

Cost of Living Differential (COLD)

One Page Summary

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Background: COLD is a unique payment authorized in Alaska Statute and incorporated into the collective Bargaining Agreements (CBA) of the three maritime unions: Masters, Mates & Pilots (MM&P); Marine Engineers Beneficial Association (MEBA); and Inlandboatmen's Union (IBU). Other Alaska union employees receive a Geographic Differential (GeoDif) pay. Only eligible employees, those residing within Alaska, are authorized to collect COLD. It is paid differently for different unions. Eligible MM&P and MEBA employees collect a fixed lump sum amount per pay period depending upon their job class (e.g. a vessel master collects \$664.40 per pay period), while IBU employees earn a higher hourly rate of pay if they are residents compared to what non-residents earn.

History: Elimination of COLD was tried previously. SB182 was introduced during the 28th Legislature to prohibit the payment of COLD, was subsequently amended to grandfather in the elimination of COLD, and ultimately did not make it past the rules committee. The fiscal note attached to that bill in 2014 indicated an immediate savings of \$7,689.7 with the total and immediate elimination of COLD. There was serious resistance, as to be expected, from employees, their families, and their unions since as proposed, the elimination of COLD without any form of replacement was essentially a very large pay cut.

Problem/Challenge: COLD does not actually accomplish all of what AMHS needs it to accomplish. COLD encourages employees to live in Alaska versus elsewhere. Only a small percentage of AMHS vessel employees live outside the state now (MM&P 16.7%, MEBA 24.7%, IBU 2.8% nonresident, a total of approximately 60 out of 850 vessel employees or 7% overall). AMHS desires that employees live in the change port of the vessel that they work on. This minimizes travel and per diem costs, and makes crewing vessels easier. As it is now, COLD does not provide any incentive for an employee to live in a high cost of living area such as Cordova when the employee collects the same COLD there as they do if they live in Anchorage or Juneau. Essentially, COLD provides no fidelity to the geographic cost of living differences within the various Alaska communities. Rather, it is an all or nothing pay boost for Alaskans over non-Alaskans. It consumes administrative time to properly administer, verify and investigate reported abuse (much like PFD fraud, and DOT COLD investigators work closely with PFD investigators), and it causes a rift between resident and non-resident employees (MEBA engineers have been heard to say "We are the only MEBA members who have to take a pay cut to work for AMHS because we choose to live outside Alaska").

Actions Needed/Timeline: COLD is established in AS 23.40.210, so a bill to amend that statute, similar to SB182, would need to be approved. Unlike SB182, a new bill should indicate the replacement for COLD (GeoDif) rather than just the elimination of COLD. Following that process, contract negotiations with the three maritime unions would be required to remove the obsolete COLD language from the CBAs and replace it with GeoDif language. Geographic Differential pay tables already exist in other employee union contracts, and we should strive for consistency with them. This is a 1-2 year process.

Desired End State: There is a better way to address this issue. A geographic pay differential, based on community cost of living and not the State of Alaska versus Seattle cost of living, would be a more equitable, less expensive way to compensate employees and it would incentivize them to live in the higher cost of living areas within the state where AMHS has vessel change ports. Additionally, it would bring AMHS vessel employees in line with other state employees who receive geographic differential (or locality) pay, not COLD. There would still be implementation challenges and administrative overhead managing the benefit but it would be the same as for all other employees, not unique to AMHS.

Statute/Contract References: Alaska Statute 23.40.210; MM&P, MEBA, IBU Collective Bargaining Agreements: <http://doa.alaska.gov/dop/LaborRelations/unionContracts/>