

ALASKA LEGISLATURE COMMITTEE FILES 1991-1992 8672

7703 SENATE STATE AFFAIRS

237

[] If you provide the following information, your warrants will be sent to _____ . In the meantime, they will be sent to your residence address.

[] Full Name of the Bank [] Post Office Box Number
[] City, State and ZIP Code [] Account Number

If you have any questions, please contact me. Include your social security number on all correspondence.

Under the PERS statutes, you are not entitled to receive PERS benefits if you become reemployed in a PERS covered position. It is your responsibility to notify us if you become reemployed under the PERS.

Additional comments: _____

Sincerely,

Inserts:

Insurance 13 _____
Taxes 17 _____
COLA 15 _____

[] Enclosure(s)

CORRECTION

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

STATE OF ALASKA

DEPARTMENT OF ADMINISTRATION

DIVISION OF RETIREMENT & BENEFITS

PLEASE REPLY TO:

P.O. BOX CR
JUNEAU, ALASKA 99811-0203
PHONE: (907)485-4460

701 EAST TUDOR ROAD, SUITE 240
ANCHORAGE, ALASKA 99503-7445
PHONE: (907) 583-5885

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

STEVE COWPER, GOVERNOR

PERS: _____

Dear _____:

- [] You are appointed to retirement effective _____.
- [] You are appointed to retirement under the Retirement Incentive Program (RIP) effective _____.
- [] Your _____ monthly benefit will be \$ _____, based on an average monthly salary of \$ _____ and _____ years of credited service.
- [] You will receive that Level Income benefit until age 65. In _____, after age 65, your monthly benefit will be reduced to \$ _____.
- [] Your benefit has been actuarially reduced by \$ _____ for _____.
- [] Since you elected the _____% Joint and Survivor Option, your spouse will be entitled to a monthly benefit of \$ _____ should you die.
- [] Since you elected the 66-2/3% Joint and Survivor Option, if either you or your spouse dies, the survivor will be entitled to a monthly benefit of \$ _____.

Please read the insert, "Alaska Cost of Living Allowance" for details about the additional benefit payable to retirees who reside in Alaska.

The estimated tax excludable portion of your benefit is roughly \$ _____ each month. For more details, please read the insert on "Taxes and Your Benefits."

- [] Your completed W-4P has not been received. Therefore, federal income tax is being withheld from your monthly benefits based on the tax rate

for a married person with three allowances. You may change that withholding at any time by submitting a W-4P to us specifying a different withholding option.

For information about medical, long term care, and life insurance available to retirees, please read the insert on "Insurance Benefits." If you enroll in the optional Dental-Vision-Audio (DVA) or Long Term Care (LTC) insurance plans, your coverage will not go into effect at the same time as your medical coverage. Instead, it will go into effect on the first of the month after the first premium is deducted from your retirement warrant.

-] If you want to enroll in the optional DVA plan, the enclosed enrollment form must be received by us or postmarked before _____.
-] Since you selected DVA coverage for _____, \$ _____ will be deducted from your retirement warrant each month.
-] If you want to enroll in the optional LTC plan, the enclosed enrollment form must be received by us or postmarked before _____.
-] Since you selected LTC coverage, the following amount(s) will be deducted from your retirement warrant each month:
 -] \$ _____ for your premium.
 -] \$ _____ for your spouse's premium.

If you are participating in a State-sponsored optional life insurance plan and you want to continue that coverage, your Continuation/Waiver form must be received by us or postmarked before _____.

-] You should receive a \$ _____ supplemental warrant in the near future for benefits due you for _____.
-] Retroactive premium(s) will be deducted from your _____ warrant for:
 -] DVA coverage for the month(s) of _____.
\$ _____ will be deducted. Your coverage is effective _____.
 -] LTC coverage for the month(s) of _____.
\$ _____ will be deducted. Your coverage is effective _____.
 -] Optional life insurance for the month(s) of _____.
\$ _____ will be deducted.

If you provide the following information, your warrants will be sent to _____ . In the meantime, they will be sent to your residence address.

Full Name of the Bank Post Office Box Number
 City, State and ZIP Code Account Number

If you have any questions, please contact me. Include your social security number on all correspondence.

Under the PERS statutes, you are not entitled to receive PERS benefits if you become reemployed in a PERS covered position. It is your responsibility to notify us if you become reemployed under the PERS.

Additional comments: _____

Sincerely,

Inserts:

Insurance 13 _____
Taxes 17 _____
COLA 15 _____

Enclosure(s)



STATE OF ALASKA
Enrollment/Waiver for Retiree/Benefit Recipient
Dental-Vision-Audio Group Coverage

This is to acknowledge that the Dental-Vision-Audio Group Coverage has been offered to me. I understand that this form is my only opportunity to enroll. If I choose to participate, the coverage will begin on the first day of the month following the first deduction from my benefit warrant. My choice is indicated below.

- Coverage for myself only.
- Coverage for myself and my spouse.
- Coverage for myself and my children.
- Coverage for myself, my spouse and children.
- I do not choose to purchase the Dental-Vision-Audio Group Coverage and hereby waive my right to participate now and in the future.

Social Security No. _____ Date _____

Print Name _____ Signature _____

Please indicate your retirement system: PERS TRS EPORS JRS

Please return this form to:

State of Alaska; Division of Retirement and Benefits
P.O. Box CR; Juneau, AK 99811-0203

STATE OF ALASKA

DEPARTMENT OF ADMINISTRATION

DIVISION OF RETIREMENT & BENEFITS

PLEASE REPLY TO:

P O BOX CR
JUNEAU, ALASKA 99811-0203
PHONE: (907)465-4460

701 EAST TUDOR ROAD, SUITE 240
ANCHORAGE, ALASKA 99503-7445
PHONE: (907) 563-5885

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

STEVE COWPER, GOVERNOR

PERS: _____

Dear _____:

- [] Your Application for Retirement Benefits was received on _____.
- [] Your Retirement Incentive Program (RIP) Application for Retirement Benefits was received on _____.

Your retirement will be effective _____, subject to:

- [] Your eligibility to receive Public Employees' Retirement System (PERS) benefits in accordance with PERS statutes and verification of your credited service.
- [] The administrator's approval of your employer's participation in the Retirement Incentive Program.

Please read the insert, "Minimum Requirements for Retirement and Service Credit" for more information.

- [] You indicated that you want to retire on _____. By law, your retirement date will be the first of the month after the following requirements are met:
- [] Your employer's participation in the RIP is approved.
- [] You have terminated employment. You must submit a Notification of Termination (Form 02-1806) to your employer.
- [] Your Application for Retirement Benefits is received by the Division of Retirement and Benefits.

NOTE: If you terminate your employment on the first day of the month, you cannot be appointed to retirement until the following month.

- [] To be eligible to retire Inlandboatmen's Union of the Pacific, Alaska Region (IBU) members must have at least five years of service after October 1, 1978, in addition to the "Minimum Requirement for Retirement."

APPLICATION
8/6PERS/42.3 (06/89)

Service from October 1, 1978, through September 30, 1983, will be used only to determine retirement eligibility; it will not be used to calculate benefits.

- [] Information available to us indicates you will have _____ years of PERS service on your planned termination date. This assumes that you do not have any leave without pay (LWOP) that was not reported to us, and that your employment continues through _____. Your employer is required to verify your service before you are appointed to retirement.
- [] If you are close to being vested (five paid-up years of service) or are completing other retirement requirements, you should not leave employment until you are certain that you are eligible to retire.
- [] Your retirement application indicates that you plan to terminate employment on _____. If you terminate on that date, your 19__ earnings will not be included among your three highest years. You must be employed at least 115 days during 19__ to include it as one of your three highest.
- [] The document you provided for evidence of birth date is enclosed.
- [] The enclosed forms should be completed and returned to us as soon as possible:
 - [] Application for Retirement Benefits. This completed form must be received by the division before the first of the month in which you want to retire.
 - [] Beneficiary Designation, Revocation or Change.
 - [] Evidence of Birth Date. This form must be accompanied by a document showing evidence of your birth date. Because the document will not be returned, you should send us a copy instead of the original. Please make sure that your social security number is included on the birth document.
 - [] Evidence of Birth Date for Spouse. This form must be completed by your spouse if you choose a joint and survivor benefit. It must be accompanied by a document showing evidence of your spouse's birth date. Because the document will not be returned, you should send us a copy instead of the original. Please make sure that your social security number is included on the form as well as the birth document.
 - [] Application for Alaska Cost of Living Allowance. This form should be completed only if you reside in Alaska.
 - [] Withholding Certificate for Pensions or Annuity Payments (W-4P). PERS benefits are taxable by the federal government as soon as they are received. If we do not receive a W-4P specifying one of the tax withholding options by the time you are appointed to retirement, federal income tax will be withheld from your monthly

benefits. The tax rate for a married person with three allowances will be used to determine the withholding amount.

[] If you will provide the following information, your warrants will be sent to _____ . In the meantime, they will be sent to your residence address.

- [] Full Name of the Bank
- [] Post Office Box Number
- [] City, State and ZIP Code
- [] Account Number

Please read the insert, "Taxes and Your Retirement Benefits" for information about tax liability.

Please read the insert, "Alaska Cost of Living Allowance" for details about the additional benefit payable to retirees who reside in Alaska.

For information about medical, long term care, and life insurance available to retirees, please read the insert on "Insurance Benefits."

[] If you want to enroll in the optional Dental-Vision-Audio (DVA) or Long Term Care insurance plans, the enclosed enrollment forms must be received before _____ .

If you are participating in a State-sponsored optional life insurance plan and you want to continue that coverage, the enclosed Continuation/Waiver form must be received by us or postmarked before _____ .

[] Your Retirement Incentive Program (RIP) indebtedness will be equal to _____ percent of your annualized salary for the year that you terminate employment to participate in the RIP.

If you have any questions, please contact me. Include your social security number on your correspondence.

Additional comments: _____

Sincerely,

Inserts:

- Insurance 13 _____
- Taxes 17 _____
- PERS Minimum Requirements 1 _____
- PERS Service Credit 2 _____
- COLA 15 _____

[] Enclosure(s)

**DIVISION OF RETIREMENT AND BENEFITS
RETIREE INFORMATION FORM**

Name _____ SSN: _____

Employer: _____

Our goal is to provide you the best counseling services possible. In order for us to accomplish this goal, we would appreciate it if you would take a couple of minutes to complete and return this questionnaire because we want to make sure you have received information on the following topics:

YES NO

- () () Minimum requirements for retirement, including credited service.
- () () Normal and early benefit options.
- () () Survivor and dependent benefit options and rights.
- () () Indebtedness payment options.
- () () Alaska Cost of Living Allowance (COLA).
- () () Retiree and dependent major medical benefits (note: retiree coverage is different from your active plan).
- () () Retiree and dependent dental, vision and audio benefits
- () () Retiree and dependent long term care benefits.
- () () Continuing life insurance for participating employee's.
- () () Federal income tax withholding requirements.

SIGNATURE _____ **DATE:** _____

Please send me information on the following retirement/benefit issues: _____

S B

4 0 1

FISCAL NOTE

STATE OF ALASKA
1992 LEGISLATIVE SESSION

BILL NO. SB 401

Revision Date: _____

Department Affected: All

Title: Requiring compensation based on value of work.

BRU: All

Sponsor: Zharoff

Component: All

Requestor: Senate State Affairs

COMPONENT SERIAL NO.

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Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
PERSONAL SERVICES	0	0	0	9,824.6	17,461.4	12,820.9
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	9,824.6	17,461.4	12,820.9

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

GENERAL FUND	0	0	0	6,670.7	11,630.3	8,618.6
FEDERAL FUNDS	0	0	0	0	0	0
OTHER FUND SOURCE:	0	0	0	3,153.9	5,831.1	4,202.3
TOTAL	0	0	0	9,824.6	17,461.4	12,820.9

POSITIONS:

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

Estimate of current year impact: Zero.

ANALYSIS: (Attach a separate page if necessary.)

Prepared by: R. H. King
Division: Personnel

Phone: 465-4430
Date: February 26, 1992

Approved by Commissioner: Nancy Bear Usara *NBU*
Agency: Administration

Date: 2/26/92

Distribution (by preparer): Leg. Fin., Legislative Sponsor, Requestor, OMB/DBR, Gov. Legis. Ofc., & Impacted Agency(ies).

FISCAL NOTE

STATE OF ALASKA
1992 LEGISLATIVE SESSION

BILL NO. SB 401

This fiscal note has been prepared for compliance with AS 24.08.035. It contains the same numbers as the initial fiscal note for implement in the Alaska Quantitative Evaluation System (AQES) based on amendments contained in HB 676 in 1986. No adjustment has been made except to change the date of implementation. A copy of the original fiscal note is attached.

This bill would require the Executive Branch to use a job evaluation system to determine the comparable work value of the work performed by each job class. This bill does not require that this evaluation system be used to determine pay except where male and female dominated classes are underpaid for their value. However, to pay only some sex dominated classes based on a different system creates other inequities. Therefore, this employer would have no choice but to implement the new system for all job classes.

STATE OF ALASKA 1986 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: 02/24/86

REQUEST
Bill/Resolution No.: HB 676
Title: "An act relating to implementation of a classification study . . ."

FISCAL DETAIL
Agency Affected: All
BRU: _____

Sponsor: Rules at request of Governor
Requestor: _____
Date of Request: _____

Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
OPERATING						
PERSONAL SERVICES		9,824.6	17,461.4	12,820.9	8,048.1	3,518.8
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING		9,824.6	17,461.4	12,820.9	8,048.1	3,518.8
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND		6,670.7	11,630.3	8,618.6	5,521.1	2,581.6
FEDERAL FUNDS						
OTHER		3,153.9	5,831.1	4,202.3	2,527.0	937.2
TOTAL		9,824.6	17,461.4	12,820.9	8,048.1	3,518.8

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: Attach a separate page if necessary

Prepared By: Michael P. McMullen *Michael P. McMullen* Phone: 465-2200
Division: Commissioner's Office Date: 2/25/86

Approved by Commissioner: Eleanor Andrews *Eleanor Andrews* Date: 2/25/86
Agency: Department of Administration

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

CONTINUATION of FISCAL NOTE ANALYSIS

For HB 676

This revised Fiscal Note incorporates two refinements referenced in the original Fiscal Note of February 13, 1986: 1) An estimate of the savings effect of turnover has been included, and 2) the costs have been broken out by General Fund and all other.

An attachment has been developed showing the costs by department for fiscal years 1987 and 1988.

The Legislature appropriated \$500.0 thousand in 1983 to fund the only comprehensive review of the total classification system since statehood. The study results are scheduled for implementation on January 1, 1987. This bill amends the Personnel Act to allow for implementation in the manner normally used by public employers on studies of this scope. The bill provides a one-time exception to the current Personnel Rules (AS 39.25.150, 2 AAC 07) regarding pay upon the upward movement of an employee. This one-time change will reduce the cost of implementation by more than half. This bill provides the only mechanism to express and discuss the financial impact of the study.

Under current collective bargaining agreements and Personnel Rules, when a position is reallocated to a higher range, the employee is entitled to a pay increase of at least one step on the pay schedule. When all positions in a job class are assigned a higher pay range, all incumbents retain the same step in the higher range. The FY 87 cost for implementing the Classification Study under this approach would be \$19,967.5.

This bill will provide, instead, that the pay of all employees moving to higher pay ranges will be set at the lowest step that does not provide a decrease.

An example of this difference is shown below:

MONTHLY SALARY (Partial Table from AS 39.27.011)

Range	Step	A	B	C	D	E	F
12		2,082	2,145	2,217	2,286	2,365	2,445
13		2,217	2,286	2,365	2,445	2,531	2,623
14		2,365	2,445	2,531	2,623	2,715	2,818

Under current provisions, an employee at Range 12, Step E (\$2,365) would move to Range 14, Step B (\$2,445) upon reclassification, and to Range 14, Step E (\$2,715) if the pay range for the employee's job was changed from Range 12 to Range 14. Under this bill an employee would move to Range 14, Step A (\$2,365) in either case.

The Personal Services cost estimates are based on a computer model developed by the Division of Personnel. It is based on changes projected on a class-by-class basis. It considers bargaining unit; actual rates of pay, including current and projected step within a range and geographic

differentials; vacancy factor; benefits, including appropriate retirement system, the Supplemental Benefits System (SBS) cap, and departmental variable rates; and premium pay experience (except sea duty) by department. The model assumes that current pay rates will continue and that the study will be fully implemented on January 1, 1987.

Current Personnel Rules and collective bargaining agreements provide for "frozen" pay for employees who are reclassified or have their ranges changed to lower levels. This bill will not affect these provisions. Beginning in FY 88, the effect of such freezes begins to reduce Personal Services costs.

In addition, as employees with frozen salaries separate from State employment and are replaced by new workers, the new workers enter the work force at lower pay rates. Normally, such savings are offset by current employees receiving merit increases. However, the number of employees who will have frozen salaries as a result of the Classification Study will upset this balance. As turnover occurs, real reduction in Personal Services costs will be realized. A turnover rate of 15 percent has been assumed across all bargaining units and departments. The appropriate adjustment has been made to the savings expected from current employees with frozen salaries forgoing merit increases to reflect this turnover rate.

The combined savings from frozen salaries and turnover of those with frozen salaries is projected at \$2,187.8 in FY 88 (half year). For FY 89, these savings are \$4,640.5. Following FY 91, these savings fall rapidly.

The following table displays the Personal Services costs considering the prior year as the base for each year:

FY 87	\$9,824.6
FY 88	7,636.8
FY 89	-4,640.5
FY 90	-4,772.8
FY 91	-4,529.3

Governor Sheffield will be submitting an FY 87 Budget Amendment for the FY 87 costs. Costs for FY 88 and beyond will be routinely included in preparation of agencies' Personal Services line items.

Attached is a breakdown by department of incremental costs for FY 87 and FY 88.

Attachment 1

General Fund and Other Fund Personal Services Cost by Department, FY 87 and FY 88, to Implement the Classification Study under HB 676.

<u>Department</u>	FY 87		FY 88	
	<u>G.F.</u>	<u>Other</u>	<u>G.F.</u>	<u>Other</u>
Office of the Governor	23.5	.1	23.5	.1
Administration	1,123.1	169.3	1,077.4	125.0
Law	97.4	48.9	87.6	43.9
Revenue	179.5	95.8	115.1	61.4
Education	190.1	94.5	125.2	62.2
Health and Social Services	1,818.4	288.7	1,718.4	272.8
Labor	127.4	310.3	101.9	248.4
Commerce and Economic Development	74.5	38.0	-17.6	-9.0
Military and Veterans Affairs	37.0	27.4	33.5	24.9
Natural Resources	575.9	57.7	465.3	46.6
Fish and Game	769.2	370.4	748.8	360.6
Public Safety	418.7	9.9	-464.6	-10.9
Environmental Conservation	110.6	34.8	89.0	27.9
Corrections	700.3	4.9	659.3	4.6
Community and Regional Affairs	75.8	36.2	31.0	14.8
Transportation and Public Facilities	349.0	1,567.3	166.1	1,403.3
Total	6,670.4	3,154.2	4,959.9	2,678.6

Note: Totals do not match page 1 due to rounding.

FISCAL NOTE

STATE OF ALASKA
1992 LEGISLATIVE SESSION

BILL NO. SB 401

Revision Date: _____
Title: Requiring compensation based on value of work.
Sponsor: Zharoff
Requestor: Senate State Affairs

Department Affected: Administration
BRU: Personnel/OEEO
Component: Personnel/OEEO

COMPONENT SERIAL NO.

0	0	5	6
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Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
PERSONAL SERVICES	120.0	0	0	0	0	0
TRAVEL	20.0	0	0	0	0	0
CONTRACTUAL	40.0	0	0	0	0	0
SUPPLIES	20.0	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	200.0	0	0	0	0	0

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

GENERAL FUND	200.0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER FUND SOURCE:	0	0	0	0	0	0
TOTAL	200.0	0	0	0	0	0

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	2.0	0	0	0	0	0

Estimate of current year impact: Zero.

ANALYSIS: (Attach a separate page if necessary.) This legislation would force the State to change its classification system from the "whole job" system currently in use. The costs shown are required to complete the development of Alaska Quantitative Evaluation System (AQES) which reached a preliminary stage with a \$500.00 appropriation in 1983.

Prepared by: R. H. King *[Signature]*
Division: Personnel/OEEO

Phone: 465-4430
Date: 2/24/92

Approved by Commissioner: Nancy Bear Usura *[Signature]*
Agency: Administration

Date: 2/26/92

Distribution (by preparer): Leg. Fin., Legislative Sponsor, Requestor, OMB/DBR, Gov. Legis. Ofc., & Impacted Agency(ies).

FISCAL NOTE

STATE OF ALASKA
1992 LEGISLATIVE SESSION

BILL NO: SB 401

Revision Date: _____
Title: An Act requiring pay equity for certain
public employees and requiring the compensation...
Sponsor: Senator Zharoff
Requestor: Senator Zharoff

Department Affected: Legislative Affairs Agency
BRU: All
Component: All

COMPONENT SERIAL NO:

Expenditures/Revenues: (Thousands of Dollars)

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

FUNDING: (Thousands of Dollars)

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

POSITIONS:

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

Estimate of current year impact: _____

ANALYSIS: (Attach a separate page if necessary)

Zero fiscal impact. It is anticipated that if technical assistance is needed we will be contacting the Department of Administration to assist in completing our agency's report to the Legislature.

Prepared By: Pamela A. Stoops, Director
Division: Administrative Services

Pamela A. Stoops

Phone: 465-3850
Date: 2/18/92

Approved By: Warren W. Endicott, Executive Director
Agency: Legislative Affairs Agency

Warren W. Endicott

Date: 2/18/92

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

FISCAL NOTE

STATE OF ALASKA
1992 LEGISLATIVE SESSION

Bill No. SB 401

Revision Date: _____ Department Affected: Alaska Court System
 Title: An Act requiring pay equity for BRU: Trial Courts
certain public employees... Components: _____
 Sponsor: Zharoff
 Requestor: _____ COMPONENT SERIAL NO.

000 000	000 768
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EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
PERSONAL SERVICES	172.5	284.6	208.9	133.4	57.7	(18.0)
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS & CLAIMS						
TOTAL OPERATING	172.5	284.6	208.9	133.4	57.7	(18.0)
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUNDS	172.5	284.6	208.9	133.4	57.7	(18.0)
FEDERAL FUNDS						
OTHER						
TOTAL	172.5	284.6	208.9	133.4	57.7	(18.0)

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year impact: None

ANALYSIS: (Attach a separate page if necessary)

See attached analysis.

Prepared by: C. S. Christensen III, Staff Counsel Phone: 264-8228
 Division: Alaska Court System Date: 02/24/92
 Approved by: Arthur H. Snowden, II, Administrative Director
 Agency: Alaska Court System Date: 02/24/92

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

SB 401 Pay Equity

This bill requires a study to be completed by July 1, 1994 with the initial report to the Legislature by July 1, 1995.

This bill requires only that a study be conducted in each job class and after completion of the study, if there is a wage disparity then that department would have to come to the Legislature for an appropriation to remedy this situation.

This bill is a means of eliminating sex discrimination in the way government sets wages for its employees by using criteria that is sex-neutral in evaluating each job class.

In some states the legislature has set up a statutory process for achieving pay equity in public employment and in states that have adopted the voluntary approach, such as Minnesota, the cost of gaining pay equity has been kept low. The pay comparisons for purposes of pay equity are based on the maximum pay within a range and do not eliminate pay differences based on performance and years of service.

The bill is supported by the Alaska State Employees Union, and the American Association of University Women, Alaska Division AFLCIO, Women's Lobby

The study just done by and it showed that for every dollar earned in a male dominated job an employee earns 67 cents in a female dominated job.

P.S. The last study done which is outdated and was not implemented due to drop in revenue when study was completed showed a wide discrepancy in the lower level jobs and according to Diane DeSmine who worked on that study the one position classes were way out of sight.

FISCAL NOTE

STATE OF ALASKA
1992 LEGISLATIVE SESSION

Bill No. SB 401

Revision Date: 03/02/92 Department Affected: Alaska Court System
 Title: An Act requiring pay equity for BRU: Trial Courts
certain public employees... Components: _____
 Sponsor: Zharoff
 Requestor: _____ COMPONENT SERIAL NO. 000 | 000 | 000 ; 768

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
PERSONAL SERVICES	12.0					
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS & CLAIMS						
TOTAL OPERATING	12.0	0.0	0.0	0.0	0.0	0.0

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

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

FUNDING: (Thousands of Dollars)

GENERAL FUNDS	12.0	0.0	0.0	0.0	0.0	0.0
FEDERAL FUNDS						
OTHER						
TOTAL	12.0	0.0	0.0	0.0	0.0	0.0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year impact: None

ANALYSIS: (Attach a separate page if necessary)

Cost of performing classification study.

John S. Christensen FOR

Prepared by: C. S. Christensen III, Staff Counsel Phone: 264-8228
 Division: Alaska Court System Date: 03/02/92

Approved by: Arthur H. Snowden, II, Administrative Director
 Agency: Alaska Court System Date: 03/02/92

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

ADDITIONAL FN - COURTS



ARTHUR H. SNOWDEN II
Administrative Director

Alaska Court System

303 K STREET
ANCHORAGE, ALASKA
99501

(907) 264-0547
FAX (907) 276-6985

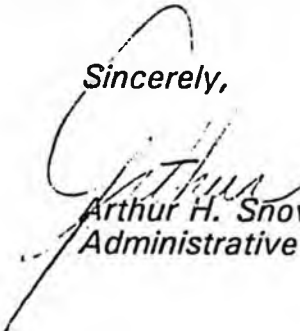
February 21, 1992

Senator Fred Zharoff
Alaska State Legislature
P. O. Box V
Juneau, Alaska 99811

Dear Senator Zharoff:

Attached is the response you requested to Senate Bill 401. Let me know if you need anything additional.

Sincerely,


Arthur H. Snowden, II
Administrative Director

Senate Bill No. 401

The full impact of this bill on the Alaska Court System is difficult to assess because court employees are not represented by any collective bargaining unit. Section 39.90.210(a) and (c) direct public employers to meet and confer with bargaining organizations on the development and selection of a job evaluation system and to submit a report of the results of the evaluation to the bargaining organizations. However, the bill provides no direction to public employers whose employees are not represented by bargaining organizations.

The court system participated with the Department of Administration in a classification study in 1984/85 in which the Alaska Quantitative Evaluation system was developed. When the implementation cost of the study was not funded, the court system returned to using the whole job evaluation system. The same factors outlined in Section 39.90.210 are considered when classifying positions using the whole job method. Additionally each position is evaluated based on its relationship to other positions in the court system. However, no numerical values are attached to any of the factors. Given the relative small number of positions, the similarity in the duties of many of the jobs and the centralized personnel function, the whole job evaluation system works effectively for the court.

A vast amount of the work required of court system employees is clerical. Many employees have entered the workforce through the clerical field and have advanced through promotions to paraprofessional, professional and managerial positions. Given that the past and current labor force for clerical workers is predominately female, the majority of job classes in the court system are female-dominated.

There are 71 active job classes (judicial officers, the administrative director and law clerks excluded). Thirty-six (36) are single position job classes of which 22 are occupied by women and 14 by men. Of the 35 multi-person job classes 8 are balanced, 2 are male-dominated and 25 are female-dominated. (Note: Because of the small number of employees in some of the job classes, a change of one incumbent can change the gender domination of the job class). The two male-dominated classes have a total of seven males, two electronic technicians at salary range 15 and five committing magistrates at salary range 22. The 25 female-dominated job classes consist of over 300 females, in positions spanning salary ranges 6 to 22. Comparing the average salaries of all 25 female-dominated job classes to the two male-dominated job classes is inappropriate. While both male-dominated job classes require advanced schooling or specialized training, only three of the female-dominated job classes have

such a requirement. These positions are two coroner/public administrators at salary range 21, two appellate court staff attorneys at salary range 20 and two custody investigators at salary range 22. When comparing these job classes with similar requirements, the average salary for the male-dominated job class is \$2498 semi-monthly, for the female-dominated class it is \$2508.

Section 39.90.210(d) requires that the employer submit to the legislature by January 1 of each year a list of classes in which pay inequities exist. The small number of positions within the court system will make it difficult to determine any gender-based wage disparities. What appears to be a pay inequity one year may easily change the next. As previously stated, a change of one incumbent in some job classes can change the gender-domination of that class.

The court system's position classification plan complies with Section 39.90.230.

Range	Class Title	Total Position	Female		Male	
			#	%	#	%
6	Clerical Aide	2	2	100		
8	Assistant Clerk	9	8	89	1	11
8	Court Clerk I	58	54	93	4	7
8	General Helper	3	1	33	2	67
8	Library Assistant	4	4	100		
	Total	74	67	91	7	1
10	Clerk	14	12	86	2	14
10	Court Clerk II	108	96	89	12	11
10	Secretary I	9	9	100		
10	Assistant Printer	1			1	100
10	Library Assistant II (Pre-Trial Services)	1	1	100		
10	Interviewer	1	1	100		
10	Bailiff Coordinator	1			1	100
	Total	135	119	88	16	12
12	Senior Clerks	4	4	100		
12	Court Clerk III	78	78	100		
12	Secretary II	36	36	100		
12	Legal Tech I	3	3	100		
12	Printer	1			1	100
12	General Helper IV	1			1	100
12	Transcribers	6	6	100		
12	Library Assistant III	3	3	100		
	Total	132	130	98	2	2

13	Trial Court Supervisor	4	4	100		
13	District Ct. Supervisor	1	1	100		
13	Legal Technician II	4	4	100		
13	Executive Secretary	11	11	100		
13	Supply Officer I	1	1	100		
	Total	21	21	100		
<hr/>						
14	Court Clerk IV	19	18	95	1	5
14	Admin. Associates	3	3	100		
14	Transcriber Supervisor	1	1	100		
14	Rural Ct. Trainer I	1	1	100		
	Total	24	23	96	1	4
<hr/>						
15	General Services Supv	1			1	100
15	Electronic Technician	2			2	100
	Total	3			3	100
<hr/>						
16	Court Clerk V	6	6	100		
16	Field Accountant II	1	1	100		
16	Accounting Analyst	1	1	100		
16	Research Analyst	1	1	100		
16	Supply Officer II	1	1	100		
16	Deputy Coroner	1	1	100		
16	Rural Court Trainer II	12	12	100		
	Total	12	12	100		
<hr/>						
17	Anchorage Clerk V	1	1			
17	Librarians	3	2	67	1	33
17	Lead Electronic Tech	1	0	0	1	100
	Total	5	3	60	2	40

18	Court Clerk VI	2	2	100		
18	Personnel Analyst	1	1	100		
18	Programmer Analyst II	1			1	100
18	Rural Court Analyst	1	1	100		
18	Administrative Associate	1	1	100		
18	Assistant Custody Inv.	5	2	40	3	60
	Total	11	7	64	4	36

20	Programmer/Analyst II	2	1	50		
20	Ass't ACA/Court Clerk	1			1	100
20	Staff Attorney	2	2	100		
	Total	5	3	60	2	40

21	Coroner/Public Admin I	2	2	100		
22	Ass't ACA/Clerk of Court	1	1	100		
22	Facilities Manager	1			1	100
22	Asst Mgr Tech Ops	1			1	100
22	Committing Magistrates	5			5	100
22	Standing Master I	2	1	50	1	50
22	Coroner Pub Admin/Mag	2	1	50	1	50
22	Magistrate Coordinator	1	1	100		
22	State Law Librarian	1	1	100		
22	Custody Investigators	2	2	100		
	Total	17	8	47	9	53

24	Personnel Director	1	1			
24	Manager, Tech Ops	1			1	
24	Court Specialist	1			1	
24	Staff Counsel	1			1	

24	Standing Master II	3	1		2	67
24	Area Court Administrator	3	1		2	67
24	Special Projects	1	1			
	Total	12	5	42	7	58

25	Fiscal Officer	1			1	100
25	Clerk of Appellate Ct	1	1			
	Total	2	1	50	1	50

28	Deputy Admin Director	1	1			
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Alaska Court System

Fiscal Analysis

SB 401

To properly assess the fiscal impact of this legislation, the court system would have to complete a classification study for each position in classified service. Timely preparation of this fiscal note, precludes a study of this magnitude. However, the court system, working with the Department of Administration, performed a similar classification study in 1984/85. The results of that study have been updated to calculate the fiscal impact of this legislation.

Under court system personnel rules, pay for upgraded positions is increased immediately and the pay for downgraded positions is frozen. Historically, it has taken three to five years to realize the savings from downgraded positions. Consequently, this bill would result in an immediate personal services cost increase. Personal services savings would start to occur after three years.

Estimated Cost of Implementation

<u>Fiscal</u> <u>Year</u>	<u>Cost/</u> <u>(Savings)</u>
1993	172,500
1994	284,600
1995	208,900
1996	133,400
1997	57,700
1998	(18,000) <first year of projected savings

TESTIMONY OF
THE ALASKA STATE EMPLOYEES ASSOCIATION/AFSCME LOCAL 52
BEFORE THE
SENATE STATE AFFAIRS COMMITTEE
ON BEHALF OF SENATE BILL 401
"COMPARABLE PAY FOR WORK OF COMPARABLE WORTH"
FEBRUARY 26, 1992

GOOD AFTERNOON. MY NAME IS ALMA SEWARD. I AM A MEMBER OF THE ALASKA STATE EMPLOYEES ASSOCIATION/AFSCME LOCAL 52 AND I CO-CHAIR OUR ASSOCIATION'S WOMEN'S ISSUES COMMITTEE. OUR UNION REPRESENTS MORE THAN 8,500 STATE EMPLOYEES, OF WHOM MORE THAN HALF ARE WOMEN.

I WANT TO BEGIN BY THANKING THE COMMITTEE CHAIR, SENATOR PAT RODEY, FOR SCHEDULING SENATE BILL 401 FOR A PUBLIC HEARING TODAY, AND TO THANK HIM AND THE REST OF THE COMMITTEE FOR THIS OPPORTUNITY TO TESTIFY ON BEHALF OF SENATE BILL 401.

WE ALSO WANT TO THANK SEN. FRED ZHAROFF FOR INTRODUCING THIS MUCH-NEEDED LEGISLATION.

IN ALASKA, THERE IS A PERCEPTION THAT WOMEN EMPLOYED BY THE STATE ARE NOT SUBJECT TO SEX DISCRIMINATION IN PAY. THE STATE OF ALASKA HISTORICALLY SETS ITS WAGES AT THE MIDPOINT OF WAGES FOR SIMILAR JOBS IN THE PRIVATE SECTOR OR SIMILAR PUBLIC SECTORS.

OUR MEMBERS, THE MEMBERS OF A.S.E.A., WORK IN THE REAL WORLD. WE KNOW THAT SEXISM IS ALIVE AND WELL IN STATE GOVERNMENT AS IN OTHER PLACES OF EMPLOYMENT.

WE STRONGLY SUPPORTED HOUSE BILL 99 DURING THE LAST LEGISLATIVE SESSION AND, NOW, WE ADD THAT SUPPORT TO SENATE BILL 401. THIS BILL REQUIRES THE STATE TO DEVELOP A PLAN TO PAY EMPLOYEES ON THE COMPARABLE WORTH OF THE JOB. JOBS WITH SUBSTANTIALLY SIMILAR MINIMUM REQUIREMENTS, RESPONSIBILITY, AND RISK OF HAZARD OUGHT TO HAVE EQUAL PAY.

(CONTINUED)

SENATE STATE AFFAIRS
ASEA TESTIMONY ON S.B. 401, PAGE 2

THIS IS NOT TRUE TODAY. UNDER CURRENT ALASKA LAW, IF TWO PEOPLE HAVE THE SAME JOB TITLE, THEY MUST HAVE EQUAL PAY. BUT IF THE JOBS ARE SUBSTANTIALLY EQUAL AND HAVE DIFFERENT TITLES, THEN THE PAY MAY BE VERY DIFFERENT INDEED.

A.S.E.A./AFSCME ANALYZED THE OCTOBER 15, 1991, PAYROLL OF THE STATE OF ALASKA--THE MOST RECENT PAYROLL TO WHICH WE HAD ACCESS. WE FOUND THAT THREE OUT OF FOUR STATE EMPLOYEES ARE IN JOB CLASSIFICATIONS WITH 70 PERCENT OR MORE MEN OR WOMEN. WE THEN COMPARED THE MALE-DOMINATED JOB WAGE TO THE FEMALE-DOMINATED JOB WAGE.

WE FOUND THAT FOR EVERY DOLLAR MADE BY AN EMPLOYEE IN A MALE-DOMINATED JOB CLASS, AN EMPLOYEE IN A FEMALE-DOMINATED JOB CLASS EARNS 67 CENTS.

THE MEDIAN MAXIMUM WAGE FOR THE WOMEN IS LESS THAN THE MEDIAN MINIMUM WAGE FOR MEN. A WOMAN CAN WORK FOR MORE THAN A DECADE AND EXPECT TO EARN LESS THAN A MAN BEGINNING A JOB.

A.S.E.A. ASKS THE STATE AND THE LEGISLATURE TO END THIS PAYROLL SEX DISCRIMINATION. WE ARE NOT NAIVE ABOUT THIS. WE RECOGNIZE THAT A COMPLETE STUDY OF THE STATE'S JOB CLASSIFICATIONS AND IMPLEMENTATION OF THE FINDINGS IS GOING TO COST THE STATE SOME MONEY. BUT THE SEX DISCRIMINATION OF THE CURRENT CLASSIFICATION SYSTEM IS ALREADY COSTING A GREAT DEAL OF MONEY. THE PROBLEM IS THAT, TODAY, THE COST OF PAYROLL SEX DISCRIMINATION IS PAID BY THOSE LEAST ABLE TO PAY... THE UNDERPAID WOMEN OF THE STATE OF ALASKA. RESEARCH HAS SHOWN THAT MANY OF THESE WOMEN ARE ALSO SINGLE PARENTS, TRYING TO RAISE A FAMILY, AND PAY EDUCATION AND OTHER COSTS, ON A BIASED, LOWER SALARY.

SIMPLY PUT, THIS IS NOT FAIR.

(CONTINUED)

SENATE STATE AFFAIRS COMMITTEE
ASEA TESTIMONY ON S.B. 401, PAGE 3

WE STRONGLY URGE THE MEMBERS OF THIS COMMITTEE, AND THE REST OF THE LEGISLATURE AS WELL, TO PASS SENATE BILL 401 OR HOUSE BILL 99, WHICHEVER YOU CHOOSE TO BE THE LEGISLATIVE VEHICLE TO CORRECT THIS ON-GOING INEQUITY.

AGAIN, MY THANKS TO THE CHAIRMAN AND COMMITTEE MEMBERS FOR THIS OPPORTUNITY TO SUPPORT A TRULY GOOD PIECE OF LEGISLATION.

(END TESTIMONY)

SB

409



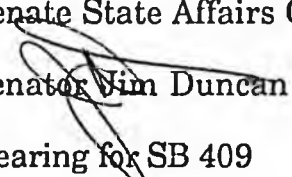
Alaska State Legislature

SENATOR JIM DUNCAN

P. O. Box V JUNEAU, ALASKA 99811-3100
(907) 465-4766

COMMITTEES:
VICE CHAIR –
FINANCE
VICE CHAIR –
STATE AFFAIRS
RULES
BUDGET & AUDIT
ETHICS REFORM

To: Senator Pat Rodey
Chair
Senate State Affairs Committee

From:  Senator Jim Duncan

Regards: Hearing for SB 409

Date: February 14, 1992

I am requesting the earliest possible hearing for Senate Bill 409, "An Act relating to expenditures from the search and rescue fund."

The bill allows the state to recover costs of search and rescue missions if people knowingly file a false notice or report. It also addresses those cases where the subject of a search not in need of assistance is grossly negligent in failing to report their whereabouts after a mission starts.

It is my hope in introducing this bill that a provision in state law addressing these situations will act as a deterrent in the future.

Under terms of the bill, violators are faced with repaying the state's Search and Rescue Fund. The Attorney General is authorized, at the request of the Department of Public Safety, to recover funds.

Your favorable consideration of my request is most appreciated.

FISCAL NOTE

STATE OF ALASKA
1992 LEGISLATIVE SESSION

BILL NO. SB 409

Revision Date: _____ Department Affected: Public Safety
 Title: An Act relating to expenditures from the search and rescue fund BRU: Alaska State Troopers
 Component: Search and Rescue
 Sponsor: Senator Duncan
 Requestor: Senate State Affairs COMPONENT SERIAL NO.

	5	1	3
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EXPENDITURES/REVENUES: (Thousands of Dollars) (inflation not included)

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

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

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

POSITIONS:

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

Estimate of current year impact: _____

ANALYSIS: (Attach a separate page if necessary.)
 Although this bill may result in reimbursement of some search and rescue funds, it is impossible to predict how often the provisions of the bill will be applied, and the amount of any recovery.

2/24/92

Prepared By: Gayle A. Horetski Phone: 465-4322
 Division: Commissioner's Office Date: 2/21/92
 Approved by Commissioner: *Richard L. Burton* Richard L. Burton
 Agency: Department of Public Safety Date: 2/21/92

Fiscal Note Position Paper

FISCAL NOTE

STATE OF ALASKA
1992 LEGISLATIVE SESSION

BILL NO. SB 409

Revision Date: _____ Department Affected: Public Safety
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 Component: Search and Rescue
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5	1	3
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EXPENDITURES/REVENUES: (Thousands of Dollars) (inflation not included)

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

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

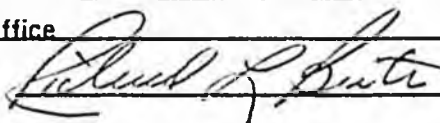
GENERAL FUND						
FEDERAL FUNDS						
OTHER FUND SOURCE:						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

POSITIONS:

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

Estimate of current year impact: _____

ANALYSIS: (Attach a separate page if necessary.)
 Although this bill may result in reimbursement of some search and rescue funds, it is impossible to predict how often the provisions of the bill will be applied, and the amount of any recovery.

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 Division: Commissioner's Office Date: 2/21/92
 Approved by Commissioner:  Richard L. Burton
 Agency: Department of Public Safety Date: 2/21/92

BILL NO: SB 409

DATE: February 21, 1992

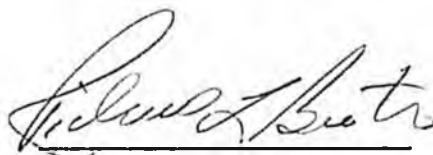
TITLE: An Act relating to
expenditures from the search
and rescue fund

CONTACT: Lt. Robert Clontz
Alaska State Troopers
465-4322

POSITION PAPER - Department of Public Safety

This legislation will enable the Attorney General, upon request from the Commissioner of the Department of Public Safety, to seek to recover funds that are expended on search and rescue missions when that mission was initiated based on false information. The funds would be recovered from the person who knowingly gave false notice or knowingly filed a false report. Recovery of funds could also be sought from the person who was the subject of a search, if the person's actions giving rise to the search demonstrated a grossly negligent failure to perceive that a search would be mounted and funds expended. This bill will lessen the chance that the state would expend scarce funds on searches that do not need to be conducted and will put the burden of payment on that person that caused a needless search or rescue to be initiated.

The Department of Public Safety supports this bill.



Richard L. Burton
Commissioner

CORRECTION

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

FISCAL NOTE

STATE OF ALASKA
1992 LEGISLATIVE SESSION

BILL NO. SB 409

Revision Date: _____ Department Affected: Public Safety
 Title: An Act relating to expenditures BRU: Alaska State Troopers
from the search and rescue fund Component: Search and Rescue
 Sponsor: Senator Duncan
 Requestor: Senate State Affairs COMPONENT SERIAL NO.

	5	1	3
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EXPENDITURES/REVENUES: (Thousands of Dollars) (inflation not included)

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

FUNDING: (Thousands of Dollars)

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

POSITIONS:

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

Estimate of current year impact: _____

ANALYSIS: (Attach a separate page if necessary.)

Although this bill may result in reimbursement of some search and rescue funds, it is impossible to predict how often the provisions of the bill will be applied, and the amount of any recovery.

Prepared By: Gayle A. Horvatski Phone: 465-4322
 Division: Commissioner's Office Date: 2/21/92
 Approved by Commissioner: *Richard L. Burton* Richard L. Burton
 Agency: Department of Public Safety Date: 2/21/92

FISCAL NOTE *Position Paper* ↓

BILL NO: SB 409

DATE: February 21, 1992

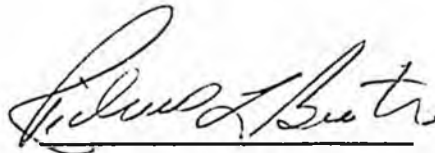
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expenditures from the search
and rescue fund

CONTACT: Lt. Robert Clontz
Alaska State Troopers
465-4322

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The Department of Public Safety supports this bill.



Richard L. Burton
Commissioner

FISCAL NOTE

STATE OF ALASKA
1992 LEGISLATIVE SESSION

BILL NO. SB 409

Revision Date: _____ Department Affected: Public Safety

Title: An Act relating to expenditures BRU: Alaska State Troopers

from the search and rescue fund Component: Search and Rescue

Sponsor: Senator Duncan

Requestor: Senate State Affairs COMPONENT SERIAL NO.

5	1	3
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EXPENDITURES/REVENUES: (Thousands of Dollars) (inflation not included)

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

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

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

POSITIONS:

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

Estimate of current year impact: _____

ANALYSIS: (Attach a separate page if necessary.)

Although this bill may result in reimbursement of some search and rescue funds, it is impossible to predict how often the provisions of the bill will be applied, and the amount of any recovery.

Prepared By: Gayle A. Horetski Phone: 465-4322

Division: Commissioner's Office Date: 2/21/92

Approved by Commissioner:  Richard L. Burton

Agency: Department of Public Safety Date: 2/21/92

Handwritten: 2/24/92

BILL NO: SB 409

DATE: February 21, 1992

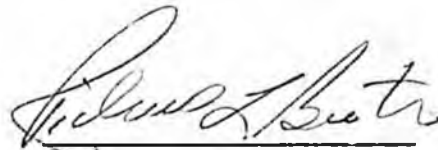
TITLE: An Act relating to
expenditures from the search
and rescue fund

CONTACT: Lt. Robert Clontz
Alaska State Troopers
465-4322

POSITION PAPER - Department of Public Safety

This legislation will enable the Attorney General, upon request from the Commissioner of the Department of Public Safety, to seek to recover funds that are expended on search and rescue missions when that mission was initiated based on false information. The funds would be recovered from the person who knowingly gave false notice or knowingly filed a false report. Recovery of funds could also be sought from the person who was the subject of a search, if the person's actions giving rise to the search demonstrated a grossly negligent failure to perceive that a search would be mounted and funds expended. This bill will lessen the chance that the state would expend scarce funds on searches that do not need to be conducted and will put the burden of payment on that person that caused a needless search or rescue to be initiated.

The Department of Public Safety supports this bill.



Richard L. Burton
Commissioner

Clear language -
for (intention) 2
lines 9-13

Senate Bill 409 Sectional Analysis

Section 1

This section adds a new subsection to AS 18.60.

Under terms of this section the Attorney General may seek to recover expenditures from the Search and Rescue Fund at the request of the Commissioner of the Department of Public Safety in the following two cases:

- When a person knowingly gives false notice or files a false report.
- When an individual, who is not in need of such assistance, is grossly negligent in failing to report their whereabouts after a search and rescue mission starts.

Section 2

This section specifies that application of this act pertains to notifications given under AS 18.60.120, dealing with search and rescue missions, and AS.160.150, reports of mysterious disappearances or separation from companions.

Sectional Analysis

S B

4 1 0

FISCAL NOTE

STATE OF ALASKA
1992 LEGISLATIVE SESSION

BILL NO. SB 410

Revision Date: _____

Department Affected: Commerce & Econ. Dev.

Title: An Act relating to the financing authority
of AIDEA

BRU: _____

Component: AIDEA

Sponsor: Senator Rodey

Requestor: Senator Rodey

COMPONENT SERIAL NO.

1	2	3	4
---	---	---	---

EXPENDITURES/REVENUES: (Thousands of Dollars)

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

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

REVENUE FUND RESOURCE:	0	0	0	0	0	0
------------------------	---	---	---	---	---	---

FUNDING: (Thousands of Dollars)

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

POSITIONS:

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

Estimate of current year impact: _____

ANALYSIS (Attach a separate page if necessary.)

Has no fiscal impact.

Prepared By: Katelyn Carrigan

Phone: 561-8050

Division: AIDEA

Date: _____

Approved by Commissioner: Glenn A. Olds *Glenn A. Olds*

Agency: Department of Commerce & Economic Development

Date: 3.3.92

Distribution (by preparer): Leg. Fin., Legislative Sponsor, Requestor, OMB/DBR, Gov. Legis. Ofc., and Impacted Agency(ies).

Page 1 of 1

SS/dg11566D/030492a

(Rev. 12/91)

Fiscal Note

Representative Dave Choquette
January 24, 1992
Page 2

More specifically --

In addition to the change authorizing the Authority's use of the enterprise development account for "loan participation," bill section 3 makes the Authority's involvement permissive rather than mandatory.

Bill section 4 makes a series of amendments substituting reference to "loan participation" and modifies the conditions and circumstances that attach to the Authority's participation.

The amendments made by bill sections 5, 6 and 7 incorporate reference to "loan participation" for "loan(s)."

Bill section 8 amends the interest rate restriction on Authority-guaranteed loans so that the maximum interest rate payable on those loans may float with reference to changes in the prime rate (rather than be tied to reference to the prime rate on the day the loan guarantee is entered into). The Authority views the change as necessary to attract commercial lenders. Reference to this change appears in the bill at page 1, line 14 - page 2, line 1.

Bill section 9 rewrites the definition of the term "development project" by equating it to the term "project," and amends the definition of the term "project" to permit the Authority to expand its opportunity to provide financial support for certain tourism facilities. This change is noted on page 2, lines 2 and 3.

Bill section 10 offers a definition of the term "loan participation."

The Sixteenth Legislature gave approval to the Authority's issuing bonds to finance a new aircraft maintenance facility at the Anchorage International Airport. The project has since been changed. Bill section 11 modifies the description of the project approval to conform that approval to the changes contemplated. The effect of this change is noted at page 2, lines 4 - 7 of the bill.

Since the terms "project" and "development project" are now equated by the amendment made by bill section 9, the separate definition of the term "development project" set out in AS 44.88.900(4) is no longer needed. It is repealed by bill section 12.

The measure is given an immediate effective date by bill section 13.

JBC:gc
92-057.glc

DIVISION OF LEGAL SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

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

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

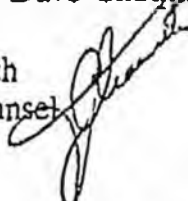
MEMORANDUM

January 24, 1992

SUBJECT: Amending the lending authority of the Alaska Industrial Development and Export Authority, AS 44.88, and amending the approval of a project previously given by the legislature -- sectional analysis (Work Order No. 7-LS1767G)

TO: Representative Dave Choquette

FROM: Jack Chenoweth
Legislative Counsel



SB-410

This memorandum summarizes the principal points of House Bill 417. The measure would make a series of amendments to the law under which the Alaska Industrial Development and Export Authority operates. Since the legislature must give project approval to certain projects in which the Authority becomes involved, the measure also revises the description of a project approved by the Sixteenth Legislature,

Bill section 1 summarizes the principal provisions of the measure.

Bill section 2 restores the language first added by sec. 8, ch. 123, SLA 1990 in which the Authority was required to secure legislative approval before issuing bonds of \$10,000,000 or more to finance a development project. That same 1990 legislation directed that, effective January 1, 1992, the Authority would have to secure legislative approval before issuing any bonds (other than refunding bonds). The change would have the effect of setting aside current law and restoring the prior requirement. The effect of this change is noted at page 1, lines 6 - 10.

Many of the changes made in bill sections 3 - 7 serve to shift the central purpose of the activities undertaken through the Authority's enterprise development account. The account is now used as a source of direct loans. The substitution of references to "loan participation" is intended to alter the authority's role from serving as a source of direct loans to one of serving as a primary source of secondary financing support through loan participation arrangements with one or more lenders. This change is summarized on page 1, lines 11 - 13 of the bill.

SECTIONAL SUMMARY
SB-410 / HB-417 AIDEA

HB 417

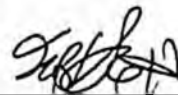
An Act relating to the loan authority of the Alaska Industrial Development and Export Authority and to a project for which the legislature has approved the Authority's issuance of bonds.

The Authority supports House Bill 417. / SB-410

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

While many section of the proposed legislation are technical amendments, the Authority believes that HB 417 is critical to our continued success. All sections of the proposed bill support and enhance the Authority's mission to promote, develop and advance the general prosperity and economic welfare of the people of Alaska, to relieve problems of unemployment and to create additional employment. The Alaskan banking industry has expressed an interest in increasingly utilizing the Authority's programs with the modifications to the guarantee loan programs and participation loan programs proposed in HB 417.

Staff of the Authority recommends full support of this bill.



William H. Scott, Executive Director
Alaska Industrial Development and Export Authority

Date: 3/3/92

AIDEA SUPPORT



ALASKA INDUSTRIAL DEVELOPMENT
AND EXPORT AUTHORITY

480 WEST TUDOR • ANCHORAGE, ALASKA 99503-6690 • (907) 561-8050 • FAX (907) 561-8998

MEMORANDUM

TO: Honorable Representative Dave Choquette

FROM: William H. Scott
Executive Director

DATE: February 2, 1992

SUBJECT: House Bill 417 Section Analysis *JSB-410*

This memorandum summarizes the principal points of House Bill 417. The measure would make a series of amendments to the law under which the Alaska Industrial Development and Export Authority (AIDEA) operates.

Bill Section 1 summarizes the principal provisions of the measures. The bill as proposed:

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

Bill Section 2 restores the language first added under Sec. 8, Ch. 123, SLA 1990 in which the Authority was required to secure legislative approval for bonds of \$10 million or more to finance a development project. Chapter 123 SLA 1990 provided for a sunset of the Authority to issue bonds through a delayed effective date clause (Section 31). This section repeals subsection (g) effective on January 1, 1992 and allows the Authority to continue issuing bonds.

AIDEA SUMMARY

Bill Section 3 authorizes the Authority to use the money and assets of the enterprise development account to secure bonds or to finance participation in loans for projects.

Bill Section 4 - 7 authorizes the Authority to participate in or purchase loans from financial institutions limiting the Authority's exposure or risk to \$10 million. Restrictions currently limit the Authority from participating in loans over \$10 million allowing only participation of up to 80% of a \$10 million loan. Sections 5 - 7 of the bill are a result of numerical changes to the statute also required to accommodate for the modification and to remove unnecessary language.

Bill Section 8 amends the interest rate restriction on the Authority guaranteed loans allowing for a floating rate, rather than the fixed rate, currently set by statute. Language currently states the interest is tied to the prime rate on the day the loan guarantee is entered into. The Authority views the change as necessary to attract commercial lenders to AIDEA's programs.

Bill Section 9 rewrites the definition of the term "development project" by equating it to the term "project," and amends the definition of the term "project" to permit the Authority to expand its opportunity to support certain tourism facilities.

Bill Section 10 offers a definition of the term "loan participation."

Bill Section 11 modifies the description of an air craft maintenance facility at the Anchorage International Airport (approved for bonding by the Legislature in 1990) to accommodate the private sector with a more versatile facility which will include cargo facilities and storage.

Bill Section 12 repeals a section of the statute no longer needed (description of the term "development project") as section 9 of this bill sets forth a new description of "project and "development project."

Bill Section 13 provides for an immediate effective date.

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Alaska State Legislature

SENATOR JIM DUNCAN

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

(907) 465-4766

COMMITTEES:

VICE CHAIR –
FINANCE

VICE CHAIR –
STATE AFFAIRS
RULES

BUDGET & AUDIT
ETHICS REFORM

MEMORANDUM

DATE: February 24, 1992

TO: Senator Pat Rodey, Chair
Senate State Affairs Committee

FROM: Senator Jim Duncan

RE: SB 413, relating to longevity bonus payments for certain nursing home residents.

Thank you for scheduling SB 413, relating to longevity bonus payments for certain nursing home residents. This bill will allow nursing home patients who pay for their own care to receive Longevity Bonus payments. Current state law that forbids payment of a Longevity Bonuses to all nursing home patients staying longer than 90 days is too broad. I believe we need a distinction in state law to allow continuing payment of the bonus to those Alaskans who are paying for these services with insurance proceeds or private funds.

The prohibition against nursing home residents receiving Longevity Bonus payments was to avoid paying bonuses to Alaskans whose care was partially or totally subsidized by the state or federal governments in order to protect benefits. Since the majority of individuals in Alaska's nursing homes are covered by Medicaid, the bill will have minimal impact on the Longevity Bonus Program. Twenty-nine additional Alaskans will become eligible for the bonus with passage of this legislation.

I urge your support for SB 413.

Attachments

Chapter 45. Alaska Longevity Bonus.

Section

10. Persons who may qualify for longevity bonus

Section

70. Unqualified persons

Sec. 47.45.010. Persons who may qualify for longevity bonus.

(a) A person who is 65 years of age or over, who resides in the state for at least one year immediately preceding application for a longevity bonus under this chapter, may apply to the commissioner of administration for qualification to receive a monthly bonus of \$250.

§ 47.45.070 WELFARE, SOCIAL SERVICES & INSTITUTIONS § 47.45.070

(b) When the commissioner of administration determines that an applicant qualifies under this chapter the commissioner shall immediately begin payment of the bonus.

(c) A person who otherwise qualifies to receive a bonus provided for in this chapter may continue to do so only as long as that person continues to be a resident of the state.

(d) [Repealed, § 62 ch 21 SLA 1991.] (§ 1 ch 205 SLA 1972; am § 1 ch 33 SLA 1976; am § 1 ch 89 SLA 1978; am § 1 ch 147 SLA 1980; am § 1 ch 13 SLA 1981; am § 2 ch 38 SLA 1984; r § 11 ch 38 SLA 1984; am §§ 5, 6 ch 107 SLA 1989; am §§ 61, 62 ch 21 SLA 1991)

Effect of amendments. — The 1991 amendment, effective June 11, 1991, substituted "one year" for "two years" in subsection (a) and repealed subsection (d).

Sec. 47.45.070. Unqualified persons. (a) An unqualified person is one who

(1) does not meet the age or residence requirements as provided for under this chapter;

(2) meets the age and residence requirements of this chapter but either is confined in a state or federal mental health institution or facility and is certified by the state as unable to manage personal affairs, or resides in a nursing home as that term is defined in AS 08.70.180; however, if that person, at the time of commitment or commencement of residence, provided the principal support of a spouse, the commissioner of administration may determine to pay the confined person's bonus to the person's spouse until the spouse is qualified for a bonus;

(3) is otherwise qualified but confined in a penal or correctional institution or facility; upon completion of sentence or upon the conferral of a pardon, parole or probation, the person may make application; confinement outside the state shall be considered as residence in the state if a person was convicted and sentenced from a court in Alaska; revocation of parole or probation shall be cause for immediate disqualification until release from confinement is again effected;

(4) voluntarily leaves the state and remains absent from the state for a continuous period of more than 90 days.

(b) Notwithstanding (a)(2) of this section, a person who meets the age and residence requirements of this chapter qualifies for the bonus during any period of residence in a nursing home that does not exceed 90 consecutive days if the bonus is exempt from the determination of income eligibility under Supplemental Security Income in 42 U.S.C. 1382a (Sec. 1612(b)(2)(B), Social Security Act), as amended. (§ 1 ch 205 SLA 1972; am § 1 ch 78

ALASKA NURSING HOMES CENSUS

AS OF: December 31, 1991

Page 1 of 2

FACILITY	MEDICAID PERDIEM RATE	CERTIFIED CAPACITY		MEDICAID/GRM PLACEMENTS		NON-DMA PLACEMENTS		TOTAL CENSUS	VACANT BEDS	% OCCUPANCY OF TOTAL BEDS	
		SNF/ICF	SWING BEDS	ICF	SNF	MEDI-CARE	OTHER*			OVERALL	MEDICAID
CORDOVA HOSPITAL LTC	\$311.34	10	4	10	0	n/a	0	10	4	71%	71%
DEHALI CENTER (Fairbanks)	200.34	101	0	47	11	2	10	70	31	69%	57%
HERITAGE PLACE (Soldotna)	221.90	45	0	27	3	2	4	36	9	80%	67%
ISLAND VIEW MANOR	264.65	46	0	13	3	3	2	21	25	46%	35%
KOTZEBUE SENIOR CITIZEN CARE CTR.	205.87	9	0	5	4	0	0	9	0	100%	100%
KODIAK ISLAND HOSPITAL LTC	246.83	19	4	15	0	0	1	16	7	70%	65%
MARY CONRAD CENTER (Anchorage)	220.64	84	0	81	0	n/a	3	84	0	100%	96%
OUR LADY OF COMPASSION (Anchorage)	184.92	224	0	141	50	6	23	220	4	98%	85%
PETERSBURG HOSPITAL LTC	271.60	14	4	11	0	0	1	12	6	67%	61%
QUYAHNA CARE CENTER (Nome)	310.95	15	0	12	0	n/a	0	12	3	80%	80%
SOURDOUGH PLACE (Valdez)	232.99	16	0	14	0	n/a	0	14	2	88%	88%
SOUTH PENINSULA HOSP. LTC (Homer)	301.47	18	4	12	4	n/a	1	17	5	77%	73%
ST. ANN'S NURSING HOME (Juneau)	203.08	45	0	27	7	0	8	42	3	93%	76%
WESLEY REHAB. CARE CTR. (Seward)	177.37	66	0	42	1	n/a	2	45	21	68%	65%
WRANGELL GENERAL HOSPITAL LTC	265.78	14	4	6	1	0	3	10	8	56%	39%
SWING BEDS (Acute to LTC):											
CENT. PENINSULA HOSP (Soldotna)	198.18	0	4	0	0	0	0	0	4	0%	0%
SEWARD GENERAL HOSPITAL	198.18	0	2	0	1	0	0	1	1	50%	50%
SITKA COMMUNITY HOSPITAL	198.18	0	2	0	0	2	0	2	0	100%	0%
VALDEZ COMMUNITY HOSPITAL	198.18	0	6	0	0	0	0	0	6	0%	0%
VALLEY HOSPITAL (Palmer)	198.18	0	4	0	0	2	0	2	2	50%	0%
TOTAL		764		463	85	17	58	623	141	82%	72%

* - includes VA, private pay, insurance and other.

for Lori Webb 1/21/92
 KAREN MARTZ, ADMINISTRATOR DATE
 DIVISION OF MEDICAL ASSISTANCE (907) 561-8081
 DEPARTMENT OF HEALTH & SOCIAL SERVICES

Nursing Home Census



Official Business

Alaska State Legislature

SENATE

State Capitol
Juneau, AK 99801-1182

Date: Monday, February 24, 1992 - 1:30 p.m. Beltz

Senate State Affairs Committee

AGENDA

OK

SB-282 PERS Credit for BIA Service (Adams) Permits non-certificated employees to claim credit for BIA service
FISCAL NOTE ZERO

OK

HB-266 BIA School Contract Employment (Navarre)
Allows former BIA contract employees to pay for into use BIA time for TRS vesting purposes **FISCAL NOTE ZERO**

Held to Wed

SB-409 Recovery of Search and Rescue Expenses (Duncan)
Recover funds if false missing persons claim is filed
FISCAL NOTE: ZERO

SB-413 Longevity Bonus qualifications re: Certain Nursing Home Residents (Duncan) **ADMIN. FISCAL NOTE 87.0**

HCR-43 24th Annual Girls' State (Davis)

HCR-44 26th Annual Boys' State (Kubina)

Weld

SJR-43 Military Spending / Domestic Needs (Sturgulewski)
CS offered: Military reductions in concert with Budget Deficit and Domestic Needs **FISCAL NOTE ZERO**

Next Scheduled Meeting: Wednesday, February 26, 1992 - p.m. Beltz Room

Senators Rodey, (Chair), Duncan (V.Chair), Fischer, Uehling, Pourchot x4522

FISCAL NOTE

STATE OF ALASKA
1992 LEGISLATIVE SESSION

BILL NO. SB 413

Revision Date: February 21, 1992
Title: An Act relating to longevity
bonus payments.

Department Affected: Administration
BRU: Longevity Bonus
Component: Grants

Sponsor: Senator Duncan
Requestor: _____

COMPONENT

0	0	2	6
---	---	---	---

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	87.0	87.0	87.0	87.0	87.0	87.0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	87.0	87.0	87.0	87.0	87.0	87.0

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

REVENUE FUND SOURCE:	0	0	0	0	0	0
----------------------	---	---	---	---	---	---

FUNDING: (Thousands of Dollars)

GENERAL FUND	87.0	87.0	87.0	87.0	87.0	87.0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER FUND SOURCE	0	0	0	0	0	0
TOTAL	87.0	87.0	87.0	87.0	87.0	87.0

POSITIONS:

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

Estimate of current year impact: None

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

Prepared by: Dennis L. DeWitt *[Signature]*
Division: Pioneers' Benefits

Phone: 465-4400
Date: February 21, 1992

Approved by Commissioner: Nancy Bear Usura *[Signature]*
Agency: Administration

Date: 2/21/92

Distribution (by preparer): Legislative Fin., Legislative Sponsor, Requestor, OMB/DBR, Gov. Legis. Ofc., & Impacted Agency (ies).

Fiscal Note - Position Paper ↓

Fiscal Note
Senate Bill No. 413

February 21, 1992
Page 2 of 2

There are approximately 29 nursing home residents over 65 years of age who are fully private pay. This estimate was arrived from a telephone survey of private long-term care facilities during December 1991.

The above calculation does not include residents of the skilled nursing sections of the Pioneers' Homes or the Sourdough Unit at Harborview, Valdez.

The effect of this bill on Medicaid/hold harmless provisions is not addressed in above calculations.

29 residents at \$3000 a year = \$87.000 for FY 93

Assumes effective date July 1, 1992.

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Alaska Permanent Fund Corporation

FINANCIAL PROJECTIONS

(in millions)

as of January 31, 1992

GROWTH OF FUND PRINCIPAL							USE OF FUND INCOME						
FY	FY Begin Balance	Appropriations	Dedicated		FY End Balance	Inflation Proofing Shortfall	Net Income	Distributions			Reserves		FY
			State Revenues*	Inflation Proofing				Dividends	Inflation Proofing	General Fund	Add (Delete)	FY End Balance	
78	0		54		54					1			78
79	54		04		139					7			79
80	139		344		483					12			80
81	483	000	385		1,769					28	59	59	81
82	1,769	800	400		2,969					71	185	244	82
83	2,969	400	421	231	4,021					110	110	354	83
84	4,021	300	366	151	4,838						203	557	84
85	4,838	300	368	235	5,741						206	763	85
86	5,741		323	216	6,281						501	1,264 **	86
87	6,281	1,264 **	170	148	7,864						529	529	87
88	7,864		418	303	8,585						62	591	88
89	8,585		228	360	9,173						44	635	89
90	9,173		267	454	9,894						(30)	605	90
91	9,894		435	559	10,888						(24)	581	91
92	10,888		282	474	11,643						125	707	92
93	11,643		203	466	12,312					140		707	93
94	12,312		217	752	13,281						(15)	692	94
95	13,281		230	811	14,321					17		692	95
96	14,321		238	874	15,433					53		692	96
97	15,433		263	942	16,637					90		692	97
98	16,637		252	1,013	17,902					132		692	98
99	17,902		228	1,088	19,218					175		692	99
00	19,218		207	1,166	20,590					221		692	00
01	20,590		188	1,247	22,024					268		692	01
02	22,024		174	1,332	23,530					317		692	02
03	23,530		159	1,421	25,110					369		692	03
04	25,110		146	1,515	26,771					423		692	04
05	26,771		132	1,614	28,517					480		692	05
06	28,517		118	1,718	30,353					540		692	06
07	30,353		106	1,828	32,287					603		692	07
08	32,287		98	1,943	34,328					670		692	08
09	34,328		89	2,065	36,482					740		692	09
10	36,482		82	2,194	38,758					813		692	10
Cumulative Totals Projected													
For FY 1992 - 2010:			3,410	24,461			40,121	9,496	24,461	6,054			

REALIZED RATE OF RETURN ASSUMPTIONS:

	Nominal	Inflation	Real
FY 92:	9.27%	4.24%	5.03%
FY 93:	8.50%	4.00%	4.50%
FY 94-2010:	9.00%	6.00%	3.00%

* SOURCE: Dedicated State oil revenue estimates are from the Department of Revenue (DOR) Fall 1991 Low-Case Revenue Forecast. FY 92 includes \$46.3 million to Fund principal from BP oil settlement.

** The FY 86 Earnings Reserve Account end balance was appropriated by the legislature to the principal of the Permanent Fund effective July 1, 1986.

PFDS CAPPED AT \$500 MILLION BEGINNING IN FY 93, ALL REMAINING NET INCOME TO GENERAL FUND.

CHART 1

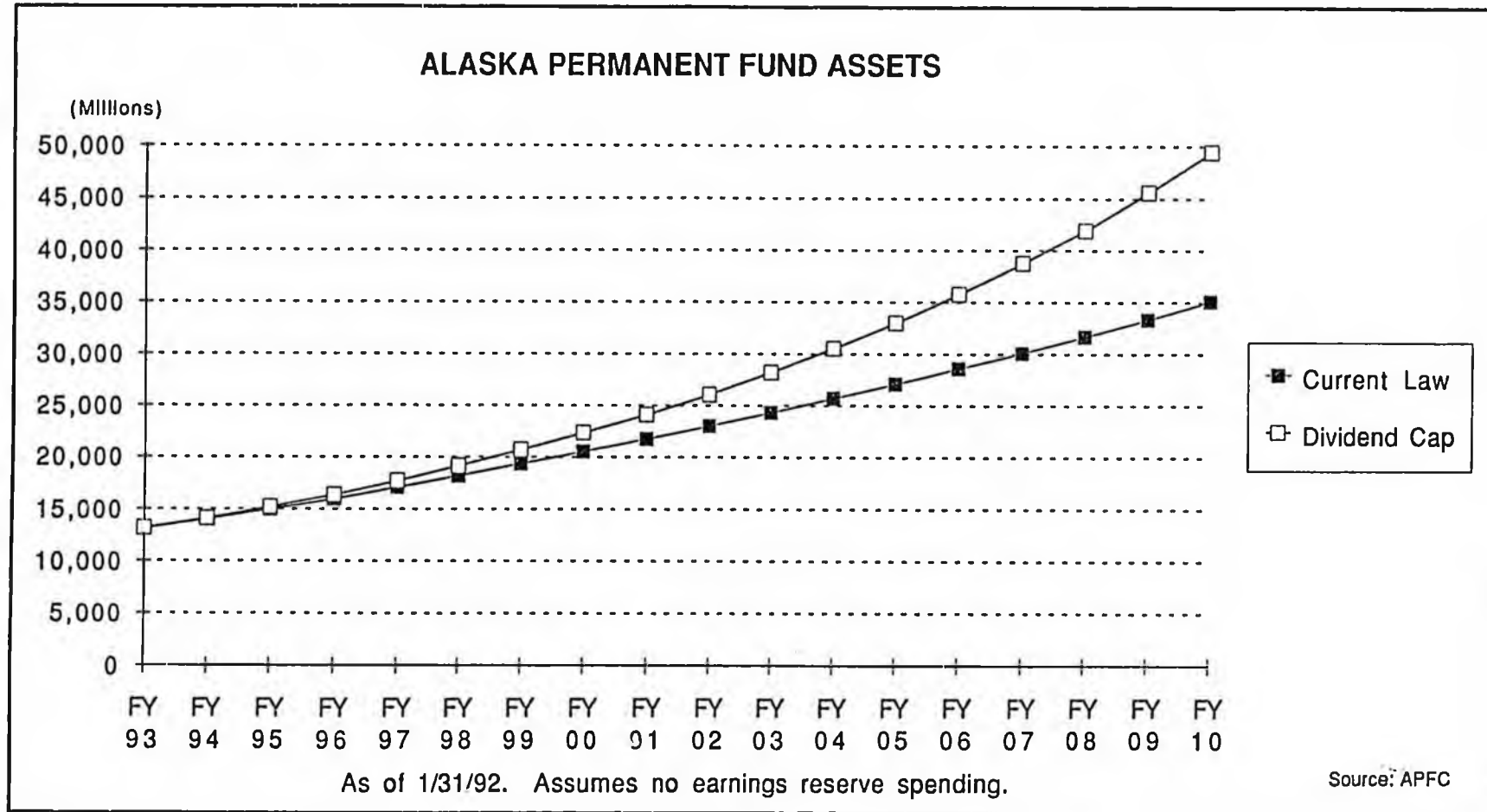


CHART 2

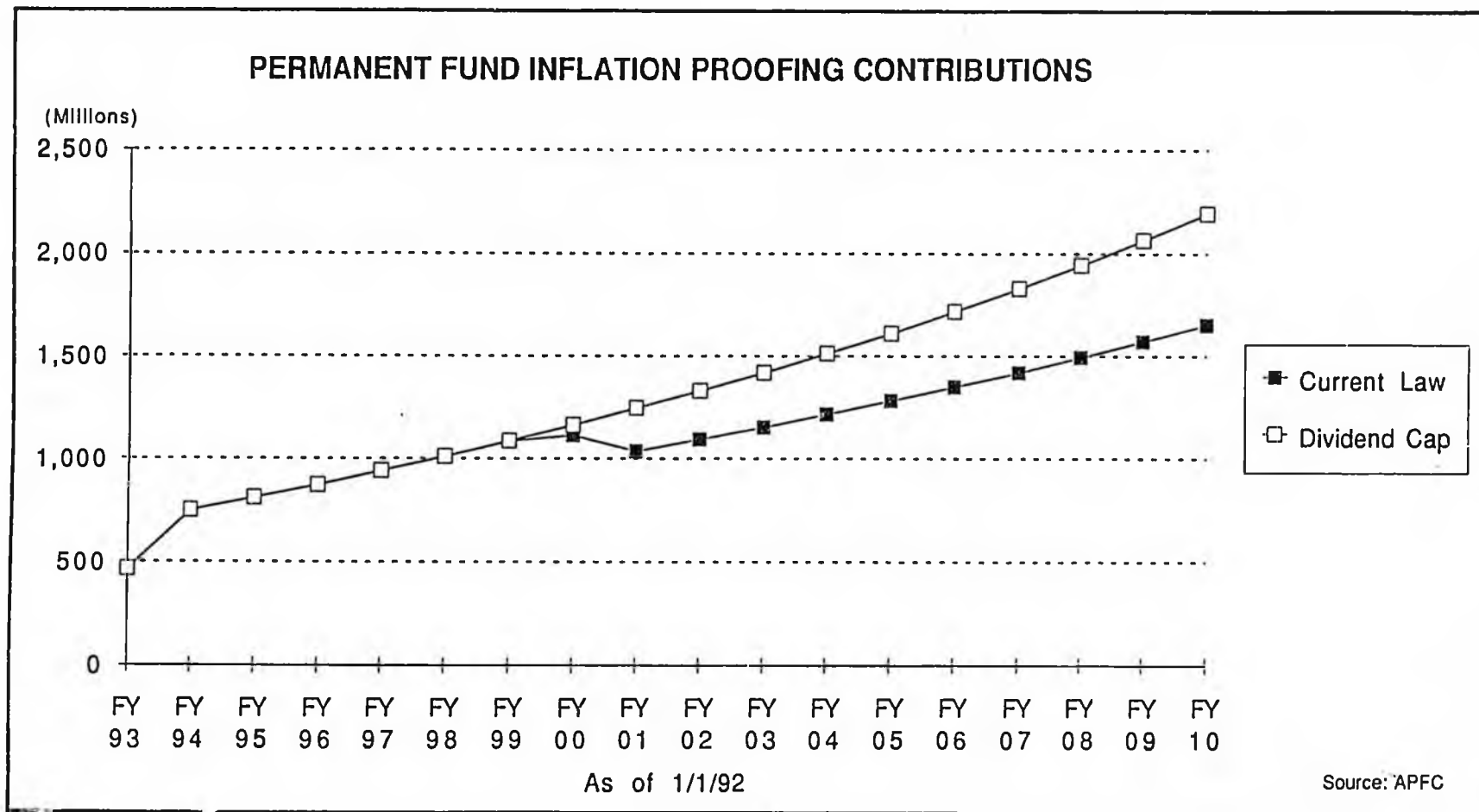
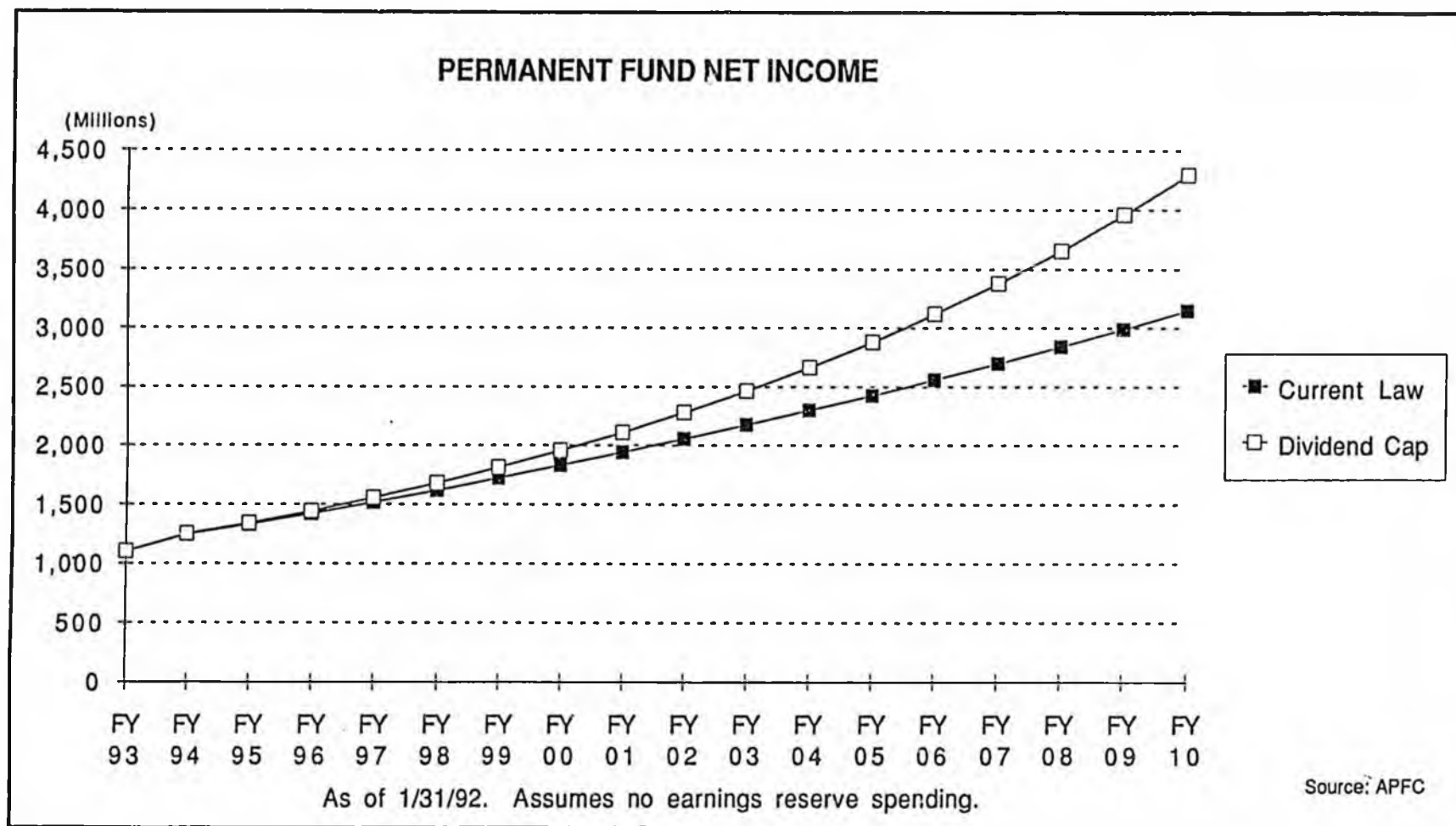


CHART 3



THE DIVIDEND CAP AND THE PERMANENT FUND

(In Millions, as of January 31, 1992)

Year	Current Law					Dividend Cap				
	Fund Balance	Net Income	Inflation Proofing	Earnings Reserve	Fund Assets	Fund Balance	Net Income	Inflation Proofing	Earnings Reserve	Fund Assets
FY 93	12,312	1,105	466	819	13,131	12,312	1,105	466	846	13,158
FY 94	13,281	1,248	752	748	14,029	13,281	1,250	752	845	14,126
FY 95	14,321	1,333	811	660	14,981	14,321	1,342	811	876	15,197
FY 96	15,433	1,423	874	558	15,991	15,433	1,443	874	946	16,379
FY 97	16,637	1,519	942	439	17,076	16,637	1,556	942	1,060	17,697
FY 98	17,902	1,621	1,013	297	18,199	17,902	1,680	1,013	1,227	19,129
FY 99	19,218	1,726	1,088	135	19,353	19,218	1,814	1,088	1,452	20,670
FY 00	20,540	1,834	1,116		20,540	20,590	1,958	1,166	1,745	22,335
FY 01	21,765	1,945	1,037		21,765	22,024	2,114	1,247	2,112	24,136
FY 02	23,033	2,059	1,095		23,033	23,530	2,283	1,332	2,563	26,093
FY 03	24,347	2,178	1,155		24,347	25,110	2,467	1,421	3,108	28,218
FY 04	25,711	2,301	1,218		25,711	26,771	2,666	1,515	3,758	30,529
FY 05	27,127	2,429	1,284		27,127	28,517	2,883	1,614	4,528	33,045
FY 06	28,596	2,562	1,351		28,596	30,353	3,120	1,718	5,429	35,782
FY 07	30,124	2,700	1,422		30,124	32,287	3,377	1,828	6,479	38,766
FY 08	31,717	2,844	1,496		31,717	34,238	3,658	1,943	7,694	41,932
FY 09	33,380	2,993	1,573		33,380	36,482	3,964	2,065	9,093	45,575
FY 10	35,115	3,150	1,654		35,115	38,758	4,299	2,194	10,698	49,456

Assumes no spending of Earnings Reserve Account.

Source: APFC

FISCAL NOTE

STATE OF ALASKA
1992 LEGISLATIVE SESSION

BILL NO. SB 438

Revision Date: _____
Title: Permanent Fund Income
Distribution
Sponsor: Sturaulewski
Requestor: Senate State Affairs

Agency Affected: Revenue
BRU: Permanent Fund Dividend Division
Components: Permanent Fund Dividend
Division
COMPONENT SERIAL NO. 9 8 1

EXPENDITURES/REVENUES: (Thousands of Dollars)

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

FUNDING: (Thousands of Dollars)

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

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year impact: None.

ANALYSIS: See Attached.

Prepared By: Thomas C. Williams
Division: Permanent Fund Dividend Division

Phone: 465-2323
Date: February 26, 1992

Approved by Commissioner: David [Signature]
Agency: Revenue

Date: 2/26/92

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

SUMMARY OF EFFECTS OF SB 438

(In Thousands)

As of February 26, 1992

	<u>FY92</u>	<u>FY93</u>	<u>FY94</u>	<u>FY95</u>	<u>FY96</u>	<u>FY97</u>	<u>FY98</u>	<u>FY99</u>	<u>FY00</u>	<u>FY01</u>
Eligible Applicants (1)	513,600	532,700	547,100	561,900	576,900	592,100	607,600	623,500	639,600	656,100
Available for Distribution	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000
<u>Reductions</u>										
Hold Harmless (2)	16,205	18,635	21,431	24,645	28,342	32,593	37,482	43,105	49,570	57,006
PFD Division (3)	4,114	4,329	4,329	4,524	4,727	4,940	5,162	5,395	5,637	5,891
Corrections/Public Safety (3)	1,510	1,562	1,562	1,641	1,714	1,791	1,872	1,956	2,044	2,136
<u>Total Reductions</u>	<u>21,828</u>	<u>24,527</u>	<u>27,322</u>	<u>30,809</u>	<u>34,783</u>	<u>39,325</u>	<u>44,517</u>	<u>50,455</u>	<u>57,252</u>	<u>65,033</u>
<u>Balance Available</u> <u>for Distribution</u>	<u>478,172</u>	<u>475,474</u>	<u>472,678</u>	<u>469,191</u>	<u>465,217</u>	<u>460,675</u>	<u>455,483</u>	<u>449,545</u>	<u>442,748</u>	<u>434,967</u>
Estimated Dividend Amount (Nominal Dollars)	931.34	892.57	863.97	835.01	806.41	778.04	749.64	721.00	692.23	662.96
Estimated Dividend Amount (Real Dollars) (4)	931.34	852.41	787.96	727.28	670.76	618.04	568.69	522.35	478.93	438.04

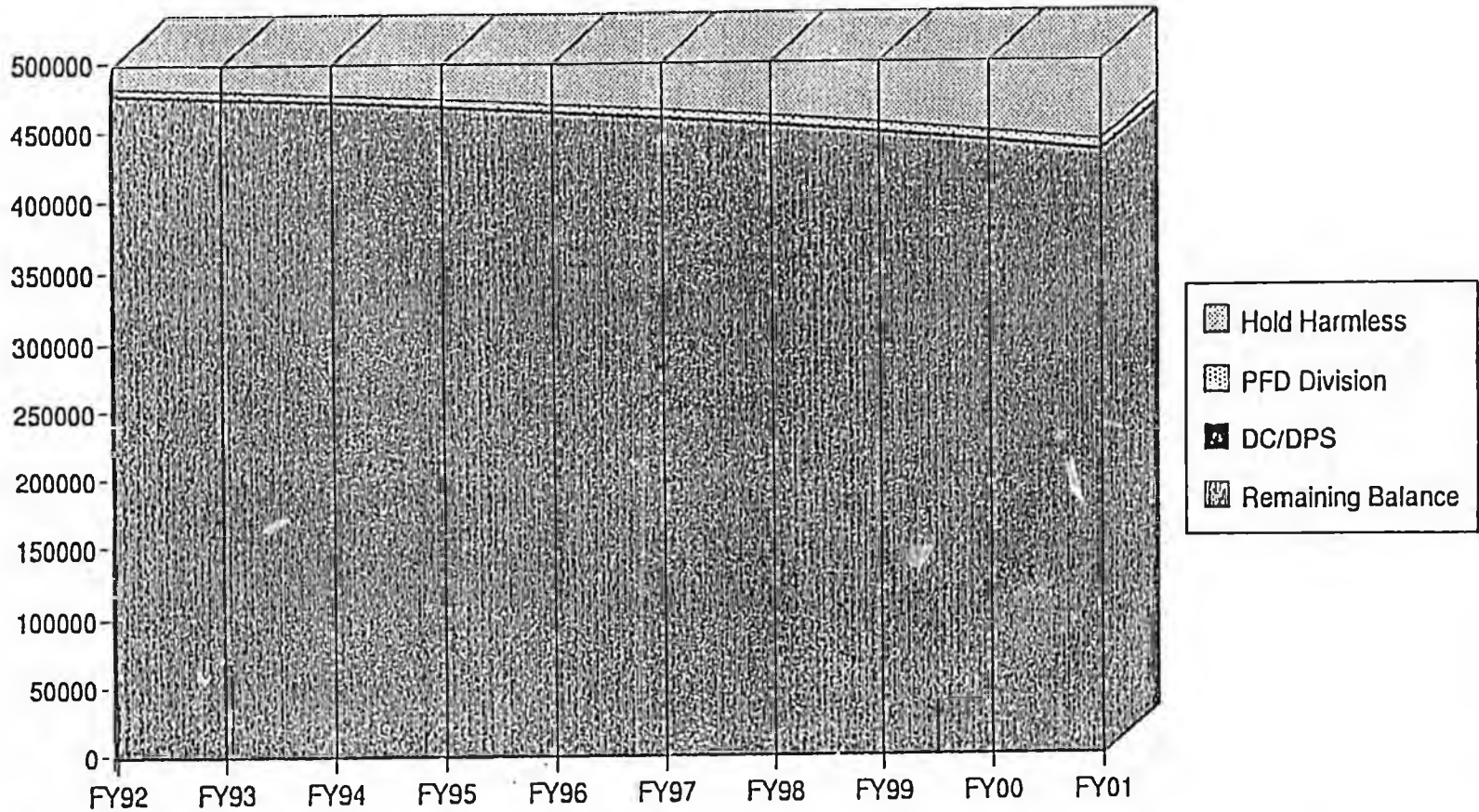
ASSUMPTIONS

- (1) Based on Table F, page 20 of Alaska Population Projections by the Dept. of Labor, November, 1991, reduced by 60,400, the difference between the population in FY92 and the number of eligible applicants.
- (2) Assumes an increase of 15% per year based on historical patterns.
- (3) Assumes an increase of 4.5% per year after FY95.
- (4) Assumes a 4.5% inflation rate per year, based on the Consumer Price Index, page 6 of Asset Allocation Considerations by the Callan Associates, Inc., February, 1992.

Alaska Department of Revenue
Permanent Fund Dividend Division

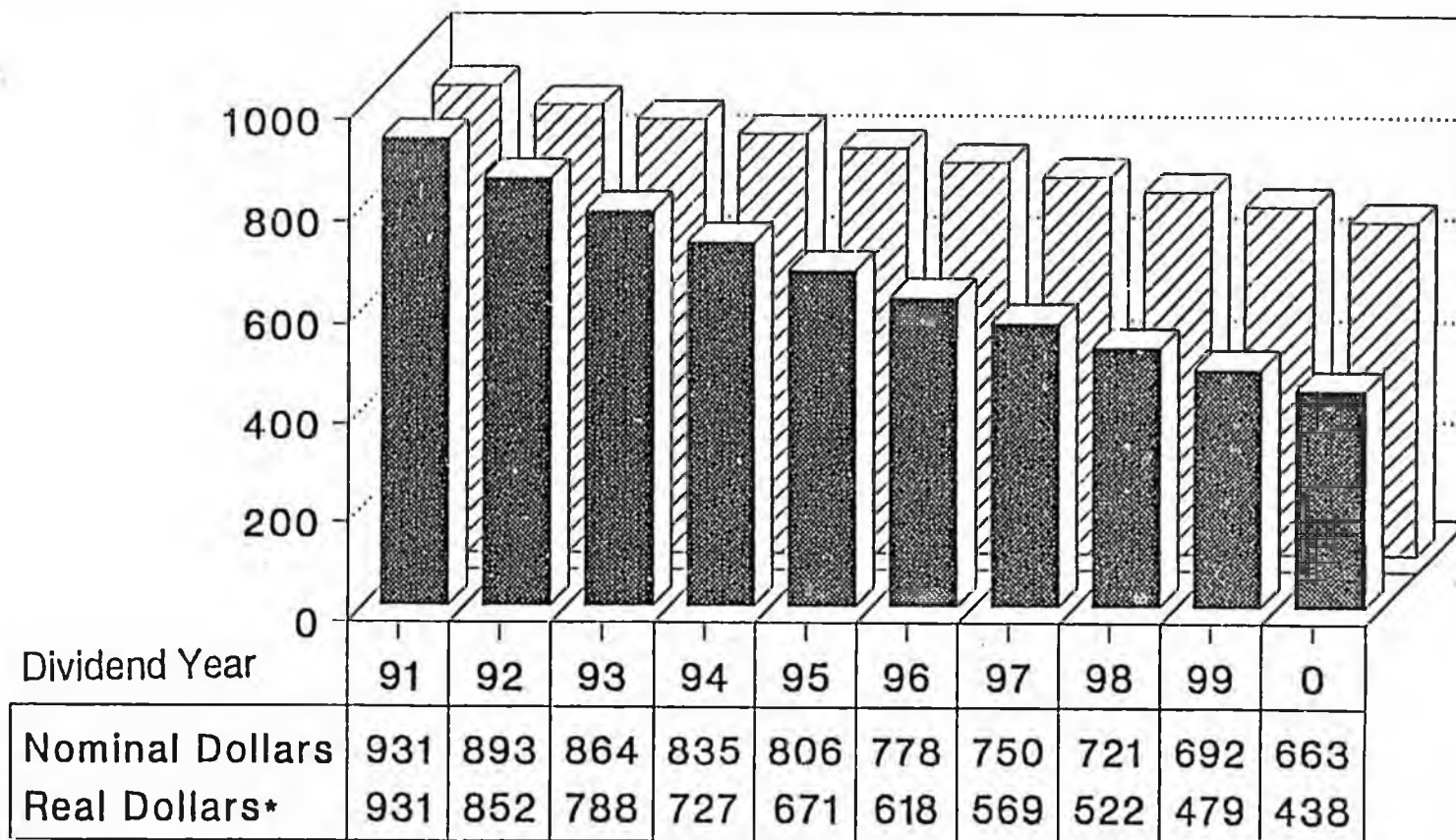
Distribution of \$500 million cap

As of February 26, 1992



Alaska Department of Revenue
Permanent Fund Dividend Division

Estimated Permanent Fund Dividend Amount
As of February 26, 1992



■ Real Dollars* ▨ Nominal Dollars

*Assumes 4.5% inflation rate

Alaska State Legislature



1111 C STREET, SUITE 550
ANCHORAGE, ALASKA 99503
(907) 561-7015

While in Juneau
P.O. BOX V
JUNEAU, ALASKA 99811
(907) 465-1818

SENATOR
ARLISS STURGULEWSKI

Senate

PREPARING FOR ALASKA'S NEW FISCAL REALITIES

By: Arliss Sturgulewski
Alaska State Senator
February 21, 1992

Contact: Richard Rainery
465-3818

I have introduced Senate Bill 438 amending the law governing distribution of Permanent Fund income. It would preserve, roughly at the current level, the amount of fund income distributed as dividends. The bill:

- Caps the amount distributed as dividends at \$500,000,000.
- Insures that the Permanent Fund will be fully inflation-proofed.
- Increases investment in the earnings reserve account.

It does not affect the fund's dedicated revenue stream or tamper with its investment philosophy. Nor does it direct disposition of the earnings reserve account. That would be up to Alaskans, the legislature, and the governor.

According to Alaska Permanent Fund Corporation projections, capping the annual dividend pool at \$500,000,000 (a lot of money) will do two significant things. First, it will increase the fund's size. By fiscal year 2000, earnings will be insufficient to pay dividends under present law and to inflation proof the fund. Capping dividends will allow inflation proofing to continue, boosting projected fund size \$3.5 billion by 2010. Second, the earnings reserve account, instead of shrinking until exhausted, could reach nearly \$11 billion by 2010.

If we do no more than enact this bill, Alaska will be wealthier by perhaps \$14 billion. The cost? Individual Alaskans will receive smaller dividends as the population grows.

SPONSOR

Why am I proposing this change? The first deposit to the Permanent Fund was made fifteen years ago. In a few years, a generation of Alaskans will have come to maturity saving a sizeable portion of their common wealth in the fund. No other state will be in Alaska's position, with a savings account of \$30,000 per resident in 2000, and over \$40,000 by 2010, even without this bill. Annual income could top \$4 billion by 2010, under my proposal, with over \$1.5 billion going to the earnings reserve account.

These numbers suggest an opportunity and responsibility to reflect on the fund's purpose. Shall we continue to save without a clear goal in mind? Or shall we reserve a portion of annual earnings for other uses since we can do so while allowing continued fund growth?

This bill is only one side of the coin. The other is the future shape and role of state government, to be drawn by the governor and the legislature, guided by the people. Beginning to debate the ultimate purpose of Permanent Fund earnings will give us the time and means to address the growing list of inevitable fiscal and program decisions. That debate will determine whether the money I propose to set aside is needed to fund the government the people want. I believe Alaskans will agree that it is.

We desperately need a coordinated plan of action to meet education, economic, human, and social needs. With plentiful revenues, it proved difficult to inject discipline and realism into state budget deliberations. Alaskans have heard the cry "Wolf!" often lately. Year after year, they are told how bad things are only to see ever-increasing budgets paid for by unforeseen oil price spikes or leftover pools of boom era revenues. But Alaskans are convinced that the fiscal crunch is imminent. It is critical to devise a fiscal plan providing a soft landing and a sustainable future for Alaska.

It's time for the legislature and administration to cooperatively develop a realistic 5-year budget plan and to implement components of it now, rather than later. SB 438 should prompt full discussion of our options. The administration has yet to propose serious reorganization. Its Efficiency Review Team will not report until after the session ends and another year will be lost. We must act now to:

- Consolidate and coordinate safety, fire, and building inspections and social programs.

- Explore restructuring and unifying the Alaska Industrial Development and Export Authority and the Alaska Energy Authority.
- Decide whether the state needs three separate housing programs, or a single entity to assist low and moderate income people.
- Safeguard the longevity bonus program, the fastest growing segment of the budget. To control and eventually reduce costs, an annuity program must be considered.
- Review user fees and the gasoline tax. The governor supports a dedicated transportation fund, but Alaska's gasoline taxes remain the lowest in the country, unchanged for decades, while our roads deteriorate.
- Expand economic development activities. Regional development organizations have spurred local development and should be continued.
- Manage Alaska's 104 million acres of land to produce new revenues and foster other opportunities.

We cannot do everything at once, but it is time to join the debate and take the first steps to secure a stable fiscal future for Alaska.

Alaska State Legislature



1111 C STREET, SUITE 550
ANCHORAGE, ALASKA 99503
(907) 561-7615

While in Juneau
P.O. BOX V
JUNEAU, ALASKA 99811
(907) 465-3818

SENATOR
ARLISS STURGULEWSKI

Senate

MEMORANDUM

February 18, 1992

TO: All Legislators
Alaska State Legislature

FROM: Senator Arliss Sturgulewski 
Senate District F

RE: "The Fiscal Gap: Fiction or Reality?" by
Scott Goldsmith

I am sure all of you are very aware of the work Scott Goldsmith has done through the Institute of Social and Economic Research (ISER) at the University of Alaska, Anchorage regarding the fiscal gap. He and others at ISER have prepared a number of papers on this subject and it is my understanding they will be preparing a final paper in April which will make specific recommendations of how they see Alaska approaching this major issue.

Scott made an important address to Common Sense for Alaska on January 30, 1992 regarding "The Fiscal Gap: Fiction or Reality?" He lays out the issue facing us very succinctly and directly. I contacted Scott and told him I thought it was an important paper and wanted to distribute it to all of my colleagues. He was amenable to that suggestion.

Attachment

GOLDSMITH

THE FISCAL GAP: FICTION OR REALITY ?

by
SCOTT GOLDSMITH
PROFESSOR OF ECONOMICS
UNIVERSITY OF ALASKA ANCHORAGE

After preparing my remarks for today I realized a better title than Fiscal Gap: Fiction or Reality would have been FISCAL GAP: FACT OR FANTASY ? When we enter the Alaska fiscal world we enter a world of fantasy. Those of us who have lived through the oil boom years know what I mean. Those who have not experienced it will never really comprehend what happened. Events are now forcing us back into the real world, but who wants that? I have tried to pepper my remarks with some glimpses of that reality because, I guess, somebody has to do it. But take heart—reality is not that bad.

To begin we need a definition of the fiscal gap notion. Most simply put it is the question of whether our state government is spending beyond its means. Concern naturally springs from the recognition that 85% of our revenues come from the production of oil, and as anticipated, after a dozen years at record levels, depletion of the main North Slope field has set in. Our tax base is literally being shipped south at the rate of nearly 2 million barrels per day.

I am going to tip my hand right now and confess that for an economist a question like this has at least 4 answers. But before I share them with you lets quickly review the last two years of public consciousness raising on this issue.

We introduced the idea of the fiscal gap to a broad audience in August 1989 with the publication of our first Fiscal Policy Paper. In it we projected a \$400 million gap by 1992 growing to \$1 billion by 2000 under a scenario aptly entitled "Stumble from Year to Year". Five subsequent papers have fleshed out the basic idea. These publications have reached a broad audience, stimulated a great deal of interest and some discussion, but have had only questionable influence on public policy.

I am aware of only 2 challenges to our analysis. Both claim that we have underestimated the petroleum revenues the state will receive during this and the next decade—either through some myopia of vision or some ulterior motive. Let me quickly dispense with these challenges so that we can move ahead to the main topic for today.

The first is that the forecasted decline in petroleum production will not become significant for a long, long time. This is because the official forecasts are based on initial reserve estimates and don't consider the typical subsequent upward revisions. This challenge is buttressed by the fact that the Alaska Department of Revenue has recently boosted their projections of estimated production through the 1990s by about 150 thousand barrels per day. Furthermore when the final numbers are tallied production for 1991 will probably come in a bit higher than 1990.

The upward revision in the forecast, if it pans out, is certainly good news. But the fact is that production peaked in 1988 and has trended down since. By 1990 it was off the peak by 12%. As with most economic processes it is hard to identify the turning point until after the fact, especially for those hoping for continued growth. President Bush was the last to admit the nation was in a recession.

Aggregate oil production is down because we are not replacing the Prudhoe oil with new production from other fields. The average productivity of the five North Slope fields brought on line since Prudhoe is just 7 percent of this super giant. The current forecast says we will be sending only half our current production level out of Valdez in 2000 and only a fourth by late in the next decade.

But we know there is still lots of oil on the slope that technically could be produced and that there are undoubtedly other fields that have not been discovered. That production could ultimately replace today's depleting reserves. Even if that were to happen, the fact is that the replacement production is coming from marginal fields where the tax base per barrel of oil produced is much smaller than today's average. The average well in the Prudhoe field produces over 2,500 barrels per day. The average productivity in the marginal fields is in the range of 200 barrels per day. There seems no escaping the conclusion that the decline in this tax base is real and will continue. The only uncertainty is its rate.

The second challenge has been the notion that an increasing price of oil would offset declining production thus maintaining the value of oil production. This challenge is buttressed by the fact that the average price of oil has, up until now at least, been higher than we assumed in our 1989 analysis.

But high oil price means something different today than it did 10 years ago. If we ignore the 6 months during the Iraqi crisis, the 6 year average price for ANS delivered to the Gulf Coast in today's dollars has been a not very earth shaking \$17.20. And today, in spite of the absence from the market of Kuwait and Iraq, two of the biggest OPEC producers, it is about \$16. The price of oil is in perpetual motion but it lacks direction. In particular it is difficult to see the 7 percent annual growth in the price of oil, after inflation, necessary to offset a 7 percent decline rate in production.

Interestingly, we have not been challenged on our assumption that government spending would continue to increase in our "Stumble from Year to Year" scenario. In fact our assumption that the general fund budget would increase no faster than the rate of inflation from a base of \$2.3 billion in 1989 lacked imagination. This year we are spending \$2.8 billion.

If we combine the higher than anticipated budget levels with the higher than anticipated production and oil price we find state finances in 1992 just about where we had projected. Revenues are in short supply. Why should the precariousness of the state budget concern us. There are 3 reasons.

1--We all benefit from government services and want to make sure our government gives higher priority to needs than luxuries.

2--The economy is addicted to state spending. One in three jobs statewide can be traced to the state budget. When Juneau sneezes the economy gets a cold.

3--Economic development has an aversion to uncertainty. Potential developers trying to guess how Alaska will deal with the loss of petroleum revenues may be scared away by some of the solutions they might imagine.

Let us turn now to answer my question.

IS THERE A FISCAL GAP? ANSWER #1. NO. THERE IS PLENTY OF MONEY IN THE GENERAL FUND.

There is plenty of money in the state general fund to pay for the current year, FY 1992, budget of \$2.3 billion.

Furthermore there is plenty of money in special accounts, in relatively liquid assets, and hidden under assorted rocks to make up any shortfall in the budget for FY 1993, the year after, and perhaps beyond.

The list of these special pots of money includes (in one possible order of political ease of raiding):
the statutory budget reserve

the Railbelt energy fund
the Exxon oilspill settlement money
the constitutional budget reserve
the earnings reserve of the Permanent Fund
the assets of AHFC and other state corporations
settlement proceeds of disputed oil tax and royalty payments

I am 95% convinced that we will spend our way through all of these without taking our foot off the gas. In my mind worse than the fact that this approach amounts to liquidation of assets to pay the operating expenses of government is the wringing of hands and a moaning and groaning that will emanate from Juneau as it happens. We will hear all about the shaky state fiscal condition, the need for constraint, and the tough decisions to be made.

But what message will really be sent to the average citizen who will judge not by what is said, but by what is done? The message will be that there is no problem. The noise is there merely for political or tactical reasons. Perhaps it is to pay lip service to the notion of fiscal responsibility for the sake of organizations such as Common Sense, or perhaps it is to ease the pain for the few unfortunates whose pet projects must be sacrificed.

But what are we really doing here. The current year revenues may be as much as \$2.4 billion, if the price of oil bounces back in the spring as it typically does, but as I have already mentioned we are spending \$2.8 billion. The amazing thing is that we actually planned to spend more than we collected, and furthermore we are planning to do the same thing next fiscal year.

The logical consequence of this strategy is that when all other assets have been liquidated we break into the corpus of the Permanent Fund--not of course by a direct assault, but by the back door, thru a redefinition of investment policy and criteria.

Incredible as it may seem even with \$2.8 billion in spending we are having a hard time scrapping together the cash to pay for the basics--police and fire protection, roads, schools. Anchorage's difficulties in coming up with the money for these valid public services are being played out in communities across the state.

IS THERE A FISCAL GAP? ANSWER #2. YES. WE CAN'T AFFORD TO PAY FOR THE BASICS OF GOVERNMENT.

To find out why we need look no further than 2 popular state transfer programs.

The first is municipal assistance, one of the main sources of money for local governments to pay for basic services. Appropriations for this program have been shrinking at the same time that inflation has been driving up costs and population growth has been increasing needs. In fact the appropriation to this program has declined 40 percent between 1986 and 1991. Anchorage and other communities have responded by tightening their belts.

The second is the Longevity Bonus Program, which pays a cash transfer to all residents over 65. Appropriations for this program have been increasing in response to growth in the over 65 population. Curiously the growth rate for this segment of the population surpassed all others in the last decade. Appropriations increased 25 percent between 1986 and 1991. In 1986 its appropriation was half as large as municipal assistance. Today it is considerably larger.

You might think that the over 65 population has benefited from expansion of this program until I remind you that the payment does not increase with inflation. Even as the total appropriation grows the

value of the payment continuously erodes. If current trends continue in 10 years we will be spending twice as much and each recipient will be receiving a payment worth half of today's. I have a hard time understanding how this scheme best serves the needs of our over 65 population.

And what does the juxtaposition of these two transfer programs demonstrate? That our method of budget making is producing a perverted result. In this example we are squeezing out needs in favor of a poorly targeted program with screwy incentives. We give a subsidy to anyone over the age of 65 for living in the state, regardless of need or worth, while at the same time cutting funding for those local government services that make our communities livable for these very same residents.

Up to this point I have been discussing very recent events, but if we look at what has happened since the mid 1970s then we get the third answer to my question.

IS THERE A FISCAL GAP? ANSWER #3. WE HAVE HAD A FISCAL GAP SINCE THE EARLY 1980s.

Not only are we selling off our assets today, we have been living beyond our means since we started draining the Prudhoe field. All through the 1980s as the oil and dollars flowed we were reinvesting, but only a small portion of the proceeds of our asset sales. By one estimate we were selling off \$1 billion a year in assets. In 1977 our primary asset was our ownership share in Prudhoe Bay. Today our primary assets consist of our ownership share of the much smaller pool of oil still remaining at Prudhoe and the Permanent Fund. The combined value of these two is much less than was the value of our share of oil in the ground alone in 1977.

Over the years we have consumed a lot of money under the pretext of investing, but let's face it, when it comes to business type investments the government has a real knack for taxing the winners to invest in the losers. This has not contributed significantly to the asset base of the state.

But let's not dwell on opportunities foregone. When you compare our performance with that of our friends in OPEC and elsewhere who also enjoyed oil windfalls, our \$12 billion Permanent Fund attests to the fact we have done better than most in maintaining our wealth.

Let's take stock of where we are today and look forward. What I see brings me full circle back to my first answer to the fiscal gap question.

IS THERE A FISCAL GAP. ANSWER #4. NO. WHAT WE HAVE IS A FORTITUDE GAP.

We HAVE the resources to restore balance to our fiscal affairs. The question is whether we want it badly enough to make it happen.

I doubt if there is a state in the union that would not trade their own fiscal problems, compounded by the recession, for our own. Our tax base and public resources are more than sufficient to provide for our needs. So why do we feel so bad?

I think it's because we carry with us the legacy of the fantasy time of the 1980s in Alaska when the normal rules governing public sector behavior did not apply. During the decade of the 1980s the state had \$48 billion at its disposal--and we rose to the challenge of disposing of the \$100 thousand allotted to each of us.

In fact there was so much money in the 1980s that no one even noticed when we blew \$2 billion. Not surprisingly \$48 billion attracted a few folks from Outside. We set them up with houses, schools with teachers, the PF Dividend and all the other accoutrements of the good life in the Great Land. But when the state budget stopped growing we pulled the rug out from under a lot of those folks, and there was a mass

outmigration. The bill for those short timers was \$2 billion. \$2 billion we would have saved if we had not created our own boom-bust cycle with petrodollars.

An example of this sense of fantasy occurred to me as I listened to the President of AMAX earlier this week describe their \$150 million purchase of the Fort Knox gold mine outside Fairbanks. Everyone in the audience understood that this was big-time and real money. Today we are talking nonchalantly about billions, rather than millions, and yet I don't think any of us, with the exception of those of you in the oil business, sense these billions to be real money.

In spite of longing for the good old days, the typical Alaska household continues to receive more in cash from state and local government than it pays in taxes. A measure of how we compare to our neighbors outside is the \$500 million that the application of national average tax rates applied to our households would generate in a year.

On hearing this some Alaskans argue they are already quite heavily taxed because the taxes and royalties paid by the oil companies are really coming out of their pockets since the oil is owned by the people of the state. Any non-Alaskan would find this reasoning preposterous. Future generations of Alaskans have as much right to that oil as the current generation and will not look kindly on those of us ready selfishly to claim their inheritance for ourselves. The oil wealth is ours, but ours as a group, not as individuals.

The truth is the government is paying us to consume its services. Shouldn't this state of affairs embarrass us at least a little? And this has persisted long enough that we now have a whole new generation of Alaskans brought up to believe that it is their birthright to be getting something for nothing from the state. Ask any kid what the justification is for the state sending him a check for \$1000. I've asked a few and 9 out of 10 say they "deserve it".

Looking at the budget are we really so needy that we can justify the state spending 3 times the national average, after inflation, on each of us. Of our \$2.8 billion budget 4 things are clear:

1. Some spending is unique to Alaska. Some is justified based on small population, low population density, resource stewardship and so on. Some unique programs are luxuries. A simple rule of thumb to identify possible luxuries would be to look at new and transformed programs since in the 60s and early 70s when we were spending a more modest double the national average.

2. We pay more than necessary for a lot of our public goods and services. I believe labor falls in that category. Our average wage bill per employee is 25% above the national average after a generous COLA adjustment. This statement could be true even if no single individual is overpaid, in fact it could be true even if each were underpaid. We might just have too many underpaid high salaried managers and not enough underpaid low salaried workers.

Incidentally, this comparison is based on a COLA that ignores the fact that every Alaska worker, private as well as public, gets a residence subsidy in the form of the Permanent Fund Dividend. This is a partial offset to COLA.

3. Service delivery is not always by the most cost effective means. We have been willing to pay extra in order to further other public objectives in the delivery of public services. These include most obviously local control and equality of service regardless of location.

4. Assistance programs are not targeted to those with a need. We have been loath to distinguish the truly needy. A large part of each dollar spent on assistance programs ends up being simply a transfer payment without justification.

If we were serious about controlling the budget, these would be some of the most promising areas to look for savings. Over time a 10% reduction could be engineered with a minimum impact on the quality of service delivery for genuine needs. Spending would still be close to 3 times the national average.

Some combination of budget reductions and contributions from households to support government services would give us a combination of higher public service levels at lower cost to residents than any other state. It would be a big first step in the direction of bequeathing a sustainable public sector to the next generation of Alaskans. The potential is there and the goal is achievable.

How do we get from here to there? It is not going to happen under the current system for reasons that should now be obvious. We are wishing against human nature.

As long as the government is paying us to consume services it should be no surprise that we will demand the maximum while at the same time piously decrying the fiscal irresponsibility of it all. It is naive to continue to think that if we only had rational decision makers who listened to the voters they would trim the budget and adopt a plan of action just as any family or business would if faced with falling revenues.

It will not happen because our collective state financial resources suffer from the "tragedy of the commons". What rational individual or legislator would willingly step forward and volunteer his favorite programs for the budget ax in the full knowledge that the savings would end up funding some other less deserving, or positively wacko, program?

Under current conditions nothing short of a crash in revenues is going to force us to start the process of balancing our public needs and resources. Rational argument won't. The prospect of appropriating \$400 million more than projected revenues won't. The prospect of liquidating our assets won't.

Short of a crash I see only 2 changes to our system that could instill discipline into our fiscal affairs. The first is to get all the money off the table. This won't happen as long as there is free money in accounts under rocks in Juneau that can be tapped. The second is to employ the incentive device that guides our free market system--prices. If public services had a price attached in the form of a tax, people would sit right up and take notice of how public funds were being spent. I think a price of even 5 cents on the dollar would create a significant "price effect" as taxpayers discovered lots of spending that was not even worth 5 percent of the cost.

I don't relish paying taxes and would not suggest such a course of action in the absence of a guarantee of constraint on the size of the budget. But with adequate assurance that government would deliver restraint I would be willing to buy some. I would accept taxation to purchase some fiscal constraint, knowing that others were also paying their share.

Perhaps a compromise could be packaged in which taxpayers would trade \$1 in support of government for each \$1 reduction in the size of the budget from a base level. Perhaps some other scheme would work.

But I am convinced that if we are unwilling to commit to discipline ourselves, it is wishful thinking to believe that others will willingly sacrifice for the common good. The goal is attainable but if we cannot find the means to act together to move toward it we will not act at all. This finally is the reality of the fiscal gap.

ALASKA STATE LEGISLATURE

Anchorage Office:
3111 C St., Suite 530
Anchorage, AK 99503
907-561-7616

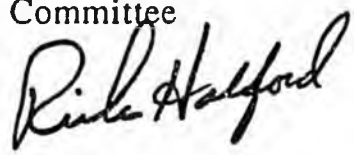
While in Juneau:
P.O. Box V
Juneau, AK 99811
907-465-4958

Senator Rick Halford

MEMORANDUM

TO: Senate State Affairs Committee

FROM: Senator Rick Halford



SUBJECT: Opposition to SB 438

DATE: February 26, 1992

Senate Bill 438 would reduce the total amount going into Permanent Fund dividend by 27 million next year, 67 million the following year and 111 million the third year. The cumulative effects of these ongoing reductions and inflation, will cut the value of individual dividends in half within the next ten years. All this proposed before a single budget cut.

Capping or reducing dividends is the most regressive, negative way to take money from Alaskans for governments excesses. 100% of any money comes from Alaska Residents of 1 year or more, over 30% of the money comes from children, more comes from the poor, and from retired or senior citizens. No tax is necessary but a Permanent Fund tax is the very worst alternative. Who in their right mind would propose targeting a flat tax on children or senior citizens. By setting a schedule of dividend decline SB 438 also weakens public interest in the protection of the permanent fund because the dividend no longer bears any relationship to the performance of the Permanent Fund as it does today.

Finally the proposal does no good for the current revenue shortfall as the Governor said in numerous live appearances and in his full page campaign adds that he would veto any appropriation of Permanent Fund earnings for use other than dividends or inflation proofing of the fund.



Alaska Permanent Fund Corporation

P.O. Box 25500 Juneau, Alaska 99802-5500

(907) 465-2047

MEMORANDUM

DATE: February 19, 1992

TO: Senator Rick Halford
Senate Majority Leader

FROM: Jim Kelly *JK*
Research & Liaison Officer

**SUBJECT: Effect of Capping the Dividend Payout at \$500
Million in Real 1992 Dollars**

Attached are four financial projections prepared by the Alaska Permanent Fund Corporation at your request. Please note that we have included a column to show per capita dividends.

The population projections used to compute per capita dividends are derived from the Department of Labor's "Population Projections" Middle Series from the publication of the same name dated November 1991, page 20. The Middle Series is chosen because it is more conservative than the Low Series. In addition, the numbers have been reduced by 5 percent and lagged one year to account for the dividend program's eligibility requirements including one-year residency.

The per capita dividend computations also project that future dividend hold harmless expenses will be paid from the General Fund, so the only expenses subtracted from the annual dividend distributions are those of the Permanent Fund Dividend Division and the Departments of Public Safety and Corrections — all of which are projected to increase annually at a compounded 3% rate. Because of the many variables in this computation which are beyond the purview of the Alaska Permanent Fund Corporation, the per capita dividend projections must be taken strictly as "best guess" estimates.

Senator Halford
February 19, 1992
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Financial Projection #1: This is the status quo case as of January 31, 1992. It provides the benchmark against which to compare and contrast any changes to current law.

Financial Projection #2: This is the status quo case as of January 31, 1992, but presented in real 1992 dollars.

Financial Projection #3: This projection makes one change to the status quo: after fiscal 1992, the annual dividend distribution is limited to a maximum of \$500 million.

Financial Projection #4: This is the same as #3 above except it is presented in real 1992 dollars.

If you have any questions, please let me know.