

ALASKA LEGISLATURE COMMITTEE FILES, 2003-2004 8672

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viability and the priority that should be accorded to that project. But, in this court's view, AS 44.42.050 does require that a project's economic cost must be considered as a factor in the determination of whether a particular project should proceed, together with consideration of "the costs and benefits of new transportation modes and facilities."² The State has not demonstrated that an adequate economic cost analysis was included in the analysis when the 1995 decision to move forward with the completion of this road and bridge project was made. Accordingly, the Plaintiffs' motion for a preliminary injunction should be granted. As the State recognized, a bond is not appropriate in this case and will not be required. See State's Opposition to Prelim. Inj. at 11.

ORDER

Based on the foregoing, IT IS ORDERED that the Plaintiffs' motion for preliminary injunction is GRANTED. The Defendant, State of Alaska, Department of Transportation and Public Facilities, and its officers, employees, and those in active concert or participation with them who receive actual notice of this order by personal service or otherwise, are hereby ordered to cease any action to construct, contract to construct, or produce final design of the Iliamna – Nondalton road and bridge project until the economic costs of the project are considered in the next revision to the Southwest Regional Transportation Plan as required by AS 44.42.050, or until further order of this court. Because the bridge

² The State also asserts that the term "cost" as used in the statute, does not necessarily require consideration of economic cost. See, e.g., State's Opp. to Prelim. Inj. at 11-12. But to interpret cost to exclude the economic cost of the project is at odds with the statutory language itself, which requires the state transportation plan to "include an itemization of the estimated cost for each project and the total cost for all projects."

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CS HB 327

Testimony of Geoffrey Y. Parker
For Plaintiffs in *Trout Unlimited and Bob Gillam v. ADOT&PF*, 3 AN-02-09363 Civil

Thank you Mr. Chairman.

I am plaintiffs' counsel in *Trout Unlimited and Bob Gillam v. ADOT&PF*, 3 AN-02-09363 Civil. Sections 1, 4 and 8 of HB 327, and its companion SB 371, overturn the court's preliminary injunction in that case. I will come to that shortly, but first the larger picture. I will ask five questions and help you answer them. They are:

If HB 327 becomes law, then –

- (1) Will the Legislature have any objective criteria by which to decide whether to fund a project?*
- (2) Will the state refund more or less money to the federal government for projects which do not commence construction within 10 years of first spending federal funds?*
- (3) What will be the role of the Alaska Legislature in transportation planning?*
- (4) Will good projects be more or less likely to proceed?*
- (5) Who are the winners and losers?*

Now, I'll help you answer these questions.

1. HB 327 Eliminates All Objective Criteria for Determining Which Projects to Fund.

HB 327 eliminates the requirement in AS 44.42.050(a) that ADOT consider the costs of improvements to existing facilities and the costs and benefits of new facilities. These are the only objective criteria in state statute for determining whether a project is worthy. Without these criteria, the Legislature will have not an objective basis for determining which projects are worthy. Its budgetary decisions will be reduced to subjectivity and politics.

2. HB 327 Increases the Likelihood that the State Will Have to Refund More, Not Less, Money to the Federal Government.

23 USC 102(c) requires the state to refund to FHWA federal funds spent on projects that do not commence construction within 10 years of spending federal funds. I understand from FHWA that dozens of projects approved by the Legislature at ADOT's request have triggered this "10-year time trap" and apparently total millions of dollars potentially owed to the United States. This happens because ADOT tells the Legislature that a project is worthwhile, the Legislature includes it in a capital budget, ADOT spends the federal money on planning and

design, and then decides the project is not so important. If construction does not start within 10 years, then FHWA has the right to demand refund.

HB 327 makes such debts more likely, because the bill eliminates objective criteria that costs and benefits must be considered. Without objective criteria, projects are more likely to start for subjective political reasons, and then not be built when elected officials change.

By Eliminating State Requirements for Transportation Planning, SB 327 Reduces the Role of the Legislature to a Rubber Stamp.

Nearly all road projects use federal highway funds. To do so, a project must result from state compliance with federal planning requirements, at 23 USC 134 and 135, and regulations thereunder.

This means that the Legislature cannot insert, into the capital budget, a project using federal funds. The Legislature can only delete a project. Adding a project which is not a result of federally-required planning circumvents federal law, and FHWA cannot fund the project. So, the Legislature's role is limited.

What the Legislature can do is shape the planning process by enacting statutes, such as AS 44.42.050(a), to add *objective* criteria to the planning process.

By eliminating objective criteria, HB 327 eliminates the lawful role the Legislature has in guiding transportation planning involving federal funds. Therefore, HB 327 reduces the Legislature to approving or disapproving projects *without* any objective criteria for doing so. Its role is reduced to that of a political rubber stamp.

4. Eliminating the Requirement that Costs and Benefits be Considered Makes Good Projects Less Likely to Proceed Efficiently As Bad Projects Compete for Funds.

Federal funds are fungible but finite. So are state funds. In effect, HB 327 replaces objective criteria with subjective political considerations. Such considerations are to blame for spending federal funds on projects that do not have a high priority, and trigger the 10-year time trap. When political considerations drive bad projects forward, good projects slow down, because funds are fungible but finite.

5. Alaskans Deserving of Projects Lose Under HB 327; Alaskans Underserving Win.

The Iliamna-Nondalton project is a case in point. It was a pet project of Senator Zarhoff (D-Kodiak) initially estimated in 1976 to cost \$ 6 million. On April 16, 1976, ADOT's predecessor, the Alaska Department of Highways, wrote to Governor Hammond that the project should not be funded, because it worked out to "the staggering sum of \$125,000 per vehicle." In the early 1980's, the Legislature spent \$ 4 million on it. In 1986 ADOT discontinued the project after a cost-benefit analysis concluded (1) that costs were \$12 million, benefits were \$ 3 million, and the benefit-cost ratio was 0.26, (2) that projects should not be built at benefit-cost ratios less than 1.0, and (3) that the project was not economically justified. In April 1995, Governor Knowles announced his community transportation program. He wanted a demonstration project for remote roads. ADOT gave him Iliamna-Nondalton. The Legislature

has since allocated \$13.5 million toward the project – which now works out to about \$250,000 per vehicle. The money has not been spent on the project. Trout Unlimited and Bob Gillam have twice stopped it in court in 1997 and 2004. They saved the state millions of dollars, the expenditure of which is enjoined until ADOT objectively justifies the project as required by law. That is due in July 2004.

Who wins and loses when unjustified projects get funded? People who benefit from well-justified projects lose. Anchorage is a case in point. In April, Anchorage voters will be asked to bond about \$ 40 million in road projects which could be paid for with federal funds if such funds were not wasted on projects like Iliamna-Nondalton. Rural people, such as those in Kake who oppose a project ADOT wants, also lose. Who wins? – people who support projects that cannot be economically justified.

People live and die on highways because of such decisions. In 1979, the extension of the coastal trail in Anchorage was planned above the bluff of south Anchorage before it was subdivided. Proponents sat on their hands. Then, Governor Knowles, ADOT, and the Legislature spent \$ 4 million trying to put the trail below the bluff over objections of those who seek to protect the Anchorage Coastal Wildlife Refuge and private property. That money was FHWA transportation enhancement money. It could have been spent on a pedestrian overpass at Lake Otis where a school girl was recently killed crossing that road to go to school. You allocated that money elsewhere. Indirectly, the Legislature contributed to that girl's death.


You must make responsible decisions. Eliminating objective criteria for doing so eliminates the best information you can have. HB 327 is not the way to proceed.

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730 I Street, Suite 226
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TO: House State Affairs Committee
FROM: Jeff Parker 
RE: Supplement to my testimony on CS HB 327
DATE: 3/25/04

My written testimony states that "dozens of projects" approved by the Legislature at ADOT's request have triggered the "10-year time trap."

I am attaching pages 2 and 3 of ADOT's FY2004-2006 Statewide Transportation Improvement Program. They confirm that about 60 projects confront the time trap.

Attachment: FY 2004-2006 STIP, pp. 2-3



Approved



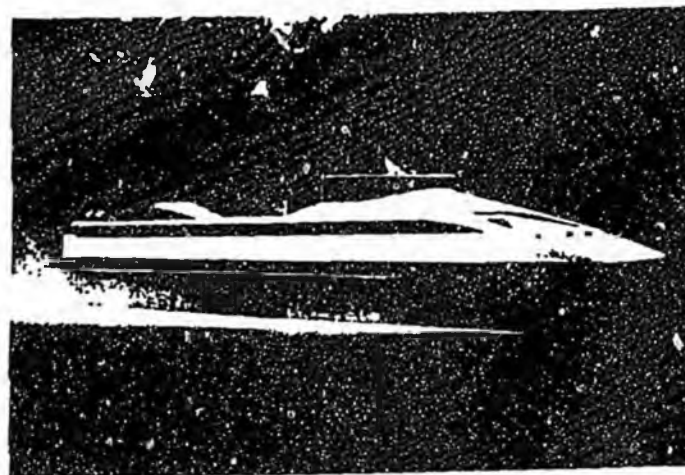
2004 - 2006 Statewide Transportation Improvement Program

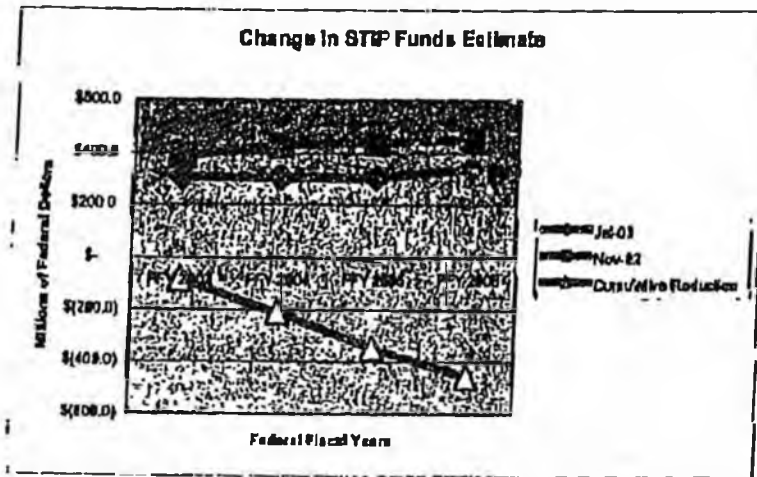
Providing for the Movement of People and Goods



**Alaska
Department of
Transportation
and Public
Facilities**

November 2003





Other factors affecting the STIP

The reduction of federal funds is not the only adverse factor accounted for in preparing this STIP. Three other significant events must be mentioned:

- *Delay in reauthorization of TEA-21* – TEA-21 is the federal transportation legislation that funds the federal transportation program in all 50 states. Every 6 years this federal program is reauthorized, and funding levels and program requirements are usually adjusted. If the normal schedule were followed, reauthorization would occur prior to FFY 2004, the first year of the new STIP. Reauthorization was delayed by at least 5 months, and the extension law uses the same funding levels received in FFY 2003. This final STIP is built on the cautious assumption that 2004 and 2005 will produce the same level of funding as 2003.

- *Delay in reimbursement of ER funds* – Alaska is eligible for more than \$50 million to cover the costs of transportation repairs due to emergencies in 2002. The Denali earthquake and the flooding on the Kenai Peninsula and elsewhere would usually be funded with special Emergency Repair funds from TEA-21. However, the national ER funding is depleted, and the state may have to wait several years for reimbursement. In the draft STIP, we had recommended that the emergency costs be temporarily funded from the STIP. We will not be reimbursing the ER expenditures until federal Emergency Repair funds are appropriated.



Denali earthquake damage on Tok Cutoff Highway MP 67 to 78 November 3, 2002. Nearly \$20 million of damage was done on this and other transportation features.

FHWA Time Trap Requirements – In 2003 FHWA notified Alaska DOT of about 60 time trap projects that needed attention. A time trap project is one that was started 10 or more years ago, and not completed. Under the federal rules, the state must either commit to completing such time trap projects or reimburse the federal funds. In some cases, the department can also apply to have time trap projects forgiven, subject to review and approval by the FHWA. While we have

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worked diligently to have many of these older projects forgiven, many other projects must be accelerated to avoid the requirement that the state repay federal funds.

Changes to the TRAAK Program

In 2003, the TRAAK program was changed by enactment of Senate Bill 71. The effect of this legislation was three-fold:

- Beginning in FFY 2004, it reduced the maximum level of funding allocated to the statewide TRAAK program from 8% to 4%; with a requirement for further reduction to 2% beginning in FFY 2007.
- Funds not spent in the TRAAK program are to be transferred to the CTP program. It will grow to 37% in FFY 2004 and to 38% in FFY 2007.
- MPOs (Anchorage and Fairbanks) may spend no more than 10% of the funds allocated from the STIP on transportation enhancements.

The effect of this change is to slow the pace of the entire TRAAK program. The department may have to impose a multi-year moratorium on new TRAAK projects until active projects in design are funded through construction. Another possibility is to limit TRAAK projects to maximum dollar limit. The intent of these possible program changes is to ensure the program's viability and utility to several Alaska communities each year.

Eligibility of borough governments to participate

The FHWA imposes a perpetual requirement for maintenance on projects funded under the federal-aid transportation program. Alaska DOT, in turn, requires that local governments

and other sub-recipients of these funds make the same commitment to long-term ownership.

Beginning in the FFY 2004 STIP, if STIP funds are used on a local (non-state owned or commitments for maintenance and ownership) project, the sub-recipients must have legal authority to accept this commitment. For example, Borough governments must have adopted the power to 'provide transportation systems', on an areawide or non areawide basis, as required by state statutes (AS 29.35.200 - 220).

Boroughs that have not adopted the power to 'provide transportation systems' under this statute, may not have the legal ability to own, fund, operate, maintain, or tax for such transportation projects. Should a borough or other recipient that accepts a federal-aid project, later claim they have no legal authority to fund or maintain projects built with FHWA funds, this policy protects the state from future financial liability.

New Policy: cost sharing with our partners

In reducing the state budget in 2004 to meet fiscal targets, state match funds were cut by about \$9 million or nearly 20% with the expectation that local and earmarked projects would no longer be matched with only state funds. The new policy requires that several classes of projects rely on 100% of the match funds provided by the local sponsor, and for other STIP projects serving a joint state and local interest, the match is to be split between the state and the sponsor.

This new policy applies to every new project phase or cost increase to existing phases needing match funds, including projects already underway. It applies to all projects and

**Division of Program Development
Process Consultation Matrix**

Process and reference	Who notified/consulted									What actions governed						
	MPO local govt officials	Non-MPO local govt officials	State and federal agencies	Interested parties*	Other governments**	Tribal governments	U.S. Secretary of Interior	Traditionally underserved (low income, minority households)	General public	Statewide Transportation Plan (SWTP)	Statewide Transportation Improvement Program (STIP)	Project development	Contracting	Hiring	Operations	Other plans
Govt-to-govt relations with federally recognized tribes DOT&PF P&P 01.03.010						●				●	●	●	●	●	●	●
Federal Law 23 USC 135(e)(2)(C) and 23 USC 135(f)(1)(B)(iii)						●	●			●	●					
MPO planning process (cooperative) 23 CFR 450.312 (a) and .316 (b)	●		●	●					●	● (LRTP)***	● (TIP)****	● Major Investment Studies				
Non-MPO local process 23 CFR 450.212 (h)(l) and .214(f)		●								●	●					
Federal transportation regs 23 CFR 450.212 (a)(6) (Env Justice EO 12898)							●			●	●					
Public involvement procedure 17AAC 05.135 and 17AAC 05.160	●	●	●	●		●			●	●	●					
Alaska statute for Statewide Transportation Plan AS 44.42.050	●	●	●	●		●				●	●					
Local planning authority consistency review AS 35.30.010	●	●			●							●				

*Per 17 AAC 05.990 (3), Interested party means an individual or group that has expressed an interest in transportation issues, municipal governments and their elected officials, members of councils of Indian Tribes recognized under federal law, members of boards of associations established to implement AS 29.60.140, the Trails and Recreational Access for Alaska Citizen's Advisory Board created to implement Administrative Order 161, village and regional corporations under the Alaska Native Claims Settlement Act (43 USC 1601-1628); federal and state land management agencies, federal and state environmental agencies, and public and private providers of transportation services.

**Not defined in statute

***MPO Long-Range Transportation Plan

****MPO Transportation Improvement Program

Discussion on Why a Mandatory 'Costs and Benefits'
Analysis is Not Meaningful
Alaska Department of Transportation and Public Facilities
March 26, 2004

AS 44.42.050 (a) requires the department to: "...consider means and costs of improving existing modes and facilities, state and federal subsidies, and the costs and benefits of new transportation modes and facilities."

On the surface, this requirement seems both reasonable and valuable. However, there are many times the department undertakes new projects but does not spend the time or money to conduct such formal costs and benefits analyses. The most common examples are projects for rural areas where long distances and a small population base would make such efforts nonsensical—basic transportation elements are routinely needed regardless of their costs.

A recent court decision on a request for a preliminary injunction found the department at fault for not using a benefit-cost (B-C) analysis on a project linking two rural villages. It is typical of many other rural projects we have undertaken, in that it provides a basic transportation system, but would not benefit from a detailed benefit-cost analysis.

Categories of transportation projects not suited selection using B-C analysis
Rural Alaska abounds in transportation needs that are provided as a basic public service. Virtually none of these would rise to a positive benefit-cost ratio because the small population base. Examples include:

- Ferries and ferry terminals
- Airports that meet minimum standards for length, width, adequate approaches, lighting and aprons/taxiways.
- Village roads to basic community services (e.g., sewage lagoons, water sources, airports, sanitary landfills, barge landing sites).

Even in the more populated regions of Alaska many categories of transportation projects would not be expected to present a positive benefit-cost ratio. Examples of such projects include:

- Rail-highway grade separation projects
- Paving of residential roads
- Landscaping and beautification projects
- Trails and amenities
- Pollution and environmental mitigation features needed to meet legal and permit requirements
- Transit investments (buses, bus stops, transit centers)

Many transportation "projects" are undertaken to fulfill one or more mandates, none of which can be readily quantified as to their "benefits."

- Projects undertaken to meet regulatory requirements (e.g., ferry modernization, data collection of truck weights and classes, bridge scour monitoring).
- Transportation "non-project" projects such as training, EEO compliance, bridge inspection, management systems and similar.
- Programs aimed at serving disadvantaged groups such as transit vans for elderly, disabled and other groups.

Finally, the department often undertakes projects because a member of Congress or the Legislature placed them in the capital budget. Such projects do not receive the normal prior planning or detailed evaluation. The state has very little choice but to accept the project funds for the stated purpose, or to not use the funding.

Why B-C analysis would continue to be used where it makes sense

Formal benefit and cost (B-C) analysis is a tool that is most often used to evaluate among and between different alternatives for a given project or range of options. In such cases, the tool helps to compare and contrast different choices in solving a transportation requirement. For example, in the development of the Southeast Alaska Transportation Plan, a number of different B-C analyses were prepared to better understand vastly different types of system options. Even in rural Alaska, the tool is used to help identify the most "cost-effective" solution, even if the costs still outweigh the benefits.

Even for the project at issue in the litigation, benefit cost analysis was prepared for the bridge crossing, considering different structural systems, pier options and span length. However, we did not perform an overall benefit-cost analysis, primarily because the project in question scored very highly on other considerations.

The department and two MPOs (AMATS and FMATS) maintain several different types of management systems, such as: Bridge, Pavement, Congestion, Safety and Maintenance. Each management system is a complex B-C tool aiding decision makers.

Why the STIP does not consider costs and benefits for certain project classes

In the STIP project selection process, a modified, simplified method of B-C analyses is used on urban and suburban projects, but village or remote projects and transit projects did not score well in this approach. Subsequently, we established modified project evaluation criteria for "remote" and transit projects that ensure they have a reasonable chance of competing. This satisfies a federal mandate that we ensure disadvantaged populations are not underserved by this federal program.

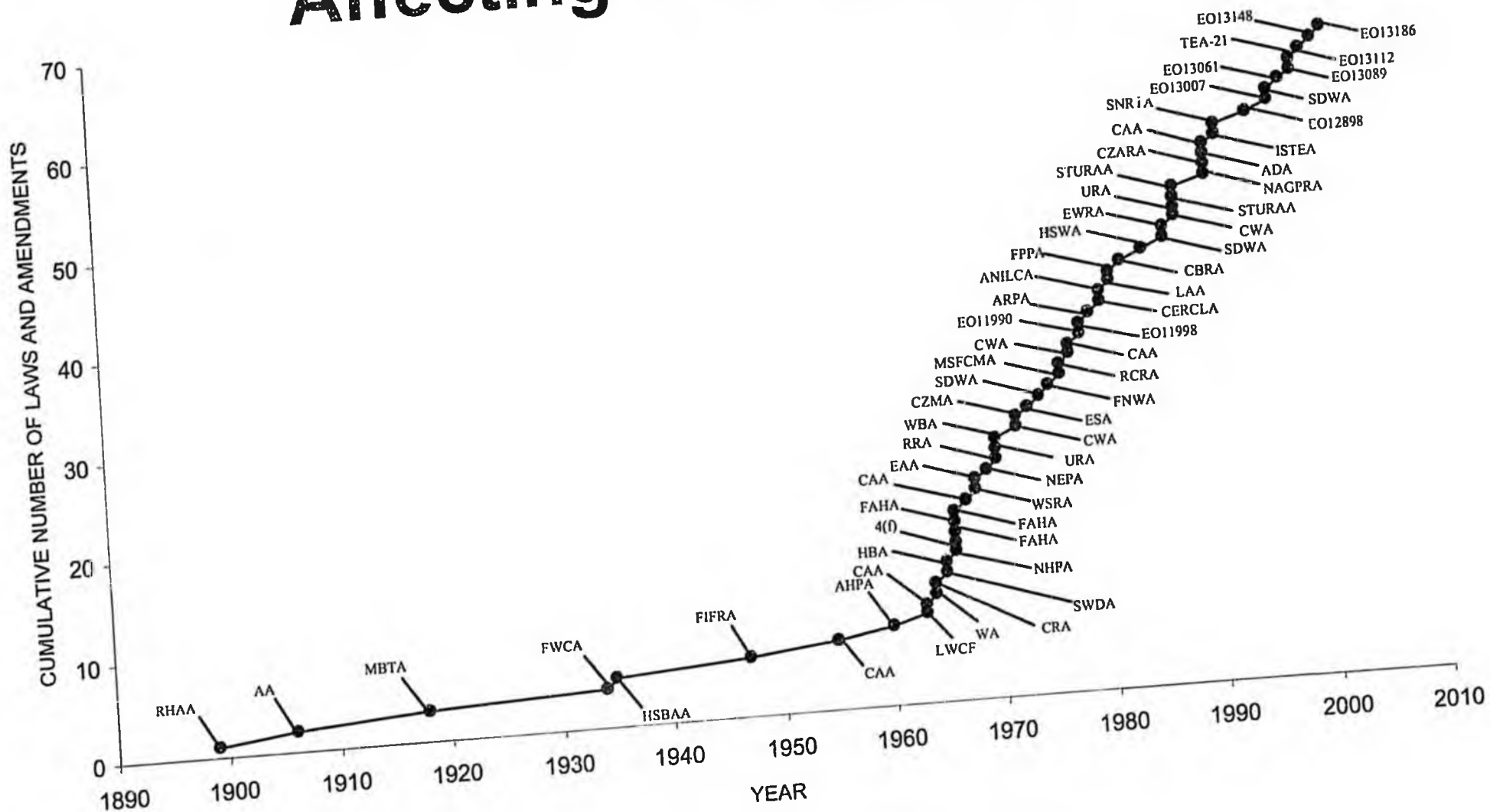
Summation

B-C analysis is a good technique and is routinely used in some circumstances even where not required by statute. However, under the current construction of the transportation

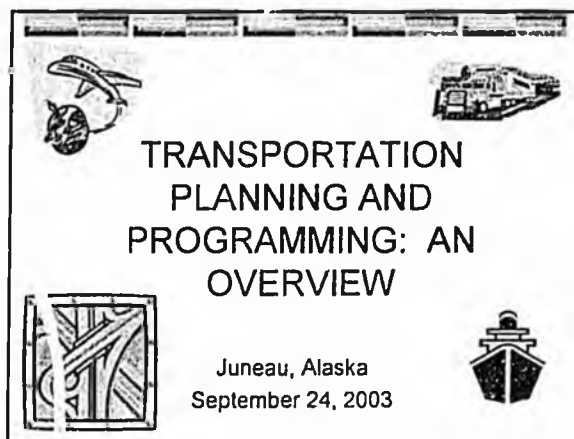
planning statute, and the court's recent interpretation, every new project undertaken must receive this type of analysis, including projects already in the development stage. For the reasons stated it is not meaningful nor a prudent use of project funds to routinely require these B-C analyses.

The real issue is whether we should perform B-C analysis where it is not practicable, nor a prudent use of public funds. With the current one-size fits all statute we have no discretion, as confirmed by the court. Without some relaxation of this requirement, delayed projects and higher project costs are unavoidable.

Federal Environmental Requirements Affecting Transportation



Per FHWA Presentation, 2003



**TRANSPORTATION
PLANNING AND
PROGRAMMING: AN
OVERVIEW**

Juneau, Alaska
September 24, 2003

TODAY'S PRESENTATION TOPICS

- The Basics of "Planning" and "Programming,"
- Legislative and Regulatory History;
- Key Components of Statewide and Metropolitan Transportation Planning;
- Transportation Plans and Planning Processes;
- Features of Transportation Programs and Programming;
- Linkages Between Statewide and Metropolitan Planning/Programming, and
- Role of Transportation Plans and Programs in Project Development.

The Basics of "Planning" and "Programming"

THE BASICS OF "PLANNING" AND "PROGRAMMING"

Transportation Planning involves "...improving the quality and scope of *information* the selected officials receive on *transportation options* and impacts of *transportation investments* on their state's (and community's) economy, environment and quality-of-life."

THE BASICS OF "PLANNING" AND "PROGRAMMING"

Transportation Programming involves "...matching and prioritizing proposed *projects* with available *funds* to accomplish agreed upon, stated *needs*."

THE BASICS OF "PLANNING" AND "PROGRAMMING"

- Planning Process:
 - Longer timeframe (at least 20 years).
 - Scope is "visionary," with emphasis on key policy issues
 - System-wide or facility-specific.
- Programming Process:
 - Shorter timeframe (at least three years, but can range upwards to six years).
 - Scope is more immediate and implementation-oriented.
 - Project-specific (by specific project phases).

Legislative and Regulatory Requirements

LEGISLATIVE AND REGULATORY REQUIREMENTS

- Federal Legislation Influencing Statewide and Metropolitan Transportation Planning:
 - Federal-aid Highway Act of 1962;
 - Federal-aid Highway Act of 1973;
 - Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA); and
 - Transportation Equity Act for the 21st Century (TEA-21) - 1998.

LEGISLATIVE AND REGULATORY REQUIREMENTS

- Federal-aid Highway Acts of 1962 and 1973:
 - Established the "3-C" planning process;
 - Created Metropolitan Planning Organizations (MPOs);
 - Established dedicated planning funds; and
 - Increased the role of local officials in the planning process.

LEGISLATIVE AND REGULATORY REQUIREMENTS


- Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA):
 - Increased flexibilities in Federal funding;
 - Required fiscally constrained transportation plans and programs;
 - Emphasized management of travel demand;
 - Enhanced MPO authority to program funds;
 - Increased emphasis on public involvement; and
 - Tied transportation improvements to air quality attainment goals.

LEGISLATIVE AND REGULATORY REQUIREMENTS

- Transportation Equity Act for the 21st Century (TEA-21) - 1998:
 - Maintained ISTEA program structure and decision-making processes;
 - Increased Federal funding levels and guaranteed annual funding;
 - Stressed simplification and streamlining of transportation decision-making processes; and
 - Established seven planning factors for consideration in Statewide and metropolitan planning processes.

LEGISLATIVE AND REGULATORY REQUIREMENTS

- Title 23 U. S. Code (23 U.S.C. 134 - Metropolitan Planning and 23 U.S.C. 135 - Statewide Planning);
- 23 Code of Federal Regulations (23 CFR Part 450 and 23 CFR Part 420); and
- State Requirements (17 AAC 05).



Key Components of Statewide & Metropolitan Transportation Planning

KEY COMPONENTS OF STATEWIDE & METROPOLITAN TRANSPORTATION PLANNING

Metropolitan and Statewide Planning Factors (23 U.S.C. 134(f)(1) and 23 U.S.C. 135(c)(1)):

- ✓ Support Economic Viability
- ✓ Increase System Safety and Security
- ✓ Increase Accessibility and Mobility Options
- ✓ Protect and Enhance the Environment

- ✓ Enhance System Integration and Connectivity
- ✓ Promote Efficient System Management and Operation
- ✓ Emphasize Preservation of the Existing Transportation System

KEY COMPONENTS OF STATEWIDE & METROPOLITAN TRANSPORTATION PLANNING

- ✦ Statewide and Metropolitan "3-C" Principles:
 - Cooperative;
 - Comprehensive; and
 - Continuing.

KEY COMPONENTS OF STATEWIDE & METROPOLITAN TRANSPORTATION PLANNING

Primary Planning Process Products:

PRODUCTS (AND AUTHORITIES)	TIME HORIZON	CONTENTS	UPDATE REQUIREMENTS
Short-Range (10-year) Metropolitan and Statewide Planning (23 U.S.C. 134(f)(1) and 23 U.S.C. 135(c)(1))	1-2 years	Planning studies and forecasts	Annually
Intermediate- and Long-Range Transportation Plans (23 U.S.C. 134(f)(2) and 23 U.S.C. 135(c)(2))	20 years (maximum)	Future goals, strategies, and actions	Metropolitan plans: Every seven years or less Statewide plans: Every 10 years or less Statewide plans: No later than the next state transportation plan
Metropolitan and Statewide Transportation Improvement Programs (TIPs) (23 U.S.C. 134(f)(3) and 23 U.S.C. 135(c)(3))	1 year (maximum)	Transportation projects (by priority)	Every one year (minimum)

KEY COMPONENTS OF STATEWIDE & METROPOLITAN TRANSPORTATION PLANNING

- ✦ Participation By Interested Parties in Plan and Program Development:
 - Citizens;
 - Affected public agencies;
 - Representatives of transportation agency employees;
 - Freight shippers;
 - Providers of freight transportation services;
 - Private providers of transportation;
 - Representatives of users of public transit; and
 - Other interested parties

Sources: 23 U.S.C. 134(g)(4); 23 U.S.C. 135(e)(3); 23 U.S.C. 134(h)(1)(B); and 23 U.S.C. 135(f)(1)(C).

KEY COMPONENTS OF STATEWIDE & METROPOLITAN TRANSPORTATION PLANNING

- ✦ Key Metropolitan Planning Process Elements:
 - Contain proactive public involvement processes;
 - Public involvement processes are consistent with Title VI of the Civil Rights Act of 1964 and the Title VI assurance expected by each State under 23 U.S.C. 324 and 29 U.S.C. 794;
 - Public involvement processes identify actions necessary to comply with the Americans with Disabilities Act of 1990;
 - Overall planning process provides for the involvement of traffic, parking, transportation safety and enforcement agencies; commuter rail operators; airport and port authorities; toll authorities; appropriate private transportation providers; and where appropriate city officials; and
 - Overall planning process provides for the involvement of local, State, and Federal environment resource and permit agencies, as appropriate.

Source: 23 CFR 450.316(b)(1-5)

KEY COMPONENTS OF STATEWIDE & METROPOLITAN TRANSPORTATION PLANNING

- Proactive Public Involvement Processes:
 - Provide timely information about transportation issues and processes;
 - Provide reasonable access to technical and policy information used in the development of Statewide and metropolitan transportation plans and programs and open public meetings where matters related to the Federal-aid highway and transit programs are being considered;
 - Require adequate public notice of public involvement activities and time for public review and comment at key decision points (e.g., approval of plans and programs);
 - Demonstrate explicit consideration and response to public input received during the planning and program development processes; and
 - Seek out and consider the needs of those traditionally underserved by existing transportation services, including but not limited to low-income and minority households.

Sources: 23 CFR 450.316(b)(1) and 23 CFR 450.212

KEY COMPONENTS OF STATEWIDE & METROPOLITAN TRANSPORTATION PLANNING

- Public Agency Partners:
 - State Department of Transportation;
 - Metropolitan Planning Organizations (MPOs);
 - Local agencies (cities; counties; and towns/townships);
 - Public transit operators;
 - Federally-recognized Tribal Governments;
 - USDOT (e.g., FHWA, FTA, FRA, NHTSA, and FAA);
 - Other Federal agencies (e.g., EPA, USFS, and BIA); and
 - Other State/local agencies.

KEY COMPONENTS OF STATEWIDE & METROPOLITAN TRANSPORTATION PLANNING

- Definitions for "Working Together:"
 - Cooperation: "...the parties involved in carrying out the planning, programming and management systems processes work together to achieve a common goal or objective."
 - Coordination: "...the comparison of the transportation plans, programs and schedules of one agency with related plans, programs and schedules of other agencies or entities with legal standing, and adjustment of plans, programs and schedules to achieve general consistency."
 - Consultation: "...one party confers with another identified party in accordance with an established process and, prior to taking action(s), considers that party's views and periodically informs that party about action(s) taken."

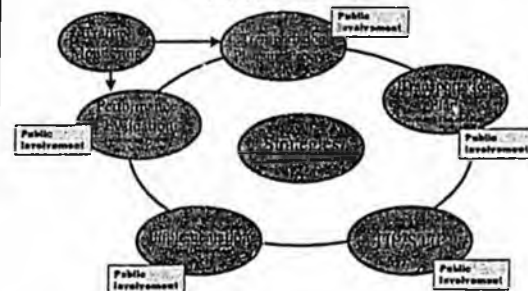
Source: 23 CFR 450.104

Transportation Plans and Planning Processes

TRANSPORTATION PLANS AND PLANNING PROCESSES

- Key Process Elements:
 - Public Involvement;
 - Visioning;
 - Transportation Systems Inventories;
 - Future Scenarios;
 - Corridor/Facility Needs;
 - Long-Range Plan;
 - Short-Range Plan;
 - STIP/TIP; and
 - Performance Evaluation.

TRANSPORTATION PLANNING PROCESS



TRANSPORTATION PLANS AND PLANNING PROCESSES

- **Public Involvement:**
 - Federal statutory requirements for Statewide and metropolitan transportation planning (23 U.S.C. 134(g)(3) and 23 U.S.C. 135(e)(2)-(3));
 - Public involvement must employ proactive practices within the context of systematic processes;
 - Public involvement processes provide complete information, timely public notice, full public access to key decisions, and supports early and continuing involvement of the public in developing Statewide and metropolitan transportation plans and programs;
 - Public involvement involves a holistic understanding of the environment and community culture; and
 - Public involvement processes must be consistent with Title VI of the Civil Rights Act of 1964 and the Americans with Disabilities Act of 1990.

TRANSPORTATION PLANS AND PLANNING PROCESSES

- **Tools for "Visioning:"**
 - TEA-21 Planning Factors (23 U.S.C. 134(f)(1), 23 U.S.C. 135(c)(1), and 17 AAC 05.125);
 - State Planning Considerations (e.g., State Policies/Mandates);
 - Values of Stakeholders and the General Public:
 - Economic;
 - Environment, and
 - Quality of Life.

TRANSPORTATION PLANS AND PLANNING PROCESSES

- **Transportation Systems Inventories:**
 - Inclusive of the larger transportation system (e.g., highways, transit, ferries, freight, and air), thereby establishing a "benchmark" for condition of the entire system.
- **Examples of Inventory Data:**
 - Operations/mobility (e.g., congestion, traffic monitoring, and/or safety).
 - Infrastructure (e.g., pavements and bndgos).
 - Social factors (e.g., populations and economic development).

TRANSPORTATION PLANS AND PLANNING PROCESSES

- **Future Scenarios:**
 - Data Collection and Forecasts on the "State of the State"
 - Population,
 - Economy,
 - Finance;
 - Politics;
 - Travel behavior; and
 - Technology innovation.

TRANSPORTATION PLANS AND PLANNING PROCESSES

- **Corridor/Facility Needs:**
 - Modal Alternatives
 - Define and evaluate alternatives
 - Infrastructure
 - Reconstruction/maintenance strategies
 - Operations
 - Capacity
 - Mobility
 - Safety

TRANSPORTATION PLANS AND THE PLANNING PROCESS

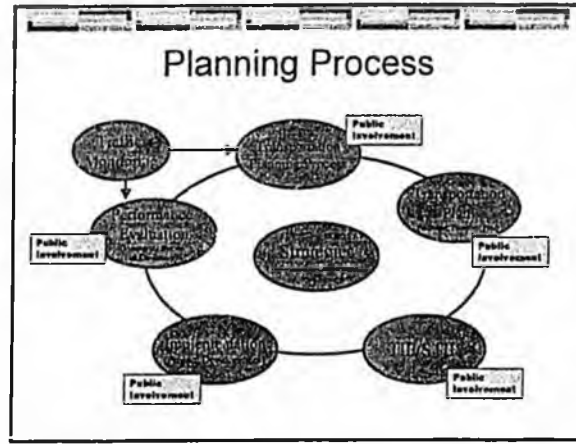
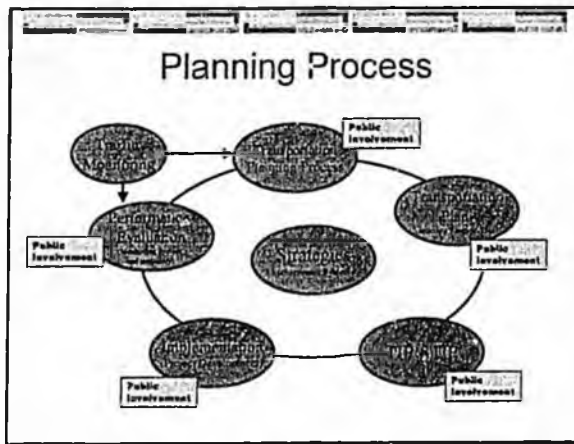
- **General Elements of Statewide and Metropolitan Transportation Plans:**
 - Typically involve combinations of policies (visions), corridors, and facilities;
 - Typically involve a combination of "bottom-up" and "top-down" approaches;
 - Consider land use, demographic, and regional attributes.
 - Include public and stakeholder involvement,
 - Examine modal network systems (e.g., highway, transit, rail, air, and bicycle/pedestrian) and their interconnectivity,
 - Present short- and long-term policies, strategies, and actions; and
 - Include a financial plan with revenue forecasts and investment plans (optional for Statewide plans, but required for metropolitan plans).

TRANSPORTATION PLANS AND PLANNING PROCESSES

- Features of the Statewide Long-Range Transportation Plan (23 U.S.C. 135(e)):
 - Covers at least a 20-year period;
 - Provides for the development and implementation of a Statewide intermodal transportation system;
 - Consultation with governments:
 - In cooperation with MPOs;
 - For non-metropolitan areas, in consultation with affected local officials with responsibilities for transportation; and
 - In consultation with Native American tribal governments and the Secretary of Interior. Provides for the development and implementation of a Statewide intermodal transportation system, and
 - May include a financial plan that demonstrates implementation.

TRANSPORTATION PLANS AND PLANNING PROCESSES

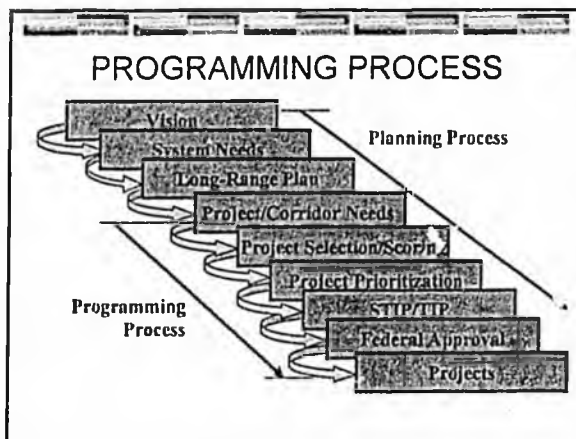
- Features of Metropolitan Long-Range Transportation Plans (23 U.S.C. 134(g)):
 - Cover at least a 20-year period;
 - Must be updated at least every three years in air quality nonattainment/maintenance areas and every five years in air quality attainment areas;
 - Identify transportation facilities (including but not limited to major roadways, transit, and multimodal and intermodal facilities) that function as an integrated metropolitan system;
 - Assess capital investment and other measures necessary to ensure the preservation of the existing metropolitan transportation system (e.g., operations, maintenance, and management); and
 - Include a financial plan that demonstrates implementation, including reasonably available public and private funding sources.



TRANSPORTATION PLANS AND PLANNING PROCESSES

- Key Systems Performance Evaluation Steps:
 - Transportation systems performance measures are established, followed by data collection and subsequent monitoring of measures;
 - Life-cycle of system performance;
 - Long-Range Transportation Plan is revisited and updated (17 AAC 05 130 (b)); and
 - This approach leads to systematic asset management

Features of Transportation Programs and Programming



- ### FEATURES OF TRANSPORTATION PROGRAMS AND PROGRAMMING
- Project/Corridor Needs Are Defined By:
 - Long-Range Transportation Plans (Statewide/Metropolitan);
 - Management System Outputs:
 - Pavement Management System (optional for States);
 - Bridge Management System (optional for States);
 - Safety Management System (optional for States);
 - Intermodal Management System (optional for States); or
 - Congestion Management System (required in Transportation Management Areas (TMAs)), and/or
 - Results from Sub-Area/Corridor/Feasibility Studies.

- ### FEATURES OF TRANSPORTATION PROGRAMS AND PROGRAMMING
- Project Selection (non-Metropolitan/Rural Areas):
 - For NHS, HBRR, and IM: State, in consultation with locals;
 - Federal Lands (23 U.S.C. 204);
 - Other Federally-Funded Highway Projects (i.e., Surface Transportation Program (STP)): State, in cooperation with locals;
 - Federally-Funded Transit Projects: State, in cooperation with locals and transit operators.

- ### FEATURES OF TRANSPORTATION PROGRAMS AND PROGRAMMING
- Project Selection (Metropolitan Areas):
 - Federal Lands (23 U.S.C. 204)
 - Non-TMAs:
 - Federal Highway and Transit Funds: State or transit operator, in cooperation with MPO.
 - TMAs:
 - For NHS, HBRR, and IM: State, in cooperation with MPO.
 - All Other Federal Highway and Transit Funds: MPO, in consultation with State and transit operators.

- ### FEATURES OF TRANSPORTATION PROGRAMS AND PROGRAMMING
- Characteristics of Project "Readiness:"
 - Project well-defined and engineered.
 - Funding sources are reasonably available.
 - Causes of project delivery delay:
 - Environmental issues;
 - Right-of-way approvals, and/or
 - Utilities clearances
 - Sufficient contingency funds available.

- ### FEATURES OF TRANSPORTATION PROGRAMS AND PROGRAMMING
- Project Scoring/Prioritization:
 - Scoring criteria
 - Systems performance measures:
 - Based on data collection.
 - Are measurable.
 - Modal competition.
 - "Rural" versus "metropolitan" criteria

FEATURES OF TRANSPORTATION PROGRAMS AND PROGRAMMING

- ↳ Key Programming Issues/Considerations:
 - Geographic balance versus transportation needs.
 - Balancing "rural" needs and "urban" needs.
 - Capital maintenance needs versus capital expansion needs.
 - Technical needs versus political realities.
 - Balancing "highway" needs and "transit" needs.

FEATURES OF TRANSPORTATION PROGRAMS AND PROGRAMMING

- ↳ General Elements of the STIP and TIPs:
 - Lists of projects;
 - Cover a minimum of three years and are developed at least every two years;
 - STIP must be consistent with the Statewide Transportation Plan and TIP must be consistent with the MPO's Long-Range Transportation Plan;
 - STIP and TIPs are system- and project-specific;
 - Fiscal constraint;
 - For air quality nonattainment/maintenance areas, projects must come from conforming Long-Range Transportation Plans;
 - STIP development in coordination with MPOs and local officials; and
 - Public involvement required for the STIP and TIPs.

FEATURES OF TRANSPORTATION PROGRAMS AND PROGRAMMING

- ↳ STIP (23 CFR 450.216):
 - State DOT develops STIP for the entire State;
 - STIP incorporates metropolitan TIPs in their entirety;
 - Projects may be grouped by function, work type, or geographic area;
 - Projects in STIP are advanced through project selection;
 - STIP must be developed at least every two years, and
 - STIP can be amended at any time, subject to established public involvement process practices.

FEATURES OF TRANSPORTATION PROGRAMS AND PROGRAMMING

- ↳ TIP (23 CFR 450.324):
 - Developed and adopted by MPOs, in cooperation with State DOT and transit operators;
 - TIPs are approved by the Governor (or his/her designee);
 - TIP must be developed at least every two years, compatible with the STIP development process;
 - TIP "lapses" if/when Federal approval for the STIP "lapses."
 - TIP can be amended at any time, subject to established MPO public involvement process practices; and
 - In air quality nonattainment/maintenance areas, TIP is subject to transportation conformity.

FEATURES OF TRANSPORTATION PROGRAMS AND PROGRAMMING

- ↳ Key STIP/TIP Components:
 - Contain all FHWA/FTA funded projects;
 - Contain Federal projects funded through Title 23;
 - Contain all regionally significant projects requiring Federal action or transportation conformity;
 - Include specific information on each project;
 - Pertinent Project Information:
 - Description of scope or phase;
 - Location;
 - Estimated total cost;
 - Federal funding (by program year);
 - Categories of Federal (and non-Federal) funds; and
 - Project sponsor(s).

FEATURES OF TRANSPORTATION PROGRAMS AND PROGRAMMING

- ↳ STIP/TIP Fiscal Constraint:
 - STIP/TIP must be financially constrained, by program year;
 - STIP/TIP identify projects to be funded with current revenues (Federal funds and State/local matches);
 - STIP/TIP must identify strategies for future proposed funding;
 - For specific project phases, STIP/TIP development is dependent on reasonable revenue/cost estimates;
 - For the TIP, the MPO, public transit agency, and State cooperatively develop reasonable estimates of funds; and
 - For illustrative (but not for advancement/implementation) purposes, STIP/TIP may include a listing of additional projects if other funding sources were available in the future.

FEATURES OF TRANSPORTATION PROGRAMS AND PROGRAMMING

- FHWA/FTA Review and Approval of STIP and TIPs:
 - Reviews of STIP and TIPs focus primarily on Federally-funded projects.
 - STIP is reviewed for consistency with the Statewide Transportation Plan.
 - STIP is reviewed for consistency with TIPs, as adopted by the MPOs.
 - TIPs are reviewed for consistency with MPO Long-Range Transportation Plans.
 - STIP and TIPs are reviewed for consistency with available/proposed funding sources.
 - For air quality nonattainment/maintenance areas, TIPs are subject to FHWA/FTA conformity determinations.
 - FHWA/FTA "planning finding" determines and documents how Statewide and metropolitan planning requirements were applied in the development of the STIP.
 - Based on the "planning finding," FHWA/FTA approve the STIP.

FEATURES OF TRANSPORTATION PROGRAMS AND PROGRAMMING

- Maintenance of STIP and TIPs:
 - STIP/TIPs can be amended at any time, subject to established public involvement process practices;
 - State DOT and MPOs can cooperatively develop procedures for identifying and processing amendments; and
 - STIP/TIP fiscal constraint must be maintained in light of any later program amendments.

FEATURES OF TRANSPORTATION PROGRAMS AND PROGRAMMING

- Characteristics of a Successful Programming Process:
 - Early consensus on planning and programming goals;
 - Effective communication among technical and policy leaders;
 - Continuous public involvement; and
 - Qualitative and quantitative prioritization criteria.

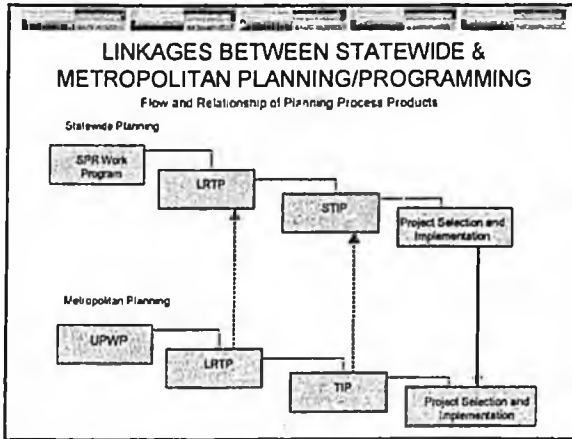
Linkages Between Statewide & Metropolitan Planning/Programming

LINKAGES BETWEEN STATEWIDE & METROPOLITAN PLANNING/PROGRAMMING

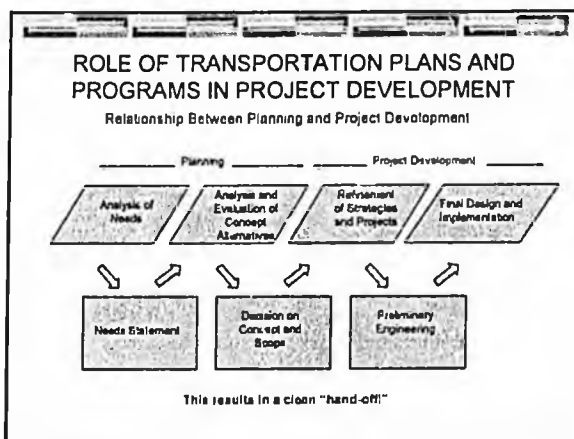
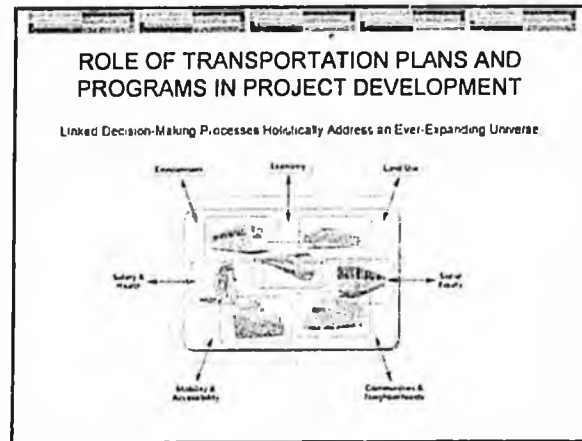
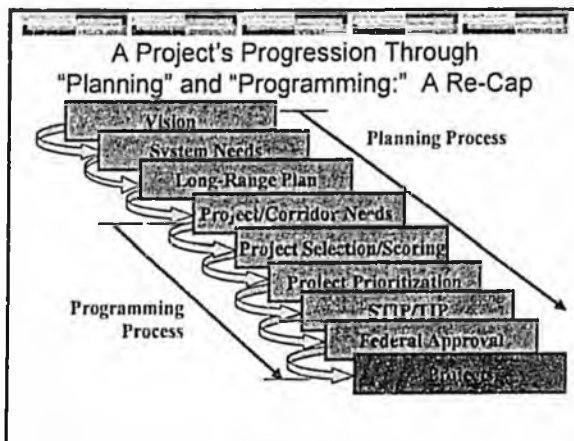
- General Relationships:
 - In metropolitan areas, projects in TIP must be consistent with the MPO Long-Range Transportation Plan;
 - Projects in the STIP must be consistent with the policies, strategies, and/or projects reflected in the Statewide Long-Range Transportation Plan; and
 - For the STIP, projects in metropolitan areas must be reflected in the MPO's TIP.

LINKAGES BETWEEN STATEWIDE & METROPOLITAN PLANNING/PROGRAMMING

- Other Key Process/Product Relationships:
 - If more than one MPO is located in an air quality nonattainment/maintenance area, the MPOs shall consult with each other and the State in the coordination of plans and programs (23 U.S.C. 134(e)(1));
 - If a project is located within the boundaries of more than one MPO, the MPOs shall coordinate plans regarding the project (23 U.S.C. 134(e)(2)); and
 - In metropolitan (air quality) nonattainment/maintenance areas, MPO shall coordinate the development of the Long-Range Transportation Plan with the process for developing the air quality State Implementation Plan, as required by the Clean Air Act.



Role of Transportation Plans and Programs in Project Development



ROLE OF TRANSPORTATION PLANS AND PROGRAMS IN PROJECT DEVELOPMENT

↳ **Comparison/Contrast of "Planning Issues" and "Project Issues:"**

- Planning focuses on systems and networks, while projects focus on a single purpose (*Point A to Point B*);
- Individual projects are essential to the implementation of the plan's systems and networks;
- Projects are subject to additional Federal laws and regulations (e.g., NEPA), while Statewide and metropolitan transportation plans and programs are not subject to NEPA.

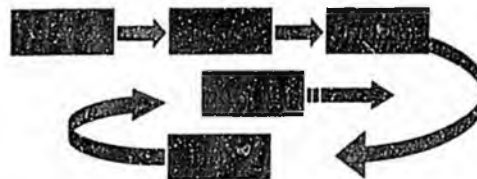
ROLE OF TRANSPORTATION PLANS AND PROGRAMS IN PROJECT DEVELOPMENT

- Value of Sound Transportation Planning and Programming Processes to Project Development:
 - Information-based decision-making.
 - Partners and stakeholders are engaged "early and often" throughout the "project continuum," and
 - Data and information from systems planning can be utilized in the NEPA process (e.g., project "purpose and need").



ROLE OF TRANSPORTATION PLANS AND PROGRAMS IN PROJECT DEVELOPMENT

Sound Processes Lead to
Avoiding/Minimizing the "Re-Work Cycle"



Thanks!

Any Questions ?



Fax

To: Representative Bruce Weyhrauch
Chair: House State Affairs Committee
Sent: April 28, 2004
Pages sent: two including cover sheet
Regarding: House Bill #327 Work Draft Comments
Fax number: 907-465-2273

From: Deanna Essert
Fax Number: 907-243-7811
Re: HB 327

Message: The one page letter on comments on the Work Draft CS for House Bill #327 is being sent via fax and email. Given the language in the bill, I am opposed to HB 327 revisions as of 4/24/04

April 28, 2004 Testimony HB #327
House Transportation Committee

To: State Transportation Committee
Attention: Chairman Jim Holm
Todd Larkin

Thank you Mr. Larkin for faxing the revised HB #327 language sponsored by Representative Holm. After reviewing the language and the intent of the language, I must disagree that the bill eliminates my concerns. As mentioned in my 4/12/04 letter my concerns are that metropolitan and rural projects should both be subject to the objective criteria outlined in AS 44.42.050(a) that mandates that ADOT consider the costs of improvements to existing facilities and the cost and benefits of new facilities.

The inclusion of AS44.42.050 does not alleviate my concerns, especially when I see the Revised HB 327 eliminates the requirement in AS 44.42.050(a) that ADOT consider the costs of improvements to existing facilities and the costs and benefits of new facilities. The language in the "original state statute" is specific and not subject to misinterpretation. This version appears to develop the Statute in a piecemeal and arbitrary fashion and leaves it up to the DOT Commissioner to consider costs: "The commissioner shall include the estimated costs of projects described in the plan and, if the commissioner determines appropriate, an estimate of the benefits of the project."

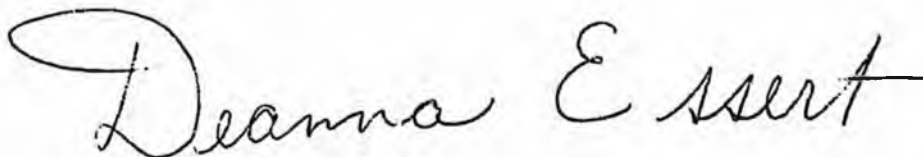
I do not withdraw my objections because the 4/24/04 work draft of the bill still eliminates the legal statutory requirement that ADOT consider the benefits of projects. It reduces that statutory requirement to regulations that can be waived. See Sec.5.AS44.42.050, the proposed new subsection: "(3) provide that the commissioner may waive the determination of the calculation of benefits of a project if the commissioner determines that the calculation of the benefits is not in the best interest of the state."

It is common sense to evaluate all projects, based on a careful and honest assessment, and not substitute the judgement of the Commissioner to push a political agenda. The state has many projects that are both expensive and controversial: the extension of the Coastal Trail in Anchorage, the road through glacier country in Southeast and the Knik Arm bridge connecting Point McKenzie and Anchorage. These are all hot issues and deserve a careful evaluation of their costs and benefits. Using costs and benefits is a common sense method of evaluating both rural and urban projects, and the revised HB 327 removes common sense and substitutes political judgment. Political judgement gave us the grain bins, dairy farms and the fish plant. A state that is asking residents to consider a sales tax, income tax or relinquish part of the Permanent Fund dividend should not encourage unjustified projects and waste public funds by eliminating protective statutory language.

The major problem with the bill is that it fails to identify what problem it seeks to address and substitutes a "Chicken Little" approach. When the Iliamna-Nondalton project was enjoined for failure to consider costs and benefits, it didn't give the State the right to remove the only language that will provide sound fiscal management and sound transportation planning for all projects. I oppose the bill because it does not promote common sense and fiscal responsibility.

Deanna Essert
6262 W. Dimond Blvd.
Anchorage 99502
PH: 243-1894

CC: Representative Weyhauch; Senator Ben Stevens; Representative Norm Rokeberg



March 26, 2004

6262 W. Dimond Blvd

To: House State Affairs Committee

I am opposed to amending the State's transportation statute, AS 44.42.050, that would eliminate the State's obligation to review the costs of improvements to existing roads and the costs and benefits to new roads. My opposition to HB 327 is due to my experience with AMATS, the local MPO. The cost of AMATS projects have escalated because engineers and project managers failed to consider hidden costs due to soils environmental impacts and property impacts.

Why is the State seeking to eliminate a key statutory requirement at the State level that would control costs, when it has instituted policies at the local level to address costs? The cost overruns for Anchorage projects initiated a change by State DOT whereby the Policy Committee of AMATS is required to provide quarterly obligation reports. When a project increases funding for a phase by more than \$500,000 or 50% of the project phase, the Policy Committee must approve the change. At the March 11th Policy Committee, members were asked to approve approximately \$3 million to cover additional construction costs for "C" Street, Phase III, due to extensive peat deposits in the ROW. If there had been a thorough cost/benefit analysis of "C" Street, would the initial design or ROW have been changed?

I am also one among the many who oppose the Coastal Trail Extension below the bluff or in the Refuge. The projected project costs have increased from \$12 million to \$37 million as the costs to the environment and private property have escalated. The DEIS is an example of a politically motivated document and does not reflect accurate building costs because there is no objective cost/benefit analysis. Many neighbors, who are practicing engineers and attorneys, have calculated the actual legal and construction costs to be in the \$60 million to \$80 million range and up. HB 327 eliminates the Public Claim that cost and benefits must be considered.

Projects in remote areas are subject to greater cost-overruns. When Federal dollars are declining and State resources are limited, it makes no sense to eliminate the only objective criteria applicable to transportation planning. With a new administration, that is emphasizing resource development, transportation planning in remote areas must be cost effective and accountable. Transportation projects in Metropolitan areas must emphasize traffic flow, air quality and safety and serve vehicular traffic, public transit and pedestrians and restrict enhancements to the federally mandated 10%.

The State must allocate scarce resources for those projects that provide the greatest benefit at the most reasonable cost. With appropriate cost/benefit criteria, a change in administration, won't mean a bridge to nowhere, a trail built as a political monument, or some bureaucratic vision that becomes the next administration's nightmare. In a time of declining revenues, the State must retain all statutory requirements that preserve an orderly transportation system by subjecting all projects to a cost-benefit analysis. I oppose HB 327 and its' companion, SB 371.

Deanna Essert
Phone: 243-1894

4/6/04

Subject: SB 371 & HB 327

Date: Mon, 05 Apr 2004 22:55:27 -0800

From: "A. Flister" <aflister@gci.net>

To: Senator_John_Cowdery@legis.state.ak.us

CC: "Senator_Con_Bunde@legis.state.ak.us" <Senator_Con_Bunde@legis.state.ak.us>,
"Representative_Bob_Lynn@legis.state.ak.us" <Representative_Bob_Lynn@legis.state.ak.us>

Bob wants to know when
this has been scheduled
again.

Dear Senator Cowdery:

I am deeply concerned about the above referenced bill and the House companion bill HB 327 that amend language in AS 44.42.050(a), essentially taking away from the Legislature an objective basis for determining which transportation projects are worthy of funding by way of cost-benefit analysis.

Our State can ill afford to allow spending decisions to be reduced to subjective politics at a time when transportation dollars should be allocated wisely. Projects should be funded only when their benefits equal or exceed the costs and should be prioritized or ranked in an objective manner.

On a personal level, I am highly angered that a state road "improvement" project (admittedly influenced by our municipal planning organization, AMATS), which has ballooned in cost from an estimated \$6M in 1998 to over \$22M at present, in direct defiance of the expected benefits and of the neighborhood's wishes and needs. DeArmoun Road is being moved forward as a reconstruction project far above and beyond what appears to be necessary, requiring my brand new home and acre lot and portions of nearly 100 other residential properties in the process, while we continue to experience gridlock in mid-town without having connected important links in the city transportation system. I might add that a previous analysis showed some of the currently proposed DeArmoun changes to be NOT COST EFFECTIVE, yet they are being seriously considered. The project has been moved up to No. 8 on the AMATS transportation improvement program, despite its scoring which rightly places it much further down the priority list were it not for political influence.

I can only imagine the harm that can be rendered with such waste on a statewide level without truly objective criteria for long range transportation planning.

I have seen a more thorough written testimony submitted to your office by Geoffrey Parker on this subject and agree with his comments entirely. Please do not allow this bill to move forward.

Ann Flister
5021 Currin Circle
Anchorage, Alaska 99516
(907) 344-4948

Bob wants to call Ann Flister
when this gets scheduled again.

SB 371
OR
HB 327 current

Bob -
This is scheduled
for Monday
State affairs.
HB 327

6050 W. Dimond Blvd.
Anchorage, AK 99502

March 25, 2004

To: House State Affairs Committee

I do not support HB 327 or its companion bill SB 371, which amend the state's transportation planning statute, AS 44.42.050. House Bill 327 is a bad idea that would negatively affect the future availability of funds for transportation and enhancements in Alaska. It would be short-sighted for the Legislature to remove the requirement that the Alaska Department of Transportation evaluate the costs of improvement to existing corridors and the cost of benefits to new ones. The careful consideration of costs and benefits are objective criteria for making responsible fiduciary decisions by logical analysis. If this change is made not only would unreasonable plans have every opportunity to get the go-ahead should the political tides flow towards a particular project, but honest-to-goodness necessities transportation-wise and safety-wise could easily get short-shrift to the extent that they would not get built. This would not only short-change the citizens of Alaska, but also put Legislators in the terrible bind of not having a practical way to analyze the myriad of projects and issues facing them. Times are tough and Alaska must make the best use of available funds in pragmatic ways that make economic good sense.

A prime example of a project which has gone bad because of the failure to properly analyze those costs of improvement and benefit is the South Extension of the Coastal Trail. A preferred route was dictated by then Governor, Tony Knowles, because the one he wanted was deemed unreasonable by the project team. That route would destroy the Anchorage Coastal Wildlife Refuge & its critical & adjacent habitat and cost more than any of the routes under consideration. On paper in 2002 the published estimate was \$30 million. When respected engineers in Anchorage were asked to evaluate those costs and give their estimates they ranged, conversely, from \$60 million to \$100 million for a recreational trail that gets no one to school and no one to work! On the street where we live, we cannot walk or ride our bikes to the nearest sidewalk or trail without risking our lives. The road is riddled with potholes, which must be repaired many times a year. There is so little room on the roadside that it is very scary when trucks & cars come by even if they are not speeding. On the eastside one of our sons was hit riding his bicycle to high school. We were fortunate that the injuries were minor. We must make practical use of transportation and enhancement funding.

Please do not pass HB 327 (or companion bill, SB 371).

Thank you for your time and consideration.

Respectfully,

Barbara L. Carlson
907/248-2503

March 26, 2004

House State Affairs Committee

HB 327

THANK YOU MR. CHAIRMAN. MY NAME IS BOB DOLL AND I LIVE IN JUNEAU. I WAS FORMERLY DIRECTOR OF THE SOUTHEAST REGION OF AOT, AND I'D LIKE TO SPEAK TO YOU FROM THAT PERSPECTIVE, BUT I AM HERE THIS MORNING REPRESENTING ONLY MYSELF. I COME TO ASK THE COMMITTEE TO WITHHOLD ITS SUPPORT OF HOUSE BILL 327.

I MAKE THIS REQUEST WITH SOME UNDERSTANDING OF THE DILEMMA YOUR FACE. YOU ARE BEING ASKED, IN THIS BILL, TO ENDORSE BAD GOVERNMENT. YOU ARE BEING ASKED TO LEND YOUR SUPPORT TO ENSHRINING

THE TERMS "ARBITRARY AND CAPRICIOUS" NOT AS ACCUSATIONS TO BE AVOIDED BUT AS THE STANDARD FOR GOVERNMENT DECISION-MAKING IN ALASKA. I HAVE APPEARED BEFORE THE COMMITTEE ONLY RECENTLY IN CONNECTION WITH ANOTHER SUCH ARBITRARY AND CAPRICIOUS DECISION AND MY APPREHENSION OF SUCH EVENTS IS ALL TOO CLEAR.

AND WHAT IS IT THAT THE BILL SEEKS TO AVOID? I CANNOT IMAGINE AN ECONOMIST WITH AN OUNCE OF IMAGINATION WHO COULD NOT MAKE A POSITIVE COST-BENEFIT CASE FOR A MARGINAL PROJECT, IF THAT WERE HIS TASKING. SUCH TASKINGS ARE ACCOMPLISHED ROUTINELY. ONLY WITH

THE MOST WORTHLESS PROPOSALS WOULD
HE FAIL, AND PROPERLY SO.

THE CURRENT STATUTE DOES NOT
PROVIDE US WITH CERTAINTY REGARDING
THE VALUE OF A PROJECT, BUT IT DOES
OFFER SOME OBJECTIVE CRITERIA FOR US TO
USE IN EXAMINING HOW OUR TAX DOLLARS
WILL BE SPENT. AND GIVEN THE GENERAL
DEFERENCE OF COURTS TO EXECUTIVE
AGENCIES WHICH HAVE COMPLIED WITH
THEIR OWN REGULATIONS AND THE
APPLICABLE STATUTES, IT IS DIFFICULT TO
UNDERSTAND WHY THIS REQUIREMENT IS SO
ONEROUS. FEDERAL DOLLARS PAY FOR THE
WORK AND THE TIME REQUIRED TO
COMPLETE THE ANALYSIS IS MEASURED IN

MONTHS. IN THE TIMELINE FOR MOST
TRANSPORTATION PROJECTS THAT IS
INCONSEQUENTIAL. AS A TRANSPORTATION
PROFESSIONAL, I WOULD NOT WANT TO
SPEND MY TIME, OR THAT OF MY STAFF, ON
A PROJECT WHICH COULD NOT MEET THIS
SIMPLE TEST. AS A CITIZEN, I HOPE THAT
PUBLIC MONEY WILL NOT BE THUS
SQUANDERD.

THE DILEMMA THAT I MENTIONED EARLIER
ARISES BECAUSE THERE ARE TRANSPORTATION
PROJECTS CURRENTLY UNDER CONSIDERATION
THAT MAY NOT MEET THIS TEST. THOSE
PROJECTS REPRESENT SOME OF THE MOST
CHERISHED HOPES AND DREAMS OF THE
RESIDENTS OF THOSE LOCATIONS. IF THEIR

AMBITIONS ARE NOT REALIZED THEY WILL BE,
TO SAY THE LEAST, DISAPPOINTED. I WOULD
SUGGEST TO YOU THAT YOU CAN MEASURE THE
VALUE OF THEIR PROJECT INVERSELY TO THEIR
PROTESTS AT HAVING IT EXAMINED. IN FACT, IF
A POSITIVE COST-BENEFIT RATIO IS AS EASILY
ACHIEVED AS I HAVE SUGGESTED, YOU MAY
WELL WONDER WHY ANYONE WOULD OBJECT TO
THE REQUIREMENT.

HB 327 ENDORSES BAD GOVERNMENT AND
SHOULD NOT RECEIVE THE COMMITTEE'S
APPROVAL.

>
> I am very concerned about two aspects of HB327. The part that removes economic cost and benefits analysis and the part that makes the bill retroactive to July 1977.
>
> HB 327 is a slap in the face to every taxpayer in America because it removes the economic analysis that should be part of any project evaluation. Looking at the economic viability of a project is the foundation of the American economy. It's an essential tool. If a project can't withstand economic scrutiny, then it probably shouldn't proceed
>
> HB 327 is insulting and detrimental to every Alaskan because it means projects will not be determined on an objective measure such as economic benefits but by political influence and whim. What kind of justification or measure of worth is this?
>
> HB 327 is offensive and should raise your suspicions since it is retroactive almost 30 years. This retroactivity tells me that the sponsor wants to gag any transportation dispute, challenge or appeal. Is this really America?
>
> Finally, HB 327 gives a green light to any project no matter how poorly conceived as long as it is backed by political clout. Where is the objective measure? HB 327 will have Alaskans throwing their transportation dollars away.
>
> This bill shouldn't be passed it should be buried.
>
> Thank you
>
> Mary Whitmore
> (907) 564-5145
> 940 Botanical Heights Circle
> Anchorage, AK 99515

ALASKA STATE LEGISLATURE

REPRESENTATIVE BRUCE WEYHRAUCH



ALASKA
STATE CAPITOL
JUNEAU, ALASKA
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STATE AFFAIRS COMMITTEE

Fax

*Thanks,
Ginny*

To: Legislative Legal-George Utermohle From: Ginny Austerman

Fax: 2029

Date: April 29, 2004

Phone: 2450

Pages: one

Re: CS HB 327

Please make the following *conceptual* changes to CS HB 327 (STA) Version 23-LS1135\U:

Amendment # 1 - Page 4 line 8 after "annual" insert "summary"; line 10 after the words " make the" insert "summary"; line 11 after the words "availability of the" insert "summary"; line 13 after the words "of the" insert "summary"

Amendment # 2 - 23-LS1135\U.2 adopted with the following changes

Line 8 - delete ", through page 6, line 1"; delete lines 16 and 17 and renumber accordingly

Amendment #3 - Page 3 lines 28 - 31 - and page 4 lines 1 - 4 - Retain these lines in the bill

Please process this bill in the final form.

Revised 4/29/04 / 115-211

AMENDMENT

#2
4/28/04
moved by
BWS
Holm
adopted
as amended

OFFERED IN THE HOUSE

TO: CSHB 327(STA), Draft Version "U"

1 Page 4, line 20:

2 Delete "if the commissioner determines appropriate"

3 Insert "except as provided in (e) of this section"

4

5 Page 5, line 20:

6 Delete "uniform"

7

8 Page 5, line 23, through ~~page 6, line 1~~:

9 Delete all material.

10 Insert "The regulations may provide for an exemption from the requirement to prepare
11 an estimate of benefits for a specific transportation project if

12 (1) the project is required for compliance with a federal or state statute
13 or regulation;

14 (2) the small scale of the project makes the preparation of an estimate
15 of benefits for the project impractical; or

16 ~~(3) the cost of preparing an estimate of benefits for the project is~~
17 ~~excessive relative to the estimated cost of the project."~~

Amendment #2
to #2
adopted
BWS
add
remember
accordingly
adopted

HB

329

THE
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22 ✓

Retirement Incentive Program Detailed Savings Projection By Position				
Date Submitted				Department
PCN 026513				Budget BRU
Job Class Title Data Processing Manager II				Budget Component
Job Class Code P1642				Administration
DOB				Information Services
				Information Services
Calculation of Costs and Savings				
Projected Current Fiscal Year 00	Projected Second Fiscal Year 01	Projected Third Fiscal Year 02	Projected Remainder of 3-Year Savings Period (if applicable)	Total
1. Current Position Range and Step	23F	23F/J	23J	
2. Salary and Benefit Cost	95,160.00	95,991.00	98,014.00	289,165.00
3. Will position be eliminated? If no, then complete lines 4 and 5				
4. Replacement Range and Step	22B	22C	22D	
5. Replacement Salary and Benefit Cost	78,776.00	81,019.00	83,760.00	243,555.00
6. Position Savings (line 2 minus line 5)	16,384.00	14,972.00	14,254.00	45,610.00
7. Employer RIP cost for this employee	12,364.00	12,364.00	12,364.00	37,092.00
8. Administrative cost (.01 times employer RIP cost)	123.64	123.64	123.64	370.92
9. Additional employee replacement cost				
Average Training Costs				
Average Recruitment Costs				
Other (Moving Costs, Uniforms, etc.)				
10. Total RIP and replacement costs (line 7+8+9)	12,487.64	12,487.64	12,487.64	37,462.92
11. Net savings for this position (line 6 minus line 10)	3,896.36	2,484.36	1,766.36	8,147.08

Fund	Employer Number	Employer Name	RIP Count
P	101	STATE OF ALASKA	4061
T	701	ANCHORAGE SD	1106
P	113	UNIVERSITY OF ALASKA	561
P	173	MUNICIPALITY OF ANCHORAGE	542
P	111	ANCHORAGE SD	489
T	706	FAIRBANKS NORTH STAR BOROUGH SD	420
T	722	MATANUSKA-SUSITNA BOROUGH SD	340
T	733	UNIVERSITY OF ALASKA	313
T	746	KENAI PENINSULA BOROUGH SD	305
P	145	NORTH SLOPE BOROUGH	202
P	117	FAIRBANKS NORTH STAR BOROUGH SD	190
P	126	CITY AND BOROUGH OF JUNEAU	151
T	710	JUNEAU BOROUGH SD	143
P	157	LOWER KUSKOKWIM SD	129
P	110	MATANUSKA-SUSITNA BOROUGH SD	114
P	116	FAIRBANKS NORTH STAR BOROUGH	96
T	718	KODIAK ISLAND BOROUGH SD	87
P	190	KENAI PENINSULA BOROUGH SD	78
P	108	JUNEAU BOROUGH SD	74
P	154	NORTHWEST ARCTIC BOROUGH SD	71
T	714	KETCHIKAN GATEWAY BOROUGH SD	70
P	219	BARTLETT REGIONAL HOSPITAL	68
P	152	ALASKA HOUSING FINANCE CORPORATION	68
T	754	LOWER KUSKOKWIM SD	63
P	161	NORTH SLOPE BOROUGH SD	54
P	153	LOWER YUKON SD	53
P	180	KENAI PENINSULA BOROUGH	51
T	727	SITKA BOROUGH SD	46
P	104	BERING STRAIT SD	42
P	109	MATANUSKA-SUSITNA BOROUGH	40
T	737	ALASKA DEPARTMENT OF EDUCATION	40
T	753	LOWER YUKON SD	38
P	158	KODIAK ISLAND BOROUGH SD	38
T	736	NORTH SLOPE BOROUGH SD	37
T	752	BERING STRAIT SD	33
T	751	NORTHWEST ARCTIC BOROUGH SD	33
P	181	CITY OF KETCHIKAN	27
P	115	CITY OF KENAI	26
T	765	DELTA/GREELY SD	25
P	120	CITY AND BOROUGH OF SITKA	25
P	102	SOUTHWEST REGION SD	24
T	730	VALDEZ CITY SD	24
P	125	KUSPUK SD	21
P	107	CITY OF VALDEZ	21
P	215	CITY OF HOMER	21
T	704	CORDOVA CITY SD	19
P	124	IDITAROD AREA SD	19
T	756	SOUTHWEST REGION SD	19
P	182	CITY OF SEWARD	18
P	165	SITKA COMMUNITY HOSPITAL	18
P	122	KETCHIKAN GATEWAY BOROUGH	17

T	744	DILLINGHAM CITY SD	17
T	720	NOME CITY SD	17
T	762	YUKON / KOYUKUK SD	16
P	134	CITY OF PALMER	16
P	159	YUKON FLATS SD	15
T	724	PETERSBURG CITY SD	15
P	123	CITY OF SOLDOTNA	15
T	705	CRAIG CITY SD	15
P	177	KETCHIKAN GATEWAY BOROUGH SD	14
P	143	CITY OF PETERSBURG	14
P	160	YUKON / KOYUKUK SD	13
P	139	CITY OF NOME	13
T	757	LAKE AND PENINSULA BOROUGH SD	13
P	195	YUPIIT SD	13
P	179	CITY OF UNALASKA	13
P	137	VALDEZ CITY SD	13
P	164	LAKE AND PENINSULA BOROUGH SD	13
P	128	CITY OF KODIAK	13
T	731	WRANGELL PUBLIC SD	13
T	719	NENANA CITY SD	12
P	167	SOUTHEAST REGIONAL RESOURCE CENTER	12
P	189	HAINES BOROUGH	12
T	707	HAINES BOROUGH SD	12
P	129	CITY OF FAIRBANKS	12
T	764	DENALI BOROUGH SD	11
P	133	SITKA BOROUGH SD	11
T	766	ALASKA GATEWAY SD	10
T	763	YUKON FLATS SD	10
T	767	COPPER RIVER SD	10
P	191	CITY OF NORTH POLE	9
P	275	ILISAGVIK COLLEGE	9
P	135	CITY OF WRANGELL	9
T	717	KLAWOCK CITY SD	9
P	131	CITY OF WASILLA	9
P	185	CORDOVA CITY SD	9
T	735	GALENA CITY SD	9
T	755	KUSPUK SD	9
T	778	YUPIIT SD	9
P	112	COPPER RIVER SD	9
P	156	PRIBILOF SD	8
P	270	BERING STRAITS RHA	8
P	144	BRISTOL BAY BOROUGH	8
P	174	KODIAK ISLAND BOROUGH	8
P	148	CITY OF CORDOVA	8
P	163	CORDOVA COMMUNITY MEDICAL CENTER	8
P	192	CITY OF GALENA	8
T	729	UNALASKA CITY SD	7
T	708	HOONAH CITY SD	7
P	140	CITY OF KOTZEBUE	7
P	186	CITY OF CRAIG	7
T	712	KAKE CITY SD	7
P	184	BRISTOL BAY BOROUGH SD	7

P	105	CHATHAM SD	7
P	199	CITY OF HOONAH	7
T	761	IDITAROD AREA SD	7
P	149	NOME CITY SD	7
P	171	CITY OF BARROW	7
P	141	GALENA CITY SD	7
P	262	COOK INLET HOUSING AUTHORITY	7
P	136	CITY OF BETHEL	6
P	178	CITY OF DILLINGHAM	6
P	187	PETERSBURG MEDICAL CENTER	6
T	742	BRISTOL BAY BOROUGH SD	6
P	211	KASHUNAMIUT SD	6
P	196	NENANA CITY SD	6
P	146	WRANGELL PUBLIC SD	5
P	118	DENALI BOROUGH SD	5
P	279	TLINGIT-HAIDA RHA	5
P	132	CITY OF SKAGWAY	5
T	769	SOUTHEAST ISLAND SD	5
T	780	ALEUTIANS EAST BOROUGH SD	5
P	230	ALEUTIANS EAST BOROUGH	5
P	223	BRISTOL BAY RHA	5
T	779	SPECIAL EDUCATION SERVICE AGENCY	5
P	151	CITY OF KING COVE	4
T	732	YAKUTAT SD	4
T	709	HYDABURG CITY SD	4
T	770	ANNETTE ISLAND SD	4
P	103	ANNETTE ISLAND SD	4
T	771	CHUGACH SD	4
P	183	CITY OF FORT YUKON	4
T	777	KASHUNAMIUT SD	4
T	728	SKAGWAY CITY SD	4
P	247	LAKE AND PENINSULA BOROUGH	4
T	743	SOUTHEAST REGIONAL RESOURCE CENTER	4
P	228	PETERSBURG CITY SD	4
P	208	CITY OF AKUTAN	3
P	169	CITY OF TANANA	3
P	193	CITY OF NENANA	3
P	172	CITY OF SAINT PAUL	3
P	205	DILLINGHAM CITY SD	3
T	768	CHATHAM SD	3
P	263	INTERIOR RHA	3
P	240	HAINES BOROUGH SD	3
P	256	CITY OF SAINT GEORGE	3
P	121	CHUGACH SD	3
P	220	NORTHWEST ARCTIC BOROUGH	3
P	288	NORTHWEST INUPIAT HOUSING AUTHORITY	3
P	175	NOME JOINT UTILITY SYSTEM	3
P	221	SAINT MARY'S SD	3
P	244	ALEUTIANS EAST BOROUGH SD	3
P	186	TANANA SD	2
P	202	CITY OF WHITTIER	2
P	227	CITY OF KLAWOCK	2

P	235	CITY OF HUSLIA	2
T	758	ALEUTIAN REGION SD	2
P	170	NORTH PACIFIC FISHERY MGMT COUNCIL	2
P	248	CITY AND BOROUGH OF YAKUTAT	2
P	204	CRAIG CITY SD	2
P	168	HYDABURG CITY SD	2
P	200	CITY OF PELICAN	1
P	209	UNALASKA CITY SD	1
T	775	TANANA SD	1
P	155	SOUTHEAST ISLAND SD	1
P	289	CITY OF ANGOON	1
P	232	BERING STRAITS CRSA	1
P	249	CITY OF UNALAKLEET	1
T	759	PRIBILOF SD	1
P	176	CITY OF SAND POINT	1
P	138	HOONAH CITY SD	1
P	203	ANCHORAGE PARKING AUTHORITY	1
T	748	SAINT MARY'S SD	1
P	285	CITY OF HOOPER BAY	1
P	242	CITY OF ELIM	1
P	218	SPECIAL EDUCATION SERVICE AGENCY	1
P	241	CITY OF NOORVIK	1
P	257	PELICAN CITY SD	1
P	213	CITY OF WAINWRIGHT	1
P	243	CITY OF ATKA	1
P	278	SAXMAN SEAPORT	1
P	106	ALASKA MUNICIPAL LEAGUE	1
P	282	CITY OF DELTA JUNCTION	1

23-LS1109\H
Craver
1/28/04

CS FOR HOUSE BILL NO. 329()

**IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-THIRD LEGISLATURE - SECOND SESSION**

BY

**Offered:
Referred:**

Sponsor(s): REPRESENTATIVE MCGUIRE

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to retirement incentive programs for the public employees' retirement**
2 **system, the judicial retirement system, and the teachers' retirement system; and**
3 **providing for an effective date."**

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

5 *** Section 1.** The uncodified law of the State of Alaska is amended by adding a new section
6 to read:

7 **FINDINGS AND PURPOSE.** The State of Alaska and many local governments and
8 school districts are facing the need to restructure their operations and their work forces in
9 order to reduce expenditures and balance budgets. Retirement incentives are management
10 tools that have been used extensively by the private sector, the federal government, and other
11 state and local governments across the country. The purpose of this Act is to make these
12 management tools temporarily available to the state and to the municipalities and school
13 districts of the state. This Act will enable these entities to be more efficient and cost-effective
14 by eliminating certain positions, and producing a net reduction in personnel costs.

1 * Sec. 2. The uncodified law of the State of Alaska is amended by adding a new section to
2 read:

3 RETIREMENT INCENTIVE PROGRAM. (a) An employer may adopt a retirement
4 incentive plan under secs. 3 - 6 of this Act, as appropriate, and designate categories of
5 employees eligible to participate in that plan. An employer need not extend the incentive plan
6 to all employees who would otherwise be eligible, but may choose to extend the plan only to
7 employees

8 (1) in specific budget or administrative components of the employer;

9 (2) in specific job classifications;

10 (3) in specific geographic locations; or

11 (4) on the basis of any combination of factors under (1) - (3) of this
12 subsection.

13 (b) An employee is eligible to participate in a retirement incentive plan under this Act
14 only if the

15 (1) employee is a vested member of the public employees' retirement system
16 or the teachers' retirement system;

17 (2) employee will be qualified to retire under AS 14.25.110 or AS 39.35.370
18 after receipt of the credit described in (f) of this section;

19 (3) savings to the employer in personal services costs for the employee's
20 position will exceed the costs to the employer for that position within three years after the
21 employee is appointed to retirement.

22 (c) An employer shall file its proposed retirement incentive plan with the
23 commissioner of administration. The commissioner shall approve the plan if the plan meets
24 the requirements of this Act, except that the commissioner may approve a state agency's
25 retirement incentive plan only if the office of management and budget approves the
26 calculation of savings under (b)(3) of this section. A proposed plan filed under this section
27 must

28 (1) identify job classifications of employees, and specific budget or
29 administrative components, eligible to participate in the plan;

30 (2) include a reimbursement agreement that

31 (A) requires the employer, for each employee who retires under the

1 plan, to reimburse the appropriate retirement system, within three years after the end
2 of the fiscal year in which the employee is appointed to retirement, in an amount equal
3 to

4 (i) the actuarial equivalent of the difference between the
5 benefits the participant receives after the addition of the credit under (f) of this
6 section and the amount the participant would have received without the credit,
7 less the amount the participant has paid on the indebtedness determined under
8 (d) or (e) of this section; and

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

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

14 (d) A member of the teachers' retirement system who participates in an approved
15 retirement incentive plan under this Act is indebted to that system for an amount calculated
16 under this subsection. The indebtedness is 25.95 percent of the member's actual
17 compensation for the school year in which the member terminates employment, or the
18 calculated school year compensation for a member who works less than the entire school year.
19 A member may apply annual or personal leave to the indebtedness before appointment to
20 retirement. An outstanding indebtedness at the time a member is appointed to retirement
21 under an approved retirement incentive plan requires an actuarial adjustment to the benefits
22 payable to that member.

23 (e) A member of the public employees' retirement system who participates in an
24 approved retirement incentive plan under this Act is indebted to that system for an amount
25 calculated under this subsection. The indebtedness is 22-1/2 percent for a peace officer or fire
26 fighter, and 20-1/4 percent for other members, of the member's actual annual compensation
27 for the year in which the member terminates employment, or the calculated annual
28 compensation for a member who works fewer than 12 months. A member may apply annual
29 or personal leave to the indebtedness before appointment to retirement. An outstanding
30 indebtedness at the time a member is appointed to retirement under an approved retirement
31 incentive plan requires an actuarial adjustment to the benefits payable to that member.

1 (f) An employee who participates in an approved retirement incentive plan under this
2 Act receives a credit of three years. The three years must be applied in the following order
3 until exhausted:

4 (1) to meet the age or service required for eligibility for normal retirement
5 under AS 14.25.110 before July 1, 1990, or AS 39.35.370 before July 1, 1986, as appropriate;

6 (2) to meet the age required for early retirement under AS 14.25.110 before
7 July 1, 1990, or AS 39.35.370 before July 1, 1986, as appropriate;

8 (3) to reduce the actuarial adjustment required for early retirement under
9 AS 14.25.110 before July 1, 1990, or AS 39.35.370 before July 1, 1986, as appropriate;

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

11 (g) In this section,

12 (1) "department" means

13 (A) a principal department of the executive branch of state
14 government; an independent state entity that is attached to a principal department of
15 the executive branch for administrative purposes but that is not a public organization
16 as defined in AS 39.35.680 is part of that department for purposes of this paragraph;
17 and

18 (B) the Office of the Governor;

19 (2) "employer" has the meaning given in AS 14.25.220 and AS 39.35.680 and
20 includes a department.

21 * Sec. 3. The uncodified law of the State of Alaska is amended by adding a new section to
22 read:

23 AUTHORIZATION FOR STATE EMPLOYEE RETIREMENT INCENTIVE. (a) A
24 state agency may adopt, and file with the commissioner of administration for approval, a
25 proposed retirement incentive plan for its employees.

26 (b) Upon the request of a state agency, the commissioner of administration shall
27 establish one or more periods during which the employees of that state agency who are
28 eligible under sec. 2(b) of this Act to participate in a retirement incentive plan may apply to
29 the commissioner of administration to participate in the state agency's approved plan. The
30 periods shall begin no earlier than July 1, 2004, and end no later than June 30, 2007. The
31 periods shall be no less than 30 days and no more than 60 days in duration, and may not begin

1 less than 30 days after their establishment. A state agency is not required to request an
2 application period, and may request more than one application period.

3 (c) A proposed retirement incentive plan adopted under this section may not permit an
4 employee who is the governor, the lieutenant governor, or a commissioner, deputy
5 commissioner, or assistant commissioner of a principal department of the executive branch to
6 participate in the plan.

7 (d) A proposed retirement incentive plan adopted under this section may permit
8 participation only by an employee who is eligible to participate under sec. 2(b) of this Act and
9 who

10 (1) has been continuously employed by the state for at least one year before
11 the employee applies to participate in the state agency's approved plan;

12 (2) is a permanent seasonal employee who has been continuously employed
13 by the state in a permanent seasonal position during all of the time in the one year before the
14 employee's application to participate in which the position normally is filled;

15 (3) has a job sharing agreement with a state agency in which two or more
16 employees share a single position identified by a single position control number and in which
17 the employee who applies to participate in the plan was continuously employed by the agency
18 during the portion of the one year before the employee's application in which the employee
19 normally worked under the job sharing agreement; or

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

21 (e) The commissioner of administration may not accept the application of an
22 employee to participate in an approved retirement incentive plan adopted under this section
23 unless the employee will be appointed to retirement not later than the first day of the month
24 that is six months after the last day of the application period established by the commissioner
25 under (b) of this section. A state agency, in a plan adopted under this section, may set an
26 earlier date by which an employee must be appointed to retirement in order to participate in
27 the plan.

28 * Sec. 4. The uncodified law of the State of Alaska is amended by adding a new section to
29 read:

30 AUTHORIZATION FOR RETIREMENT INCENTIVE FOR EMPLOYEES OF THE
31 UNIVERSITY OF ALASKA. (a) The Board of Regents of the University of Alaska may

1 adopt, and file with the commissioner of administration for approval, a proposed retirement
2 incentive plan for university employees.

3 (b) Upon the request of the Board of Regents, the commissioner of administration
4 shall establish one or more periods during which the employees of the university who are
5 eligible under sec. 2(b) of this Act to participate in a retirement incentive plan may apply to
6 the commissioner of administration to participate in the university's approved plan. The
7 periods shall begin no earlier than July 1, 2004, and end no later than June 30, 2007. The
8 periods shall be no less than 30 days and no more than 60 days in duration, and may not begin
9 less than 30 days after their establishment. The Board of Regents is not required to request an
10 application period, and may request more than one application period.

11 (c) The commissioner of administration may not accept the application of an
12 employee to participate in an approved retirement incentive plan adopted under this section
13 unless the employee will be appointed to retirement not later than the first day of the month
14 that is six months after the last day of the application period established by the commissioner
15 under (b) of this section. The Board of Regents, in a plan adopted under this section, may set
16 an earlier date by which an employee of the University of Alaska must be appointed to
17 retirement in order to participate in the plan.

18 (d) A participant in the optional university retirement program under AS 14.40.661 -
19 14.40.799 who is vested in the public employees' retirement system or the teachers' retirement
20 system may participate in a retirement incentive plan for that system if the participant meets
21 the other qualifications of this Act. If a provision of this subsection is inconsistent with
22 another provision of law, the provision of this subsection governs.

23 * Sec. 5. The uncodified law of the State of Alaska is amended by adding a new section to
24 read:

25 AUTHORIZATION FOR RETIREMENT INCENTIVE FOR OTHER EMPLOYEES
26 IN THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM. (a) The governing body of a
27 political subdivision of the state or public organization that has elected to participate in the
28 public employees' retirement system under AS 39.35.550 - 39.35.650 may adopt, and file with
29 the commissioner of administration for approval, a proposed retirement incentive plan for its
30 employees. Upon the request of the governing body, the commissioner of administration shall
31 establish one or more periods during which the employees of a political subdivision or public

1 organization who are eligible to participate in a retirement incentive plan may apply to the
2 commissioner of administration to participate in the approved plan. The periods shall begin
3 no earlier than October 31, 2004, and end no later than June 30, 2007. The periods shall be no
4 less than 30 days and no more than 60 days in duration, and may not begin less than 60 days
5 after their establishment. The governing body is not required to request an application period,
6 and may request more than one application period.

7 (b) The commissioner of administration may not accept the application of an
8 employee to participate in an approved retirement incentive plan adopted under this section
9 unless the employee will be appointed to retirement not later than the first day of the month
10 that is six months after the last day of the application period established by the commissioner
11 under (a) of this section. The governing body of the political subdivision or public
12 organization, in a plan adopted under this section, may set an earlier date by which an
13 employee must be appointed to retirement in order to participate in the plan.

14 * Sec. 6. The uncodified law of the State of Alaska is amended by adding a new section to
15 read:

16 AUTHORIZATION FOR RETIREMENT INCENTIVE FOR OTHER EMPLOYEES
17 IN THE TEACHERS' RETIREMENT SYSTEM. (a) An employer under the teachers'
18 retirement system who is not otherwise covered by secs. 3 or 4 of this Act may adopt, and file
19 with the commissioner of administration for approval, a proposed retirement incentive plan
20 for its employees. A plan adopted under this section must provide that the application period
21 for participation in the retirement incentive plan is July 1, 2004, through June 30, 2007.

22 (b) The commissioner of administration may not accept the application of an
23 employee to participate in an approved retirement incentive plan adopted under this section
24 unless the employee will be appointed to retirement on or before August 1, 2007. The
25 employer, in a plan adopted under this section, may set an earlier date by which an employee
26 must be appointed to retirement in order to participate in the plan.

27 * Sec. 7. The uncodified law of the State of Alaska is amended by adding a new section to
28 read:

29 POLITICAL SUBDIVISION OR PUBLIC ORGANIZATION EMPLOYMENT. For
30 purposes of determining the years of service requirements for retirement under AS 14.25.110
31 or AS 39.35.370, as appropriate, a vested member who is a state employee and who applies to

1 participate in a retirement incentive plan approved under this Act may receive credit for
2 employment with a political subdivision or public organization before the political
3 subdivision or organization became an employer under the public employees' retirement
4 system. The member may not receive credit for those years under this subsection for
5 purposes of determining benefits. If a provision of this section is inconsistent with any other
6 provision of law, the provision of this section governs.

7 * Sec. 8. The uncodified law of the State of Alaska is amended by adding a new section to
8 read:

9 PROVISION AND AUTHORIZATION FOR ADMINISTRATIVE DIRECTOR OF
10 COURT. (a) The chief justice of the state supreme court may adopt a retirement incentive
11 plan for an administrative director of the Alaska Court System who is a member of the
12 judicial retirement system under AS 22.25.012 if participation in the plan will result in
13 savings to the court system in personal services costs within three years after the
14 commencement of the plan. The administrative director may participate only if the
15 administrative director is vested in the judicial retirement system and will be qualified to
16 retire under AS 22.25.010 after receipt of the retirement incentive. To participate, the
17 administrative director shall apply to the commissioner of administration to participate in the
18 approved court system plan.

19 (b) The court system shall include in the retirement incentive plan a reimbursement
20 agreement that requires the court system, for each administrative director of the Alaska Court
21 System who is retired under the plan, to reimburse the judicial retirement system within three
22 years after the end of the fiscal year in which the administrative director is appointed to
23 retirement in an amount equal to

24 (1) the actuarial equivalent of the difference between the benefits the
25 administrative director receives after the addition of the credit under (e) of this section and the
26 amount the participant would have received without the credit, less the total of the amount the
27 participant has paid on the indebtedness determined under (d) of this section; and

28 (2) an appropriate share of the administrative costs of the program.

29 (c) A retirement incentive plan adopted under this section must provide that
30 contributions from the court system under (b) of this section take priority over other
31 obligations of the court system to the maximum extent permitted by law.

1 (d) An administrative director of the Alaska Court System who participates in an
2 approved retirement incentive plan is indebted to the system. The amount of indebtedness is
3 equal to 21 percent of the director's actual annual compensation for the year in which the
4 director terminates employment to participate in the program, or the calculated annual
5 compensation for an administrative director who works fewer than 12 months. An
6 outstanding indebtedness at the time the administrative director is appointed to retirement
7 under an approved retirement incentive plan will require an actuarial adjustment to the
8 benefits payable to the director.

9 (e) An administrative director of the Alaska Court System who participates in an
10 approved retirement incentive plan receives a credit of three years that may only be used to
11 meet the age requirements for normal or early retirement under AS 22.25.010(d).

12 (f) The chief justice of the Alaska Court System may adopt, and file with the
13 commissioner of administration for approval, a proposed retirement incentive plan for the
14 administrative director of the court system who is a member of the judicial retirement system.
15 Upon the request of the chief justice, the commissioner of administration shall establish a
16 period during which an administrative director eligible to participate in the retirement
17 incentive plan of the court system may apply to the commissioner of administration to
18 participate in the court system's approved plan. The period shall begin no earlier than July 1,
19 2004, and end no later than June 30, 2007. The period shall be no less than 30 days and no
20 more than 60 days in duration and may not begin less than 30 days after establishment. The
21 chief justice is not required to request an application period.

22 (g) The commissioner of administration may not accept the application of an
23 administrative director of the court system to participate in an approved retirement incentive
24 plan adopted under this section unless the administrative director will be appointed to
25 retirement not later than the first day of the month that is six months after the last day of the
26 application period established by the commissioner under (f) of this section. The chief
27 justice, in a plan adopted under this section, may set an earlier date by which an
28 administrative director must be appointed to retirement in order to participate in the plan.

29 * Sec. 9. The uncodified law of the State of Alaska is amended by adding a new section to
30 read:

31 RECOVERY OF EMPLOYER DELINQUENCIES. To recover a delinquency owed

1 by an employer other than the state under an agreement entered into under sec. 2(c)(2) of this
2 Act, the Department of Administration may

3 (1) direct that the amount of the delinquency or a lesser amount be withheld
4 from any money payable to the employer by a state department or agency and that the amount
5 withheld be credited to the delinquency; and

6 (2) bring an action against the employer.

7 * Sec. 10. The uncodified law of the State of Alaska is amended by adding a new section to
8 read:

9 REEMPLOYMENT INDEBTEDNESS; PROHIBITION ON REEMPLOYMENT.

10 (a) If an individual is reemployed as a member of the public employees' retirement system
11 under AS 39.35, the teachers' retirement system under AS 14.25, the judicial retirement
12 system under AS 22.25, or the optional university retirement program under AS 14.40.661 -
13 14.40.799 after appointment to retirement under this Act, that individual forfeits the incentive
14 credit received under sec. 2(f) of this Act and is indebted to the system under which the
15 individual took retirement. The indebtedness is 110 percent of the amount the individual
16 received as a result of participation in a retirement incentive plan under this Act and to which
17 the individual would not otherwise have been entitled, including the cost of health insurance.
18 The amount that the individual has paid under sec. 2(d) or (e) of this Act will be applied as a
19 credit toward the reemployment indebtedness. Interest on the reemployment indebtedness
20 accrues from the date of reemployment until the date that the individual either is appointed to
21 retirement and accepts an actuarial adjustment to the individual's future benefits or repays the
22 indebtedness in full. The rate of interest is that established by regulation for the public
23 employees' retirement system by the public employees' retirement board and for the teachers'
24 retirement system by the teachers' retirement board.

25 (b) An individual who was appointed to retirement under this Act may not be
26 employed by, or enter into a contract for personal services with, a state agency or the
27 University of Alaska within the three years after the date of appointment to retirement, except
28 that

29 (1) the University of Alaska may enter into a personal services contract with
30 the individual for teaching or research;

31 (2) the individual may accept employment with the legislature during a

1 legislative session if the employment is on an hourly basis and does not entitle the individual
2 to receive retirement, health, or leave benefits;

3 (3) the individual may accept employment with a school district as a substitute
4 teacher; and

5 (4) an individual who participated in the teachers' retirement system may
6 accept employment with a school district if the employment is on an hourly basis and does not
7 entitle the individual to receive retirement, health, or leave benefits.

8 (c) Notwithstanding the prohibition in (b) of this section, a state agency or the
9 University of Alaska may enter into a personal services contract with an individual who was
10 appointed to retirement under this Act if the Board of Regents, for the University of Alaska,
11 or the commissioner of administration, for a state agency, determines that there is a
12 compelling reason to do so because of the individual's specialized or extensive experience that
13 relates to a particular program or project of the state agency or university.

14 * **Sec. 11.** The uncodified law of the State of Alaska is amended by adding a new section to
15 read:

16 OFFICE OF MANAGEMENT AND BUDGET. (a) When designating an employee
17 category for participation in a retirement incentive plan under this Act, the executive head of
18 the relevant state agency shall describe in detail the expected effect of the plan on the agency's
19 personal services cost and operation. This financial report must be approved by the director
20 of the office of management and budget before the commissioner of administration may
21 approve the proposed plan. The state agency shall report each year to the office of
22 management and budget on the cost of each employee's participation and the effect on the
23 agency's personal services cost and operation.

24 (b) The office of management and budget shall submit to the legislature annual
25 reports on the retirement incentive under this Act beginning January 15, 2005, and continuing
26 through January 15, 2007, and shall submit a final report January 15, 2008. Each report must
27 provide the information necessary for the legislature to evaluate the effectiveness of the plans
28 in achieving their objectives. The report must include information on the designated
29 employee categories under the plans, including the cost of each plan per participant, the cost
30 to the state, the cost to the employee, the annual budgeted amount, by state agency, for the
31 incentives, the number of positions deleted or left vacant, and the projected or actual net

1 savings over the three-year period.

2 * Sec. 12. The uncodified law of the State of Alaska is amended by adding a new section to
3 read:

4 PROGRAM CHANGES. (a) An individual employee does not have a vested or
5 contractual right to a benefit under this Act until an agreement is executed with the
6 administrator that specifically authorizes that employee to participate in the retirement
7 incentive program under this Act. The legislature reserves the right to change any aspect of
8 the retirement incentive plan as it relates to employees for whom participation agreements
9 have not yet been executed with the administrator or with the commissioner of administration.

10 (b) In this section, "administrator" means the administrator of the public employees'
11 retirement system for employees who are members of that system, and the administrator of
12 the teachers' retirement system for employees who are members of that system.

13 * Sec. 13. The uncodified law of the State of Alaska is amended by adding a new section to
14 read:

15 REGULATIONS. The commissioner of the Department of Administration may adopt
16 regulations under AS 44.62 (Administrative Procedure Act) to implement and interpret this
17 Act.

18 * Sec. 14. The uncodified law of the State of Alaska is amended by adding a new section to
19 read:

20 DEFINITIONS. (a) Unless provided otherwise in this Act, the definitions set out in
21 AS 14.25.220 apply to provisions in secs. 2 - 10 of this Act that relate to the teachers'
22 retirement system and members of the teachers' retirement system.

23 (b) Unless provided otherwise in this Act, the definitions set out in AS 39.35.680
24 apply to provisions in secs. 2 - 10 of this Act that relate to the public employees' retirement
25 system and members of the public employees' retirement system.

26 (c) In this Act,

27 (1) "office of management and budget" means the office of management and
28 budget in the Office of the Governor;

29 (2) "public employees' retirement system" means the Public Employees'
30 Retirement System of Alaska (AS 39.35);

31 (3) "state agency"

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(A) means

(i) the legislative branch of state government;

(ii) the judicial branch of state government;

(iii) a principal department of the executive branch of state government; an independent state entity that is attached to a principal department of the executive branch for administrative purposes but that is not a public organization as defined in AS 39.35.680 is part of that department for purposes of this clause; and

(iv) the Office of the Governor;

(B) does not include

(i) the University of Alaska;

(ii) a political subdivision of the state; or

(iii) a public organization as defined in AS 39.35.680;

(4) "teachers' retirement system" means the Teachers' Retirement System of Alaska (AS 14.25).

* Sec. 15. Sections 1 - 8 of this Act are repealed July 1, 2007.

* Sec. 16. This Act takes effect immediately under AS 01.10.070(c).

Alaska State Legislature

Session:
State Capitol
Juneau, AK 99801
Phone: (907) 465-2995
Fax: (907) 465-6592



Interim:
716 W 4th Avenue, Suite 430
Anchorage, AK 99501-2133
Phone: (907) 269-0250
Fax: (907) 269-0249

Representative Lesil McGuire
Chair, Judiciary Committee

HB 329

"An Act relating to retirement incentive programs for the public employees' retirement system, the judicial retirement system, and the teachers' retirement system; relating to separation incentives for certain state employees; and providing for an effective date."

SPONSOR STATEMENT

As Alaska continues to struggle with a sizeable fiscal gap and the size and sustainability of our revenue stream uncertain, state government must consider creative policy options that will reduce the cost of government in a manner that is not immensely damaging to our local economies. "Slash and burn" budget cutting, while expedient is not a responsible manner to reduce state spending if avoidable. HB 329 offers state agencies, municipalities, and school districts an additional management tool to reduce headcount among their costliest employees.

House bill 329 proposes an optional retirement incentive in order to reduce the number of government employees, at multiple levels of government, as a way to reduce overall personnel costs while minimizing the negative economic impacts of across-the-board layoffs. While HB 329 is similar to other retirement incentive legislation adopted in the past, there are several innovative components that stand apart from previous versions.

First, this bill extends eligibility for the retirement incentive program (RIP) only to Tier I employees (TRS and PERS). The logic behind this decision is twofold:

- 1) Tier I employees are unquestionably the most expensive in the state workforce. Although many are nearing early and normal retirement age, offering an incentive may encourage numerous employees to retire earlier than originally planned thus reducing the overall retirement benefit while minimizing the impact to actuarial rates; and
- 2) It will be necessary to retain skilled and experienced employees to fill positions vacated by Tier II who could otherwise be eligible to retire under the provisions of this bill.

Secondly, this bill allows those who retire under this program to apply unused annual or personal leave to pay all or a portion of their indebtedness to the system. Lastly, while many of the original restrictions and prohibitions on reemployment remain, this bill offers two unique provisions to help Alaska's school districts meet their growing demand for substitute teachers and allow them access to our most experienced career educators while reducing cost. In both

instances, this bill limits those reemployment circumstances to hourly positions that do not receive leave, retirement, or insurance benefits.

After reviewing reports from the Office of Management and Budget (OMB) and Legislative Budget and Audit (LB&A), one thing becomes clear—Retirement Incentive Programs save the state money. In a report issued by OMB in January 2000, they estimated that the 1996 RIP would realize a total net savings of \$41.4 million through FY03. In addition, in 1991 LB&A concluded that the 1989 RIP realized a net savings of \$22.9 million among state agencies and the participating municipalities and school districts.

In a 2002 report entitled "Show Me The Money: Budget Cutting Strategies for Cash Strapped States", the American Legislative Exchange Council (ALEC) identified ten strategies for cutting budget deficits. The first recommendation is to reduce workforce costs and chief among their suggestions is to provide incentives for early retirement stating "Offering early retirement incentives, such as allowing employees to retire early with full benefits and severance package, typically results in a large exodus of state workers, thereby reducing the workforce without layoffs."

It is for these reasons that HB 329 enjoys wide support from many state employees, teachers, and school districts and it is for these reasons we ask you to support HB 329.

THE
FOLLOWING
DOCUMENT(S)
ARE
POOR
ORIGINAL
COPIES



MATANUSKA-SUSITNA BOROUGH SCHOOL DISTRICT
OFFICE OF THE CHIEF SCHOOL ADMINISTRATOR
501 NORTH GULKANA STREET
PALMER, ALASKA 99645

Phone: 907-746-9255 • Fax: 907-761-4076

January 26, 2004

Representative Lesil McGuire
State Capitol, Room 118
Juneau, AK 99801-1182

Dear Representative McGuire:

Please consider this letter a statement of support for House Bill 329, which would allow government employers to reduce personnel costs through participation in a retirement incentive program. With drastic increases in mandatory contributions to PERS and TRS, our district finds itself in a critical situation. We respectfully ask assistance from the state in two forms: 1) Increased funding for education; and, 2) Increased flexibility to lower our overall cost for salaries and benefits.

Like other school districts, mandatory increases in payments to the state's retirement systems (PERS/TRS), annual inflation, and "status quo" funding have a negative impact on the quality of education. Unlike other school districts, we have no opportunity to increase local revenues, as our local Borough funds the district by the maximum allowable under state law. The State's Foundation Formula has no mechanism to adjust for inflation, meaning our district absorbs the cost of increases each year. Unfortunately, this translates to fewer programs, fewer services, and fewer staff.

Currently, 40 percent of our staff is at the "top" of our salary schedules and eligible for retirement, driving up the overall cost of salaries and benefits and reducing available resources to fund education programs. As a result, employee salaries and benefits account for more than 90 percent of our total Operating Budget (please see accompanying chart). A well-planned retirement incentive program would allow retirement for seasoned staff, opening the door for new, qualified employees at a lesser cost to the district.

Again, our budget forecast is grim. For the upcoming fiscal year, we will be forced to eliminate \$8 million in programs, personnel, and services. This can only be accomplished

to the detriment of our students and schools, as we can no longer absorb the negative impact of annual budget cuts. We can't afford to offer the education programs our community expects and our students need to be successful. Again, we must have additional funding, as well as greater flexibility in the form of a retirement incentive program.

In sum, our district strongly supports HB 329. We appreciate your sponsorship of this bill and your desire to provide relief from the impact of mandatory increases to state retirement programs.

Sincerely,

A handwritten signature in black ink, appearing to be 'RD', with a long horizontal line extending to the right.

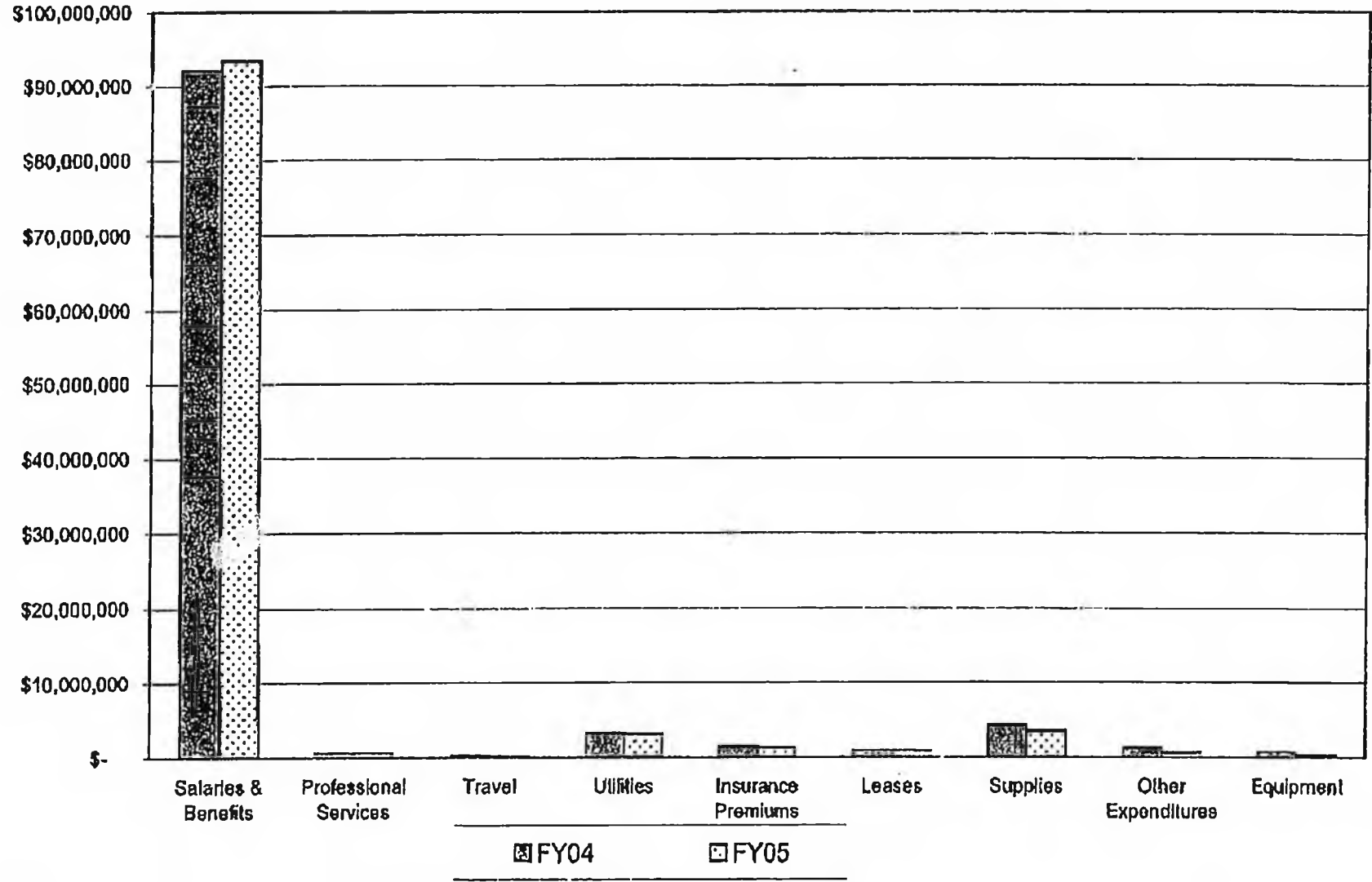
Robert Doyle
Chief School Administrator

Cc: House State Affairs Committee

Attachment

Matanuska-Susitna Borough School District

Expenditure Comparison by Object



SUPERINTENDENT

01/28/2004 11:16 9077614076

1/28/2004

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: HB 329
 () Publish Date: _____

Revision Date/Time (Note if correction): 02/14/04; 16:30 Dept. Affected: Administration
 Title An Act relating to Retirement Incentive Programs RDU ALL
for PERS, TRS, JRS; related separation incentives Component ALL
 Sponsor Rep. McQuire
 Requester _____ Component No. 64

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Services	321.5	321.5	321.5	74.9	74.9	74.9
Travel	30.0	30.0	30.0	0.0	0.0	0.0
Contractual	295.0	210.0	210.0	0.0	0.0	0.0
Supplies	16.0	8.0	8.0	2.0	2.0	2.0
Equipment	80.0	0.0	0.0	0.0	0.0	0.0
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	742.5	569.5	569.5	76.9	76.9	76.9

CAPITAL EXPENDITURES						
-----------------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()						
-------------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
Retirement System - PERS - 67%	497.5	381.6	381.6	51.5	51.5	51.5
Retirement System - TRS - 33%	245.0	187.9	187.9	25.4	25.4	25.4
TOTAL	742.5	569.5	569.5	76.9	76.9	76.9

Estimate of any current year (FY2004) cost: 0.0
 Mark this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal:

POSITIONS

Full-time	2	2	2	2	2	2
Part-time	0	0	0	0	0	0
Temporary	6	6	6	0	0	0

ANALYSIS: (Attach a separate page if necessary)

The above fiscal information relates to costs to administer the program only; see page 2.

AS 24.08.036 FISCAL NOTES ON BILLS AFFECTING STATE RETIREMENT SYSTEMS, requires an additional analysis of the long term and short term costs to the state if a bill is adopted, as well as the impact of the bill on the actuarial soundness of the funds. The analysis presented here does NOT include the employer and system wide costs related to RIP eligibles that results in a continuing liability to the system once the employee is retired, and the related increase in accrued liability for pension and post-retirement health costs over the life of RIP retirees.

Prepared by: Melanie Millhorn Phone 465-4408
 Division Retirement and Benefits Date/Time 2/14/04 12:00 AM
 Approved by: Mike Miller, Commissioner Date _____
 Agency Administration

STATE OF ALASKA
 2004 LEGISLATIVE SESSION
 ANALYSIS CONTINUATION

BILL NO. HB 329

The estimated administrative costs to the division by fiscal year are as follows:

	FY 2005	FY 2006	FY 2007	FY 08-10		
PERSONAL SERVICES:						
1 - R&B Specialist I - Range 16	Counsel	NP	52.0	52.0	52.0	0.0
4 - R&B Tech I/II - Range 12	Process	NP	159.6	159.6	159.6	0.0
1 - R&B Tech I/II - Range 12	Process	Perm	39.9	39.9	39.9	39.9
1 - Admin. Clerk - Range 10	Intake	NP	35.0	35.0	35.0	0.0
1 - Admin. Clerk - Range 10	Records	Perm	35.0	35.0	35.0	35.0
			<u>321.5</u>	<u>321.5</u>	<u>321.5</u>	<u>74.9</u>
TRAVEL:	Counsel Prospective Retirees and Seminars		30.0	30.0	30.0	0.0
CONTRACTUAL:						
	Communications & Postage		90.0	45.0	45.0	0.0
	Computer system modifications		50.0	10.0	10.0	0.0
	Actuarial Services		75.0	75.0	75.0	0.0
	Accounting & Legal Services		75.0	75.0	75.0	0.0
	Training \ Risk Management		5.0	5.0	5.0	0.0
			<u>295.0</u>	<u>210.0</u>	<u>210.0</u>	<u>0.0</u>
SUPPLIES:	Office supplies, calculators, desk-top software		16.0	8.0	8.0	2.0
EQUIPMENT:	Workstation & cubicle, chairs, file cabinets, computers, telephone, set-up costs		80.0	0.0	0.0	0.0
	For non-perms and temp. - set-up and take down.					
TOTAL			<u>742.5</u>	<u>569.5</u>	<u>569.5</u>	<u>76.9</u>

This bill creates a retirement incentive program for the Public Employers' (PERS), Teachers' (TRS) and Judicial (JRS) Retirement Systems. In addition, it allows for separation bonuses for state employees. Authorization for state employees could begin as early as June 30, 2003 or as late as June 30, 2006 (for purposes of this analysis updated to 2004-2007 for the 2nd Session). RIP eligibility periods for state employees would be designated by the Commissioner of Administration. RIP window periods would last from 30-60 days. RIP eligibility periods for the University of Alaska would be designated by the Board of Regents. The Board of Regents could adopt a RIP any time between June 30, 2003 or as late as June 30, 2006. Participating PERS political subdivision employers could adopt a RIP between October 31, 2003 and end no later than June 30, 2004. The chief justice of the state supreme court may adopt a retirement incentive plan for an administrative director of the Alaska Court System if the director is a member of JRS.

Active PERS, TRS and JRS members who meet the cost savings criterion could retire on an accelerated basis with an increased benefit under the following conditions: at age 47 or age 53 (depending on tier), if vested; with 17 years of service as a qualified peace officer, firefighter or teacher; or with 27 years of credited service in the PERS. Qualifying members are indebted to the retirement system and must make a lump sum payment or take an actuarial reduction from their lifetime benefit for the indebtedness amount. The total cost of the incentive is required to be paid within 3 years and will not impact the actuarial soundness of the systems.

Reemployment into the PERS, TRS or JRS or the optional university retirement program after appointment to a RIP retirement will require members to repay 110 percent of the amount they received as a result of RIP participation plus they will forfeit the RIP credit when they retire again.

We estimate that 2 permanent employees will be needed to manage the operations of the program and increased service demands into the future. 6 long-term non-permanent employees will also be needed over the next three fiscal years. Personnel will handle increased counseling in house as well as in field locations, address and beneficiary changes, account maintenance, and other services. Subsequent increases in the number of retirees will necessitate increased permanent employees to handle the increased demand for information and services.

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: HB0329a
 () Publish Date: _____
 Dept. Affected: All
 RDU ALL
 Component ALL
 Component No. _____

Revision Date/Time (Note if correction): 02/13/04: 14:00

Title An Act relating to retirement incentive programs for PERS, TRS, JRS; related separation incentives
 Sponsor Rep. McGuire
 Requester _____

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Services	See attach letter analysis by retirement system Actuary.					
Travel	Total employer cost for PERS, for all RIP eligible = \$ 786.3 million					
Contractual	Total employer cost for TRS, for all RIP eligible = \$ 431.6 million					
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
CHANGE IN REVENUES ()						

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	ALL FUNDING SOURCES					
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

AS 24.08.036 FISCAL NOTES ON BILLS AFFECTING STATE RETIREMENT SYSTEMS, requires an analysis of the long term and short term costs to the state if a bill is adopted, as well as the impact of the bill on the actuarial soundness of the funds.

The attached summary by the system Actuary, Mercer Human Resources Consulting, determined the cost to the system of the RIP eligibles by 1) calculating a liability increase created by the retirement as result of RIP eligibility (more years of payments and benefits, 2) discounting that for the total present value of those benefits, 3) minus the member indebtedness to be paid to the Systems.

The 1996 RIP indicated 12,284 PERS members with a cost of \$341.8 million; and 4,730 TRS with a cost of \$175.9 million. This RIP involves 8,008 PERS members through 7/07 at a cost of \$786.3 million; and 3,470 TRS members through 7/07, at a cost of \$431.6 million.

The dramatic cost increase per member for this RIP is due to the use of newer life expectancy which adds more payments, health care costs that have more than doubled (\$350 per member 1996 to \$806 per member in 2004), etc.

Prepared by: Melanie Millhorn Phone _____
 Division Retirement and Benefits Date/Time 02/13/04; 14:00
 Approved by: Mike Miller, Commissioner Date _____
 Agency Administration

MERCER

Human Resource Consulting

One Union Square
600 University Street, Suite 3200
Seattle, WA 98101-3137
206 808 8800 Fax 206 382 0627
www.mercerHR.com

February 13, 2004

Ms. Melanie Millhorn
Director
State of Alaska
Division of Retirement & Benefits
P.O. Box 110203
Juneau, AK 99811-0203

Subject:

House Bill 329 - Retirement Incentive Program (RIP)

Dear Melanie:

We have calculated the total employer cost for both the Public Employees' Retirement System (PERS) and Teachers' Retirement System (TRS) under the proposed RIP, as described in CS to House Bill 329.

The following data and assumptions were used in estimating the RIP costs:

1. June 30, 2003 actuarial valuation data as supplied by the Division of Retirement & Benefits with additional eligible members added by Mike Adams.
2. The interest rate is 8.25%.
3. The actual monthly premium for medical benefits is \$806 as provided by the State of Alaska, Division of Retirement & Benefits
4. All other assumptions and methods are consistent with the June 30, 2002 actuarial valuation reports for the respective Systems.

Under the proposed RIP employers can open the RIP for one or more periods to eligible members from June 30, 2004 to June 30, 2007. For purposes of this analysis, we've assumed an employer will open RIP windows sufficiently often to allow all members who become eligible during the three-year period to take advantage of the proposed RIP. We've assumed all eligible members will retire under the RIP. If fewer windows are opened or if fewer eligible members accept, then the total employer cost will be less.

MERCER

Human Resource Consulting

Page 2

February 13, 2004

Ms. Melanie Millhorn

State of Alaska

The total employer cost under proposed HB 329 is equal to the increase in the total present value of benefits, minus member indebtedness to be paid to the Systems. The total employer cost would be approximately \$786,300,000 for PERS and \$431,600,000 for TRS.

In determining the costs we've calculated the increase in present value of benefits for those who will be RIP eligible as of June 30, 2004. In order to account for those to become eligible over the next three years we increased the present value of benefits proportionately by the number of newly eligible members each June 30th, discounted with interest. As of June 30, 2004, 6,643 PERS members and 3,066 TRS members will be eligible for the RIP. The following table illustrates the number of additional members to become eligible thereafter:

Become Eligible	PERS	TRS
7/04 - 7/05	553	162
7/05 - 7/06	443	162
7/06 - 7/07	369	80

System payroll as of June 30, 2003 for all members to become eligible at any time before June 30, 2007 is \$413,400,000 for PERS and \$222,200,000 for TRS.

Our understanding is that each employee is directly charged the cost due to enhanced benefits and earlier eligibility available through the RIP. Thus the RIP is designed to be cost neutral under the actuarial assumptions and methods presently in use. While these assumptions are our best estimates, future changes (such as improvements in longevity or higher than anticipated medical cost increases) may affect the ultimate cost neutrality of the program.

MERCER

Human Resource Consulting

Page 3

February 13, 2004

Ms. McLanie Millhorn

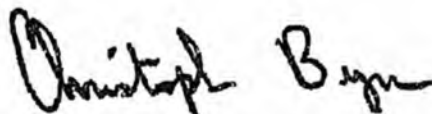
State of Alaska

Please feel free to call either of us with any questions or comments.

Sincerely,



Robert Reynolds, ASA, EA



Christopher M. Bymes, EA

RMR/CMB/msk

Copy:

Kathy Lca

Anselm Staack

Alaska Division of Retirement & Benefits Public Employees' Retirement System Plan Comparison Chart Rev. 1/12/2004

Tier I 1/1/61 - 6/30/86	Tier II Entered on or after 7/1/86	Tier III Entered on or after 7/1/96
<p>Pre-tax employee contribution: 6.75% beginning 1/1/87—All others 7.5% beginning 1/1/87—police and fire 9.6% beginning 7/1/99—school district</p>	<p>Pre-tax employee contribution: 6.75% beginning 1/1/87—All others 7.5% beginning 1/1/87—police and fire 9.6% beginning 7/1/99—school district</p>	<p>Pre-tax employee contribution: 6.75% beginning 1/1/87—All others 7.5% beginning 1/1/87—police and fire 9.6% beginning 7/1/99—school district</p>
<p>Members vest with 5 years of service.</p>	<p>Members vest with 5 years of service.</p>	<p>Members vest with 5 years of service.</p>
<p>Normal retirement age is 55, with early retirement at age 50; police/fire members can retire at any age after 20 years of police/fire service; all other members can retire at any age after 30 years of membership service. Early retirement reduction will be ½% per month or 6% per year for every year less than the required normal retirement age.</p>	<p>Normal retirement age is 60, with early retirement at age 55; police/fire members can retire at any age after 20 years of police/fire service; all other members can retire at any age after 30 years of membership service. Early retirement reduction will be ½% per month or 6% per year for every year less than the required normal retirement age.</p>	<p>Normal retirement age is 60, with early retirement at age 55; police/fire members can retire at any age after 20 years of police/fire service; all other members can retire at any age after 30 years of membership service. Early retirement reduction will be ½% per month or 6% per year for every year less than the required normal retirement age.</p>
<p>Benefit formula is 2% for first 10 years and all years of service prior to July 1, 1986, 2.25% for the next 10 years, 2.5% per year thereafter. Benefit calculation is determined on the average of the high three consecutive years' salary.</p> <p>Police/Fire 2% x 10, 2.5% over 10.</p>	<p>Benefit formula is 2% for first 10 years, 2.25% for the next 10 years, and 2.5% per year thereafter. Benefit calculation is determined on the average of the high three consecutive years salary.</p> <p>Police/Fire 2% x 10, 2.5% over 10.</p>	<p>Benefit formulas did not change; however, the benefit calculation is determined on the average of the high five consecutive years' salary. The benefit calculation for police and fire members is the average of the high three consecutive</p>

		years regardless of tier (effective 2002).
An Alaska Cost-of-Living Allowance is payable to benefit recipients who remain domiciled in Alaska after retirement. The allowance is \$50 or 10% of the base benefit, whichever is greater.	An Alaska Cost-of-Living Allowance is payable to benefit recipients 65 or older or disability benefit recipients regardless of age who remain domiciled in Alaska after retirement. The allowance is \$50 or 10% of the base benefit, whichever is greater.	An Alaska Cost-of-Living Allowance is payable to benefit recipients 65 or older or disability benefit recipients regardless of age who remain domiciled in Alaska after retirement. The allowance is \$50 or 10% of the base benefit, whichever is greater.
PRPA increases granted on an ad hoc basis. The automatic PRPA legislated in 1986 applied to all members regardless of hire date.	Automatic PRPA adjustments to disabled members, retirees 60 and over, and those who have received benefits for 5 years.	Automatic PRPA adjustments to disabled members, retirees 60 and over, and those who have received benefits for 5 years.
Medical coverage is provided to all benefit recipients and their eligible dependents. The retiree medical plan premium is paid by the retirement system.	Medical coverage is provided to disabilitants, regardless of age and benefit recipients over age 60 or <ul style="list-style-type: none"> • police/fire members with 25 years of police/fire service • all other members with 30 years of membership service and their eligible dependents. The retirement system pays the retiree medical plan premium. Retirees and survivors under age 60 must pay the full premium cost if they want coverage.	Same as Tier II. However, employees must accrue a minimum of 10 years of credited service* , to have system-paid coverage at age 60. Employees with less than 10 years must pay the full premiums as long as they wish to continue medical coverage.
Disability benefits for members: nonoccupational disability benefits are calculated as a normal retirement. Occupational disability provides 40% of the gross monthly compensation. Different occupational disability formula available before 7/1/76.	Disability benefits for members: nonoccupational disability benefits are calculated as a normal retirement. Occupational disability provides 40% of the gross monthly compensation.	Disability benefits for members: nonoccupational disability benefits are calculated as a normal retirement. Occupational disability provides 40% of the gross monthly compensation.

*Credited service includes all service used in the calculation of a retirement benefit.

Alaska Division of Retirement & Benefits

TRS Plan Comparison Chart

Rev. 1/12/2004

Tier I 7/1/55 - 6/30/90	Tier II Entered on or after 7/1/90
Pre-tax employee contribution: 8.65% beginning 1/1/91	Pre-tax employee contribution: 8.65% beginning 1/1/91
Members vest with 8 years of service.	Members vest with 8 years of service.
Normal retirement age is 55, with early retirement at age 50; teachers can retire at any age after 20 years of membership service.	Normal retirement age is 60, with early retirement at age 55; teachers can retire at any age after 20 years of membership service.
Benefit formula is 2% for the first 20 years and all years of service prior to July 1, 1990, 2.5% thereafter. Benefit calculation is determined on the average of the high three contract salaries.	Benefit formula is: 2% for the first 20 years, 2.5% thereafter. Benefit calculation is determined on the average of the high three contract salaries.
An Alaska Cost-of-Living Allowance is payable to benefit recipients who remain domiciled in Alaska after retirement. The allowance is 10% of the base benefit.	An Alaska Cost-of-Living Allowance is payable to benefit recipients 65 or older or disability benefit recipients regardless of age who remain domiciled in Alaska after retirement. The allowance is 10% of the base benefit.
PRPA increases granted on an ad hoc basis. The automatic PRPA legislated in 1990 applied to all members regardless of hire date.	Automatic PRPA adjustments to disabled members, retirees 60 and over, and those who have received benefits for 8 years.
Medical coverage is provided to all benefit recipients and their eligible dependents. The retiree medical plan premium is paid by the retirement system.	The retirement system pays the retiree medical plan premium for all disabilities regardless of age, for retirees and survivors over age 60 and for retirees with at least 25 years of membership service. This coverage includes eligible dependents. Retirees and survivors under age 60, with less than 25 years of membership service must pay the full premium cost if they want coverage.
Disability benefits are 50% of base salary, plus 10% for each eligible dependent child up to a maximum of 4 children.	Disability benefits are 50% of base salary, plus 10% for each eligible dependent child up to a maximum of 4 children.

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Pensions and Retirement Plan Enactments in 2003 State Legislatures

Ronald K. Snell

With assistance from Justin Marks

Posted 5 November 2003

Introduction. This report summarizes selected pensions and retirement legislation that state legislatures enacted in 2003. We have reviewed legislation enacted in all 50 states through October 31, 2003. The report also includes a few items of legislation enacted too late in 2002 for inclusion in the 2002 report.

The sources of this report are retirement systems' Web sites and direct communication with legislative staff and retirement system staff. We are grateful to the many legislative staff who write and share summaries of their Legislatures' acts, the many retirement system staff throughout the United States who have posted legislative summaries on their web sites, and the staff of legislatures and retirement systems who have taken time to identify and explain legislation and its context to us.

Our goal has been to include information that will help policy makers know how other states have addressed issues that could arise in any state. For that reason we exclude most clean-up legislation, cost-of-living adjustments, administrative procedures and technical changes that are state-specific. This report is organized by a list of the topics that legislatures addressed in 2003. The following summarizes action on the issues that received the most attention in 2003, in terms of the volume of legislation. Following it is a list of the topics the report covers and summaries of legislation, organized by topic.

Contribution Rates and Funding Issues

Fiscal, economic, and funding concerns dominated state retirement legislation in 2003.

- A number of states--California, Illinois, Kansas, New Jersey, Oregon, West Virginia and Wisconsin--authorized pension obligation bonds to address state or local current funding issues or actuarially accrued unfunded liabilities. New York authorized local governments to bond for any contributions in excess of 7 percent of salaries for FY 2005.
- Some states increased mandatory contribution rates by statute, including Connecticut, Florida, Kansas, Massachusetts, Missouri, Nebraska and Washington. Many states do not require legislation to increase contribution rates.
- Some states limited the mandatory contributions of state agency employers and local governments in order to phase in substantial increases in contributions (Colorado,

Missouri, New York and New Jersey) or otherwise provided temporary fiscal relief to local governments (Massachusetts). The Colorado legislation was vetoed.

- Some states prohibited benefit increases pensions systems' finances improve (Missouri and New Jersey)
- Oregon completely reorganized the Public Employee Retirement System to address an unfunded accrued liability that had grown from less than one billion dollars in 1999 to approximately \$15 billion in October 2002.

Early Retirement Incentives

At least eight states--Connecticut, California, Indiana, Maine, Michigan (in late 2002), Missouri, New Jersey and Texas--made early retirement incentive programs available to state employees or local government employees in 2003, in part to reduce or control the number of state employees in light of current state fiscal difficulties. Indiana, Maine and Texas adopted the unusual procedure of making cash payments to employees who took advantage of the early retirement incentives. Six states adopted such programs in 2002.

Governance

The reorganization of retirement system boards of trustees in Maryland and Oregon was in both states at least in part because of issues related to financial management.

Health Coverage

Health coverage for retirees was an issue in several states. California increased the minimum employer contribution for agencies that contract with the Public Employees Retirement System for health benefits and provided that after 2008 the minimum payment will be adjusted annually to reflect changes in the medical care component of the consumer price index. Kentucky, New Hampshire and Texas tightened eligibility for future retiree health benefits through minimum service requirements. Texas also enacted a levy on active Teachers Retirement System members for retiree health insurance; the levy will increase over time. Connecticut increased active teachers' and the state's payments to cover health insurance for retired teachers who are not eligible for Medicare, and also increased the beneficiaries' copayments.

Legislators' Retirement Plans

Several states made relatively minor adjustments in their legislative retirement plans to increase flexibility for legislators who previously were or subsequently become eligible for other state retirement programs, probably reflecting shorter legislative terms and term limits. Three states made more significant changes. Illinois reduced potential retirement benefits for long-term legislators. New Mexico created new optional retirement programs that would require higher contributions from legislators and increase potential benefits. Oregon will allow future legislators either to join its new Oregon Public Service Retirement Plan, join the state deferred compensation plan, or opt out of a retirement benefit based on legislative service.

Re-employment after Retirement

Easing or removing restrictions on collecting retirement benefits when a retiree returns to

covered employment was again an important issue in 2003, as it has been in the last few years. Ten states enacted such legislation in 2002, and 20 did so in 2001. New legislation in Connecticut, Florida, Illinois, Missouri, Montana, New Mexico, North Dakota, and Texas facilitates retired teachers' return to covered employment. Alaska allowed a retiree covered by the Public Employee Retirement System to enter teaching and earn credit in the Teachers' Retirement System within one year.

New York authorized local governments to hire retirees to fill in for activated employees without the replacement losing retirement benefits; Colorado enacted somewhat similar legislation. Maryland and West Virginia legislation eased the return of certain retired public safety personnel to covered employment. New Mexico legislation allows any retired public employee to return to covered employment without a loss of retirement benefits, but the returning employee must contribute to the retirement fund without earning any additional service credit.

List of Topics

- Benefit Cap
- Conformity with provisions of the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTERRA)
- Contribution rates and funding issues
- Deferred Compensation Plans/Optional Retirement Plans
- Defined Benefit Plan Changes
(including partial lump-sum options)
- Defined Benefit Plan - New
- Defined Contribution Plans For Broad Categories of Employees
- Deferred Retirement Option Plans
- Disability
- Early Retirement Incentives
- Governance
- Guarantee of Benefits
- Health Coverage
- Investments
- Legislators' Retirement Plans
- Loans
- Re-employment after Retirement
- Retirement Eligibility
- Service Credit/ Purchase of Service/ Transfer of Credit
- Special Pay Plans
- Studies
- Taxation
- Vesting
- Withdrawn Contributions

Benefit Cap

Louisiana. SB 428 provides that retirement benefits provided by existing law shall not exceed 100%, and when a member has earned a benefit accrual equal to 100% no further

contributions shall be required of him. However, the state shall continue to pay to the system the employer's contribution.

Conformity with provisions of the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTERRA)

Alaska. HB 254

North Dakota. SB 2057

Contribution rates and funding issues

California. Chapter 11, Statutes of 2003 (SBX1 29) authorized the sale of pension obligation bonds to fund or refund the state's pension obligations. The act also authorizes the Pension Obligation Bond Committee, as established by the bill, to bring an action to determine the validity of the bonds issued pursuant to the act. According to the Legislative Analyst's Office, the bonds would be repaid over five years.

The plan to issue bonds for \$1.9 billion was blocked as unconstitutional by a justice of the state supreme court on September 24, 2003.

In addition, the budget reduces a payment to the State Teachers' Retirement System supplemental benefit program (which protects retirees' benefits from the effects of inflation) by \$500 million on a one-time basis (reported by the Legislative Analyst's Office).

Colorado. SB 101, vetoed by the governor, would have limited year-over-year employer contribution rate increases, providing among other things that rates would have remained constant when the Public Employees' Retirement Association's funding ratio is between 95 percent and 110 percent, be amortized over 30 years when the ratio is between 85 percent and 95 percent, and be amortized over 20 years when the funding ratio is below 85 percent or above 115 percent. The bill would have frozen employer contributions until July 1, 2004, for state, school and judicial employers. The bill also included a ceiling on the year-over-year employer contribution rate increase. In the wake of the veto, the contribution rate for state and school division employers will increase from 10.04 percent in FY 2002 to 10.15 percent for FY 2003.

Connecticut. PA 03-6 requires that the state's contribution to the state employee retirement fund for FY 2004 and FY 2005 be revised to take the costs of the early retirement incentive program into account.

Florida. Chapter 2003-260 changed employer contribution rates for Florida Retirement System pensions. Increases included the contribution rate for regular members going from 5.76 percent for FY 2002 to 7.39 percent for FY 2003; for legislators and the governor, from 9.41 percent to 12.49 percent, and for county, city and special district elected officers, from 11.86 percent to 15.23 percent. Full details at http://www.frs.state.fl.us/frs/public/conrate/2003_contribs.htm .

Illinois. HB 2660 authorized the sale of \$10 billion in pension obligation bonds to pay the state employer's contribution to the State Employees' Retirement System of Illinois; the Teachers' Retirement System of the State of Illinois; the State Universities Retirement System; the Judges Retirement System of Illinois; and the General Assembly Retirement System for 2004 plus a remaining amount due for 2003 (about \$2.16 billion in all). The remainder will be used to reduce the accrued unfunded actuarial liability .

Kansas. HB 2014 provides for annual increases in the state employer contribution to the Kansas Public Employees Retirement Fund (KPERs) from 4.58 percent for FY 2004 to 7.58 percent for FY 2010. The bill also suspends state and local government contributions for the Death and Long Term Disability Benefits plan administered by KPERs from April 1, 2003 through June 30, 2004 for a savings of nearly \$28 million.

HB 2014 also authorized, but did not require, three bond issues:

- The Secretary of Administration was given discretion to issue up to \$15.5 million in revenue bonds to finance the unfunded actuarial liability that would ensue to KPERs as a result of the legislature's transferring a closed group of higher education and University of Kansas Hospital Authority active, inactive and retired employees to KPERs. The bonds would be for 10 years and would be repaid by the regents and the hospital authority from appropriated funds. The group members are presently covered by defined contribution plans.
- A second bond authorization in the amount of \$24.9 million would transfer the "13th check" for a closed group of about 15,000 KPERs members into a guaranteed benefit. 13th checks have been funded from fund investment returns above forecast. This provision would guarantee the benefit for the lives of the beneficiaries. The 10-year bonds would be repaid with increased state employer contributions beginning in 2005. An additional unfunded accrued liability will be unbonded and will be covered by an increase in the local government employer contribution beginning in 2005.
- Third, the legislation authorizes the issue of as much as \$500 million of revenue bonds to offset the unfunded actuarial liability of KPERs (presently \$1.5 billion), subject to the decision of the State Finance Council whether to issue such bonds. The council may also decide whether to issue taxable or untaxed bonds. The council itself will be advised by the Joint Committee on Pensions, Investments and Benefits after the committee studies the issue. The purpose of the proposed bond issue is to produce long-term savings in employer contributions.

Maine. Chapter 20, PL 2003, the budget bill, lengthened the amortization period of the unfunded actuarial liability for the Maine State Retirement System (MSRS) for the two years of the 2004-05 biennium. At the end of the 2004-05 biennium the amortization period is re-shortened, to the period it would have been absent the lengthening for the biennium. The Constitutionally-required amortization period for payment of the UAL is 31 years or less from July 1, 1997.

Massachusetts. Chapter 46, Acts of 2003, Section 128 allows local governments and authorities the option of reducing their appropriations for the unfunded accrued liability portion of their pension obligation for FY 2004 and 2005. Appropriations must meet or exceed normal cost; the reduction may not exceed the reduction a city or town received in local aid according to 2002 and 2003 legislation; the reduction must be approved by the state Department of Revenue and the Public Employee Retirement Administration Commission; and no reduction

may occur if the local government has access to certain reserve funds.

Missouri. HB 152 provides that the contribution rate for the Public School Retirement System (PSRS) shall rise no more than one-half of 1 percentage point at year, and the rate for the Non-Teacher Retirement System (NTRS) by no more than one-quarter of 1 percentage point a year. No legislation is to be enacted after July 1, 2003, to increase benefits to plan participants until the contribution rate is equal to or less than that in effect on July 1, 2003.

HB 346 enacted contribution rate increases at the cap specified in HB 152 and specified that no benefit enhancements may be enacted until the contribution rate equals 10.5 percent for PSRS and 5 percent for NTRS.

HB 221 requires county recorders of deeds to collect an additional \$1 on each document or instrument recorded to be contributed to the County Employees Retirement Fund.

Nebraska. LB 320 raised the contribution rates for the judges' retirement system, beginning July 1, 2003, from 6 percent to 8 percent of salary, for judges with less than 20 years of service. It also initiates a 4 percent contribution for judges with more than 20 years service. (It takes 20 years to earn the maximum retirement benefit in the judges retirement plan.)

Court fees are increased by the bill from one to five dollars. Fees accrue for all civil and criminal cases, traffic misdemeanors or infractions, and city and village ordinance violations filed in the district and county courts. Fees are, in effect, the state matching contribution for the judges plan. [The changes prescribed in LB 320 are meant to improve the financial condition of the judges system.]

New Jersey. Chapter 108, P.L. 2003, reduces for four years the pension contributions that local employers must make to the Public Employees' Retirement System of New Jersey (PERS) and the Police and Firemen's Retirement System (PFRS).

The State Treasurer will reduce local employer PERS normal and accrued liability contributions to be a percentage of the amount certified annually by PERS as follows: 20% for payments due in State fiscal year 2005; not more than 40% for payments due in State fiscal year 2006; not more than 60% for payments due in State fiscal year 2007; and not more than 80% for payments due in State fiscal year 2008. Local employer PFRS normal and accrued liability contributions will similarly be reduced.

The law also provides that, for the respective four-year periods during which local public employers' pension contributions to PERS and PFRS will be reduced, and for the year thereafter when the employers would again be subject to the full contribution requirement, the affected contribution payments shall be exempt from the limits imposed by the local budget "cap" law.

Chapter 15 and chapter 42, Laws of 2003 (S-109 and 2-577), allow local governments to issue refunding bonds to retire the unfunded accrued liability resulting from the granting of early retirement incentive benefits to employees of their local units under the State's various pension systems. In essence, the bill would permit local units to "refinance" certain of their existing pension liabilities.

The unfunded liability of a local unit accrues interest at 8.75 percent, the actuarially

established rate of return for the State's various pension systems. This bill would allow a local unit to issue refunding bonds to fund the present value of the accrued liability, effectively financing an existing debt at a lower rate of interest. This bill would offer this option to counties, municipalities, boards of education and local boards, authorities and commissions that have unfunded liabilities due to early retirement incentive benefits granted under the 1991 and 1993 laws, and under P.L.1999, c.59.

The Office of Legislative Services notes:

- At present, according to the Division of Pensions and Benefits, hundreds of local units have individual unfunded liabilities within the State administered pension systems. These unfunded liabilities were created when eligible employees of a local unit accepted the early retirement incentive benefits offered by the local unit pursuant to a series of laws adopted and effective in 1991 and 1993, and pursuant to P.L.1999, c59. These unfunded liabilities must be paid off by the local unit over a period of thirty-three years, although some local units have opted to fund the liability over shorter periods of time. In CY 2000, these units made payments in excess of \$66 million on these debts. As of June 30, 1999, the present value of these debts were believed to exceed \$594 million.

New Mexico. Chapter 86, laws of 2003 (SB 621) requires operators of oil and gas interests to withhold 6.75 percent from payments to out-of-state royalty and working-interest owners to support changes made in the Legislative Retirement fund. Receipts are deposited in the Tax Administration Suspense Fund. According to the Legislative Council Service, the legislation reflects a suspicion, supported by another state's experience, that out-of-state royalty owners do not always report royalties for income tax purposes; the goal of the legislation is enhanced income tax collection to support the retirement plan changes.

New York. Chapter 49, Laws of 2003, restructures the way state and local government members of the New York State and Local Retirement Systems make employer contributions to the systems. Annual minimum contributions of 4.5 percent of salaries will be required, with no suspension in the future, contrary to past practice, to establish a continual funding stream and build assets even in years when investment performance would allow a lower contribution.

The calculation of contributions will be changed to inform employers of their obligation for a coming year in time to plan for it in budgets. This will prevent the state government from delaying contributions, although it still will be able to do so in FY 2004 since the full required contribution was not budgeted.

For FY 2004-2005, local governments will be permitted to bond any contributions in excess of 7 percent of estimated salaries. In addition, the state comptroller may allow state and local governments to amortize required contribution above 7 percent of salaries over five years. Employers who do so will be required to pay 8 percent interest on the amortized amount.

Without these provisions, contributions for state and local governments would rise to 11 percent of payment for the Employee Retirement System for FY 2004 and to 15 percent of payroll for the Police and Fire Retirement System. They will rise to that for the following fiscal year, but governments are informed in time to address the budget issue. The required FY 2004 contributions from state and local governments have been reduced from an estimated \$2.7 billion to \$1.13 billion.

North Carolina. The General Assembly authorized a payment of \$10 million to the employee retirement funds toward the employer contribution funds withheld in 2001.

Oklahoma. HB 1278 established a lottery, subject to approval by the people. Five percent of the proceeds are earmarked for the Teachers Retirement System.

SB 206 redirected \$85.8 million in insurance premium taxes from pension funds for general budgetary purposes. The Insurance Premium Tax generates \$144 million a year. SB 206 provides that the tax, most of which is dedicated to the Oklahoma Police Pension and Retirement System, Oklahoma Firefighters Pension and Retirement System and the Oklahoma Law Enforcement Retirement System, will be diverted for one year in order to help balance the state budget. In return, the three retirement systems will be repaid over five years in an amount equal to the principal plus 7.5% beginning July 1, 2004.

SB 643 requires the employer's contribution rate for OPERS members to increase by 1% beginning July 1, 2006, and to increase by 1% each year thereafter until 2012.

Oregon. HJR 17 submitted a constitutional amendment to the vote of the people, to allow the state to issue general obligation bonds to finance the State of Oregon's pension liabilities.

The voters approved the referred issue on September 16, 2003.

HB 2003, 2004 and 3020 required the board of the Public Employee Retirement System to recalculate employer rates to reflect the effects of all bills passed pertaining to PERS. The new rates are effective July 1, 2003.

Washington. HB 2254 increased contribution rates the following plans:

- Public Employees' Retirement System (PERS) Plan 2
- Teachers' Retirement System (TRS) Plan 2
- School Employees' Retirement System (SERS) Plan 2
- Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plan 2.

Effective July 1, 2003

	Old	New	Change
Pers plan 2	0.65%	1.18%	0.53%
Leoff plan 2	4.39%	5.05%	0.66%

Effective September 1, 2003

Most members will see the change in September paychecks. Member contribution rates changed as follows:

	Old	New	Change
SERS Plan 2	0.35%	0.85%	0.50%
TRS Plan 2	0.15%	0.87%	0.72%

West Virginia. HB 2592 increased employer contribution rates to PERS to 10.5 percent

effective July 1, 2003.

SCR 35 authorized the Secretary of Administration to issue bonds in an amount not to exceed \$3.9 billion to fund the Teachers' Retirement System, Trooper A Plan, and the Judges' Retirement System.

Credit for accrued leave

Deferred Compensation Plans/Optional Retirement Plans

Texas. HB 264 permits institutions of higher education to make contributions to employees' optional retirement plans.

Virginia. SB 849 authorizes institutions of higher education to establish optional retirement plans for teaching, administrative, or research employees, as an alternative to the Virginia Retirement System ("VRS") defined benefit retirement plan. Provides for review of new plans by VRS, requires substantial conformity to VRS policies, and requires reporting to the Legislature. Outlines membership and transfer requirements, and establishes exceptions.

Defined Benefit Plan Changes (including partial lump-sum options)

Alaska. HB 254 changes the number of years for calculation of average monthly compensation for peace officers and fire fighters from five years to three years.

Maryland. Chapter 229, Laws of 2003, allows retired members of the Employees' and the Teachers' Retirement and Pensions Systems eligible for a vested retirement allowance to convert it to a lump sum payment if the monthly vested allowance is less than \$50.

Missouri. HB 346 provides for a partial lump sum option for members of the Public School Retirement System (PSRS) and the Non-Teacher Employee Retirement System (NTRS) who have either 33 years of creditable service or whose age and service total 86 or more. Members may choose a lump-sum of either 1, 2 or 3 times the annual retirement allowance. Lifetime benefit is actuarially reduced accordingly, providing cost neutrality.

HCS for HB 347 and 348 provides a partial lump sum option for members of the Local Government Employees Retirement System eligible for normal retirement at age 60 in the amount equal to 24 months of the member's monthly annuity. Election of this option reduces the lifetime monthly annuity by 16%.

New Jersey. Chapter 108, P.L. 2003, provides for an increase to the special retirement benefit for members of the Police and Firemen's Retirement System (PFRS) beginning with the fiscal year following the adopted valuation report for the retirement system which indicates a funded level in excess of 104%. PFRS members who have 25 or more years of service are currently eligible for a pension of 65% of final compensation, plus 1% of final compensation multiplied by the number of years of creditable service over 25 but not over 30 (70% maximum). This law will increase that benefit to a pension of 70% of final compensation, plus