ALASKA LEGISLATURE COMMITTEE FILES, 1989-1990 8672

6667 SENATE STATE AFFAIRS

1071

Original sponsor(s): SEN. DUNCAN, Faiks, Szymanski, Halford, Sturgulewski

IN THE SENATE BY THE STATE AFFAIRS COMMITTEE

CS FOR SENATE BILL NO. 343 (State Affairs)

IN THE LEGISLATURE OF THE STATE OF ALASKA

SIXTEENTH LEGISLATURE - SECOND SESSION

A BILL

For an Act entitled: "An Act relating to the retirement incentive program; and providing for an effective date."

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

* Section 1. Section 2(b), ch. 89, SLA 1989, is amended to read:

(b) The organizational units of a plan must be selected so that implementation of the plan results in maximum savings to the employer in personal services costs within <u>five</u> [THREE] years after the commencement of the plan. A plan that results in savings in personal services costs in any amount that is in excess of all costs to the employer qualifies under this section. The designation may include only representatives from job classifications whose inclusion contributes to the overall cost savings.

* Sec. 2. Section 2(d), ch. 89, SLA 1989, is amended to read:

(d) A participating employer shall prepare and file the retirement incentive plan with the administrator. For state employees other than university employees, the administrator may approve a designated organizational unit only if the office of management and budget certifies that the unit's participation in the plan meets the requirements of (b) of this section. The administrator shall approve the plan if it meets the requirements of this section. The plan must

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

(2) include a reimbursement agreement that

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

(i) the actuarial equivalent of the difference between the benefits the participant receives after the addition of the retirement incentive under this section and the amount the participant would have received without the incentive, less the total of the amount the participant has paid on the indebtedness determined under (e) or (f) of this section and the amount paid under (i) of this section, if any; and

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

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

* Sec. 3. Section 2, ch. 89, SLA 1989, is amended by adding a new subsection to read:

(i) In order to establish eligibility for participation under (b) of this section, and in addition to the employee indebtedness required under (e) or (f) of this section, an employee may elect to assume a portion of the employer liability calculated under (d) of this section. An outstanding indebtedness at the time the employee is appointed to retirement will require an actuarial adjustment to the benefits.

* Sec. 4. Section 3(d), ch. 89, SLA 1989, is amended to read:

(d) Under a plan adopted under this section, the administrator may not accept the application of an employee unless the employee will be appointed to retirement on or before

(1) February 1, 1991, for employees of the division of elections who were employed by the division of elections on or before February 1, 1990;

(2) November 1, 1990, for all other employees.

* Sec. 5. Section 9(a), ch. 89, SLA 1989, is amended to read:

(a) If a participant in the retirement incentive program is reemployed as a member of the public employees' retirement system under AS 39.35 or the teachers' retirement system under AS 14.25 after appointment to retirement under the program, the participant loses the incentive credit received under sec. 2(g) of this Act and is indebted to the system. The amount of the indebtedness is equal to 110 percent of the amount the participant received as a result of participation in the program to which the participant was not otherwise entitled, including the cost of health insurance. The participant is entitled to a credit to be applied against the reemployment indebtedness in the amount the participant has paid under sec. 2(e), [OR] (f), and (i) of this Act. Interest accrues on the indebtedness at the rate established by regulation from the date of reemployment until the member is appointed to retirement and accepts an actuarial adjustment to the member's future benefits or until the amount is paid in full.

* Sec. 6. This Act takes effect immediately under AS 01.10.070(c).

Offered: 5/9/89 6-0287P

Original sponsors: Duncan and Kerttula

IN THE SENATE BY THE CONFERENCE COMMITTEE

CONFERENCE CS FOR SENATE BILL NO. 73

IN THE LEGISLATURE OF THE STATE OF ALASKA

SIXTEENTH LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled: "An Act relating to retirement incentive programs for the public employees' retirement system and the teachers' retirement system; and providing for an effective date."

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

* Section 1. PURPOSE. Since it may be necessary for state agencies and other employers who participate in the state retirement systems to reduce their personal services costs because of declining state revenue, reimplementation of the retirement incentive program established by ch. 26, SLA 1986, as amended by ch. 76, SLA 1988, encouraging employees to retire voluntarily, will reduce the hardship of layoffs. This program is intended to realize sufficient economies to offset the cost of administration and benefits to state agencies and other employers resulting from the award of retirement credits and to result in a net reduction in personal services costs to the state or other employers during a period of declining revenue.

* Sec. 2. RETIREMENT INCENTIVE PROGRAM. (a) An employer may adopt a retirement incentive plan under secs. 3 - 6 of this Act, as appropriate, to designate organizational units of employees eligible to participate in the retirement incentive program.

(b) The organizational units of a plan must be selected so that implementation of the plan results in maximum savings to the employer in personal services costs within three years after the commencement of the plan. A plan that results in savings in personal services costs in any amount that is in excess of all costs to the employer qualifies under this

Ch 89/89

section. The designation may include only representatives from job classifications whose inclusion contributes to the overall cost savings.

(c) A member is eligible to participate in the retirement incentive program only if the member is vested, is employed in a position in a designated organizational unit, and will be qualified to retire under AS 14.25.110 or AS 39.35.370 after receipt of the retirement incentive. To participate, a member shall apply on a form provided by the administrator.

(d) A participating employer shall prepare and file the retirement incentive plan with the administrator. For state employees other than university employees, the administrator may approve a designated organizational unit only if the office of management and budget certifies that the unit's participation in the plan meets the requirements of (b) of this section. The administrator shall approve the plan if it meets the requirements of this section. The plan must

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

(2) include a reimbursement agreement that

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

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

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

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

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

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

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

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

(2) to meet the age required for early retirement under AS 14.25.110 or AS 39.35.370, as appropriate;

(3) to reduce the actuarial adjustment required for early retirement under AS 14.25.110 or AS 39.35.370, as appropriate;

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

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

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

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

* Sec. 3. AUTHORIZATION FOR STATE EMPLOYEE RETIREMENT INCENTIVE. (a) A state agency is authorized to adopt a retirement incentive plan for its employees. A plan adopted under this section shall permit a designated employee to apply to the retirement incentive program under sec. 2 of this Act only from September 30, 1989, through March 31, 1990.

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

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

(1) has been continuously employed by the state since November 1, 1988;

(2) is a permanent seasonal employee continuously employed by the state in the permanent seasonal position during all of the time since November 1, 1988, in which the position normally was filled;

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

continuously employed by the agency during all of the time since November 1, 1988, in which the employee normally worked under the job sharing agreement; or

(4) meets a combination of the requirements of this subsection.

(d) Under a plan adopted under this section, the administrator may not accept the application of an employee unless the employee will be appointed to retirement on or before November 1, 1990.

(e) In this section "state agency" does not include the University of Alaska or an entity covered by sec. 4 of this Act.

* Sec. 4. AUTHORIZATION FOR RETIREMENT INCENTIVE FOR OTHER EMPLOYEES IN THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM. (a) The governing body of a political subdivision of the state or a public organization that has elected to participate in the public employees' retirement system under AS 39.-35.550 - 39.35.650 is authorized to adopt a retirement incentive plan for its employees under sec. 2 of this Act. A plan adopted under this section shall permit designated employees to apply to the retirement incentive program under sec. 2 of this Act from September 30, 1989, through March 31, 1990.

(b) Under a plan adopted under this section, the administrator may not accept the application of an employee unless the employee will be appointed to retirement on or before November 1, 1990.

* Sec. 5. AUTHORIZATION FOR RETIREMENT INCENTIVE FOR THE EMPLOYEES OF THE UNIVERSITY OF ALASKA. (a) The Board of Regents of the University of Alaska is authorized to adopt a retirement incentive plan for its employees. A plan adopted under this section shall permit designated employees to apply to the retirement incentive program under sec. 2 of this Act from June 30, 1989, through December 31, 1989.

(b) Under a plan adopted under this section, the administrator may not accept the application of an employee unless the employee will be appointed to retirement on or before August 1, 1990.

* Sec. 6. AUTHORIZATION FOR RETIREMENT INCENTIVE FOR OTHER EMPLOYEES IN THE TEACHERS' RETIREMENT SYSTEM. (a) An employer under the teachers' retirement system who is not otherwise covered by secs. 3 or 5 of this Act is authorized to adopt a retirement incentive plan for its employees under sec. 2 of this Act. A plan adopted under this section shall permit designated employees to apply to the retirement incentive program under sec. 2 of this Act only from June 30, 1989, through December 31, 1989.

(b) Under a plan adopted under this section, the administrator may not accept the application of an employee unless the employee will be appointed to retirement on or before August 1, 1990.

* Sec. 7. POLITICAL SUBDIVISION OR PUBLIC ORGANIZATION EMPLOYMENT. Notwithstanding other provisions of law, a vested member who is a state employee and is participating in the retirement incentive program may receive credit for employment with a political subdivision or public organization before the political subdivision or organization became an employer under the system for purposes of determining eligibility for retirement under AS 14.25.110 or AS 39.35 370, as appropriate. The member may not receive credit for those years under this subsection for purposes of determining benefits. In order for a state employee to receive credit under this subsection, the employee's participation in the program must contribute to the overall cost savings of the agency.

* Sec. 8. RECOVERY OF EMPLOYER DELINQUENCIES. To recover a delinquency owed by an employer other than the state under an agreement entered under sec. 2(d)(2) of this Act, the Department of Administration may

(1) bring an action against the employer; or

(2) direct that the amount of the delinquency or a lesser amount be withheld from any money payable to the employer by a state department or agency and that the amount withheld be credited to the delinquency.

* Sec. 9. REEMPLOYMENT INDEBTEDNESS AND REEMPLOYMENT PROHIBITION. (a) If a participant in the retirement incentive program is reemployed as a member of the public employees' retirement system under AS 39.35 or the teachers' retirement system under AS 14.25 after appointment to retirement under the program, the participant loses the incentive credit received under sec. 2(g) of this Act and is indebted to the system. The amount of the indebtedness is equal to 110 percent of the amount the participant received as a result of participation in the program to which the participant was not otherwise entitled, including the cost of health insurance. The participant is entitled to a credit to be applied against the reemployment indebtedness in the amount the participant has paid under sec. 2(e) or (f) of this Act. Interest accrues on the indebtedness at the rate established by regulation from the date of reemployment until the member is appointed to retirement and accepts an actuarial adjustment to the member's future benefits or until the amount is paid in full.

(b) For one year after the date on which an employee who participated in the program retired, the participant may not be employed by or enter into a contract for personal services with a state department or agency other than a personal services contract with the University of Alaska. This subsection does not prohibit the university from entering into a personal services contract with an employee who has participated in the program during the year immediately following the employee's retirement.

* Sec. 10. OFFICE OF MANAGEMENT AND BUDGET. When designating an organizational unit for participation in the retirement incentive program, the executive head of a state agency shall describe in detail the expected effect of the program on the agency's personal services cost and operation. This report shall be filed with the office of management and budget. For each employee who will receive credit for employment under sec. 7 of this Act, the agency head shall establish to the satisfaction of the office that

the proposed participation contributes to the overall agency cost savings. The agency shall report as required by the office of management and budget on the cost of each member's participation and the effect on the agency's personal services cost and operation. The office of management and budget shall submit to the legislature annual reports on the retirement incentive program beginning on January 15, 1991, and continuing through January 15, 1993, and shall submit a final report on January 15, 1994. Each report shall provide the information necessary for the legislature to evaluate the effectiveness of the program in achieving its objectives. The report should include information on the designated organizational units under the retirement incentive plans including the cost of the retirement incentive program per participant, the cost to the state, the cost to the employee, the annual budgeted amount by agency for the retirement incentive, and the projected or actual net savings over the three-year period.

* Sec. 11. PROGRAM CHANGES. An employee does not have a vested or contractual right to any benefit under this Act until an agreement is executed with the administrator that permits the benefits to be offered to an organizational unit of which the employee is a member. The legislature reserves the right to change any aspect of the incentive program as it relates to members of organizational units for which participation agreements are executed by the administrator after the effective date of the changes.

* Sec. 12. TIMELY APPLICATION. A member who is eligible under secs. 2 - 7 of this Act and who has submitted a timely application for participation in the retirement incentive program may be considered for participation in the program notwithstanding sec. 14 of this Act.

* Sec. 13. DEFINITIONS. The definitions set out in AS 14.25.220 apply to this Act for members of the teachers' retirement system. The definitions set out in AS 39.35.680 apply to this Act for members of the public

employees' retirement system.

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

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

STATE OF ALASKA
1990 LEGISLATIVE SESSION

BILL VERSION : CS SB 343
PUBLISH DATE :

FISCAL NOTE

REQUEST:

Revision Date: 1/13/90
Title : An act relating to the retirement incentive program
Sponsor : Duncan
Requestor :

Agency Affected : Administration
BRU : Finance

Components : Finance

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY91	FY 92	FY 93	FY 94	FY 95	FY 96
PERSONAL SERVICES	31.2					
TRAVEL						
CONTRACTUAL	6.0					
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	37.2	-0-	-0-	-0-	-0-	-0-
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND	37.2					
FEDERAL FUNDS						
OTHER						
TOTAL	37.2	-0-	-0-	-0-	-0-	-0-

POSITIONS:

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

ANALYSIS : (Attach a separate page if necessary)

Prepared by : Keith Busch Keith Busch
Division : Finance
Phone : 465-2200
Date : 1/17/90

Approved by Commissioner : Frank Baxter
Date : 1/17/90
Agency :

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

CONTINUATION OF FISCAL NOTE ANALYSIS

For Bill/Resolution No CS SB 343

The Division of Finance is responsible for the verification of employment history and processing termination pay. It is estimated that 500 employees will participate in the program. The estimated increased costs to process these employees are:

Data processing support	$ 6.0
Two part-time Accounting Techs for five months	31.2
Total Costs	$37.2

STATE OF ALASKA
1990 LEGISLATIVE SESSION

BILL VERSION : SB 243
PUBLISH DATE :

FISCAL NOTE

REQUEST:

Revision Date: 1/13/90
Title : AN ACT RELATING TO THE RETIREMENT INCENTIVE PROGRAM
Sponsor : DUNCAN
Requestor :

Agency Affected : ADMINISTRATION
BRU : FINANCE
Components : FINANCE

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY91	FY 92	FY 93	FY 94	FY 95	FY 96
PERSONAL SERVICES	31.2					
TRAVEL						
CONTRACTUAL	6.0					
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	37.2	-0-	-0-	-0-	-0-	-0-
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

	FY91	FY 92	FY 93	FY 94	FY 95	FY 96
GENERAL FUND	37.2					
FEDERAL FUNDS						
OTHER						
TOTAL	37.2	-0-	-0-	-0-	-0-	-0-

POSITIONS:

	FY91	FY 92	FY 93	FY 94	FY 95	FY 96
FULL-TIME	-0-	-0-	-0-	-0-	-0-	-0-
PART-TIME	2	-0-	-0-	-0-	-0-	-0-
TEMPORARY	-0-	-0-	-0-	-0-	-0-	-0-

ANALYSIS : (Attach a separate page if necessary)

State Affairs reflects

Prepared by : GARY M. BADER
Division : DEPUTY COMMISSIONER
Phone : 465-2200
Date : 1/13/90

Approved by Commissioner : Gary M. Bader for FRANK S. BAXTER
Agency : DEPARTMENT OF ADMINISTRATION
Date : 1/13/90

Distribution (by preparer) :
- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

CONTINUATION of FISCAL NOTE ANALYSIS

For Bill/Resolution No. SB 343

The Division of Finance is responsible for the verification of employment history and processing of termination pay. It is estimated that 500 employees will participate in the program. The estimated increased costs to process these employees are:

Data processing support	$ 6.0
Two part time Accounting Techs for five months	31.2
Total Costs	$37.2

STATE OF ALASKA
1990 LEGISLATIVE SESSION

Bill Version: CSSB 343(SA)
Publish Date:

FISCAL NOTE

REQUEST:

Revision Date: January 13, 1990
Title: An Act relating to the Retirement Incentive Program
Sponsor: Duncan
Requestor:

Agency Affected: Administration
BRU: Retirement and Benefits
Components: Retirement and Benefits

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 91	FY 92	FY 93	FY 94	FY 95	FY 96
PERSONAL SERVICES	57.0	0	0	0	0	0
TRAVEL	2.1	0	0	0	0	0
CONTRACTUAL	0	0	[illegible]	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	59.1	0	0	0	0	0
CAPITAL	0	0	0	0	0	0
REVENUE	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	59.1	0	0	0	0	0
TOTAL	59.1	0	0	0	0	0

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	13.0	0	0	0	0	0

ANALYSIS: (Attach a separate page if necessary)

See attached.

Prepared by: Robert F. Stalnaker (signature: Robert F. Stalnaker)
Division: Deputy Director
Phone: 465-4470
Date: 01/16/90

Approved by Commissioner: Frank S. Baxter (signature: Frank Baxter)
Agency: Department of Administration
Date: 1/16/90

Distribution (by preparer):
- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

4/6K2/011607-0

Rev: 11/89

CSSB sif

Committee Substitute for ~~Senate Bill~~ 343
Fiscal Note Analysis
Prepared by Division of Retirement & Benefits
Department of Administration
January 16, 1990

Analysis: This bill would expand Chapter 89, SLA 1989 (the Retirement Incentive Program) for the Public Employees' (PERS) and Teachers' Retirement Systems (TRS) by allowing the employer 5 years in which to show a cost savings for eligible employees, by allowing eligible employees to assume part of the employer's costs so that a savings to the employer can be shown, and by extending the retirement window for designated employees in the Division of Elections.

The total estimated administrative cost to the division by fiscal year is as follows:

		FY 90	FY 91
Personnel services costs:			
	FY 91		
1 Retirement Specialist I (2 mo.)	$ 4.9		
8 Retirement Tech. I/II (2 mo.)	37.0		
2 Accounting Clerk III (2 mo.)	8.2		
2 Clerk II (2 mo.)	6.9		
Total FY 91			$ 57.0
Travel:			
FY 90			
2 trips each to ANCH & FBKS		$ 4.1	
FY 91			
1 trip to ANCH & FBKS		—	2.1
Total Bill Cost			
FY90		$4.1	
FY91			$ 59.1

All administrative costs for this program will be paid in advance by the participating employers as required by Chapter 89, SLA 1989.

CSSB Slip

Committee Substitute for ~~Senate Bi~~ll 343
Analysis of Financial Implications on the Retirement Systems
Prepared by Division of Retirement & Benefits
Department of Administration
January 16, 1990

Analysis: The retirement incentive program legislation requires state agencies and participating employers and employees to reimburse the PERS and TRS for the costs of participation in the program; it also requires a showing of a cost savings to participate in the program. There should be no long-term or short-term costs to the retirement systems' funds.

SB 343 —

CS SB 343 —

Passed out of committee
1.15.90. To Finance

RETIREMENT BENEFITS

MINIMUM REQUIREMENTS FOR RETIREMENT

When will I be eligible to retire and start receiving monthly benefits?

That depends on your age and PERS service. If you meet the minimum PERS service requirements described below and you were first hired under the PERS:

- **before July 1, 1986,** you can retire at age 55 for normal retirement or age 50 for early.
- **after June 30, 1986,** you can retire at age 60 for normal retirement or age 55 for early.

Under **early retirement** (see page 26), your monthly benefit is actuarially reduced based on age. The closer you are to normal retirement age, the smaller the reduction.

Under **normal retirement** (see page 25), your monthly benefit is **not** reduced.

To retire, **you must also** meet the minimum PERS service requirements. You must have at least:

- five **paid-up** years of PERS service; or
- 60 days of **paid-up** PERS service if you were an employee of the legislature during each of five legislative sessions and you were first hired under the PERS before May 30, 1987 (see *Conditional Service Benefit* on page 22); or

- 80 days of **paid-up** PERS service if you were an employee of the legislature during each of five legislative sessions and you were first hired under the PERS after May 29, 1987 (see *Conditional Service Benefit* on page 22); or
- two **paid-up** years of PERS service if you are vested in the Teachers' Retirement System (TRS). See *Conditional Service Benefit* on page 22.

In addition, you may retire **at any age** and receive a normal (unreduced) benefit if you have at least:

- 30 **paid-up** years of PERS service; or
- 20 **paid-up** years of PERS service as a peace officer or fireman (see page 67).

Military and temporary credit may **not** be used to satisfy the 20 or 30 years needed to retire at any age.

Members who have received a refund of their PERS contributions should review the following sections in this handbook:

Reinstatement of Service - page 62
Payment of Indebtedness - page 63

BENEFIT CALCULATION

How will my monthly retirement benefit be calculated?

Your "normal" benefit will be calculated by multiplying the percentage multiplier (page 19) times your average monthly compensation times your PERS service. The normal benefit will be adjusted if you select one of the other retirement options (early, joint and survivor, or level income). See *Retirement Options* on page 25.

Your average monthly compensation is determined by adding together the compensation earned during your three highest consecutive payroll years and dividing the total by the number of months worked during that same time period. You must have at least 115 days of credited service in the last payroll year worked to include that year as one of your three highest.

For instance, if your three highest consecutive salaries and months worked are as follows, your average monthly compensation would be $2,500.

Payroll Year Worked	Salary	Months
1986	$30,000	12
1987	27,500	11
1988	15,000	6
	$72,500	29

$72,500 ÷ 29 months equals $2,500

If you received a cost of living differential during your three highest years and you were first hired under the PERS before January 1, 1987, the differential will automatically be included as part of your salary(s). However, it will only be included if you were first hired after December 31, 1986, and you received a comparable differential during at least 50% of your credited service. See *Refund of Contributions on Cost of Living Differential* on page 62.

Percentage Multipliers

The percentage multipliers for members, other than peace officers and firemen, are:

- 2% per year for all service earned up to 10 years; plus
- 2-1/4% per year for all service over 10 years, but less than 20 years (applies only to service earned after June 30, 1986); plus
- 2-1/2% per year for all service over 20 years (applies only to service earned after June 30, 1986).

All service earned **before July 1, 1986,** will be calculated using the 2% multiplier.

This example shows how to calculate a normal retirement benefit. We have assumed that the average monthly compensation is $2,500, and that the member had 10 years of service on June 30, 1986, and earned 20 additional years after June 30, 1986.

Example:

2%	x	the first 10 years	x	$2,500	=	$ 500.00; plus
2-1/4%	x	the second 10 years	x	$2,500	=	$ 562.50; plus
2-1/2%	x	the third 10 years	x	$2,500	=	$ 625.00
				Total		$1,687.50

As you can see, the normal benefit is: $500.00 for the first 10 years of service; $562.50 for service between 10 and 20 years; and $625.00 for service between 20 and 30 years.

The member in the example would receive a monthly base benefit of $1,687.50 for the rest of his or her life. Any adjustments to the benefit would be calculated on that base benefit. Please review the following sections for details about adjustments:

Post Retirement Pension Adjustment (PRPA) - page 53
Cost of Living Allowance (COLA) - page 51
Joint and Survivor Options - page 27
Early Retirement - page 26
Payment of Indebtedness - page 63

The percentage multipliers for **peace officers and firemen** are:

- 2% per year for their first 10 years of service; plus
- 2-1/2% per year for service over 10 years.

For a terminated, deferred vested member, the percentage multiplier that was in effect when the member terminated from PERS employment will be used to calculate the benefit. Consequently, even though the current multipliers may be larger, the multiplier in effect at the time of termination will be used.

BENEFIT PAYMENTS

When will I be appointed to retirement?

You will be appointed on the first of the month following the date that:

- you meet the minimum service and age requirements for retirement. But, if your birthday falls on the first day of the month, you are eligible to retire that month rather than the following month;
- you terminate PERS employment; **and**
- your written application for benefits is received by the Division of Retirement and Benefits. It should be sent to the division at least 30 days before you terminate.

Please review the following sections for details about benefit payments under other provisions:

A & B are the same person

RETIREMENT INCENTIVE PROGRAM

DETAILED COST SAVINGS BY POSITION

PCN ________ DEPARTMENT ________
JOB CLASS TITLE ________ BUDGET BRU ________
JOB CLASS CODE ________ BUDGET COMPONENT ________
INTENDED DATE OF RETIREMENT ________

AUTHORIZED IN FY 90 BUDGET ☐ YES ☐ NO

DOES THE PERSON CURRENTLY FILLING THIS PCN INTEND TO RETIRE UNDER THE RETIREMENT INCENTIVE PROGRAM ☐ YES ☐ NO

HAS THIS PERSON BEEN CONTINUOUSLY EMPLOYED BY THE STATE SINCE NOVEMBER 1, 1988 ☐ YES ☐ NO

CALCULATION OF SAVINGS

	Estimated FY 91	Estimated FY 92	Estimated FY 93	Total
1. Current Range and Step	20L	20L	20L	
2. Salary and Benefit Cost	$ 71.6	$ 71.6	$ 71.6	$ 214.8
3. Replacement Range and Step	20A	20B	20C	
4. Salary and Benefit Cost	$ 56.3	$ 58.2	$ 60.2	$ 174.7
5. Funds Available (line 2 minus line 4)	$ 15.3	$ 13.4	$ 11.4	$ 40.1

6.a. Retirement and Benefits estimate of cost to the Employer (not including the participant's share of the cost) for this individual to take part in the retirement incentive program $ 51.8

b Administrative cost (.007 X Retirement and Benefits cost from 6a) $ .4

Total Cost (6a + 6b) $ 52.2

7. ~~Savings~~ COST for this PCN (line 5 minus line 6) $ <12.1>

A

RETIREMENT INCENTIVE PROGRAM

DETAILED COST SAVINGS BY POSITION

PCN ______
JOB CLASS TITLE ______
JOB CLASS CODE ______

DEPARTMENT ______
BUDGET BRU ______
BUDGET COMPONENT ______
INTENDED DATE OF RETIREMENT ______

AUTHORIZED IN FY 90 BUDGET ☐ YES ☐ NO

DOES THE PERSON CURRENTLY FILLING THIS PCN INTEND TO RETIRE UNDER THE RETIREMENT INCENTIVE PROGRAM ☐ YES ☐ NO

HAS THIS PERSON BEEN CONTINUOUSLY EMPLOYED BY THE STATE SINCE NOVEMBER 1, 1988 ☐ YES ☐ NO

CALCULATION OF SAVINGS

	Estimated FY 91	Estimated FY 92	Estimated FY 93	EST FY94	EST FY95	Total
1. Current Range and Step	20L	20L	20L	20M	20M	
2. Salary and Benefit Cost	$ 71.6	$ 71.6	$ 71.6	75.7	75.7	$ 366.2
3. Replacement Range and Step	20A	20 B	20C	20D	20E	
4. Salary and Benefit Cost	$ 56.3	$ 58.2	$ 60.2	61.9	63.5	$ 300.1
5. Funds Available (line 2 minus line 4)	$ 15.3	$ 13.4	$ 11.4	13.8	12.2	$ 66.1

6.a. Retirement and Benefits estimate of cost to the Employer (not including the participant's share of the cost) for this individual to take part in the retirement incentive program. $ 51.8

b Administrative cost (.007 X Retirement and Benefits cost from 6a) $ .4

Total Cost (6a + 6b) $ 52.2

7. Savings for this PCN (line 5 minus line 6) $ 13.9

This employee is projected to have 28.4 years of service. as of 10/31/90

B

D R A F T

RETIREMENT INCENTIVE PROGRAM

DETAILED COST SAVINGS BY POSITION

DEPARTMENT: TRANSPORTATION AND PUBLIC FACILITIES

THESE CALCULATIONS ASSUME THAT YOU HAVE BEEN CONTINUOUSLY EMPLOYED BY THE STATE SINCE NOVEMBER 1, 1988

CALCULATION OF SAVINGS

	ESTIMATED FY 91	ESTIMATED FY 92	ESTIMATED FY 93	TOTAL
1. CURRENT RANGE AND STEP	20 L	20 L	20 L	
2. SALARY AND BENEFIT COST	$75,412.18	$75,412.18	$75,412.18	$226,236.54
3. REPLACEMENT RANGE AND STEP	20 A	20 B	20 C	
4. SALARY AND BENEFIT COST	$59,035.88	$61,047.32	$62,801.66	$182,884.87
5. FUNDS AVAILABLE (LINE 2 MINUS LINE 4)	$16,376.30	$14,364.86	$12,610.52	$43,351.68

6.A RETIREMENT AND BENEFITS ESTIMATE OF COST TO THE EMPLOYER (NOT INCLUDING THE PARTICIPANT'S SHARE OF THE COST) FOR THIS INDIVIDUAL TO TAKE PART IN THE RETIREMENT INCENTIVE PROGRAM.	$43,055.00	
B ADMINSTRATIVE COST (.007 X RETIREMENT AND BENEFITS COST FROM 6A)	$301.38	
TOTAL COST (6A + 6B)		$43,356.38
7. SAVINGS FOR THIS PCN (LINE 5 MINUS LINE 6)		$-4.71

INFORMATION FOR SENATE STATE AFFAIRS COMMITTEE
Provided by Senator Jim Duncan, January 15, 1990

SB 343, RETIREMENT INCENTIVE PROGRAM AMENDMENTS -

The Retirement Incentive Program was implemented in June of 1989 and the program continues through November 1 of this year. Employers choosing to participate in the Retirement Incentive are required to show a personal services savings. Chapter 89/89 also explicitly states in section 2(b) that "The organizational units of a plan must be selected so that implementation of the plan results in maximum savings to the employer in personal services costs within three years after the commencement of the plan."

The three year calculation has rendered many long term state employees not to be eligible because OMB is strictly interpreting each individual position as an organizational unit. Thus, if a savings is not shown on an individual's position, that person is not considered eligible for the program. School districts and the University have not taken the same approach to organizational units and thus have not experienced similar problems.

The preliminary information which I have received on the program to date indicates that:

	Total Eligible by or Service	Designated to Participate	% of Total
State	2,987	1,837	61.5
University	767	767	100.0
School Districts	2,271	1,970	87.5
Polysubs	2.627	N/A	N/A
Totals	8,652		

Current OMB statistics show 1,475 employees designated, not including Marine Highways. For those 1,475 employees, if they all retire, the State will save $14.3 million over the next three years.

A comparison of the current program with the 86-87 program indicates that in the prior program 83 percent of eligible State employees were designated to participate versus the current program's rate of 61.5. I think this clearly shows that many more employees are not qualifying for the program under the three year savings criteria. Because incentives for long term employees are more costly to the employer than those for short term employees it is very likely that when we receive the detailed information which I have requested it will show that long-term employees make up the bulk of those not designated for participation. I have, in fact, been contacted by many employees eligible in the previous program who have not been designated to participate in this one.

Not all school districts have chosen to participate in the program and this is reflected in their 87.5 percent designation rate.

To briefly explain the reason why many long term employees have not been designated by OMB, the retirement benefit in PERS is calculated as 2% times the first ten years of service times average monthly compensation, the second ten years is multiplied times 2.25% and the third times 2.5%. A copy of the applicable pages from the PERS booklet are in your packet entitled "Retirement Benefits". Thus a person with thirty years of service earns a retirement benefit which is almost 70% of their ending salary. A person with only ten years' service would receive only 20% of their ending salary. Since the cost of participation in the incentive is based on an actuarial calculation of the cost to the retirement system of the three year incentive plus the current value of any increased lifetime benefit, it costs more for long term employees to participate. If an individual is relatively young <u>and</u> has many years of service, the problem is compounded. Exhibits A and B in your folder show the difference the five year calculation makes on a typical employees' savings calculation. Exhibit C is an example of the three year calculation which an Anchorage employee who was found ineligible received.

SB 343 is very limited in scope, it basically makes changes which affect only state government and it does not change the window periods of the program. It will not change the benefit calculation nor add an additional incentive over what is offered in CH 89/89. The window periods remain:

Employee Type	Application Period	Employee Must Retire on or Before
Teachers	June 30,1989 - Dec. 31, 1989	August 1, 1990
University	" "	" "
State	Sept. 30, 1989 - March 31, 1990	November 1, 1990
Municipal	" "	" "

In addition to changing the savings calculation period, SB 343 will allow employees to pay a portion of the employer's share or take a reduction in benefit in order to reduce the employers' cost.

The closure of the application period for State employees on March 31 makes it of paramount importance that SB 343 progress through the legislative process as swiftly as possible so that many deserving long-term employees can participate. In this way I believe the State can realize the maximum savings possible through the use of the Retirement Incentive Program.

RETIREMENT INCENTIVE PROGRAM
DETAILED COST SAVINGS BY POSITION

EMPLOYEE: WILSON, ELIZABETH
PCN: 2231
CLASS TITLE: CLERK IV
CLASS CODE: 1107

DEPARTMENT: COMMERCE & ECONOMIC DEVELOPMENT
DIVISION: TOURISM
COMPONENT: TOURISM
INTENDED DATE OF RETIREMENT:

AUTHORIZED IN FY 90 BUDGET: YES X NO

DOES THE PERSON CURRENTLY FILLING THIS PCN INTEND TO RETIRE UNDER THE RIP: YES NO

HAS THIS PERSON BEEN CONTINUOUSLY EMPLOYED BY THE STATE SINCE 11/1/88: YES X NO

CALCULATION OF SAVINGS

	EST. FY 91	EST. FY 92	EST. FY 93	EST. FY 94	EST. FY 95	TOTAL
1 CURRENT RANGE & STEP	9K	9K	9K	9L	9L	
2 SALARY & BENEFIT COST	35,966	35,966	35,966	36,992	36,992	181,882
3 REPLACEMENT RANGE & STEP	9 A/B	9 B/C	9 C/D	9 D/E	9 E/F	
4 SALARY & BENEFIT COST	30,434	31,197	31,989	32,870	33,729	160,218
5 FUNDS AVAILABLE (line 2 minus line	5,532	4,769	3,977	4,123	3,264	21,664

6a ESTIMATED COST TO EMPLOYER 14,716
6b ADMINISTRATIVE COST (.007 * 6a.) 103

TOTAL COST (6a + 6b): 14,819

7 SAVINGS FOR THIS PCN (line 5 - line 6) 6,845

Sec. 71. The sum of $65,000 is appropriated from the general fund to the Department of Education for payment as a grant under AS 37.05.316 to the Alaska Gateway School District/Dot Lake School to repair the sewer and upgrade the water system.

Sec. 72. The sum of $78,000 is appropriated from the general fund to the Department of Education for payment as a grant under AS 37.05.316 to the Alaska Gateway School District/Eagle School to repair the power plant system.

Sec. 73. The sum of $94,000 is appropriated from the general fund to the Department of Education for payment as a grant under AS 37.05.316 to the Alaska Gateway School District/Northway School for emergency septage repair.

Sec. 74. The sum of $1,000,000 is appropriated from the general fund to the University of Alaska for statewide repairs and renovations.

Sec. 75. The appropriations made in secs. 60 — 65, 68, and 71 — 74 of this Act are for capital projects and lapse under AS 37.25.020.

Approved with item vetoes:
June 1, 1989
Effective: August 30, 1989

CHAPTER 89

AN ACT RELATING TO RETIREMENT INCENTIVE PROGRAMS FOR THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM AND THE TEACHERS' RETIREMENT SYSTEM; AND PROVIDING FOR AN EFFECTIVE DATE.

(CCS SB 73)

Be it enacted by the Legislature of the State of Alaska:

Cross references. — For law having the effect of amending § 9 of this chapter to include reemployment as a member of the optional university retirement program, see § 8, ch. 104, SLA 1989 in this pamphlet.

Section 1. PURPOSE. Since it may be necessary for state agencies and other employers who participate in the state retirement systems to reduce their personal services costs because of declining state revenue, reimplementation of the retirement incentive program established by ch. 26, SLA 1986, as amended by ch. 76, SLA 1988, encouraging employees to retire voluntarily, will reduce the hardship of layoffs. This program is intended to realize sufficient economies to offset the cost of administration and benefits to state agencies and other employers resulting from the award of retirement credits and to result in a net reduction in personal services costs to the state or other employers during a period of declining revenue.

Sec. 2. RETIREMENT INCENTIVE PROGRAM. (a) An employer may adopt a retirement incentive plan under secs. 3 — 6 of this Act, as appropriate, to designate organizational units of employees eligible to participate in the retirement incentive program.

(b) The organizational units of a plan must be selected so that implementation of the plan results in maximum savings to the employer in personal services costs within three years after the commencement of the plan. A plan that results in savings in personal services costs in any amount that is in excess of all costs to the employer qualifies under this section. The designation may include only representatives from job classifications whose inclusion contributes to the overall cost savings.

(c) A member is eligible to participate in the retirement incentive program only if the member is vested, is employed in a position in a designated organizational unit, and will be qualified to retire under AS 14.25.110 or AS 39.35.370 after receipt of the retirement incentive. To participate, a member shall apply on a form provided by the administrator.

(d) A participating employer shall prepare and file the retirement incentive plan with the administrator. For state employees other than university employees, the administrator may approve a designated organizational unit only if the office of management and budget certifies that the unit's participation in the plan meets the requirements of (b) of this section. The administrator shall approve the plan if it meets the requirements of this section. The plan must

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

(2) include a reimbursement agreement that

(A) requires the employer, for each employee who is retired under the plan, to reimburse the system within three years after the end of the fiscal year in which the employee is appointed to retirement in an amount equal to the participant receives after the addition of the retirement incen under this section and the amount the participant would l received without the incentive, less the amount the participant paid on the indebtedness determined under (e) or (f) of this sect and

(ii) an appropriate share of the administrative costs of the progr and

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

(e) A member of the teachers' retirement system who particip in the retirement incentive program is indebted to the system. amount of indebtedness is equal to 21 percent of the member's ac compensation for the school year, or the calculated school compensation for a member who works less than the entire sc year, for the school year in which the member terminates employn to participate in the program. An outstanding indebtedness at time a participant is appointed to retirement will require an actua adjustment to the benefits payable.

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

(g) A participant in the retirement incentive program receiv credit of three years. The three years must be applied in the follow order until exhausted:

(1) to meet the age or service required for eligibility for nor retirement under AS 14.25.110 or AS 39.35.370, as appropriat

(2) to meet the age required for early retirement under 14.25.110 or AS 39.35.370, as appropriate;

(3) to reduce the actuarial adjustment required for early retiren under AS 14.25.110 or AS 39.35.370, as appropriate;

(4) as years of credited service for calculating retirement bene

(h) Except as provided in sec. 7 of this Act, in the determinatio whether a member will qualify to retire under this section, cred service may include only,

(1) for members of the teachers' retirement system, service cr for employment rendered to an employer, territorial service under

14.25.105, outside service and military service under AS 14.25.060, and Alaska BIA service under AS 14.25.107;

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

Sec. 3. AUTHORIZATION FOR STATE EMPLOYEE RETIREMENT INCENTIVE. (a) A state agency is authorized to adopt a retirement incentive plan for its employees. A plan adopted under this section shall permit a designated employee to apply to the retirement incentive program under sec. 2 of this Act only from September 30, 1989, through March 31, 1990.

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

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

(1) has been continuously employed by the state since November 1, 1988;

(2) is a permanent seasonal employee continuously employed by the state in the permanent seasonal position during all of the time since November 1, 1988, in which the position normally was filled;

(3) has a job sharing agreement with a state agency in which two or more employees share a single position identified by a single position control number and in which the employee choosing to participate was continously employed by the agency during all of the time since November 1, 1988, in which the employee normally worked under the job sharing agreement; or

(4) meets a combination of the requirements of this subsection.

(d) Under a plan adopted under this section, the administrator may not accept the application of an employee unless the employee will be appointed to retirement on or before November 1, 1990.

(e) In this section "state agency" does not include the University of Alaska or an entity covered by sec. 4 of this Act.

Sec. 4. AUTHORIZATION FOR RETIREMENT INCENTIVE FOR OTHER EMPLOYEES IN THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM. (a) The governing body of a political subdivision of the state or a public organization that has elected to participate in the public employees' retirement system under AS 39.35.550 — 39.35.650 is authorized to adopt a retirement incentive plan for its employees under sec. 2 of this Act. A plan adopted under this section shall permit designated employees to apply to the retirement incentive program under sec. 2 of this Act from [illegible]

Sec. 5. AUTHORIZATION FOR RETIREMENT INCENTIVE FO THE EMPLOYEES OF THE UNIVERSITY OF ALASKA. (a) Tl Board of Regents of the University of Alaska is authorized to adopt retirement incentive plan for its employees. A plan adopted under th section shall permit designated employees to apply to the retireme incentive program under sec. 2 of this Act from June 30, 198 through December 31, 1989.

(b) Under a plan adopted under this section, the administrator m not accept the application of an employee unless the employee will l appointed to retirement on or before August 1, 1990.

Sec. 6. AUTHORIZATION FOR RETIREMENT INCENTIVE FO OTHER EMPLOYEES IN THE TEACHERS' RETIREMENT SY TEM. (a) An employer under the teachers' retirement system who not otherwise covered by secs. 3 or 5 of this Act is authorized to ado a retirement incentive plan for its employees under sec. 2 of this A A plan adopted under this section shall permit designated employe to apply to the retirement incentive program under sec. 2 of this A only from June 30, 1989, through December 31, 1989.

(b) Under a plan adopted under this section, the administrator m not accept the application of an employee unless the employee will l appointed to retirement on or before August 1, 1990.

Sec. 7. POLITICAL SUBDIVISION OR PUBLIC ORGANIZATIO EMPLOYMENT. Notwithstanding other provisions of law, a vest member who is a state employee and is participating in the retireme incentive program may receive credit for employment with a politic subdivision or public organization before the political subdivision organization became an employer under the system for purposes determining eligibility for retirement under AS 14.25.110 or A 39.35.370, as appropriate. The member may not receive credit f those years under this subsection for purposes of determining benefi In order for a state employee to receive credit under this subsectio the employee's participation in the program must contribute to tl overall cost savings of the agency.

Sec. 8. RECOVERY OF EMPLOYER DELINQUENCIES. To r cover a delinquency owed by an employer other than the state und an agreement entered under sec. 2(d)(2) of this Act, the Department Administration may

(1) bring an action against the employer; or

(2) direct that the amount of the delinquency or a lesser amount be withheld from any money payable to the employer by a state department or agency and that the amount withheld be credited to the delinquency.

Sec. 9. REEMPLOYMENT INDEBTEDNESS AND REEMPLOYMENT PROHIBITION. (a) If a participant in the retirement incentive program is reemployed as a member of the public employees' retirement system under AS 39.35 or the teachers' retirement system under AS 14.25 after appointment to retirement under the program, the participant loses the incentive credit received under sec. 2(g) of this Act and is indebted to the system. The amount of the indebtedness is equal to 110 percent of the amount the participant received as a result of participation in the program to which the participant was not otherwise entitled, including the cost of health insurance. The participant is entitled to a credit to be applied against the reemployment indebtedness in the amount the participant has paid under sec. 2(e) or (f) of this Act. Interest accrues on the indebtedness at the rate established by regulation from the date of reemployment until the member is appointed to retirement and accepts an actuarial adjustment to the member's future benefits or until the amount is paid in full.

(b) For one year after the date on which an employee who participated in the program retired, the participant may not be employed by or enter into a contract for personal services with a state department or agency other than a personal services contract with the University of Alaska. This subsection does not prohibit the university from entering into a personal services contract with an employee who has participated in the program during the year immediately following the employee's retirement.

Sec. 10. OFFICE OF MANAGEMENT AND BUDGET. When designating an organizational unit for participation in the retirement incentive program, the executive head of a state agency shall describe in detail the expected effect of the program on the agency's personal services cost and operation. This report shall be filed with the office of management and budget. For each employee who will receive credit for employment under sec. 7 of this Act, the agency head shall establish to the satisfaction of the office that the proposed participation contributes to the overall agency cost savings. The agency shall report as required by the office of management and budget on the cost of each member's participation and the effect on the agency's personal services cost and operation. The office of management and budget shall submit to the legislature annual reports on the retirement incentive program beginning on January 15, 1991, and continuing through January 15, 1993, and shall submit a final report on January

15, 1994. Each report shall provide the information necessary for the legislature to evaluate the effectiveness of the program in achieving its objectives. The report should include information on the designated organizational units under the retirement incentive plans including the cost of the retirement incentive program per participant, the cost to the state, the cost to the employee, the annual budgeted amount by agency for the retirement incentive, and the projected or actual net savings over the three-year period.

Sec. 11. PROGRAM CHANGES. An employee does not have a vested or contractual right to any benefit under this Act until an agreement is executed with the administrator that permits the benefits to be offered to an organizational unit of which the employee is a member. The legislature reserves the right to change any aspect of the incentive program as it relates to members of organizational units for which participation agreements are executed by the administrator after the effective date of the changes.

Sec. 12. TIMELY APPLICATION. A member who is eligible under secs. 2 — 7 of this Act and who has submitted a timely application for participation in the retirement incentive program may be considered for participation in the program notwithstanding sec. 14 of this Act.

Sec. 13. DEFINITIONS. The definitions set out in AS 14.25.220 apply to this Act for members of the teachers' retirement system. The definitions set out in AS 39.35.680 apply to this Act for members of the public employees' retirement system.

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

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

Approved: June 2, 1989
Effective: June 3, 1989

CHAPTER 90

AN ACT REQUIRING THE DEPARTMENT OF ENVIRONMENTAL CONSERVATION TO PREPARE AND TO ANNUALLY REVIEW AND REVISE A MASTER OIL AND HAZARDOUS SUBSTANCE DISCHARGE AND PREVENTION CONTINGENCY PLAN FOR THE STATE AND REGIONAL OIL AND HAZARDOUS SUBSTANCE DISCHARGE AND PREVENTION CONTINGENCY PLANS FOR CERTAIN REGIONS OF THE STATE, AND TO THE IMPLEMENTATION OF THOSE PLANS; AND PROVIDING FOR AN EFFECTIVE DATE.

P/up Testimony List
ST. Aff 1.15.90 HEARING SB 343
No Tape 1:45 pm.
Full Committee

Duncan: SB 343 _ implemented June 89
required to show personal service saving
> Does not give 5 years of ~~benefit~~ _
→ Adds 2 years to calculation

> legislation must move quickly _ March 31st window.

Pat: Ironic we are encouraging young people to retire.

Stalnaker: Available for questions:
Uehling: Time problem is getting people their RIP checks
Stalnaker: Bubble times i.e. end of window period causes a problem (larger numbers). Also, verification process, especially if person was employed in several jobs

Kelly: Cost Care Containment _ Health benefits figured in? PERS _
Stalnaker: YES _ all calculated in.
→ when asked if problems, NO just larger numbers.
with this bill.

Stalnaker: 2,200 may join this RIP

Adams: Should we make it mandatory
Stalnaker: You can't mandate retirement.
2:00 pm Alison: No reservations from OMB to support.
Pat > difficult to anticipate what will happen to employee's "range" future
Alison: OMB underestimates cost savings
Kelly: When hired, do you always come in at an A range
Concern: Replacement of "20-L" with a "20-L"

Cost Savings __

Pat: Brain Drain? Alison

Kelly: Are we checking to see if contracts are being taken by RIP's

DAVE: AMENDMENT

Kelly: Div. of Elections deserves credit

Amend to read as of this date __ so no manuevering.

Alison: supports

Kelly: ~~moves~~

To Amendment

Sub Para 1

that are employed on Feb. 1, ~~[illegible]~~ 1990

New C.S. include

Don Roulot: Pub. Employee Local 71 supports

Buddy Maupin: supports

House OKs early retirement changes

Questions remain over whether effective date is early enough

EMPIRE 3-22-90

By DIRK MILLER
THE JUNEAU EMPIRE

The Alaska House today changed the requirements for the state's early retirement program to allow public employees more leeway in qualifying and participating but a disagreement on when the change is effective may render it useless.

The House passed Senate Bill 343 on a vote of reconsideration 26-11, but not before approving an amendment offered by Rep. Mark Boyer, D-Fairbanks.

Afterwards, a vote to make the changes effective immediately failed by one vote.

Bills normally take effect 90 days after they are passed. But state employees face a March 31 application deadline for the program. One option for the House is to hold the bill until its supporters can ask to rescind their action on the effective date.

The bill, which was sponsored by Sen. Jim Duncan, D-Juneau, amends the program by extending over five years the period in which retiring employees must show a cost savings to their employers. Boyer's amendment gives municipal employees an extra year to apply for the program, moving the deadline to March 31, 1991.

The original program had required employees to show a cost savings from their retirement after three years. Duncan said he had heard from several employees over the interim who couldn't quite meet the savings requirement.

Gov. Steve Cowper is expected to approve the bill once lawmakers finish with it.

"We support the bill. The governor thinks it's a good piece of legislation that will save the state a fair amount of money," said Cowper spokesman Terence O'Malley.

Last year lawmakers approved an early retirement opening for thousands of state, municipal, university and school employees. The program was created to save money by replacing workers near the top of the pay scale with new, lower-paid employees or leaving the positions vacant.

About 2,300 state employees were determined to be eligible for a similar program in 1986-87, which was also based on a five-year cost savings, said Dave Stout, the state's retirement director. But only about half actually participated.

The eligibility change would allow about 20 percent more public employees to participate in the program, he said. Stout expects about half those eligible to seek early retirement.

"We're certainly encouraging people to apply," Stout said. "We are starting to receive sizeable number of applications and we're backlogged in entering them on the computer system."

Wednesday, many lawmakers contended that the program wasn't saving money, and instead had become a costly "brain drain" for the state.

"It's going to be very detrimental to the citizens," said Rep. Terry Martin, R-Anchorage, "We're losing the top talent.

"Why work when you're paid well not to?"

Later, after the vote, Martin said that the loss of experienced employees may be the bill's secret costs. "Maybe I could prove so valuable, they'd want to get rid of me."

Rep. Lyman Hoffman, D-Bethel, said the loss of experienced public employees worries him, as does the cost of employer contributions to the retirement fund.

If the program works so well at saving money, it should be mandatory, he said.

But proponents of the bill stressed that the amendments were nothing

Please turn to Retire, Page 8

Retire...

Continued from Page 1

but a technical change to the program, known by its acronym R.I.P, which stands for retirement incentive program.

"It doesn't extend the benefits, it changes the way the cost savings must be calculated," said Rep. Fran Ulmer, D-Juneau.

The bill also allows a retiring employee to pay part of the cost in order to show a savings or in lieu of payment allow employees to accept reduced benefits to cut the cost. It also extends the deadline until Feb. 1, 1991 for employees of the Division of Elections. That provision allows the division to retain eligible employees through the 1990 election.

Because Boyer's amendment changes the Senate-passed version of the bill, it now must go back to the Senate for concurrence. If the Senate agrees with the House changes, the bill goes to Cowper for final approval. Otherwise, the bill will be headed for a joint Senate-House conference committee.

The application deadline for teachers and university employees passed on Dec. 31, 1989.

boy who loved woods

Junior High School, never mentioned the cabin. Police don't think it was a popular play area for children.

The incident has devastated the close-knit family, said Deanne Holman, a friend and neighbor.

"They're in turmoil — a daze," said Holman, who described William as a respectful boy very close to his father.

The Brinks say they are hurt and angry. "Sure, I'm mad," said Zita Brink, who also is a foster mother to two children. "But I'm thankful there were no other kids out there. It's very dangerous for stuff like that to be out there. You don't think about it until something like this happens."

Richard Brink said he would like to go into the woods and rip down every decaying structure that might be dangerous.

"We want to do something about it so it doesn't kill anymore children, like it did my son," Brink said.

takes senators to task

n November."

was conducted te leadership by search Corp. of t also showed 50 sed to the fund undecided. The survey of 540 d an error mar- or minus 4.5

for the fund, ay be weaker l suggests.

man, president Research, said a poll he conducted in December for KIMO-TV in Anchorage provided respondents with more information about the proposal. In that poll, only 40 percent favored the idea.

Half of the 20-member Senate is up for re-election this year. But senators dismissed Cowper's threat.

'I don't feel the governor is going to scare any senators by threatening to go out to campaign against them," said Sen. Arliss Sturgulewski, R-Anchorage and a candidate for Cowper's job.

ts 'Cocaine cowboy' of drug charges

en able to locate much of the money.

"These people were not from Anchorage, and they didn't spend their ney here," she said. It was sent to ther New York or the Dominican public, where they have a safe haven."

The charges against Gomez and his tners focused on activities between summer of 1987 and the summer of 8, when nearly 100 state and city ice officers raided the operation.

Friedman, Gomez' attorney, said an peal will be filed if Judge Katz ects his motion for dismissal. Friedn claims prosecutors committed misconduct by allowing witnesses to misresent facts to the grand jury.

Gomez "may have done some illegal ngs," Friedman said, but he is not Alaska drug kingpin prosecutors le him out to be... running around selling cocaine, not being particularly careful," he said. "I think the state wants to make the organization seem bigger and more fearsome than it was."

Fedor said Gomez brushed into trouble with Anchorage police as far back as 1985.

In 1986, he was wounded in a shooting at the Lamplighter apartments in which three other people died. The man who shot him, Kiven Collins, told police the Gomez drug camp had paid him to kill the boss of a rival drug gang.

Collins told police he shot the other boss, Melvin Miranda. At the Lamplighter apartment the next day, Collins said, he became convinced Gomez and the others were plotting to kill him. Instead, he killed them, Collins said.

Collins was convicted of those kill-

State and cities must bear increasing retirement bill

By LARRY PERSILY
The Associated Press

JUNEAU — Employee retirement costs are going up sharply for the state and municipalities, party because of higher health insurance premiums and a cost-of-living increase in retirees' monthly benefits.

The state's early retirement incentive program and lingering effects of the 1987 stock market crash also have contributed to the need for higher employer contributions, according to an annual review of the retirement fund.

State agencies will pay an extra $22 million in fiscal 1991 to cover a 44 percent increase in the employer contribution rate to the Public Employees Retirement System.

Most of the more than 130 municipalities that belong to the system also will see increases effective July 1, although generally smaller than the state's boost, said Sally Smith, state retirement and benefits director.

Municipal rates vary, depending on employee turnover and retirements. Skagway will see the state's highest employer contribution rate in fiscal 1991 at 38 percent of payroll costs, Smith said Tuesday.

The state's rate will rise from 9.65 percent to 13.86 percent of payroll costs. Although the expense had dropped in recent years, several factors forced the large increase for fiscal 1991, Smith said.

Dramatic increases in retiree health insurance costs were a major factor. The retirement fund pays the entire premium, which has increased from $140 a month in fiscal 1988 to $244 a month this year.

The aging of state and municipal workers and an early retirement incentive program have caused the number of retirement fund beneficiaries to climb from 4,650 in fiscal 1986 to more than 7,200 this year.

A recent consultant's report on the retirement fund said 7 percent of active workers took early retirement three years ago. A second early retirement opening will close Saturday for state workers, but its effect is not computed in next year's employer contribution rate.

Lower stock investment profits and a cost-of-living benefits increase retroactive to July 1 added to the need for higher employer contributions, the report said.

Instead of asking the legislature to pay the cost, the Cowper administration has told agencies to absorb the extra expense, said Alison Elgee, state budget director.

Agencies have been told to leave jobs vacant longer between new hires as one way of saving enough money, Elgee said.

"It will be a problem in some areas," such as 24-hour residential institutions and the state troopers, she said. A supplemental budget request is likely next year to pay any bills not covered by higher vacancy rates or other savings, she said.

Some lawmakers have been critical of the administration for relying on supplemental appropriations a year later to cover budget shortages, but the legislature often uses the same short-funding tactic to show temporary cuts in state spending.

Rep. Fran Ulmer, D-Juneau, said it's misleading to leave out the retirement cost increase from the budget this session, but it's hard for legislators to consider paying the bill if the administration doesn't ask for the money.

The administration is not the only one looking this session at vacant positions to cover higher costs. Rep. Ron Larson, D-Palmer and co-chairman of the House Finance Committee, said he wants to use vacant positions to help pay for new jobs elsewhere in agency budgets.

Lawmakers and administration officials must be careful not to rely too heavily on vacancy rates to cover too many budget increases, Larson said.

FOSTER: Lawmaker under fire

Continued from Page B-1

Last year, his first in Juneau, he walked through the Capitol halls with a surplus .50-caliber machine gun and joked that he was "hunting for ultra-liberals."

A few weeks ago he strolled the halls with a box of German Luger pistols, including what he described as rare models owned by the Gestapo and SS troops of Nazi Germany.

Foster has also made a habit of giving his colleagues guns as gifts. He said he has given away about 10 guns to fellow lawmakers.

SB
344

STATE OF ALASKA
1990 LEGISLATIVE SESSION

BILL VERSION: CSSB344 (B&ED)
PUBLISH DATE: 3/15/90

FISCAL NOTE

REQUEST:

Revision Date: 3/6/90
Title: Construction Standards

Sponsor: Senator Fischer
Requestor: Senator Fischer

Agency Affected:
BRU: Alaska Housing Finance Corporation

Components:

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 91	FY 92	FY 93	FY 94	FY 95	FY 96
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0
CAPITAL	0	0	0	0	0	0
REVENUE	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

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

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

Prepared by: Robert Sullivan
Division: Mortgage Department, AHFC
Phone: 564-9315
Date: 3/7/90

Approved by Commissioner:
Agency:
Date: 3/7/90

Distribution (by preparer):
- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

page 1 of 1

STATE OF ALASKA
1990 LEGISLATIVE SESSION

BILL VERSION: SB 344
PUBLISH DATE: 3/7/90

FISCAL NOTE

REQUEST:

Revision Date:
Title: Construction Standards for Housing Eligible for Loans
Sponsor: Sen. Fischer
Requestor:

Agency Affected: Alaska Housing Finance Corporation
BRU:
Components:

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 91	FY 92	FY 93	FY 94	FY 95	FY 96
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING						
CAPITAL						
REVENUES						

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

Prepared by: Judith DeSpain
Phone: 561-1900
Division: Alaska Housing Finance Corporation
Date: 1/19/90

Approved by Commissioner: Hugh Malone
Date:
Agency: Department of Revenuw

Distribution (by preparer):
- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

FISCAL ANALYSIS
SB 344

The fiscal impact of implementing this legislation is undeterminable at this time, since the respective roles of local government code enforcement departments, independent inspectors, AHFC and the Department of Commerce have not been clearly defined. Responsibility needs to established regarding regulation of inspectors, how inspection costs will be collected and from whom, and the form of certification to be required at each stage of the construction process.

Alaska State Legislature

Senate

Office of the Secretary

OFFICIAL BUSINESS

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

FOR YOUR IMMEDIATE ATTENTION

DATE: March 16, 1990

TO SENATE
COMMITTEE: State Affairs

FROM: Office of the Senate Secretary JMR

The attached fiscal note(s) relate to the following bill(s) pending in your Committee.

Please attach the fiscal note(s) behind the "Committee Copy" (stamped) in the blue/orange bill back.

SENATE BILL NO. 344

Relating to residential housing assistance provided by the Alaska Housing Finance Corporation.

Thank you.

SIGNATURE OF PERSON RECEIVING THIS NOTE

JR/s

STA, FIN

SENATE STATE AFFAIRS COMMITTEE

BILL NUMBER SB 346

SPONSOR DUNCAN -

BILL TITLE Value of PFD

DATE REFERRED 1·8·90

HEARING SCHEDULED

FISCAL NOTE PREPARED

SPONSOR CONTACTED

INTERESTED PARTIES CONTACTED

See HB 563

OTHER

SENATE COMMITTEE REPORT
FIRST COMMITTEE OF REFERRAL

DATE: January 8, 1990

FURTHER: Finance

Date of 5-Day Notice: 3·2·90
(in accordance with Uniform Rule 23)

DATE TURNED INTO OFFICE: 4·5·90

State Affairs Committee considered SENATE BILL NO. 346

"An Act relating to public notice regarding the value of permanent fund dividends; and providing for an effective date."

and recommended:

[X] replace with CS SB 346 [ ] same title [X] new title

[ ] attached amendment(s)

[X] STATE AFFAIRS letter of intent adopted

[ ] do pass

[ ] do not pass

[ ] no recommendation

[X] individual recommendations

[ ] further referral to

ATTACHES NEW FISCAL NOTE(S):

Department(s)/Date:

[X] fiscal note(s) Rev. (PFD) 4·4·90

Department(s)/Date:

[ ] zero fiscal note(s)

[ ] appropriation-no fiscal note

[ ] Governor's bill w/fiscal note

SIGNING DO PASS:

Al Adams

OTHER RECOMMENDATIONS:

Jan Faiks No Rec

Rick Uehling (No Rec)

Tim Kelly (No Rec)

Pat Pourchot do pass

Chair: Signature and Recommendation

STATE OF ALASKA
1990 LEGISLATIVE SESSION

BILL VERSION: CS SB 346 (SA)
PUBLISH DATE:

FISCAL NOTE

REQUEST

Revision Date: April 4, 1990
Title: An Act relating to public notice on value of PFD
Sponsor: DUNCAN
Requestor:

Agency Affected: Revenue
BRU: Permanent Fund Dividend Division

Components: Permanent Fund Dividend Division

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 91	FY 92	FY 93	FY 94	FY 95	FY 96
OPERATING						
PERSONAL SERVICES	7.3	-0-	-0-	-0-	-0-	-0-
TRAVEL	-0-	-0-	-0-	-0-	-0-	-0-
CONTRACTUAL	-0-	-0-	-0-	-0-	-0-	-0-
SUPPLIES	-0-	-0-	-0-	-0-	-0-	-0-
EQUIPMENT	-0-	-0-	-0-	-0-	-0-	-0-
LANDS & STRUCTURES	-0-	-0-	-0-	-0-	-0-	-0-
GRANTS, CLAIMS	-0-	-0-	-0-	-0-	-0-	-0-
MISCELLANEOUS	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL OPERATING	7.3	-0-	-0-	-0-	-0-	-0-
CAPITAL	-0-	-0-	-0-	-0-	-0-	-0-
REVENUE	-0-	-0-	-0-	-0-	-0-	-0-

FUNDING: (Thousands of Dollars)

GENERAL FUND	-0-	-0-	-0-	-0-	-0-	-0-
FEDERAL FUNDS	-0-	-0-	-0-	-0-	-0-	-0-
OTHER (PFD)	7.3	-0-	-0-	-0-	-0-	-0-
TOTAL	7.3	-0-	-0-	-0-	-0-	-0-

POSITIONS:

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

ANALYSIS: See attached.

Prepared By: Ervin Jones
Phone: 465-2323
Division: Permanent Fund Dividend Division
Date: April 4, 1990

Approved by Commissioner: Milton D. Barker for
Date: 4-4-90
Agency: Revenue

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

Department of Revenue
Permanent Fund Dividend Division
Fiscal Note Analysis
CS SB 346 (SA)
April 4, 1990

1. Positions

	FY 91	FY 92
1 PPT Document Processor II, R8 @ $2,446.08/Mo including salary and benefits for 3 months. FY 91 only =	$7.3	$0.0

This position is to answer increased phone calls and letters regarding the special notice

2. Other Expenditures:

	FY 91	FY 92
a) Travel:	$0.0	$0.0
b) Contractual:	$0.0	$0.0
c) Supplies:	$0.0	$0.0
d) Equipment:	$0.0	$0.0
Total Cost	$7.3	$0.0

Analysis:

The department supports full disclosure and clear accountability for expenditures from the dividend fund.

Section 2, line 20 through 25 requires additional information to be communicated to the public. It is feasible to print the information on the check stub. The department has only two concerns with this new requirement:

a) We expect the public to be very interested in this breakdown of the source of their dividend. It is now an established fact that the public pays close attention to information on the permanent fund dividend check stub. We expect an increase in public contact. This increase is covered by the fiscal note request for one seasonal part-time Document Processor II to work at the Anchorage Dividend Information Office during October-December of 1990.

b) Our second concern is the impact which the additional use of the check stub will have on the Department's tenuous agreement with the Internal Revenue Service that allows us to use the check stub as a "substitute 1099." Absent this agreement, the dividend program would incur approximately $175,000 in additional postage and printing costs each year. If the Internal Revenue Service cancels our waiver because of their perception that the stub is being altered and will no longer serve as an acceptable "substitute 1099," then the next year's operating budget would have to reflect the additional costs.

STATE OF ALASKA
1990 LEGISLATIVE SESSION

BILL VERSION: SB 346
PUBLISH DATE:

FISCAL NOTE

REQUEST

Revision Date:
Title: An Act relating to public notice on value of PFD
Sponsor: DUNCAN
Requestor:

Agency Affected: Revenue
BRU: Permanent Fund Dividend Division
Components: Permanent Fund Dividend Division

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 91	FY 92	FY 93	FY 94	FY 95	FY 96
PERSONAL SERVICES	14.7	14.7	14.7	14.7	14.7	14.7
TRAVEL	-0-	-0-	-0-	-0-	-0-	-0-
CONTRACTUAL	10.0	10.0	10.0	10.0	10.0	10.0
SUPPLIES	-0-	-0-	-0-	-0-	-0-	-0-
EQUIPMENT	-0-	-0-	-0-	-0-	-0-	-0-
LANDS & STRUCTURES	-0-	-0-	-0-	-0-	-0-	-0-
GRANTS, CLAIMS	-0-	-0-	-0-	-0-	-0-	-0-
MISCELLANEOUS	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL OPERATING	24.7	24.7	24.7	24.7	24.7	24.7
CAPITAL	-0-	-0-	-0-	-0-	-0-	-0-
REVENUE	-0-	-0-	-0-	-0-	-0-	-0-

FUNDING: (Thousands of Dollars)

	FY 91	FY 92	FY 93	FY 94	FY 95	FY 96
GENERAL FUND	-0-	-0-	-0-	-0-	-0-	-0-
FEDERAL FUNDS	-0-	-0-	-0-	-0-	-0-	-0-
OTHER	24.7	24.7	24.7	24.7	24.7	24.7
TOTAL	24.7	24.7	24.7	24.7	24.7	24.7

POSITIONS:

	FY 91	FY 92	FY 93	FY 94	FY 95	FY 96
FULL-TIME	-0-	-0-	-0-	-0-	-0-	-0-
PART-TIME	2	2	2	2	2	2
TEMPORARY	-0-	-0-	-0-	-0-	-0-	-0-

ANALYSIS: See attached.

Prepared By: Ervin Jones
Division: Permanent Fund Dividend Division
Phone: 465-2323
Date: February 28, 1990

Approved by Commissioner: Hugh Malone / for
Date: 2/28/90
Agency: Revenue

Distribution (by preparer):
- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

Department of Revenue
Permanent Fund Dividend Division
Fiscal Note Analysis
SB 346
February 28, 1990

			FY 91	FY 92
1.	Positions			
	2 PPT Document Processor IIs, R8 @ $2,446.08/Mo including salary and benefits for 3 months	=	$14.7	$14.7
	This position is to answer increased phone calls and letters regarding the special notice			
2.	Other Expenditures:			
a)	Travel:		$0.0	$0.0
b)	Contractual:			
	Estimated cost to print and fold 525,000 flyers	=	$10.0	$10.0
c)	Supplies:		$0.0	$0.0
d)	Equipment:		$0.0	$0.0
Total Cost			$24.7	$24.7

Analysis:

The department supports full disclosure and clear accountability for expenditures from the dividend fund.

Section 2, line 15 through 20 requires additional information to be communicated to the public. It is not feasible to include that type of information on the check stub itself due to limited space. An insert could be added to the envelope at a cost of approximately $10,000 to cover printing.

Section 2, line 21-23 is a restatement of the existing requirements for disclosure. The department believes it would be better to expand this to cover any appropriations from the dividend fund which result in a reduction of the dividend.

Suggested Amendment:
Section 2, page 2, line 22-23 to be amended to read:

> "costs of administering the dividend program, [AND] the hold harmless provisions of AS 433.23.075, or other appropriations from the dividend fund.

PERMANENT FUND DIVIDEND

WARRANT STOCK

1. The bid for printing the check stub goes out in July each year.

2. The warrant itself is strictly controlled by various banking and UCC rules, and by the needs of Treasury and the Division of Finance.

3. The "check stub" is available to some degree to transmit information to the recipient regarding the warrant amount, and information about the deductions. It is however limited in size and in use. Through a very tenuous agreement with the IRS, we are allowed to substitute the check stub for the 1099 form required by law to be issued in January of each year. The postage savings alone amounts to over $85,000. If the check stub becomes so cluttered with information, that the IRS concludes that it does not meet the 1099 requirem nts, it will likely cost the dividend program over $100,000.

4. The warrant stock is used for all dividend years, which means that space allocated for such information as "violent crimes compensation board" on subsequent 1989 warrants may be used for some other message on the 1990 warrant. Certain spaces are of course needed for all years (Date, batch, warrant amount, "assigned and/or attached," etc.).

5. As you can see from Attachment A and B, all 19 lines of computer print available were used and will be used on all 1989 warrant stubs. The lines which arguable would be available for printing further or different information on 1990 warrant stubs are lines 16 through 18. From the IRS' viewpoint, it would be best to put these lines at the very bottom or just above the "reductions per dividend check" line.

7297G

This warrant will be deemed paid unless redeemed within two years after the date of issue per AS 37.05.150.

STATE OF ALASKA
TREASURY WARRANT

No. 5254076

89-52 1252

ALASKA PERMANENT FUND DIVIDEND

DATE OF ISSUE:

52540763

$ 873.16

PAY TO THE ORDER OF:

VOID

$ ******87 1

GOVERNOR

⑈5254076 3⑈ ⑆125200523⑆

NON NEGOTIABLE

No. 5254076

```
PAYER'S NAME STATE OF ALASKA    1989 PERMANENT FUND DIVIDEND $ 873.16
FEDERAL ID NO. 92-6001185

DATE            BATCH
VOUCHER         DLN             WARRANT AMOUNT                  $ 873.16
                                APPLICANT'S SSN
                                APPLICANT'S NAME AND ADDRESS

REDUCTIONS PER DIVIDEND CHECK:
 COSTS OF ADMINISTERING DIVIDEND PROGRAM.......$ 6.83 (DEPT. OF REVENUE)
 "HOLD HARMLESS" OF PERSONS WHOSE FEDERAL
 BENEFITS ARE CUT WHEN THEY RECEIVE DIVIDENDS..$22.72 (DEPT. OF H&SS)
 SEX OFFENDER TREATMENT AND GATE MONEY FOR
 RELEASED PRISONERS............................$ 1.47 (DEPT. OF CORRECTIONS)
 VIOLENT CRIMES COMPENSATION BOARD.............$ 1.42 (DEPT. OF PUBLIC SAFETY)
 TOTAL.........................................$32.44
```

IMPORTANT - This stub contains important tax and other information (see back).

This warrant will be deemed paid unless redeemed within two years after the date of issue per AS 37.05.180.

STATE OF ALASKA
TREASURY WARRANT

ALASKA PERMANENT FUND DIVIDEND

No. 52944073

89-52/1252

DATE OF ISSUE:

PAY TO THE ORDER OF:

VOID

DOLLARS	CENTS
$	

⑈52944073⑈ ⑆125200523⑆

NON NEGOTIABLE

No. 52944073

IMPORTANT - This stub contains important tax and other information (see back).

VOID

IMPORTANT FEDERAL TAX INFORMATION

Keep this stub for your tax records. The Department of Revenue reports this information to the Internal Revenue Service (IRS). If you fail to report the PFD on your Federal income tax return, the IRS may require you to pay a penalty. Report the amount of your PFD on IRS form 1040 on the line for "OTHER INCOME".

FEDERAL BACK UP WITHHOLDING

Federal law requires the Department of Revenue to withhold 20 percent of your PFD if you did not give us your Social Security Number, and if the amount of the PFD is $600 or more. If taxes were withheld from your PFD, you must report the withheld amount on IRS form 1040 on the line for "FEDERAL TAX WITHHELD". The IRS will issue any refund due you.

IMPORTANT FEDERAL TAX INFORMATION

Keep this stub for your tax records. The Department of Revenue reports this information to the Internal Revenue Service (IRS). If you fail to report the PFD on your Federal income tax return, the IRS may require you to pay a penalty. Report the amount of your PFD on IRS form 1040 on the line for "OTHER INCOME".

FEDERAL BACK UP WITHHOLDING

Federal law requires the Department of Revenue to withhold 20 percent of your PFD if you did not give us your Social Security Number, and if the amount of the PFD is $600 or more. If taxes were withheld from your PFD, you must report the withheld amount on IRS form 1040 on the line for "FEDERAL TAX WITHHELD". The IRS will issue any refund due you.

ATTACHMENT
"B"

This warrant will be deemed paid unless redeemed within two years after the date of issue per AS 37.05.180.

STATE OF ALASKA
TREASURY WARRANT

No. 528 [redacted]

89-52/1252

ALASKA PERMANENT FUND DIVIDEND

DATE OF ISSUE: 11 29 89 528 [redacted] $**303.16

DOLLARS	CENTS
$ *******303	16

PAY TO THE ORDER OF:

VOID

[redacted]
MEADOW CREEK CORRECTION-
AL CENTER
EAGLE RIVER AK 99577

VOID

⑈52837680⑈ ⑆125200523⑆

NON NEGOTIABLE

No. 528 [redacted]

```
1. PAYER'S NAME STATE OF ALASKA      1989 PERMANENT FUND DIVIDEND $ 873.16
2. FEDERAL ID NO. 92-6001185
3.                                   (A)
4. DATE 11/29/89   BATCH 02211       (B) ASSIGNED AND/OR ATTACHED     $ 570.00-
5. VOUCHER 47[redacted] DLN 90[redacted]  WARRANT AMOUNT              $ 303.16
6.                                   APPLICANT'S SSN 574-[redacted]
                                     APPLICANT'S NAME AND ADDRESS
                                     [redacted]
                                     MEADOW CREEK CORRECTION-
                                     AL CENTER
11.                                  EAGLE RIVER      AK   99577
12. REDUCTIONS PER DIVIDEND CHECK:
13. COSTS OF ADMINISTERING DIVIDEND PROGRAM.......$ 6.83 (DEPT. OF REVENUE)
14. "HOLD HARMLESS" OF PERSONS WHOSE FEDERAL
15. BENEFITS ARE CUT WHEN THEY RECEIVE DIVIDENDS..$22.72 (DEPT. OF H&SS)
16. SEX OFFENDER TREATMENT AND GATE MONEY FOR
17. RELEASED PRISONERS............................$ 1.47 (DEPT. OF CORRECTIONS)
18. VIOLENT CRIMES COMPENSATION BOARD.............$ 1.42 (DEPT. OF PUBLIC SAFETY)
19. TOTAL.........................................$32.44
```

(A) Reserved for Federal back-up withholding info where required

(B) Reserved for Olympic check-off info where required. Note: Since many dividend checks will still be reduced by the check-off, we must reserve this space.

IMPORTANT - This stub contains important tax and other information (see back).

ATTACHMENT "A"

within two years after the date of issue per AS 37.05.180.

STATE OF ALASKA
TREASURY WARRANT

No. 52944072
89-52/1252

ALASKA PERMANENT FUND DIVIDEND

DATE OF ISSUE:

PAY TO THE ORDER OF:

VOID

DOLLARS	CENTS
$	

⑈52944072⑈ ⑆125200523⑆

NON NEGOTIABLE

No. 52944072

19 LINES X 84 CHARACTERS

IMPORTANT - This stub contains important tax and other information (see back).

This warrant will be deemed paid unless redeemed
within two years after the date of issue per AS 37.05.180.

STATE OF ALASKA
TREASURY WARRANT

No. 52944073
89-52/1252

ALASKA PERMANENT FUND DIVIDEND

DATE OF ISSUE:

DOLLARS	CENT

2

FY 90 and 91

the food stamp program settlement.

* Sec. 23. The amounts necessary to refund to local governments their share of taxes and fees collected under the following programs are appropriated to the Department of Revenue from the general fund for payment in fiscal year 1991:

Fisheries tax revenues for fiscal year 1990 (AS 43.75);

Amusement and gaming tax revenues for fiscal year 1991 (AS 43.35);

Aviation fuel tax revenues for fiscal year 1991 (AS 43.40.010);

Electric and telephone cooperative tax revenues for fiscal year 1991 (AS 10.25.570); and

Liquor license fee revenues for fiscal year 1991 (AS 04.11).

* Sec. 24. The sum of $2,000,000 is appropriated from the general fund to the Disaster Relief Fund (AS 44.19.048) for fiscal year 1991 disasters.

* Sec. 25. The sum of $14,000,000 is appropriated to the Department of Law to fund legal proceedings involving oil and gas revenue due or paid to the state or state title to oil and gas land, including the North Slope royalty case (State v. Amerada Hess, et. al.) and the Dinkum Sands case (United States v. Alaska), for fiscal year 1991 and succeeding fiscal years from the following sources, in the amounts listed:

General Fund	$10,500,000
Permanent Fund Earnings Reserve Account (AS 37.13.145)	$ 3,500,000

* Sec. 26. The sum of $7,000,000 is appropriated from the general fund to the Department of Law for litigation costs associated with the Exxon Valdez oil spill for fiscal year 1991 and succeeding fiscal years.

(SECTION 27 BEGINS ON PAGE 6)

Disclose all uses of Fund earnings

The public indicated the dividend program should continue to be an equal distribution to all qualified Alaskans. Testimony was clear that reductions from the dividend checks, other than expenses directly associated with the administration of the dividend program within the Department of Revenue, are not acceptable. There was virtually no support for the "hold harmless", felon gate money, or sexual offender programs being funded from Fund earnings. Many individuals were upset to discover that reductions had been made in the past without being itemized on the check stub. Public testimony strongly suggested that reductions, other than inflation proofing and administrative expenses, should be eliminated.

<u>Recommendation:</u> All uses of the earnings of the Fund should be shown on the dividend check stub by listing the total amount of each use.

In summary

The Permanent Fund is only one element of Alaska's economy. For example, it is not, of itself, the answer to diminishing state revenues. The Fund must be considered and utilized in the context of a total revenue and spending plan. The Commission hopes that this report will help in shaping such a plan and that the public will continue to be recognized as a key participant in the process.

Original sponsor(s): State Affairs Committee

IN THE HOUSE BY THE STATE AFFAIRS COMMITTEE

CS FOR HOUSE BILL NO. 563 (State Affairs)

IN THE LEGISLATURE OF THE STATE OF ALASKA

SIXTEENTH LEGISLATURE - SECOND SESSION

A BILL

For an Act entitled: "An Act relating to the amount of a permanent fund dividend and to information regarding certain amounts by which dividends are reduced or increased; and providing for an effective date."

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

* Section 1. AS 43.23.025(a) is amended to read:

(a) By October 1 of each year the commissioner shall give public notice of the value of each permanent fund dividend for that year. The public notice shall contain a statement disclosing the amount by which each individual dividend has been reduced <u>due to each appropriation from the dividend fund, including amounts</u> [IN ORDER] to pay the costs of administering the <u>dividend</u> program and the hold harmless provisions of AS 43.23.075. The commissioner shall also include the statement on the stub attached to each individual dividend check. <u>Additional information fully explaining the legislative history and purpose of each appropriation shall be provided with the check.</u> The commissioner shall determine the value of a permanent fund dividend by

(1) determining the total amount available for dividend payments, which equals

(A) the amount of income of the Alaska permanent fund transferred to the dividend fund under AS 43.23.045(b) during the current year;

(B) plus the unexpended and unobligated balances of prior fiscal year appropriations that lapse into the dividend fund under AS 43.23.045(d);

(C) less the amount necessary to pay dividends from the dividend fund in the current year under AS 43.23.055(3);

(D) less the amount necessary to pay dividends from the dividend fund due to eligible applicants who, as determined by the department, filed for a previous year's dividend by the filing deadline but who were not included in a previous year's dividend computation;

<u>(E) less appropriations from the dividend fund during the current year, including amounts to pay costs of administering the dividend program and the hold harmless provisions of AS 43.-23.075;</u>

(2) determining the number of individuals eligible to receive a dividend payment for the current year; and

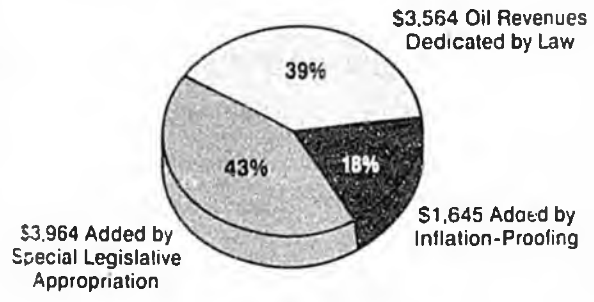
(3) dividing the amount determined under (1) of this section by the amount determined under (2) of this section.

* Sec. 2. The commissioner of revenue shall include with each permanent fund dividend check for 1990 information explaining the legislative history and purpose of appropriations from the dividend fund that reduced dividends for 1989. If money is made available, through appropriation or a decision of the court upholding the constitutionality of AS 43.23.005(d), to reimburse the dividend fund for amounts by which the 1989 dividend was reduced, the commissioner shall include on the stub attached to each dividend check for 1990 a statement of the amount by which the check is increased due to the reimbursement.

* Sec. 3. This Act takes effect immediately under AS 01.10.070(c).

Where has the money in the Permanent Fund come from?

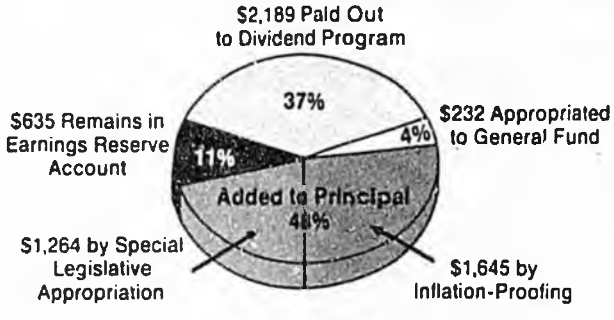
$9.2 BILLION IN PRINCIPAL



(In millions)
As of June 30, 1989

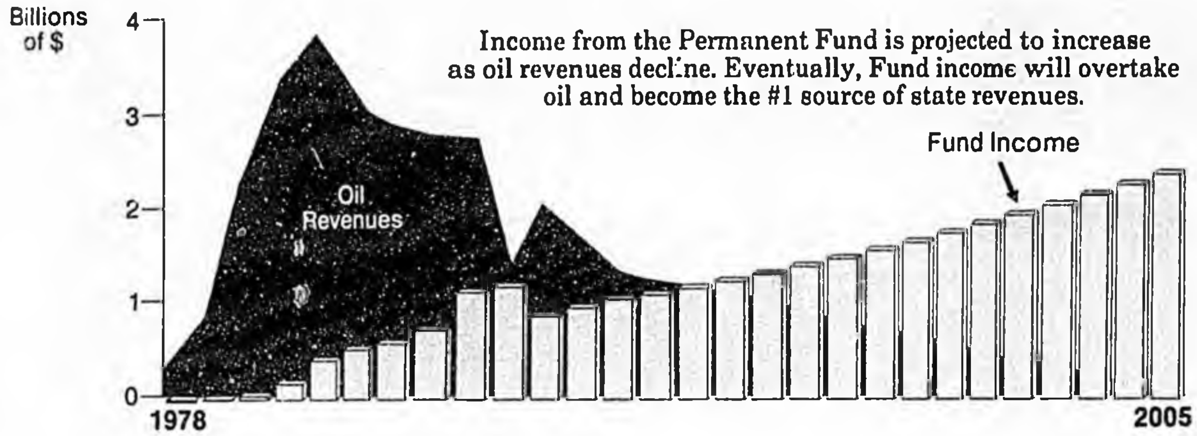
How has the income been used?

$6 BILLION OF INCOME



(In millions)
As of June 30, 1989

What's in store for the future?



ALASKA PERMANENT FUND
Established 1976

A Public Trust Investing For Alaska's Future

FOR MORE INFORMATION

Yes . . . I want

- ☐ An Alaskan's Guide to the Permanent Fund
- ☐ 1989 Annual Report

Name ____________________
Address ____________________
____________________ Zip __________

To receive the item(s) requested, please fill in your address, detach this panel, and mail to:

David A. Rose, Executive Director
Alaska Permanent Fund Corporation
P.O. Box 4-1000, Juneau, Alaska 99802

This is not a true warrant and is not redeemable in cash.

STATE OF ALASKA
NON-NEGOTIABLE WARRANT
ALASKA PERMANENT FUND

No. 00000000
89-52/1252

DATE OF ISSUE: 1989

DOLLARS	CENTS
$10,000,000,000.	00

PAY TO THE ORDER OF: *Your Name*

The Benefits of Ten Billion Dollars

THE SEAL OF THE STATE OF ALASKA

A PERMANENT FUND QUIZ

How much do you know?

1. **How many times has the legislature added money to Fund principal above what was required by law?** (a) once (b) three times (c) never

2. **What is the Board of Trustees' earnings goal for the Permanent Fund?** (a) to consistently achieve a 9% annual return (b) to earn 3% more than inflation each year on average over the long term (c) to maximize income regardless of the level of risk

3. **Who administers the PFD program?** (a) the Permanent Fund Corporation (b) the Dividend Division in the Department of Revenue (c) an Outside firm

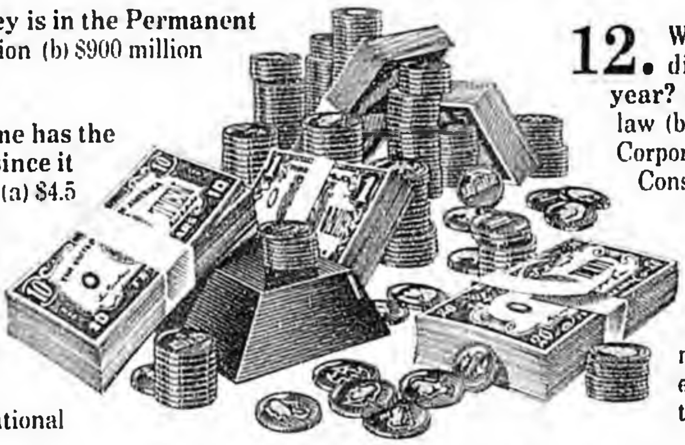
4. **How much money is in the Permanent Fund?** (a) $5 million (b) $900 million (c) $10 billion

5. **How much income has the Fund produced since it was created in 1976?** (a) $4.5 billion (b) $6 billion (c) $900 million

6. **Which is the Fund's largest investment portfolio?** (a) stocks (b) bonds (c) real estate (d) international

7. **Which has made the largest contribution to the growth of Fund principal?** (a) 12 years of dedicated oil revenues (b) 7 years of inflation-proofing (c) 3 special legislative appropriations

8. **How large would Fund principal be in the year 2005 without any further inflation-proofing?** (a) one-half as large as with inflation-proofing (b) a little bit less than otherwise (c) exactly the same



9. What is the purpose of the Permanent Fund? (a) to transform a non-renewable resource into a sustainable source of income to benefit all generations of Alaskans (b) to help lessen the tax burden on individual Alaskans when the oil money runs out (c) to pay dividends (d) all of the above

10. **Who decides how Fund income is spent each year?** (a) the people of Alaska through their elected representatives (b) the Board of Trustees (c) the State Constitution

11. **Why do we inflation-proof the Fund?** (a) to protect the purchasing power of Fund earnings in the future (b) to protect the real value of Fund principal now (c) to help the Fund grow (d) all of the above

12. **Who decides how big the dividends will be each year?** (a) a formula in state law (b) the Permanent Fund Corporation (c) the State Constitution (d) Bill Edwards

13. **Who created the Permanent Fund?** (a) voters by constitutional amendment (b) a former governor (c) the legislature

14. **How much was paid out to each Alaskan who qualified for and received all the Fund dividends distributed from 1982-1988?** (a) $1,000 (b) $4,213 (c) $2,945

15. **Which of the following is true?** (a) Fund principal can't be spent without a constitutional amendment (b) Fund income can't be spent without voter approval (c) both can be spent at any time

ANSWERS

1. (b)	2. (b)	3. (b)	4. (c)	5. (b)
6. (b)	7. (c)	8. (a)	9. (d)	10. (a)
11. (d)	12. (a)	13. (a)	14. (b)	15. (a)

HOW DID YOU DO?

If you answered more than 10 questions correctly, you are a knowledgeable Alaskan! If you would like more information about your Permanent Fund, simply fill out the panel on the reverse side and mail it to us.

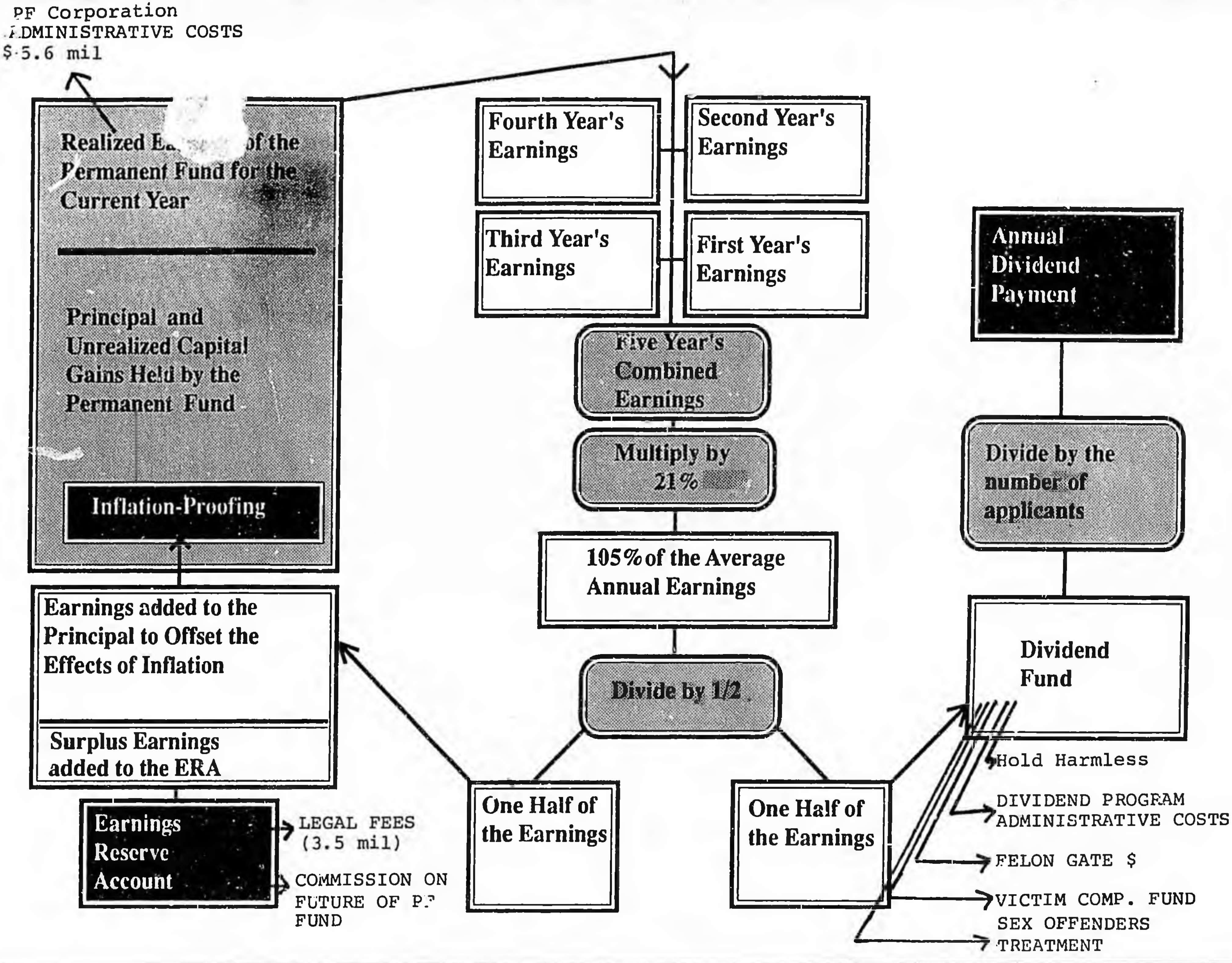
Dear Fellow Alaskans:

We hope you enjoy this light-hearted effort to educate you about the Permanent Fund — it is part of a new educational program which the Board of Trustees will be introducing to Alaska elementary schools this fall. Watch for other materials which we will be distributing soon, and let us know what you think.

Education is an important activity for us at the Fund because, although we can and do strive every day to invest this great public savings account safely, it is really up to you — the creators, the owners and the beneficiaries of the Permanent Fund — to keep it safe by being informed citizens and by regularly expressing your views to your elected representatives.

— John T. Kelsey
Chairman, Board of Trustees

Figure 1: **ALASKA PERMANENT FUND - CURRENT SYSTEM**



JUNEAU EMPIRE

10/26/89

Duncan questions two dividend deductions

Administration overstepped lawmakers' intent

By CHUCK KLEESCHULTE
THE JUNEAU EMPIRE

If you wonder about the two new deductions that reduced your Alaska Permanent Fund dividend check by $2.89, you aren't alone.

Sen. Jim Duncan, D-Juneau, today charged the administration overstepped its authority by reducing all Alaskans' dividends to fund the Violent Crimes Compensation Board, provide prisoners with "gate money" and pay for sex offender treatment.

The Cowper administration went beyond legislative intent when it reduced each dividend by $1.42 for compensation board and $1.47 for prisoner treatment, Duncan said.

Lawmakers last year passed legislation that denied felons their dividends and stipulated that the $1.5 million saved go to the compensation board. The board reimburses the victims of violent crimes for damages.

Last spring, lawmakers expanded the effort by including intent language that shifted any excess money from the prisoners' dividends to inmate treatment, such as that for sex offenders, which previously have been funded in the operating budget.

Prisoners are challenging the moves in court.

"It was legislative intent that felons' dividends be used exclusively to fund these programs. Legislative intent was followed with the collection of these dividends, but overstepped when all dividends were reduced in response to a court order," said Duncan on Wednesday.

The state Department of Administration should have consulted with the Legislative Budget and Audit Committee before cutting all Alaskans' dividends, he said. The committee could have authorized full funding for the dividend and then pledged support for a supplemental appropriation next session to offset the difference, if the prisoners win their lawsuit.

NON NEGOTIABLE No. 52531425

```
PAYER'S NAME STATE OF ALASKA     1989 PERMANENT FUND DIVIDEND $ 873.16
FEDERAL ID NO. 92-6001185

DATE 10/12/89   BATCH 00473
VOUCHER 476777  DLH 90094476     WARRANT AMOUNT               $ 873.16

REDUCTIONS PER DIVIDEND CHECK:
 COSTS OF ADMINISTERING DIVIDEND PROGRAM.......$ 6.83 (DEPT. OF REVENUE)
 "HOLD HARMLESS" OF PERSONS WHOSE FEDERAL
 BENEFITS ARE CUT WHEN THEY RECEIVE DIVIDENDS..$22.72 (DEPT. OF H&SS)
 SEX OFFENDER TREATMENT AND GATE MONEY FOR
 RELEASED PRISONERS............................$ 1.47 (DEPT. OF CORRECTIONS)
 VIOLENT CRIMES COMPENSATION BOARD.............$ 1.42 (DEPT. OF PUBLIC SAFETY)
 TOTAL.........................................$32.44
```

IMPORTANT - This stub contains important tax and other information (see back).

The case is extremely confusin
but the administration believes it f
lowed court directives by reduci
all checks, not just the prisoner
checks, until the court case is se
tled, said Alison Elgee, director
budget review.

If any mistake was made the ad
ministration will seek a supplemer
tal appropriation next session and re
imburse the permanent fund divi
dend account, she said. That woul
increase dividend checks by an equa
amount next year.

"With legislative approval, we'll just roll the amount into next year's checks," said Elgee.

The deductions are the smallest of four totaling $32.44 this year.

The two others have been subtracted for the past seven years.

This year $6.83 is being cut from each check to pay for administering the dividend program, and $22.72 is being taken out to cover the loss of federal welfare to low-income Alaskans because the dividend increases their incomes.

The Department of Revenue, which administers the dividend program, three weeks ago began mailing checks for $873.16 to every Alaskan. Most of the checks will be dispensed before Christmas.

Introduced: 2/14/90 6-2149A
Referred: State Affairs, and Finance

BY THE STATE AFFAIRS COMMITTEE

IN THE HOUSE

HOUSE BILL NO. 563

IN THE LEGISLATURE OF THE STATE OF ALASKA

SIXTEENTH LEGISLATURE - SECOND SESSION

A BILL

For an Act entitled: "An Act relating to disclosure of expenditures of permanent fund income; and providing for an effective date."

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

* Section 1. AS 43.23.025(a) is amended to read:

(a) By October 1 of each year the commissioner shall give public notice of the value of each permanent fund dividend for that year. The public notice shall contain a statement disclosing <u>the amount and purpose of each expenditure made from income of the permanent fund during the previous fiscal year, and</u> the amount by which each individual dividend has been reduced in order to pay the costs of administering the <u>dividend</u> program and the hold harmless provisions of AS 43.23.075. The commissioner shall also include the statement on the stub attached to each individual dividend check. The commissioner shall determine the value of a permanent fund dividend by

(1) determining the total amount available for dividend payments, which equals

(A) the amount of income of the Alaska permanent fund transferred to the dividend fund under AS 43.23.045(b) during the current year;

(B) plus the unexpended and unobligated balances of prior fiscal year appropriations that lapse into the dividend fund under AS 43.23.045(d);

(C) less the amount necessary to pay dividends from the dividend fund in the current year under AS 43.23.055(3);

(D) less the amount necessary to pay dividends from the dividend fund due to eligible applicants who, as determined by the department, filed for a previous year's dividend by the filing deadline but who were not included in a previous year's dividend computation;

(2) determining the number of individuals eligible to receive a dividend payment for the current year; and

(3) dividing the amount determined under (1) of this section by the amount determined under (2) of this section.

* Sec. 2. This Act takes effect January 1, 1991.

STATE OF ALASKA
THE LEGISLATURE
LEGISLATIVE AFFAIRS AGENCY

POUCH Y STATE CAPITOL
JUNEAU ALASKA 99811
907 465 3800

M E M O R A N D U M February 27, 1990

SUBJECT: Notice regarding Permanent Fund Dividends (SB 346)

TO: Senator Jim Duncan

FROM: Tamara Brandt Cook TBC
Director
Division of Legal Services

Here is the sectional summary that you requested of SB 346.

Section 1. Requires the commissioner of revenue to determine the value of a permanent fund dividend before October 1. Existing law requires the determination to be made by October 1. Eliminates notice provisions from the section on determination of value of the dividend and these are moved to a new section.

Section 2. Establishes a new statute dealing with notice requirements. Requires the commissioner to give public notice of the value of a dividend by October 1, and this is the existing requirement. The notice and the stub attached to each check must contain the following specific information;

(1) the amount of each dividend attributable to income earned on deposits to the permanent fund required by the constitution (not required by existing law);

(2) the amount attributable to income earned from appropriations to the permanent fund and from amounts added to offset the effects of inflation on the permanent fund (not required by existing law);

(3) the amount by which each dividend is reduced to pay costs of the hold harmless provisions and of administering the dividend program (this requirement is contained in existing law).

Section 3. The bill takes effect January 1, 1991.

TBC:gc
G13/108

Alaska State Legislature

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

SENATOR JIM DUNCAN

P. O. BOX V   JUNEAU, ALASKA   99811-3100

(907) 465-4766

TO: SENATOR PAT POURCHOT
CHAIR
STATE AFFAIRS COMMITTEE

FROM: SENATOR JIM DUNCAN

REGARDS: REQUEST FOR HEARING ON SB 346

DATE: JANUARY 9, 1990

I WOULD APPRECIATE THE EARLIEST POSSIBLE HEARING DATE FOR SB 346.

SB 346 AMENDS ALASKA STATUTE 43.23. REQUIRING THE COMMISSIONER OF THE DEPARTMENT OF REVENUE TO DISCLOSE ON PERMANENT FUND DIVIDEND STUBS THE AMOUNT OF THE DIVIDENDS AS THE RESULT OF CONSTITUTIONALLY MANDATED DEPOSITS AND THE AMOUNT ATTRIBUTABLE TO LEGISLATIVE APPROPRIATIONS.

I FEEL ITS IMPORTANT FOR ALASKANS TO KNOW THAT A SIGNIFICANT MAJORITY OF THE DIVIDEND CHECK IS THE RESULT OF ADDITIONAL APPROPRIATIONS TO THE PERMANENT FUND BY THE LEGISLATURE. SINCE ITS INCEPTION, THE LEGISLATURE HAS APPROPRIATED OVER $5.6 BILLION OR 61% OF THE PERMANENT FUND'S PRINCIPAL. THIS INCLUDES SPECIAL APPROPRIATIONS AND MONIES ADDED FOR INFLATION PROOFING. CONSTITUTIONALLY MANDATED FUNDS ACCOUNT FOR JUST OVER $3.5 BILLION OF THE FUND, OR 39%.

I WAS SPURRED TO INTRODUCE THIS BILL FOLLOWING THE DISCLOSURE OF UNAUTHORIZED DEDUCTIONS FROM THE 1989 DIVIDEND BY THE ADMINISTRATION. A LEGISLATIVE AUDIT I REQUESTED CONCLUDED, "...THE DECISION TO MAKE DEDUCTIONS FROM THE GENERAL PUBLIC'S DIVIDEND CHECKS FOR THE PUBLIC SAFETY AND CORRECTIONS PROGRAMS WAS CLEARLY CONTRARY TO THE LEGISLATURE'S INTENT."

AS YOU KNOW, THE INTENT INVOLVED USING FELON'S DIVIDENDS FOR THESE PROGRAMS. WHEN A COURT RULING FORECLOSED THIS USE, THE ADMINISTRATION REDUCED THE DIVIDENDS OF ALL ALASKANS. THE ADMINISTRATION SHOULD HAVE REQUESTED A SUPPLEMENTAL APPROPRIATION INSTEAD. THE ADMINISTRATION HAS INDICATED IT WILL MAKE SUCH A REQUEST IF ULTIMATE COURT RULINGS FORBID THE USE OF FELON'S DIVIDENDS AND ROLL THE UNAUTHORIZED REDUCTIONS INTO THE 1990 DIVIDEND. LEGISLATORS, INCLUDING MY OFFICE, FIELDED MANY CONSTITUENT INQUIRIES ON THIS MATTER. MANY CONSTITUENTS WERE CONFUSED AND HELD THE LEGISLATURE TO BLAME. AS A RESULT, I FEEL ALASKANS NEED TO KNOW THE LEVEL OF SUPPORT THE LEGISLATURE HAS GIVEN TO THE PERMANENT FUND. A DISCLOSURE ON THE DIVIDEND STUB WILL REVEAL THIS LEVEL OF SUPPORT.

YOUR CONSIDERATION OF THIS REQUEST IS MOST APPRECIATED.

STATE OF ALASKA
THE LEGISLATURE

POUCH Y STATE CAPITOL
JUNEAU ALASKA 99811
907 465 3800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM February 27, 1990

SUBJECT: Notice regarding Permanent Fund Dividends (SB 346)

TO: Senator Jim Duncan

FROM: Tamara Brandt Cook TBC
Director
Division of Legal Services

Here is the sectional summary that you requested of SB 346.

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Section 2. Establishes a new statute dealing with notice requirements. Requires the commissioner to give public notice of the value of a dividend by October 1, and this is the existing requirement. The notice and the stub attached to each check must contain the following specific information;

(1) the amount of each dividend attributable to income earned on deposits to the permanent fund required by the constitution (not required by existing law);

(2) the amount attributable to income earned from appropriations to the permanent fund and from amounts added to offset the effects of inflation on the permanent fund (not required by existing law);

(3) the amount by which each dividend is reduced to pay costs of the hold harmless provisions and of administering the dividend program (this requirement is contained in existing law).

Section 3. The bill takes effect January 1, 1991.

TBC:gc
G13/108

STATE OF ALASKA

AUDIT DIVISION
P.O. BOX W
JUNEAU, ALASKA 99811-3300

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

M E M O R A N D U M

DATE: November 2, 1989

relates to SB 346

TO: Chairman and Members of
the Legislative Budget
and Audit Committee

FROM: Randy S. Welker Randy
Legislative Auditor

RE: Permanent Fund Dividend (PFD) Checks

As requested at the October 20, 1989 meeting of the Committee, we have completed our initial review of the circumstances leading up to the deductions from the PFD checks to fund certain programs within the Departments of Revenue, Health and Social Services, Public Safety, and Corrections. As you are all well aware by now, the deductions from each individual PFD check as disclosed on the check stub has generated much public interest and concern. The following information is provided to summarize our review of the issues.

The 1989 permanent fund dividend was calculated by the Department of Revenue to be $873.16. Each dividend check stub contained the following information:

```
REDUCTIONS PER DIVIDEND CHECK:
  COSTS OF ADMINISTERING DIVIDEND PROGRAM ......$ 6.83 (DEPT. OF REV.)
  "HOLD HARMLESS" OF PERSONS WHOSE FEDERAL
  BENEFITS ARE CUT WHEN THEY RECEIVE DIVIDENDS..$22.72 (DEPT. OF H&SS)
  SEX OFFENDER TREATMENT AND GATE MONEY FOR
  RELEASED PRISONERS............................$ 1.47 (DEPT. OF CORR.)
  VIOLENT CRIMES COMPENSATION BOARD.............$ 1.42 (DEPT. OF P.S.)
TOTAL...........................................$32.44
```

Departments of Revenue and H&SS Programs

The funding source for the administration of the dividend program and the hold harmless program in H&SS has been from the Permanent Fund Dividend Fund since FY 84 and FY 83, respectively. Disclosure of the amount by which each dividend check was reduced for these programs was required by the passage of Chapter 57, SLA 1987. That chapter also required the Department of Revenue to disclose this information on the stub attached to each individual dividend check.

Since these two programs are longstanding, specifically provided for in statute, and have appeared on the check stubs in the past, this memo will center on the Department of Corrections and the Department of Public Safety programs funded by specific deductions from the dividend checks for the first time this year. However, the legislature should continue to review the increasing costs of the dividend program administration and the hold harmless program as they represent $29.55 of the $32.44 deducted from each check this year. The enclosed memo dated October 25, 1989 from Mike Greany to Senator Rick Uehling provides a summary of appropriations for these programs.

Departments of Public Safety and Corrections Programs

Chapter 54, SLA 1988 amended the eligibility statutes for permanent fund dividends to state that "...an individual who has been convicted of a felony is not eligible for a permanent fund dividend for a year when, during all or part of the fiscal year ending June 30 of the current year, as a result of the conviction the individual is incarcerated" (AS 43.23.005(d)). However, the incarcerated felons were to be considered eligible for the purposes of calculating the amount of a dividend (AS 43.23.035(b)). In other words, the felons would be included in the count of eligible individuals to be divided into the total dollar amount available for distribution as dividends; however, they would not be eligible to receive their dividend.

Chapter 54, SLA 1988 also included the following intent statement:

> It is the intent of the legislature that an amount approximately equal to the money that would otherwise be paid as permanent fund dividends to individuals determined to be ineligible under AS 43.23.005(d), as enacted by sec. 1 of this Act, be appropriated annually from the dividend fund to the crime victim compensation fund (AS 18.67.162) to carry out the purposes of AS 18.67.

The actions taken by the legislature in debating and passing this legislation clearly show that their intent was neither to increase the amount of the general public's dividend by declaring felons ineligible nor to reduce the amount of the general public's dividend to pay for certain programs. It was the intent of the legislature to take the dividend away from otherwise eligible individuals and use those funds to pay for those programs.

The Governor's proposed FY 90 budget included a variety of uses for the funds withheld from the felons, estimated to be approximately $1,500,000. The legislature amended the Governor's proposal by shifting more funding to the Violent Crimes Compensation Board as reflected below:

Department/ Program	Governor (In Thousands)	Legislature (In Thousands)
Corrections:		
Post Secondary Education	$ 200.0	
Substance Abuse	200.0	
Sex Offender Treatment	123.5	
Anger Management	150.0	
Community Residential Expansion	400.0	
Sex Offender Treatment		
Hiland Mt. CC		$ 328.2
Fairbanks CC		150.2
Lemon Creek CC		150.0
Gate Money	225.0	135.0
Total Corrections	$1,298.5	$ 763.4
Public Safety:		
Violent Crimes Compensation Board	$ 201.5	$ 736.6
Total	$1,500.0	$1,500.0

A lawsuit challenging the constitutionality of Chapter 54, SLA 1988 was decided by the Superior Court in favor of the felons. However, the Court did not require the State to immediately distribute the dividend checks to the felons; allowing the State time to appeal the case to the Supreme Court. As a result, the amount that may be required to pay the felons is being held in trust. The Court has directed that interest be accumulated on this amount and paid to the felons if the State's appeal is unsuccessful.

Faced with the court ordered trust in addition to the appropriations summarized above, the Department made the decision to deduct amounts from each individual's dividend check to provide funding for the programs since the intended source of funding (the felons dividends now held in trust) was not available. According to Commissioner Malone, no serious consideration was given to any alternative ways of resolving the funding demands. It appears that the Office of the Governor's decision to seek supplemental funding, if necessary, to add to next year's dividend was not made until after the deductions were calculated and the check distribution had begun.

The Commissioner also stated that, in keeping with the intent of the legislature in reference to the disclosure of the uses of the dividend funds, he directed specific wording to be shown on the check stubs for the Corrections and Public Safety programs.

Auditor's Observations

The Department of Revenue's actions were not contrary to any provision of law. However, the decision to make deductions from the general public's dividend checks for the Public Safety and Corrections programs was clearly contrary to the legislature's intent.

Once the decision was made to deduct the amounts from the individual dividend checks, it was appropriate, although not required, to disclose the amount deducted on the check stub.

However, an appropriation from the Permanent Fund Dividend Fund for State operating programs does not require an immediate transfer of monies out of the Fund. The state accounting system is appropriately capable of allowing agencies to expend against an appropriation prior to actual receipt of the funds, as long as the actual receipt occurs at some point during the legal life of the appropriation. Therefore, using this legitimate accounting approach, there was no urgency mandating the deductions from the individual dividends.

Approaching the program funding decision in this manner would not be without some risk. If the State ultimately prevails in its appeal, funds now held in trust would be available to fund the programs. However, if the felons prevail and the Department is required to distribute the amounts to the felons, the Dividend Fund would not have the available unobligated funds to transfer to the programs and without a supplemental from the legislature, the programs would be in a shortfall situation. Assessing the potential risk, therefore, would involve assessing the likelihood that the legislature would favorably consider a supplemental request.

The assessment of that risk could have been accomplished with relative ease through communication with the leadership of the House and Senate, and the Finance Committees, as well as the Legislative Budget and Audit Committee which is the permanent interim committee of the legislature assigned the responsibility of advising the executive branch on interim budgetary matters. The Department of Revenue used this avenue in the past when they presented a proposal to the Committee on distributing remaining balances of prior year dividend appropriations. While the outcome of that presentation was not what the Department had hoped, at least they had a clear understanding of the intended action of the legislature, as viewed by the Committee.

Commissioner Malone, in a letter dated November 1, 1989, (copy enclosed) recognizes the value of this approach and believes it should be followed in the future if problems arise with the dividends.

Recommendations

You have asked that we provide any recommendations that may help to avoid similar situations in the future. There are two primary areas where legislative action may be warranted.

First is the enabling legislation for withholding dividends from the incarcerated felons. The current issue under appeal rests with the incarceration aspects of the statutes and not with the overall concept of denying dividends to felons. It is important to note that while the appeal of this case is narrowly focused on the incarceration issue, another case is currently at the trial court level that challenges the legislation on several bases. It is unlikely that the second case will be finally decided before the end of the 1990 legislative session. We recommend that no legislative changes be attempted until both the cases are concluded. If the State is ultimately unsuccessful in defending the legislation, the Division of Legal Services should review the final decisions and supporting opinions to determine if the statutes can be amended without defeating the intended goal of the legislation.

Secondly, the legislature should consider making conditional appropriations when there is uncertainty surrounding the intended outcome of legislation, as there was at the time the appropriations were made for the Corrections and Public Safety programs. The Division of Legal Services can draft conditional language, for example, that the source of funding for the Violent Crimes Compensation Board appropriation is from money available from withholding dividends from felons and if no money is available, the source of funding is the General Fund. The condition might instead be for the affected agency to seek a supplemental appropriation during the next legislative session. However the condition is established, the legislature would be providing specific direction to the administration.

The legislature might also want to consider not using the Permanent Fund Dividend Fund as a funding source until all the legal challenges to the legislation have been resolved. The Department of Revenue could continue to withhold dividends from incarcerated felons and place the monies in trust until resolution. If the State ultimately prevails, the amount held in trust would eventually be available for appropriation for designated programs or distribution as future dividends.

If you need additional information or would like to discuss the issues involved, please contact me.

Enclosures

STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

FINANCE DIVISION
P.O. BOX WF
JUNEAU, ALASKA 99811
PHONE: (907) 465-3795

MEMORANDUM

DATE: October 25, 1989

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

FROM: Mike Greany, Director
Legislative Finance Division

SUBJ: **PERMANENT FUND PROGRAMS**

This is in response to your request for information concerning the various programs supported by appropriations from the permanent fund dividend fund.

PERMANENT FUND DIVIDEND ADMINISTRATION - DEPARTMENT OF REVENUE

The Alaska Permanent Fund Dividend Program was established by Chapter 21, SLA 80, which became effective April 16, 1980. Sections of that bill were retroactive to January 1, 1979. New legislation (Chapter 102, SLA 82, effective June 17, 1982) provided for a $1,000 dividend payment to each Alaska resident for the claim year 1982.

The Permanent Fund Dividend Division was established on January 1, 1984 (AS 43.23, 15 AAC 23). Prior distributions of the PFD checks were completed by the Department of Revenue using general fund dollars. The Division is responsible for ensuring that the public is aware of the program and its eligibility and filing requirements. Other responsibilities include distributing application forms, assisting the public (especially rural Alaska) in completing and filing the applications, issuing receipts, determining eligibility, making payment to eligible applicants, denying ineligible applicants, and providing an appellate process for those denied.

Previous appropriations made to the Division from the PFD Fund are listed below:

FISCAL YEAR		($ 000)
1984	actual	3,512.6
1985	"	2,703.2
1986	"	2,652.8
1987	"	3,007.8
1988	"	3,016.8
1989	(authorized)	3,185.6
1990	(conference)	3,537.4

PERMANENT FUND DIVIDEND HOLD HARMLESS - DEPARTMENT OF HEALTH AND SOCIAL SERVICES

Chapter 102, SLA 1982 (SB 842) allows individuals to participate in state administered programs that depend on financial need for eligibility without taking into account the receipt of a permanent fund dividend check. It also requires the Department of Health and Social Services to provide through the general relief program equivalent state welfare coverage to individuals if they have been denied participation in any federal assistance program due to the receipt of a permanent fund dividend check. The legislation states that this period of being held harmless will be in effect for four months. When an individual receives a dividend check they may be over income and therefore ineligible for assistance in the month they receive the dividend. Also, if they don't spend all of it right away, they can be considered ineligible due to excess resources in following months. The four month period allows them to spend their dividend checks in a less pressured manner.

SB 842 was introduced at the request of the Governor in response to the lawsuit that was pending in the United States Supreme Court concerning the validity of the existing permanent fund dividend program. While on the Senate floor Senator Vic Fischer introduced amendments to add the language dealing with the eligibility of public assistance and other state programs. The amendments were unanimously adopted and the bill was sent to the House. In the House Finance Committee amendments were introduced that provided the same language concerning hold harmless for the medical assistance program and set the effective period at four months.

The following is an historical view of expenditures and authorizations related to the permanent fund dividend hold harmless programs:

FISCAL YEAR	ADMINISTRATION	PROGRAM
1983 (actual)	209.2	3,928.7
1984 "	258.1	5,092.8
1985 "	268.3	3,910.0
1986 "	259.8	3,265.1
1987 "	293.2	3,616.1
1988 "	294.0	8,067.7
1989 (authorized)	334.3	9,516.4
1990 (conference)	347.1	11,763.5

VIOLENT CRIMES COMPENSATION BOARD - DEPARTMENTS OF PUBLIC SAFETY AND CORRECTIONS

The justification for the appropriations to the Department of Public Safety, Violent Crimes Compensation Board and the Department of Corrections may be found in Chapter 54, SLA 1988. This legislation was sponsored by Representative Barnes. The law concerns permanent fund dividends and individuals incarcerated after the conviction of a felony. The law specifies that an individual who has been convicted of a felony would not be eligible for a permanent fund dividend for the year in which the individual is incarcerated. In addition, legislative intent was incorporated into the law. Legislative intent specifies that the amount that would otherwise be paid as permanent fund dividends to ineligible felons should be appropriated annually from the fund to the crime victim compensation fund.