

# FISCAL NOTE

Bill Version: CSHB 199 (STA)  
 (H) Publish Date: 4/23/99

**STATE OF ALASKA  
 1999 LEGISLATIVE SESSION**

Work Draft 4/21/99, Version H

Revision Date/Time (Note if correction) \_\_\_\_\_ Dept. Affected All  
 Title An Act relating to compensation for certain BRU All  
State employees; and providing for an effective date. Component All  
 Sponsor House Finance Comm.  
 Requester House State Affairs Comm. Component Serial No. \_\_\_\_\_

**Expenditures/Revenues** (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Personal Services	(679.7)	(1,157.0)	(2,438.1)	(2,463.3)	(2,662.6)	(2,711.2)
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>(679.7)</b>	<b>(1,157.0)</b>	<b>(2,438.1)</b>	<b>(2,463.3)</b>	<b>(2,662.6)</b>	<b>(2,711.2)</b>

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES ( )</b>						
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	(441.8)	(752.1)	(1,584.8)	(1,601.1)	(1,730.7)	(1,762.3)
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)	(237.9)	(405.0)	(853.3)	(862.2)	(931.9)	(948.9)
<b>TOTAL</b>	<b>(679.7)</b>	<b>(1,157.0)</b>	<b>(2,438.1)</b>	<b>(2,463.3)</b>	<b>(2,662.6)</b>	<b>(2,711.2)</b>

Estimate of any current year (FY99) cost: 0.0

**POSITIONS**

Full-time						
Part-time						
Temporary						

**ANALYSIS:** (Attach a separate page if necessary)  
 CSHB 199(SA) covers several topics that will have a fiscal impact. Those covered by this fiscal note are as follows:  
 Sec. 6, 11, 16, and 17 - Geographic Pay Differentials  
 Sec. 7, 16, and 18(c) - Longevity Increments to pay  
 Sec 8, and 19 - Commissioners' pay  
 Sec 9, and 18(a), (b) - Statutory salary schedule  
 Sec 10 - duration for step advancement

The combined fiscal impact is summarized on page 2. Attachments A through E provide details to the calculations.

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 Division Personnel Date/Time \_\_\_\_\_  
 Approved by Commissioner [Signature] Date 4/21/99  
 Agency Administration

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## FISCAL NOTE, CONT.

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As detailed in Attachments A through E, following are the fiscal impacts of the various topics in CSHB 199(SA):

	FY 2000	FY 2001	FY2002	FY2003	FY2004	FY2005
Geo. Pay Diff.	\$ 95.4	\$ 16.0	-\$ 53.2	-\$ 111.9	-\$ 163.6	-\$ 212.2
Long. Inc.	-\$ 64.5	-\$188.1	-\$1,075.1	-\$1,075.1	-\$1,075.1	-\$1,075.1
Comm. Pay	0.0	0.0	0.0	-\$ 66.5	-\$ 114.1	-\$ 114.1
Salary sched.	-\$687.6	-\$961.9	-\$1,286.8	-\$1,286.8	-\$1,286.8	-\$1,286.8
Step duration	-\$ 23.0	-\$ 23.0	-\$ 23.0	-\$ 23.0	-\$ 23.0	-\$ 23.0
Total	-\$ 679.7	-\$1,157.0	-\$2,438.1	-\$2,463.3	-\$2,662.6	-\$2,711.2

The following assumptions are used for this analysis:

Turnover rate is 12% per year.

The cost of variable benefits (all except health insurance) is 25%.

Personal Services expenses are distributed 65% to General Funds and 35% to all other sources.

Additional assumptions specific to Attachments A through E are listed in the attachments.

No attempt has been made to isolate the impacts of multiple provisions on the same employee. For example, employees who are receiving both longevity increment pay and a geographic pay differential are analyzed based on the change in each provision separately. The combined impact will be less than the sum of the separate impacts. To that extent, the totals are overstated.

Attachment F is a brief sectional statement of provisions not covered by this Fiscal Note.

FISCAL NOTE CSHB 199(STA)  
ATTACHMENT A  
GEOGRAPHIC PAY DIFFERENTIALS

There are 316 employees in the executive branch partially exempt service (PX) or classified service not in a bargaining unit (EE) whose geographic pay differential will be affected by Sec. 11 and 18 of this bill. The geographic pay differential for 222 employees will go up on the effective date. The geographic pay differential of 139 employees will go down. Some of the changes in each direction are only fractions of a percent.

Costs of employees going to higher geographic pay differentials will be due immediately. Savings from employees going to lower geographic pay differentials will result from turnover.

Assumptions:

- Part-time (hourly) employees work half time.
- Emergency Guards work 10% of full time.

The annual cost of employees going to higher geographic pay differentials is \$93.5 thousand. First year savings from employees going to lower geographic pay differentials (due to turnover) is \$37.1 thousand. Second year savings is \$108.1. Savings increase to Net costs and savings are:

	FY '00	FY '01	FY '02	FY '03	FY '04	FY '05
Costs	\$ 93.5	\$ 93.5	\$ 93.5	\$ 93.5	\$ 93.5	\$ 93.5
Savings	-\$ 37.1	-\$ 108.1	-\$ 169.9	-\$ 222.4	-\$ 268.7	-\$ 312.0
Total	\$ 56.4	-\$ 14.6	-\$ 76.4	-\$ 128.9	-\$ 175.2	-\$ 218.5

Governor Knowles remains committed to providing the same changes to geographic pay differentials to employees in the exempt service of the executive branch as is provided to employees in the partially exempt service by statute. Governor Knowles is committed to making the changes in Sec. 11 of CSHB 199(SA) by Administrative Order. The Administrative Order would cover 29 employees, 12 in locations going to a higher geographic pay differential, and 17 in locations going to a lower geographic pay differential. The costs and savings from these employees, using the same method as above, will be:

	FY '00	FY '01	FY '02	FY '03	FY '04	FY '05
Costs	\$ 43.4	\$ 43.4	\$ 43.4	\$ 43.4	\$ 43.4	\$ 43.4
Savings	-\$ 4.4	-\$ 12.8	-\$ 20.2	-\$ 26.4	-\$ 31.9	-\$ 37.1
Total	\$ 39.0	\$ 30.6	\$ 23.2	\$ 17.0	\$ 11.5	\$ 6.3

These totals are included in the totals on the Fiscal Note.

FISCAL NOTE CSHB 199(STA)  
ATTACHMENT B  
LONGEVITY INCREMENTS TO PAY

Currently, there are 152 employees in the partially exempt service (PX) and in the classified service but not in a bargaining unit (EE) who are paid at a longevity increment. Salaries for the group will be reduced as turnover occurs, and when the current employees are no longer "frozen" as provided in Sec. 19(c) of the bill.

Ultimate savings will be \$1,075.1 per year, to be realized in FY 2002 when the freeze is removed. In FY 2000, based on turnover, savings will be \$64.5. In FY 2001, savings will be \$188.1.

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ATTACHMENT C  
COMMISSIONERS' PAY

Sec. 8 of the bill will reduce the pay of departmental commissioners from Step E to Step C of the statutory pay schedule as amended in Sec. 9. However, Sec. 19 would delay the impact until the date the next governor is sworn into office. Absent a succession to the office before the next date a governor is scheduled to take office, the first Monday in December, 2002, there will be no impact until FY 2003. In that year, the lower rates will apply for seven months. For the following years, the full impact will apply.

Assumptions:

The number of Commissioners remains at 15.

FY 2003 reduction will be \$66.5 thousand. Reductions in later years will be \$114.1 thousand.

FISCAL NOTE CSHB 199(STA)  
ATTACHMENT D  
STATUTORY PAY SCHEDULE

Sec. 9 repeals the existing statutory salary schedule and enacts a new one. The new schedule consists only of steps A, C, and F of the existing schedule. Sec. 10 provides that advancement between steps requires three years of service. Sec. 18(a) and (b) provide a transition between the two schedules. Basically, time at former Steps A and B count toward the three years required to be eligible for consideration for new Step C, and time at former Steps C, D, and E count toward the three years required to be eligible for consideration for new Step F.

These sections will directly affect 480 employees in the executive branch in the classified service not in a bargaining unit (EE) and in the partially exempt (PX) service. Savings will result in the first two years as employees are not advanced one or two steps. The full savings will be realized in the third fiscal year.

Assumptions:

All savings will result from former steps not earned.

First year savings will be \$687.6 thousand. Second year savings will be \$961.9 thousand. Savings in the third year and beyond will be \$1,286.8 thousand.

FISCAL NOTE CSHB 199(STA)  
ATTACHMENT E  
DURATION FOR STEP ADVANCEMENT

In addition to the changes made by the repeal and reenactment of the statutory salary schedule discussed in Attachment D, 81 employees in the executive branch partially exempt service (PX) and the classified service not covered by collective bargaining (EE) are at Ranges 5-13, Step A. Advancement from Step A to Step B would normally occur after six months of satisfactory service. Attachment D analyzed the data based on a full year at each step. That analysis understates the savings for the employees described here. The savings will be an additional \$23.0 thousand per year.

FISCAL NOTE CSHB 199(STA)  
ATTACHMENT F  
SECTIONS NOT COVERED BY THIS FISCAL NOTE

Sec. 1 reduces the starting pay cap of the Exec. Sec. Of the Professional Teaching Practice Commission to conform to the new statutory pay schedule enacted in Sec. 9.

Sec. 2 - 5 conform the provisions for escalating the salaries of the judiciary to the new statutory pay schedule enacted in Sec. 9.

Sec. 6 adds a paragraph to the Public Employment Relations Act (PERA) to prohibit a geographic pay differential from being greater than the statutory provisions enacted in Sec. 11.

Sec. 7 adds a paragraph to PERA to make contractual provisions for a longevity or service bonus after seven years of service a reportable term of an agreement.

Sec. 12, 14, and 15 are conforming amendments to statutes referencing the geographic pay differential section being repealed.

Sec. 13 would require any state agency or entity in any branch of government that has chosen to adopt the statutory salary schedule to make revisions consistent with this bill. Since those agencies and entities have the authority to adopt other salary systems we are unable to project the fiscal impact on decisions that have not yet been made.