth Services Date: 3/7/85

Approved by Commissioner: *John R. Pyle* Date: 3/17/85 *JCC*  
Agency: Health & Social Services

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget

STATE OF ALASKA 1985 LEGISLATIVE SESSION  
FISCAL NOTE

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

Page 1 of 3

REQUEST

Bill/Resolution No.: HB 262  
 Title: An act relating to child care centers in State buildings  
 Sponsor: Clocksink, Pourchot, et al.  
 Requestor: \_\_\_\_\_  
 Date of Request: \_\_\_\_\_

FISCAL DETAIL

Agency Affected: DOT/PF and Administration  
 Program Category Affected: \_\_\_\_\_  
 BRU, Program or Subprogram(s) Affected: DOT/PF--Design and Construction  
Administration--Leasing and Facilities

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
<b>OPERATING</b>						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL	-0-	61.0	51.0	107.0	102.0	158.0
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
<b>TOTAL OPERATING</b>	-0-	61.0	51.0	107.0	102.0	158.0
<b>CAPITAL</b>	-0-	61.0	51.0	107.0	102.0	158.0
<b>REVENUE</b>	-0-	61.0	51.0	107.0	102.0	158.0

FUNDING: (Thousands of Dollars)

GENERAL FUND	-0-	61.0	51.0	107.0	102.0	158.0
FEDERAL FUNDS						
OTHER						
<b>TOTAL</b>	-0-	61.0	51.0	107.0	102.0	158.0

POSITIONS:

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

ANALYSIS: (Attach a separate page if necessary)

Analysis attached, pages 2 and 3.

Prepared By: Robert J. Link *Robert J. Link A*  
 Division: General Services & Supply

Phone: 465-2250  
 Date: March 26, 1985

Approved by Commissioner: Lisa Rudd *LJR*  
 Agency: Department of Administration

Date: 3/27/85

Distribution (by Agency preparing fiscal note):

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

Rev. 7/1/84

HB 262  
Fiscal Note Analysis  
Prepared by Division of General Services & Supply  
Department of Administration

Space Requirements:

35	Square feet inside space per child
<u>x 1.40</u>	40% circulation, bathroom facilities, kitchen, other common area
49	Square feet of inside space per child
<u>x 50</u>	Children
2,450	Square feet
<u>+ 800</u>	Square feet (one adult per each six children at 100 square feet per adult)
3,250	Total square feet inside space for a 50-child facility

3,250 square feet x \$2.50 (estimate cost per square foot) - \$8,125.00 per month

75	Square feet of outside space per child
<u>x 50</u>	Children
3,750	Total square feet outside space for a 50-child facility

3,750 square feet (outside) x \$.10 (estimate cost per square foot) = \$375.00 per month.

8,125	Per month inside space
<u>+ 375</u>	Per month outside space
8,500	Per month total x 12 months = \$102,000.00 annual space cost per 50-child facility in a State leased facility

102,000	Annual space cost
5,000	Implementation study per facility
5,000	Cost to write regulations
<u>97,500</u>	3,250 square feet x 2.50 (estimate cost per square feet) x 12 months (cost of new leased office space if child care facility is placed in a fully occupied State-owned building, displacing State personnel).
209,500	Gross cost to implement one child care center in a State-owned facility
<u>- 51,000</u>	Private operator's estimated current space costs per 50-child facility
158,500	Net cost to implement one child care center in a State-owned building
<u>- 97,500</u>	Cost avoidance if no State personnel are displaced and child care center is placed in leased space
61,000	Net cost to implement one child care center in a State-leased building

Based on the recent history of State space renovations and/or consolidations, we estimate that child care facilities would be implemented at the rate of one every two years.

Explanation of costs FY 86 through FY 90 at an implementation rate of one 50-child day care center every two years in a State-leased facility.

FY 86	51,000	Subsidy cost of leased space first child care center
	5,000	Implementation study per facility
	<u>+ 5,000</u>	Cost to write regulations
	61,000	Total*
FY 87	51,000	Subsidy cost of leased space first child care center continued
FY 88	51,000	Subsidy cost of leased space first child care center continued
	5,000	Implementation study for second facility
	<u>+ 51,000</u>	Subsidy cost of leased space second child care facility
	107,000	Total
FY 89	102,000	Subsidy cost of leased space first and second child care centers continued
FY 90	102,000	Subsidy cost of leased space first and second child care centers continued
	5,000	Implementation study for third facility
	<u>51,000</u>	Subsidy cost of leased space third child care center
	158,000	Total

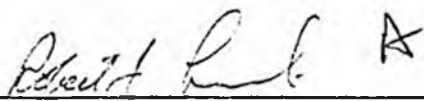
The subsidy costs of leased space are based on the difference in cost of leased office space versus the estimated cost of leased child care facility space. For the purpose of this analysis, office space is valued at \$2.50 per square foot and child care facility space is valued at \$1.25 per square foot.

\*This does not include the funding the Department of Transportation and Public Facilities would require to prepare the standard plans and specifications required by the bill.

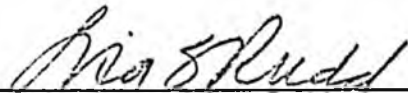
Position Paper  
HB 262

The Department of Administration agrees that quality child care services located in or near the workplace and on the campuses of the University of Alaska and the State's community colleges will foster the productivity of the Alaska workers and encourage and assist them in furthering their own formal education.

Department of Administration favors passage of this bill.

  
\_\_\_\_\_  
Robert J. Link  
Director  
Division of General Services & Supply  
Department of Administration

3/26/85  
\_\_\_\_\_  
Date

  
\_\_\_\_\_  
Commissioner Lisa Rudd  
Department of Administration

3/27/85  
\_\_\_\_\_  
Date

STATE OF ALASKA 1985 LEGISLATIVE SESSION  
FISCAL NOTE

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

REQUEST

Bill/Resolution No.: HB262  
 Title: Child Care Centers in  
           State Buildings  
 Sponsor: Clocks in, Pourchot...  
 Requestor: \_\_\_\_\_  
 Date of Request: March 26, 1985

FISCAL DETAIL

Agency Affected: DOT&PF/Administration  
 Program Category Affected: \_\_\_\_\_  
 BRU, Program or Subprogram(s) Affected: \_\_\_\_\_

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
<b>OPERATING</b>						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
<b>TOTAL OPERATING</b>		*				

<b>CAPITAL</b>		*				
----------------	--	---	--	--	--	--

<b>REVENUE</b>		*				
----------------	--	---	--	--	--	--

FUNDING: (Thousands of Dollars)

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

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: Attach a separate page if necessary

\* Unknown. See attached.

Prepared By: John Simpson, Director  
 Division: Standards & Technical Services

Phone: 465-2951  
 Date: March 27, 1985

Approved by Commissioner: [Signature]  
 Agency: DOT&PF

Date: March 27, 1985

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

7/1/84

ANALYSIS - HB 262

As the provisions of this bill apply to leased office space, the fiscal impact identified by the Department of Administration for SB 165 appears to be reasonable.

However, it was not possible to determine the fiscal impact of this bill for new construction or expansion or renovation of existing state owned buildings.

While the initial cost of renovation can be reasonably estimated at about \$20/sq. ft. and new construction costs are estimated at about \$150/sq. ft. we have no way to estimate what the revenue from leasing the space to child care operators would be at this time.

NOTE: Representative costs will be provided to the sponsor by Thursday, March 28, 1985.

# Employers Who Help With the Kids

Providing child-care benefits can benefit the company, too.

By Carol Dilks

**Y**OUNG CHILDREN are making their way into the workplace—not in the flesh, but as an issue. There are now more households with two working parents than ever, and businesses are beginning to take their first toddling steps to meet such workers' child-care needs.

Though the number of companies providing substantial assistance is still small, it is growing rapidly—from around 100 in 1978 to nearly 600 in 1983, according to the Health and Human Services Department. And employers are seeing some pretty clear benefits for themselves.

One study found that many employed parents miss occasional days at work, arrive late or leave early because of inability to arrange child care or because existing arrangements fall through. Others are anxious about the reliability of their present care. An anxious parent makes an unproductive worker.

*CAROL DILKS is a free-lance writer based in Philadelphia.*

By helping employes find quality day-care or after-school programs, companies report they can reduce absenteeism while making themselves more attractive to present and potential workers.

Miriam Kertzman, program director of a child-care center operated by Stride-Rite, a Boston manufacturer of children's shoes, says: "We found a great change in punctuality and a tremendous change in morale. Companies in this area have a tough time competing for good workers, but we get our share easily."

Day-care benefits help a business hold on to skilled staff, too. In hospitals, which have a high proportion of female employes, employer-sponsored centers have grown much more quickly than the general pace. The Fox Chase Medical Center in Philadelphia started its center two years ago, sharing the cost of care with parents.

Personnel Director Mary Dixon notes that Fox Chase saw "a reservoir of well-trained people who need to be encouraged to return to work once they've had children." She reports that

not only are more of them coming back, but maternity leaves are generally much shorter.

Such programs entail expenses for the employer. But, as Dana Friedman, senior research fellow at the Work and Family Information Center in New York, points out, everything a firm does to support child care is either tax-deductible or eligible for a tax credit.

Most services are considered necessary business expenses. Others may be covered by the Economic Recovery Tax Act of 1981, which allows child-care expenses to be paid separately from the worker's paycheck, using funds that are not subject to withholding of income, Social Security or federal unemployment taxes. The business owner therefore is offering benefits that do not increase payroll taxes.

**B**USINESSES HAVE taken several basic approaches to child care. At the head of the list is I&R—information and referral. About 900 companies offer I&R to their employes, either directly or through specialized agencies. An

PHOTOS: CARRIE ALFIER



Stride-Rite President Arnold Hiatt (left) enjoys a few moments with children at a company-supported day-care center in Cambridge, Mass. Below: It is time for some special attention from a staff member.



## White House Goal: Involving CEOs

Chief executives from major corporations in nearly 20 cities have already attended or will soon be invited to luncheon seminars organized by the White House. The purpose: to discuss what they and other business leaders can do to improve child care for employees.

Called "Employer Options To Support Working Families," the program was begun last year and will continue through early 1984.

"The major purpose of the seminars is to provide information which may change corporate attitudes toward child care," James K. Coyne, special assistant to the President for private sector initiatives, recently told a Senate committee.

In addition to on-site day-care centers, "many other alternatives have been developed to allow employers greater flexibility in their support of quality child care," he said. Coyne's office wants to make CEOs aware of options like flextime, referral services and charitable contributions.

"We also want employers to realize

the benefits to the company derived from recognition of working parent employees," Coyne said, citing increased productivity, enhanced company loyalty and lower absenteeism.

The office gets a prominent CEO in each target community to host the luncheon. The CEO agrees to invite 50 colleagues from other local firms, and his company picks up the tab. Among the host companies have been Seafirst Corporation in Seattle, the Tandy Corporation in Fort Worth and CIGNA in Hartford.

A luncheon hosted by First Interstate Bank in Portland, Ore., last summer resulted in quick action. The local child-care coordinating council needed funds to computerize its information and referral service. Within a month, it had over \$30,000 in corporate contributions.

An outline of material covered in the seminars can be obtained from: Office of Private Sector Initiatives, Room 134, White House, Washington, D.C. 20500. Ask for the executive summary on child care.

I&R agency researches local facilities and publishes its findings regularly for the company's staff, supplying details about location, age groups, hours and number of slots available.

Boston's Child Care Resource Center is an I&R agency that assists 500 to 600 parents monthly, three quarters of them working parents. The director, Ethel McConaghy, estimates that over 3,000 day-care providers in the area are included in the center's data base.

Among its business clients is the New England Life Insurance Company. Out of 3,500 employees, about 200 have made use of the center.

After I&R, the most popular form of day-care assistance is the voucher system: A company pays care providers directly to secure a reduced rate for its employees. About 500 businesses offer vouchers to their workers, according to one employe benefits specialist. Several follow a standard format worked out with Kinder-Care Learning Centers, a child-care chain based in Montgomery, Ala., which has almost 800 facilities coast to coast. Kinder-Care, in what it calls its "Kindustry" program, gives a 10 percent discount to industry participants if the employer provides a matching amount, creating a 20 percent price reduction for the employe.

There are other options. Campbell Soup Company President Gordon McGovern wanted an on-site center in Camden, N.J., but did not want to take on the task of creating it. Kinder-Care

cooperated with Campbell in renovating a building, then stocked it with Kinder-Care staff and equipment. The center works under a management contract, with parents paying tuition established by Campbell. Campbell picks up about half of the cost for each child, so that employes contribute as little as \$25 per week.

**A** SHINING EXAMPLE of corporate child-care programs is that of Stride-Rite. Its program was started in 1971 as the result of a request for funds for a community preschool center.

Stride-Rite President Arnold Hiatt reasoned that a corporate contribution to such a center might as well benefit the company's employes, too. So half the children cared for by the facility must belong to Stride-Rite employes. The Boston center worked so well that in January, 1983, the company opened another, in Cambridge, Mass.

Both centers derive their income in small part from the school lunch program and from the state department of social services' payments for many children from the community. Other funds come from Stride-Rite and tuition paid by parents. Stride-Rite's people pay a per-child cost of 10 percent of any weekly salary up to \$250 and 15 percent beyond that. The annual tab for Stride-Rite, including both its subsidies to employes and its continuing contributions to the center: \$150,000.

Arnold Hiatt sees the programs not

only as an effective company benefit but also as a valuable contribution to the community. "Half the children are from the community, from very low income levels," he says. "They need a lot of help—medical, psychological and educational—and they get it here."

Salary reduction is the method that, according to the Work and Family Information Center's Dana Friedman, is "sweeping the country" among small professional firms, such as law offices and architects. Employes' salaries are decreased by the amount of their day-care expenses (as long as this does not exceed the income of a lower-earning spouse). The boss then pays the day-care provider.

**T**HE BUSINESS saves a small amount on taxes, since it reduces its payroll expenditure. But it is the employe who really gains, because taxable income is reduced. Friedman predicts the Internal Revenue Service will eventually limit this system, perhaps by imposing a ceiling on the percentage of salary that can be excluded from the paycheck. In the meantime, some parents are shaving their taxes by thousands of dollars per year.

To determine which model would work best for a company, Margaret Rappaport, executive director of Front-runners, a Philadelphia consulting service, recommends that the company start with a needs assessment. It should appoint a task force to study facilities in the area.

Then it must map a strategy: Does it want a single effort or a consortium, a voucher or an I&R? The company should ask child-care experts and employe representatives for help.

If businesses are detecting a mere whisper of interest in day care today, they may face a roar a decade from now. Census projections suggest that there will be more than 10 million preschoolers with mothers in the work force by 1990, up from 8.4 million in 1982. Every one of those women will rely on some form of day care.

The need is not felt only by women, however. "In some companies, those who have done the most to advance the cause are men, who can carry the banner more openly," says Dana Friedman. She adds: "I call it the 'Kramerization' of the work force," alluding to the film "Kramer vs. Kramer," in which a father takes on the role of single parent.

Child-care needs also cut across lines of station. Managers, as well as the rank and file, feel the pinch. "Day care used to be a blue-collar problem," Friedman asserts, "but over time, corporate response to it will increase because the middle class needs it." □



To order reprints of this article, see page 57.

THIS IS A POSITION  
 IN WHICH DAY  
 CARE HAS  
 BECOME A BASIC  
 FAMILY NEED

These days, most parents of young children work outside the home. Two-job couples have become the rule rather than the exception, according to some sources and, the number of single parents has doubled in the past decade. The Alaska State Department of Community and Regional Affairs Child Care Coordinator, Lare, says Alaska has the second highest percent of 0 to five-year-olds in the nation, with 10.4%.

In Alaska, married couples who both work outside the home, comprise 49% of the participating labor-force. A full 63% of single parent mothers, who work in Anchorage, have chil-

dren under age six.

About two million children currently receive formal, licensed day care, nationwide. In a wave of fundamental social change, day care is becoming a basic need of the American family.

Operating a day-care facility is expensive—\$5,000 per year per child, by some estimates. An average single mother in Alaska, with a child under the age of two will probably have to spend 49% of her income on child care. Day care is labor-intensive, which hurts in two ways: high fees for parents and low pay for workers.

Research shows that children do best when they are cared for by the same people consistently. Small groups are also important. This means better quality day care can be provided by more highly paid workers; there's more incentive. This can be achieved if there is enough money available—usually only with the assistance of a working parent's employer.

Though the number of companies providing substantial assistance is still small, it is growing rapidly, according to the Federal Health and Human Ser-

vices Department. One study found that many employed parents miss occasional days at work, arrive late or leave early because of inability to arrange child care or because existing arrangements fall through. Others are anxious about the reliability of their present care. An anxious parent makes an unproductive worker.

By helping employees find quality day care or after-school programs, companies report they can reduce absenteeism while making themselves more attractive to present and potential workers.

Day-care benefits help a business hold on to skilled staff, too. In hospitals, which typically have a high proportion of female employees, employer-sponsored centers have grown much more quickly than the general pace.

Census projections, nationwide, suggest that there will be more than 10 million preschoolers with mothers in the work force by 1990, up from 8.4 million in 1982. Every one of those women will rely on some form of day care.



*Working mothers at Providence Hospital are able to visit their children over the lunch hour at the adjacent Center for Child Development. Here, co-workers visit as the mother, right, nurses her baby.*



*Whenever a teacher sits down with a book to read, a crowd is quick to gather.*

PROVIDENCE  
 HOSPITAL  
 CENTER FOR CHILD DEVELOPMENT  
 PROVIDENCE  
 HOSPITAL  
 CENTER FOR CHILD DEVELOPMENT  
 PROVIDENCE  
 HOSPITAL  
 CENTER FOR CHILD DEVELOPMENT

There are 400 hospitals, nationwide, that have on-site day-care facilities, according to Sandra Burud, who has a doctorate in Education from Claremont College and owns a consulting firm that deals with helping employers examine and then set up day-care assistance for employees. There are 150 other types of businesses, nationwide, that have on-site day care. And there are 2,850 com-

*Continued on page 14*

# Day Care

Continued from page 6

panies around the country that have changed their benefits offered to employees to accommodate the needs of working parents, she says.

Hospitals have been doing this since the Civil War, relates Burud in a telephone interview from her Los Angeles office. Hospitals are typically "less timid" about providing a human service since that is what they are already doing, essentially. And hospitals typically have unique schedul-

ing problems.

The Center for Child Development, Providence Hospital is "the prettiest facility I've ever seen," says Burud. "It's a beautiful environment. Very pleasant for children and staff; staff are delighted to work in such an environment. This center also had the highest start-up costs I'm familiar with in a hospital day-care center—but the greater investment's paid off in a more attractive facility." Burud was retained by Providence Hospital as a consultant.

"The educational orientation is typical of hospital child care since it's of higher quality. When an employer has an on-site day care," Burud explains, "they want it to be high quality

or else it cuts down on attractiveness of the program for working parents. This type requires more teachers, trained in early childhood education, compensated at a higher rate.

"Day care, in general, is troubled with low-paid staff; it produces high turnover which is what an employer wants to avoid. High turnover is a situation that creates worry for the working parent," says Burud.

"The employer's resources contribute to the total funding of child care. Parents typically can't afford high quality day care alone. A company then finds that they save money through this contribution; turnover, recruitment costs and absenteeism are avoided. The investment ends up saving hospitals money," concludes Burud.

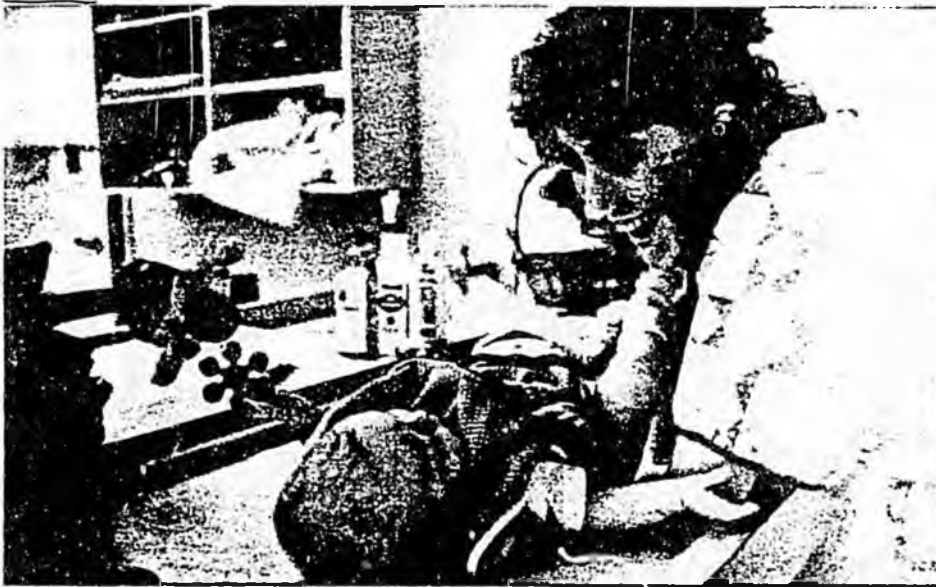
She goes on to give the example of a hospital in South Dakota, Sioux Valley Hospital, who did a study of the measurable benefits of their on-site day care over a period of time. The hospital contributed \$150,000 a year as an operating subsidy to their day-care center. Their study showed that they save \$90,000 annually on reduced absenteeism and \$160,000 in reduced turnover.

When the program is educationally oriented, Burud feels, it is necessarily of higher quality and this, in turn, improves employee morale in helping reduce worry and lowering turnover. □



Meals are served family style. Three meals a day plus snacks are provided by the Child Center. Children are encouraged to serve themselves, pass requested dishes and, in general, conform to accepted table customs. Teachers share meals with the children.

Below: Babies from two months to about 10 months are cared for in the Infant Room. Those who work with the children have been chosen for not just their qualifications, but also for their personal warmth and interest in the age group that they have been hired to work with.



Sources of information include: "What Price Day Care," Newsweek, 9-10-84 and "Employers Who Help With the Kids," Nation's Business (a U.S. Chamber of Commerce Publication) 2-84.



Preschoolers, age three to five, occupy their own wing of the Child Center.



## UNIVERSITY OF ALASKA, FAIRBANKS

Fairbanks, Alaska 99701

## A POSITION PAPER: SENATE BILL NO. 165

As student representatives of the University of Alaska, Fairbanks, the Legislative Council is responsible for bringing the needs of the student body to the State Legislature. An issue, not only important to students, but to all parents and future parents in the state of Alaska, is the need for accessible and adequate child care facilities. The introduction of Senate Bill No. 165 initiates the possibility of such facilities, and thus correlates directly with the growth and development of the state of Alaska.

1. Section (1) of this bill states that child care facilities are necessary and desirable to "foster the productivity of Alaska workers and to encourage and assist Alaska parents to further their own formal education". The student body agrees with this statement and furthermore, we contend that, without adequate child care, detrimental results, such as fewer educated residents and stagnation of state development, will occur.

2. Section (2) of this bill states that if a state owned or state leased building is constructed, expanded or renovated, the need for child care must be investigated, and if it is determined that child care is necessary, a child care center must be included in the construction plans. The student body feels that this is an adequate way to expand opportunities for parents and contribute to the growth and development of the state of Alaska. By taking responsibility for providing child care, the state of Alaska will illustrate it's desire for equal opportunity for all residents and it's desire for an atmosphere which stimulates better quality and more productivity in the work force and in higher education.

The state of Alaska is growing at a rapid rate and it must accommodate the needs of it's citizens in order to continue this upward trend. Child care is a needed accommodation, especially when 14.5% of Alaska's population is under the age of five years old and 51.5% of Alaska's population is in the child bearing age (18-44 years). Post-secondary education and a strong work force are major elements that must be maintained in order for Alaska to become a stronger state. Accessible and quality child care is a key factor needed to maintain these elements, and with passage of this bill, many Alaskans will be positively affected.

ANCHORAGE COMMUNITY COLLEGE STUDENT ASSOCIATION

Resolution 85-12  
By Chris A. Tolladay

WHEREAS a need for additional child care facilities has long existed at Anchorage Community College, and

WHEREAS additional child care facilities would assist parents desiring to further their formal education, and

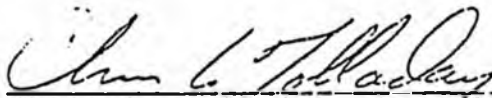
WHEREAS the Anchorage Community College Student Association is charged with promoting the welfare of students, and

WHEREAS the ACCSA is recognized as the unified voice of all ACC students in matters regarding their welfare, and

WHEREAS the intent of SB 165 is deemed to be in the best interest of students, be it therefore

RESOLVED that the ACCSA officially and formally adopt this resolution as an expression of support for SB 165. Be it further

RESOLVED that this resolution be forwarded to the sponsors of SB 165, the Anchorage legislative delegation, the student regent, the University of Alaska Legislative Liaison, the Alaska Commission on Postsecondary Education, the Statewide Student Information Network, and other student government groups in the State of Alaska.

  
Chris A. Tolladay, President, ACCSA

  
Date Approved

## PROJECTED DEMAND FOR DAYCARE BY ACC STUDENTS

Loretta Seppanen, OIR, 2/27/85

An estimated 20% of all credit students enrolled for more than 3 credits would use daycare facilities at their class site if provided by ACC. The vast majority of those students would be willing to pay \$300 a month for this service. Less than 5% of the group wanting daycare would be willing to pay \$450 or more for the service. This means that just over 1,000 students would use daycare services at this time if they were provided.

These estimates are derived from data from a survey of ACC former students. Students who had enrolled for credit courses and completed more than 3 credits were included in the study. As this was a mail survey the sample was slightly more female, more white and Asian/Pacific Islander, and older than the population they represent, never-the-less the 1,111 people in the sample fairly represent ACC credit students. Of this group 19.3% indicated they would have used day care services at ACC if they had been available while they were students for a price of between \$300 and \$500 per month.

Based on this data and an assumption that some Anchorage residents do not enroll because of lack of child care, the 20% of all credit students enrolled for 3 or more credits has been derived.

It would be reasonable to project the need for childcare for at least 20% of our credit students enrolled for 3 credits or more for the near future. As the population of Anchorage ages in the next century this level of demand should drop slightly.

WCL  
w  
Resolution  
85-12

# *League of Women Voters of Alaska*

## STATEMENT IN SUPPORT OF HOUSE BILL 262

The League of Women Voters of Alaska supports the passage of HB 262. Long an advocate of the concept, encouragement and adequate funding of quality Day Care in Alaska, the League is pleased that legislation establishing a plan for child care facilities in state buildings has again been introduced.

The bill's needs assessment provisions appear to encompass the appropriate factors to consider when determining if a child care center should be included in construction or major renovation plans. The needs of the employees concerned plus the availability of nearby acceptable alternatives are sound criteria.

We applaud the inclusion of specific Day Care requirements in the bid request (Sec. 35.10.021 (c)).

The presence of on-site child care for employees is no longer considered a frill but, rather, is increasingly the norm as it becomes recognized that parents, particularly women, who must work need quality day care for their children. Proximity of this care to the workplace can mean a more stable work force with lower rates of absenteeism and job termination, so benefits accrue to employers as well.

Thank you for your consideration of our views.

Paula Ziegler  
President

A M E N D M E N T

Offered in the HOUSE

By Clocksin

TO: HB 262

Page 1, line 16, after "in" insert "certain"

Page 2, line 4:

Delete "The"

Insert "A"

Page 2, line 5:

Delete "responsible for"

Insert ", when"

Page 2, line 6:

After "state" insert ", "

Page 3, line 18:

After "or" insert "reasonably"

Page 4, after line 2, insert a new bill section to read:

"\* Sec. 4. This Act applies only to

(i) buildings for which construction, expansion, or major renovation plans are developed on or after the effective date of this Act; and

(2) buildings for which construction, expansion, or major renovation plans have been developed, but the construction, expansion, or major renovation of which has not begun before the effective date of this Act."

Renumber the remaining bill section.

STATE OF ALASKA  
THE LEGISLATURE

POUCH Y - STATE CAPITOL  
JUNEAU, ALASKA 99811  
907-465-3800

LEGISLATIVE AFFAIRS AGENCY  
LEGISLATIVE REFERENCE LIBRARY

May, 1988

Copies of minutes listed below were originally included in this file. The minutes are available on the STAIRS database CMPR. In order to save space copies of minutes have not been left in the files.

Mary Van Nimwegen

*HSA 3-27-85 3pm*