

**ALASKA STATE LEGISLATURE  
HOUSE STATE AFFAIRS STANDING COMMITTEE**

April 11, 2002

8:06 a.m.

**MEMBERS PRESENT**

Representative John Coghill, Chair  
Representative Jeannette James  
Representative Gary Stevens  
Representative Peggy Wilson  
Representative Harry Crawford  
Representative Joe Hayes

**MEMBERS ABSENT**

Representative Hugh Fate

**COMMITTEE CALENDAR**

CONFIRMATION HEARINGS

Alaska Air National Guard Brigadier Generals

Colonel James Robinson - Fort Richardson  
Colonel Timothy Scott - Eielson Air Force Base

- CONFIRMATIONS ADVANCED

SPONSOR SUBSTITUTE FOR HOUSE JOINT RESOLUTION NO. 14  
Proposing amendments to the Constitution of the State of Alaska  
relating to the Alaska permanent fund.

- MOVED CSSSHJR 14(STA) OUT OF COMMITTEE

CS FOR SENATE JOINT RESOLUTION NO. 31(STA)  
Urging the United States Congress to permit the use of tax  
exempt bonds to fund loans for veterans who served after 1976.

- MOVED CSSJR 31(STA) OUT OF COMMITTEE

HOUSE BILL NO. 458

"An Act relating to periods of probation for state employees;  
and providing for an effective date."

- HEARD AND HELD

CS FOR SENATE BILL NO. 180(FIN)(efd fld)

"An Act implementing pay differentials based on geographic areas for certain state employees and for members of the Alaska State Defense Force; relating to cost-of-living differentials for state aid to municipalities."

- MOVED HCS CSSB 180(STA) OUT OF COMMITTEE

HOUSE BILL NO. 487

"An Act relating to fireworks; and providing for an effective date."

- BILL HEARING CANCELED

**PREVIOUS ACTION**

BILL: HJR 14

SHORT TITLE:CONST. AM: PERMANENT FUND

SPONSOR(S): REPRESENTATIVE(S)CRAWFORD

Jrn-Date	Jrn-Page		Action
02/14/01	0316	(H)	READ THE FIRST TIME - REFERRALS
02/14/01	0316	(H)	STA, JUD, FIN
04/17/01		(H)	STA AT 8:00 AM CAPITOL 102
04/17/01		(H)	Scheduled But Not Heard
04/19/01		(H)	STA AT 8:00 AM CAPITOL 102
04/19/01		(H)	Heard & Held
04/19/01		(H)	MINUTE(STA)
04/28/01		(H)	STA AT 9:00 AM CAPITOL 102
04/28/01		(H)	<Bill Postponed>
03/22/02	2643	(H)	SPONSOR SUBSTITUTE INTRODUCED
03/22/02	2643	(H)	READ THE FIRST TIME - REFERRALS
03/22/02	2643	(H)	STA, JUD, FIN
04/04/02		(H)	STA AT 8:00 AM CAPITOL 102
04/04/02		(H)	Heard & Held
04/04/02		(H)	MINUTE(STA)
04/11/02		(H)	STA AT 8:00 AM CAPITOL 102

BILL: SJR 31

SHORT TITLE:TAX EXEMPT BONDS TO FUND VETERANS LOANS

SPONSOR(S): SENATOR(S) WARD

Jrn-Date	Jrn-Page		Action
04/30/01	1357	(S)	READ THE FIRST TIME - REFERRALS

04/30/01	1357	(S)	STA
02/07/02		(S)	STA AT 3:30 PM BELTZ 211
02/07/02		(S)	Scheduled But Not Heard
02/07/02		(S)	MINUTE(STA)
02/12/02		(S)	STA AT 3:30 PM BELTZ 211
02/12/02		(S)	Moved CSSJR 31(STA) Out of Committee
02/12/02		(S)	MINUTE(STA)
02/13/02	2176	(S)	STA RPT CS 5DP SAME TITLE
02/13/02	2176	(S)	DP: THERRIAULT, PHILLIPS, STEVENS,
02/13/02	2176	(S)	DAVIS, HALFORD
02/13/02	2176	(S)	FN1: ZERO(S.STA)
02/21/02		(S)	RLS AT 11:00 AM FAHRENKAMP 203
02/21/02		(S)	-- Meeting Postponed to 2/22/02 --
02/22/02		(S)	RLS AT 10:30 AM FAHRENKAMP 203
02/22/02		(S)	MINUTE(RLS)
02/25/02	2299	(S)	RULES TO CALENDAR 2/25/02
02/25/02	2300	(S)	HELD TO 2/27 CALENDAR
02/27/02	2321	(S)	READ THE SECOND TIME
02/27/02	2321	(S)	STA CS ADOPTED UNAN CONSENT
02/27/02	2321	(S)	ADVANCED TO THIRD READING UNAN CONSENT
02/27/02	2321	(S)	COSPONSOR(S): PHILLIPS, OLSON, DAVIS,
02/27/02	2321	(S)	ELTON, THERRIAULT, ELLIS, WILKEN,
02/27/02	2321	(S)	DONLEY, LEMAN, LINCOLN, KELLY, STEVENS,
02/27/02	2321	(S)	COWDERY, TAYLOR, HALFORD
02/27/02	2322	(S)	PASSED Y19 N- A1
02/27/02	2325	(S)	TRANSMITTED TO (H)
02/27/02	2325	(S)	VERSION: CSSJR 31(STA)
02/27/02	2321	(S)	READ THE THIRD TIME CSSJR 31(STA)
03/01/02	2427	(H)	READ THE FIRST TIME - REFERRALS
03/01/02	2427	(H)	MLV, STA
03/14/02		(H)	MLV AT 3:00 PM CAPITOL 124
03/14/02		(H)	Moved CSSJR 31(STA) Out of Committee
03/14/02		(H)	MINUTE(MLV)
03/15/02	2546	(H)	MLV RPT 6DP
03/15/02	2546	(H)	DP: MASEK, KOTT, GREEN,

03/15/02	2546	(H)	MURKOWSKI, HAYES, CHENAULT
03/15/02	2546	(H)	FN1: ZERO(S.STA)
04/11/02		(H)	STA AT 8:00 AM CAPITOL 102

BILL: HB 458

SHORT TITLE:STATE EMPLOYEE PROBATIONARY PERIOD  
 SPONSOR(S): REPRESENTATIVE(S)HUDSON

Jrn-Date	Jrn-Page		Action
02/19/02	2311	(H)	READ THE FIRST TIME - REFERRALS
02/19/02	2311	(H)	STA
04/11/02		(H)	STA AT 8:00 AM CAPITOL 102

BILL: SB 180

SHORT TITLE:STATE EMPLOYEE/ DEFENSE FORCE PAY COLAS  
 SPONSOR(S): FINANCE

Jrn-Date	Jrn-Page		Action
04/09/01	1014	(S)	FIN
04/09/01	1013	(S)	READ THE FIRST TIME - REFERRALS
04/17/01		(S)	FIN AT 9:00 AM SENATE FINANCE 532
04/17/01		(S)	Moved Out of Committee
04/17/01		(S)	MINUTE(FIN)
04/17/01	1115	(S)	FIN RPT 3DP 5NR
04/17/01	1115	(S)	DP: DONLEY, GREEN, LEMAN; NR: KELLY,
04/17/01	1115	(S)	AUSTERMAN, HOFFMAN, OLSON, WILKEN
04/17/01	1115	(S)	FN1: (CRT)
04/17/01	1115	(S)	FN2: (ADM/ALL DEPTS)
04/26/01		(S)	RLS AT 10:45 AM FAHRENKAMP 203
03/13/02	2419	(S)	RETURNED TO FIN COMMITTEE
03/14/02		(S)	FIN AT 9:30 AM SENATE FINANCE 532
03/14/02		(S)	Moved CS(FIN) Out of Committee
03/14/02		(S)	MINUTE(FIN)
03/15/02	2428	(S)	FIN RPT CS 5DP 2NR NEW TITLE
03/15/02	2428	(S)	DP: DONLEY, AUSTERMAN, WILKEN, LEMAN,
03/15/02	2428	(S)	WARD; NR: HOFFMAN, OLSON
03/22/02	2489	(S)	FN3: (ADM/ALL DEPTS)

03/22/02	2489	(S)	FN4: (CRT)
03/26/02		(S)	RLS AT 11:00 AM FAHRENKAMP 203
03/26/02		(S)	MINUTE(RLS)
03/27/02	2542	(S)	READ THE SECOND TIME
03/27/02	2542	(S)	FIN CS ADOPTED Y15 N5
03/27/02	2543	(S)	ADVANCED TO 3RD READING FAILED Y14 N6
03/27/02	2543	(S)	ADVANCED TO THIRD READING 3/28 CALENDAR
03/27/02	2539	(S)	RULES TO CALENDAR 1OR 3/27/02
03/28/02	2558	(S)	READ THE THIRD TIME CSSB 180(FIN)
03/28/02	2558	(S)	PASSED Y14 N3 E3
03/28/02	2558	(S)	EFFECTIVE DATE(S) SAME AS PASSAGE
03/28/02	2558	(S)	ELLIS NOTICE OF RECON HELD TO 4/2
04/02/02	2592	(S)	RECONSIDERATION HELD TO 4/3
04/03/02	2613	(S)	AM NO 1 FAILED Y8 N11 E1
04/03/02	2613	(S)	RECON TAKEN UP - IN THIRD READING
04/03/02	2613	(S)	RETURN TO SECOND FOR AM 1 UNAN CONSENT
04/03/02	2615	(S)	AUTOMATICALLY IN THIRD READING
04/03/02	2615	(S)	PASSED ON RECONSIDERATION Y13 N6 E1
04/03/02	2616	(S)	EFFECTIVE DATE(S) FAILED Y13 N6 E1
04/03/02	2619	(S)	TRANSMITTED TO (H)
04/03/02	2619	(S)	VERSION: CSSB 180(FIN)(EFD FLD)
04/04/02	2793	(H)	READ THE FIRST TIME - REFERRALS
04/04/02	2793	(H)	STA, FIN
04/11/02		(H)	STA AT 8:00 AM CAPITOL 102

**WITNESS REGISTER**

JAMES ROBINSON, Colonel, Appointee  
as Brigadier General  
Alaska Air National Guard  
(No address provided)  
Fort Richardson, Alaska 99505

POSITION STATEMENT: As appointee to the position of Brigadier General in the Alaska Air National Guard, provided background and answered questions.

TIMOTHY SCOTT, Colonel, Appointee  
as Brigadier General  
Alaska Air National Guard  
(No address provided)

Eielson Air Force Base, Alaska

POSITION STATEMENT: As appointee to the position of Brigadier General in the Alaska Air National Guard, provided background and answered questions.

SENATOR JERRY WARD, sponsor  
Alaska State Legislature  
Capitol Building, Room 423  
Juneau, Alaska 99801

POSITION STATEMENT: Testified as sponsor of SJR 31.

MELANIE LESH, Staff  
to Representative Bill Hudson  
Alaska State Legislature  
Capitol Building, Room 502  
Juneau, Alaska 99801

POSITION STATEMENT: Presented HB 458 on behalf of the sponsor.

DAVE STEWART, Personnel Manager  
Division of Personnel  
Department of Administration  
PO Box 110201

Juneau, Alaska 99811-0201

POSITION STATEMENT: Answered questions on HB 458.

MARILYN WILSON, Staff  
to Senator Dave Donley  
Alaska State Legislature  
Capitol Building, Room 518  
Juneau, Alaska 99801

POSITION STATEMENT: Presented SB 180 on behalf of the Senate Finance Committee.

SENATOR DAVE DONLEY  
Alaska State Legislature  
Capitol Building, Room 506  
Juneau, Alaska 99801

POSITION STATEMENT: Testified and answered questions on SB 180 on behalf of the Senate Finance Committee.

ALISON ELGEE, Deputy Commissioner  
Department of Administration  
PO Box 110200  
Juneau, Alaska 99811-0200  
POSITION STATEMENT: Answered questions on SB 180.

PAUL LYLE  
665 Aspen Heights Drive  
Fairbanks, Alaska 99712  
POSITION STATEMENT: Testified in support of SB 180, especially  
Section 4.

PAM HARTNELL  
413 Lignite Avenue  
Fairbanks, Alaska 99701  
POSITION STATEMENT: Testified in support of SB 180.

CHRIS CHRISTIANSEN, Deputy Administrative Director  
Office of the Administrative Director  
Alaska Court System  
820 West Fourth Avenue  
Anchorage, Alaska 99501-2005  
POSITION STATEMENT: Testified on SB 180.

#### **ACTION NARRATIVE**

TAPE 02-39, SIDE A  
Number 0001

CHAIR JOHN COGHILL called the House State Affairs Standing  
Committee meeting to order at 8:06 a.m. Representatives  
Coghill, Stevens, Wilson, and Crawford were present at the call  
to order. Representatives James and Hayes arrived as the  
meeting was in progress.

#### CONFIRMATION HEARINGS

##### Alaska Air National Guard Brigadier Generals

CHAIR COGHILL announced the first order of business would be the  
confirmation hearings for appointees the position of Brigadier  
General, Alaska Air National Guard. He invited Colonel Robinson  
to provide opening remarks and answer members' questions.

Number 0197

JAMES ROBINSON, Colonel, Appointee as Brigadier General, Alaska Air National Guard, testified via teleconference. He said he is being appointed to the position of chief of staff and representing the Assistant Adjutant General and the Adjutant General of the Alaska National Guard. He explained that he will be involved in long-range planning of the future of the Alaska Air National Guard, and he will be involved in looking at future "follow-on" airplanes, new weapons systems, and new missions. He noted that the staff will also handle personnel affairs on one of the "flying wings."

CHAIR COGHILL asked Colonel Robinson if he would be involved in any of the bargaining units.

Number 0317

COLONEL ROBINSON replied that the chief of staff is strictly a military position. If it comes down to a military issue, he would be involved, but there are other professionals who are more familiar with that in the HRO [human resource office], and they will be handling most of the bargaining units.

CHAIR COGHILL asked if the Alaska Air National Guard's mission would expand to help the U.S. Air Force.

COLONEL ROBINSON noted that the key to Alaska is its geographical position in the world. He said that as the political situation changes, more forces may be brought to Alaska. Alaska has the farthest deployed forces in the United States. It is almost deployed into the PACAF [Pacific Air Forces] theater with Hawaii. In that respect, he said he thinks missions may be expanded. He pointed out that new weapons systems, follow-on airplanes, and search and rescue planes are being looked at. He said the future is bright.

Number 0593

REPRESENTATIVE JAMES asked him if he would be involved in managing the Clear Air Force Base radar site.

COLONEL ROBINSON replied that if the guard takes over that position, he would be involved. He will be working on a staff that oversees that. He explained that there are two flying wings that are relatively autonomous. The Clear station would "hook up" with the 168th Air Refueling Wing [ARW], which would be Colonel Tim Scott's wing. If personnel issues "flow up" through the wing, he would be involved in that.

REPRESENTATIVE JAMES asked him about the missile defense system in Fort Greely. She understands that there will be some involvement with the Air National Guard there.

COLONEL ROBINSON said that the guard may be involved in some support functions such as aircraft, personnel, or security that could support that field, but the overall program would be run by the army guard.

COLONEL ROBINSON told the committee that he won't be flying airplanes as part of this job. He will be a staff guy.

CHAIR COGHILL asked the committee if there was any objection to forwarding this confirmation to the [joint session of the House and Senate]. There being no objection, the confirmation for Colonel Robinson was advanced.

CHAIR COGHILL invited Colonel Scott to provide opening remarks and answer members' questions.

Number 0835

TIMOTHY SCOTT, Colonel, Appointee as Brigadier General, Alaska Air National Guard, testified via teleconference. He explained that once the COE [certificate of eligibility] goes through and all the approvals are in place, in about one year's time he will rotate from being the wing commander of the 168th ARW down to the 176th [Wing] at Kulis [Air National Guard Base (ANGB)]. He explained that the unit in the 168th ARW has 750 people, and the Kulis ANGB unit has about 1,200 to 1,300 people. Kulis ANGB has different aircraft and is a larger unit because it is a "stand alone," which means it provides its own fire protection, services, and aerial port for loading and offloading the 130 aircraft. There is an increased level of responsibility commensurate with the rank. He has spent two years as wing commander and twelve years total with this unit, which aligns him for going to an increased level of responsibility.

CHAIR COGHILL asked about the different airplanes.

COLONEL SCOTT answered that Eielson Air Force Base has the KC-135R, which are the air refueling aircraft. Kulis Air National Guard Base has the C-130 aircraft, which are transport aircraft; HH-60 helicopters used for search and rescue; and HC-130 aircraft, which can carry a limited amount of cargo but are used primarily for in-flight refueling of the helicopters.

Number 1005

CHAIR COGHILL asked how closely he would work with the Coast Guard.

COLONEL SCOTT explained that it's an indirect connection that goes through the 11th [Air Force] Rescue Coordination Center located at the state headquarters at the armory in Anchorage, which is the clearinghouse for all rescue operations in Alaska. Even though it is an indirect connection, it is an important relationship, he commented.

Number 1172

CHAIR COGHILL asked the committee if there was any objection to forwarding this confirmation to the [joint session of the House and Senate]. There being no objection, the confirmation of Colonel Robinson was advanced.

HJR 14 - CONST. AM: PERMANENT FUND

Number 1180

CHAIR COGHILL announced that the next order of business would be SPONSOR SUBSTITUTE FOR HOUSE JOINT RESOLUTION NO. 14, Proposing amendments to the Constitution of the State of Alaska relating to the Alaska permanent fund. [SSHJR 14 had been amended on 4/04/02.]

Number 1232

REPRESENTATIVE CRAWFORD, sponsor, reiterated from his testimony from an earlier hearing that Alaska is the only state in the Union where the bottom 25 percent didn't lose ground to the top 25 percent in income over the last ten years, because of the permanent fund dividend. He acknowledged that the dividend has a good purpose and is a huge part of the state's economy. The permanent fund and the dividend both need to be protected, SSHJR 14 is a good way to do it, and it is recommended by the permanent fund board. He encouraged the committee to support it.

Number 1330

REPRESENTATIVE JAMES said she doesn't like the legislation, but she indicated that she doesn't have a problem moving the

resolution on to the House Judiciary Standing Committee. She said she isn't sure if this will be a priority before session ends.

REPRESENTATIVE JAMES asked Representative Crawford to explain how he got his statistics on the 25 percent of the bottom and top levels of income. The statistics she has seen said that the poverty level has increased. She said she doesn't know if the dividend made the difference, except there are more people living in Alaska in poverty, who may have come here because of the dividend. There is good anecdotal information to support that. She said she favors protecting the dividend statutorily, not constitutionally.

REPRESENTATIVE JAMES said there are some people who think the whole permanent fund belongs to them, and she disagrees with that assumption. She commented that she agrees that the money belongs to the state and to the people collectively, and what is done with the money is a decision for the legislature. She expressed concern about the extreme amount of poverty in the state and said that problem should be solved outside the permanent fund and the permanent fund dividend, so people have the opportunity to have a good job and take care of their own needs. This is a difficult issue because it is a political hot button. It needs to be dealt with and has to make good sense over the long term.

CHAIR COGHILL said he still struggles with some of the issues in the resolution but is willing to move it on to the House Judiciary Standing Committee.

Number 1628

REPRESENTATIVE STEVENS agreed to move the resolution out but expressed concern about the future of the permanent fund.

REPRESENTATIVE HAYES moved to report SSHJR 14, as amended, out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, CSSHJR 14(STA) was reported out of the House State Affairs Standing Committee.

SJR 31 - TAX EXEMPT BONDS TO FUND VETERANS LOANS

CHAIR COGHILL announced that the next order of business would be CS FOR SENATE JOINT RESOLUTION NO. 31(STA), Urging the United

States Congress to permit the use of tax exempt bonds to fund loans for veterans who served after 1976.

Number 1775

SENATOR JERRY WARD, Alaska State Legislature, sponsor, presented SJR 31. He explained that those who served in the United States military prior to 1976 were eligible for low-income homes and other programs. Because of a change in the Internal Revenue Service (IRS) code in the 1970s, veterans who served after 1976 do not receive the same benefits as the military personnel who served prior to 1976. There is overwhelming state and national support for this legislation. He said he hopes that this legislation will encourage veterans to stay in Alaska or move to Alaska.

Number 1988

REPRESENTATIVE JAMES noted that this legislation is timely and she supports it.

Number 2090

REPRESENTATIVE STEVENS agreed that this is only fair and equitable for the people who have served after 1976.

Number 2110

SENATOR WARD acknowledged that the anti-military sentiment has changed since the mid-1970s after the Vietnam War.

REPRESENTATIVE HAYES asked Senator Ward about the federal legislation.

SENATOR WARD said that the U.S. House of Representatives has passed it through the committee and is awaiting final action. The U.S. Senate is waiting. Since [the terrorist attacks on September 11, 2001], there is a tremendous amount of focus on the veterans and their families. There will be veterans' legislative packages that will go through this year, and this is one thing being considered. He said he never understood why the IRS was so insistent on not allowing the same benefits after 1976, but it is not opposing that this year. The attack on America has caused a lot of these issues to be brought up.

CHAIR COGHILL explained that 1976 was the time that those who were drafted into the military would be out of the service. The

military then went to an all-volunteer basis, so this resolution would affect a diminishing number of people.

Number 2433

REPRESENTATIVE JAMES moved to report CSSJR 31(STA) out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, CSSJR 31(STA) was reported out of the House State Affairs Standing Committee.

HB 458 - STATE EMPLOYEE PROBATIONARY PERIOD

CHAIR COGHILL announced that the next order of business would be HOUSE BILL NO. 458, "An Act relating to periods of probation for state employees; and providing for an effective date."

Number 2474

MELANIE LESH, Staff to Representative Bill Hudson, Alaska State Legislature, presented HB 458 on behalf of Representative Hudson, sponsor. She said that Representative Hudson sponsored this bill at the request of the Department of Administration. This is an adjustment to allow some flexibility into the statutory sections that currently limit the probationary period to one year.

CHAIR COGHILL asked why the probationary period needs to be extended.

MS. LESH explained that currently there are several classes of employees whose probationary period is greater than 12 months; this would just allow that period in statute to be extended if it is collectively bargained. Right now it is being falsely limited.

CHAIR COGHILL asked if this would align things with current practice.

Number 2580

DAVE STEWART, Personnel Manager, Division of Personnel, Department of Administration, explained that through collective bargaining, lengths of probationary periods have been negotiated with various bargaining units representing state employees. Sometimes due to circumstances beyond control, the state, as employer, felt it necessary to extend a probationary period. In a recent court case, a superior court judge decided that the

language in AS 39.25 was restrictive enough that extensions of probation by mutual agreement with the union weren't legal, so that longstanding practice has been stopped.

MR. STEWART said in answer to the question, there are numerous situations in which an employee's probationary period might need to be extended. Often in cases of illness when a period of service or observation of service isn't sufficient to make a decision, it is in the employee's interest to extend beyond the 12-month limit. The Alaska Police Standards Council allows a 14-month period of probation for employees to complete the academy [Public Safety Academy, Sitka], which allows for variations in the start dates of the academy's programs.

Number 2688

REPRESENTATIVE JAMES asked how long the 12-month period has been there and what the rationale is for it.

MR. STEWART replied that the 12-month period has been in statute since the adoption of the personnel Act. Alaska Statute 39.25.150(7) requires the Division of Personnel to adopt regulations allowing for a probationary period up to 12 months. The difference between shorter and longer probationary periods is something that has been negotiated through the collective bargaining process. Positions in range 13 and below have a 6-month probationary period; positions above range 13 have a 12-month probationary period. It was believed that 12 months of service would allow proper observation during the extension of the selection process for even the most complex jobs.

REPRESENTATIVE JAMES asked for the full meaning of the probation period.

MR. STEWART answered that the probationary period is an extension of selection during which either the employer or employee can end the employment relationship.

REPRESENTATIVE JAMES asked when the employee benefits start.

MR. STEWART answered that the benefits start either on the day of employment or the 31st day of employment depending on what's been negotiated. Health insurance benefits begin on the 31st day of employment; that isn't contingent on permanent status. What depends on permanent status is the idea that one has become permanent in the state workforce in that particular job class and has established an anniversary date for a merit increase.

Number 2821

REPRESENTATIVE JAMES asked if there is any job security once someone reaches permanent status.

MR. STEWART explained that permanent status grants the employee a right to not be removed from that position without just cause. If the position is phased out, it is a negotiated separation and is different.

REPRESENTATIVE JAMES asked what would happen if, through cutbacks, the money was not available for a position held by a permanent employee.

Number 2933

MR. STEWART replied that the collective bargaining agreements contain language that provides a process for reduction in force, both for permanent and probationary employees. Permanent status does not grant any additional rights in the face of a reduction in force, layoff, or position elimination.

REPRESENTATIVE JAMES asked what the difference is for people not under collective bargaining.

MR. STEWART explained that the employees in the partially exempt service would be the non-represented [non-union] individuals. Their reduction in force would be controlled by their personnel rules, and they have layoff rules by seniority.

TAPE 02-39, SIDE B  
Number 2989

REPRESENTATIVE STEVENS asked Mr. Stewart to go over the reasons an employee may want to extend probation.

MR. STEWART explained that there are two groups of reasons. First are the cases of individuals whose completion of probation depends upon finishing a course of study, such as trooper recruits, airport safety officers, and any of the public safety positions that require completion of the academy. In order to become permanent in their job classes, they must complete the academy. There have been cases where individuals have been injured at the beginning of training and have been unable to complete the course of study for periods up to 18 months. In a couple of instances, there was no choice but to release

employees from that job class because they couldn't be retained as probationary employees, since the probationary period couldn't be extended. They were rehired later and successfully completed the training.

MR. STEWART noted that the second group of individuals are those who were gone on some type of family leave during the probationary period and were away from work for 6 months in the middle of a 12-month probationary period. The family leave Act doesn't allow employees to continue service accrual or service toward probationary completion. It puts the merit anniversary date on hold for every 23 days of leave without pay, it advances the merit anniversary date, and it doesn't allow for an extension of probation.

Number 2872

REPRESENTATIVE WILSON asked how many employees this legislation covers.

MR. STEWART said he is not sure of the answer. Over the course of the last two years, 20 to 30 letters of agreement have been written to extend probation for employees over the course of a service year. The legislation is designed to align statute with current practice. Probationary periods have been extended for a long time, but now the superior court says it can't be done, and the department would like to continue to do it.

MR. STEWART also explained that there is no provision for extending probation beyond 12 months for non-covered [non-union] employees. The exempt and partially exempt employees would not be extended under this change.

Number 2704

REPRESENTATIVE JAMES said she has supported collective bargaining for state employees, and they are entitled to a certain amount of civility. She said that she is troubled that now there would be another separation between the union and non-union employees, and she doesn't appreciate that division in the rights of employees to be treated fairly.

Number 2621

CHAIR COGHILL asked why exempt and partially exempt employees are not included.

MR. STEWART said that the way the statute and regulations are written affecting non-union employees, the situation just hasn't come up nearly as often as it has with employees under collective bargaining. He will look into how that might be changed. It would require looking at how probationary periods are set in all the non-union job classes. It might be fairly simple to expand to include the non-union employees.

CHAIR COGHILL stated that as a matter of policy, he thought it would be a good thing to include.

Number 2561

REPRESENTATIVE HAYES asked who the non-union employees are.

MR. STEWART answered that there are a number of employees in the exempt service under Title 39. Those employees are exempt because they are exempt from the personnel Act. There are approximately 800 people in the partially exempt service that are not covered by collective bargaining but are covered by the personnel rules.

CHAIR COGHILL announced that HB 458 will be held over to look into these issues.

SB 180 - STATE EMPLOYEE/ DEFENSE FORCE PAY COLAS

CHAIR COGHILL announced that the final order of business would be CS FOR SENATE BILL NO. 180(FIN)(efd fld), "An Act implementing pay differentials based on geographic areas for certain state employees and for members of the Alaska State Defense Force; relating to cost-of-living differentials for state aid to municipalities."

Number 2460

MARILYN WILSON, Staff to Senator Dave Donley, Alaska State Legislature, presented SB 180 on behalf of the sponsor, the Senate Finance Committee, co-chaired by Senator Donley. She read the following sponsor statement:

Committee Substitute for Senate Bill 180 adopts the most recent study to determine geographic differential payments for cost-of-living differences paid to state employees who are not union members. The current statutory formula has not been updated since June 1976

and unfairly discriminates against some state employees while unfairly benefiting others.

The geographic differential calculation utilizes a percentage above a specific measurement baseline. In Alaska, Anchorage is the only federal measurement of the cost of living. Therefore, Anchorage is used as the baseline measurement for determining the cost of living in the various election districts. This legislation will affect employees in the executive branch of government in partially exempt service or not covered by union contract, and members of the Alaska State Defense Force whenever they are called to active service.

Committee Substitute for Senate Bill 180 [affects] employees hired on or after the bill goes into effect. Current employees will remain under AS 39.27.020.

Committee Substitute for Senate Bill 180 will ensure all new state employees receive fair pay adjustments based on a new fairer cost-of-living analysis.

Fiscal notes indicate that immediate savings in FY 03 will be approximately \$55,000, increasing to approximately \$370,000 by FY 08.

Number 2292

REPRESENTATIVE WILSON asked what the cost differential is based on.

Number 2254

SENATOR DAVE DONLEY, Alaska State Legislature, co-chair of the Senate Finance Committee, sponsor of SB 180, answered that the Department of Administration put together the study, and he doesn't know how the most recent study was developed. All union employees in the state are covered under that study. The legislature did pass the adoption of that study for all state employees about three or four years ago, but it was vetoed by the governor. He pointed out that the statute uses the original redistricting plan at statehood.

Number 2168

REPRESENTATIVE STEVENS asked when SB 180 takes effect.

SENATOR DONLEY answered that it begins at the beginning of the next fiscal year. It is not retroactive. It would apply to the new non-union employees. The vast majority of state employees are already under the new cost-of-living differential. He commented that the good news is it starts to save the state money.

Number 2106

CHAIR COGHILL asked Senator Donley to explain the amendment.

SENATOR DONLEY explained that the Department of Administration proposed an amendment, but he didn't agree with all of it, so he adapted part of it. The original amendment from the department read [original punctuation provided]:

Sec. 4. AS 39.27.020 is amended by adding a new subsection to read:

(d) The pay step differentials in this section apply to a person who has been employed by the state prior to July 1, 2002 and remains continuously employed by the state in the same geographic differential location, unless the pay step differential in AS 39.27.021 would result in higher compensation in which case AS 39.27.021 applies. A person who begins state employment for the first time on or after July 1 2002, is subject to AS 39.27.021 whenever that person is employed by the state.

[The original written amendment also included crossed-out wording from Section 4 of CSSB 180(FIN)(efd fld) that was being deleted in the amendment.]

[The department's explanation follows:]

This amendment does two things:

1) clarifies that the grandfathering protections of applying the old differential to existing employees only remain while the employee remains continuously employed in the same geographic differential area; instead of being based upon the initial date of hire of the employee. Under the language as it currently exists in SB 180, an individual who was employed by the state in 1990 for one year and has not worked for the state since that time could return to state employment under the old differential calculation.

The construction of Sec. 4 in the current version of SB 180 would also mean that an employee who has spent their entire career of state employment in Anchorage, for example, would be entitled to the old geographic differential if they accept a transfer to Fairbanks.

2) Allows employees in districts where the geographic differential is amended upward to receive the benefit of the new differential.

Number 2032

SENATOR DONLEY noted that he agreed with the department's concern that people would "form shop," whereby state employees who were grandfathered under the old, higher cost-of-living differential would be able to move to a new area where the old cost-of-living differential was higher than the new cost-of-living differential and thus increase their salaries. He had crafted language in his amendment to prevent that. He explained that he didn't agree with the second part of the department's amendment because it would change the bill from a "cost-savings bill" to a "cost-generating bill."

SENATOR DONLEY reiterated that most state employees are under the new standard.

Number 1929

REPRESENTATIVE JAMES expressed concern on the issue of fairness. Fairness is what drives her decision on everything, she stated. Saving money is important but not if it is not fair. She said she disagrees with the cost of living calculation when it says the cost of living is the same in Fairbanks as it is in Anchorage; it certainly is not. She would like to see exactly how the cost-of-living is calculated. She said she wouldn't object to this bill, but she was not pleased with it. She doesn't mind saving money, as long as it is being done fairly. She doesn't delineate between the exempt and the employees covered by collective bargaining. She said, "Fairness is fair."

SENATOR DONLEY said that this bill is trying to do that. It is trying to put the maximum number of state employees under the same system that the vast majority of employees are under now. He said that he would also be interested in how the calculation is done, but it might take a little work.

REPRESENTATIVE JAMES said she doesn't believe that the cost of living should be a negotiated issue with the union. It is what it is, and the number should show it.

REPRESENTATIVE JAMES made a motion to adopt Amendment 1, provided by Senator Donley, which read [original punctuation provided]:

Sec. 4. AS 39.27.020 is amended by adding a new subsection to read:

(d) The pay step differentials in this section apply to a person who has been employed by the state prior to July 1, 2002 and remains continuously employed by the state in the same geographic differential location. A person who begins state employment for the first time or who previously had been employed by the state prior to July 1, 2002, is subject to AS 39.27.021 whenever that person is employed by the state.

There being no objection, Amendment 1 was adopted.

Number 1625

ALISON ELGEE, Deputy Commissioner, Department of Administration, testified that the administration supports SB 180 and has introduced similar legislation in the past. This bill brings the non-union employees, who are governed by the statutory geographic differential, into alignment with those employees covered by collective bargaining. In 1986, which was the last time a complete cost-of-living differential study was conducted, the unions all adopted the new differential. There have been efforts since that time to change the statutory structure to bring things into alignment, but those have not been successful.

MS. ELGEE explained that there are four districts under this proposal where the cost-of-living differential would go up. The department has analyzed just the executive branch, but there are employees in Bethel, Kodiak, Barrow, and Kotzebue who would actually see an increase under the new differential. The other part of the amendment the department suggested was to allow those employees in those areas to benefit from the new differential from an equity standpoint. They would be paid the same as the employees in the same areas covered by collective bargaining or the same as any new employee who begins service after July 1. When the new differentials were adopted under the

collective bargaining agreement, all employees went to the new differential if it benefited them, and their salaries were frozen from any loss if their differential went down. She asked the committee to consider that.

MS. ELGEE said the cost analysis of only the executive branch - the court system has a different configuration of employees - showed that the cost in the first year is practically neutral in the projections. It costs about \$8,000. By the third year, the anticipated savings would be identical under either version of the amendment, whether those employees in those rural districts are allowed to go up or not, because there is quite a bit of turnover in those districts.

Number 1427

REPRESENTATIVE JAMES asked whether if it went up, there would be the same high turnover.

MS. ELGEE replied that it might mitigate the turnover to a degree in some of the more remote sites, but in exit interviews, the reason why the turnover exists in those areas is more because of the working conditions.

Number 1302

PAUL LYLE testified via teleconference on his own behalf, not on behalf of the Department of Law, where he works as an assistant attorney general. He expressed support for SB 180, especially for Section 4 as originally crafted in this bill: to grandfather state employees in Fairbanks into their current pay system and still allow them to get any increases that might come along in the future, should the legislature determine that that is appropriate. He had not seen Amendment 1, so he couldn't testify on it. [It was faxed to him.] Assuming that it retains the full grandfathering for employees currently in the geographic differential, he doesn't have any problem with the amendment.

SENATOR DONLEY told Mr. Lyle that the amendment keeps the part in the bill that he was interested in.

MR. LYLE said he certainly supported it, then. The bill will save the state money, but it will also help with retention. He urged the committee to support the bill.

Number 1049

PAM HARTNELL testified via teleconference on her own behalf, not on the behalf of the Department of Law, where she works as an assistant attorney general. She explained that she is a long-time state employee and expressed support for the bill and the amendment with the grandfathering clause in it. It keeps faith with the expectations and the promises that were made to professional people who have worked for the state for a long time. She agreed that it would help with retention of long-time employees. She urged the committee to support the bill.

Number 0941

CHRIS CHRISTENSEN, Deputy Administrative Director, Office of the Administrative Director, Alaska Court System, testified that the Alaska Court System takes no position on this legislation. It is generally agreed that the geographic salary differentials set forth in statute have gotten "out of whack" with actual cost-of-living differences. This affects some court employees positively and some negatively. The court system is currently the largest entity in state government without a labor union. Therefore, the court system has the largest number of employees impacted by this legislation. There are approximately 240 court employees who live in a community with a geographic salary differential; 170 of them work in communities where the current differential will be reduced by this legislation, and 70 of them work in communities where the current differential will be increased. He said that the Senate thought that since current employees have assumed financial obligations, such as house and car payments, it would be unfair to reduce the level of pay that those employees had come to expect.

Number 0818

MR. CHRISTENSEN pointed out that the current version of SB 180 also does something that he said the court system thinks is extremely unfair: it grandfathers in those employees who work in communities where the salary differential goes up. For example, the current salary differential in Barrow is about 31.5 percent. This is about 10.5 percent less than the amount of the union contracts and substantially less than the actual cost-of-living differential. He noted that SB 180 will increase the differential by 10.5 percent for new employees to a total of 42 percent, but it leaves current employees under the existing differential. This means that new, untrained employees in Kodiak, Barrow, Bethel, and Kotzebue will be paid more than the

experienced employees who are already there. In some cases, new employees will be paid the same amount as their supervisors.

Number 0731

MR. CHRISTENSEN said he has heard that this is not really a very big deal because existing employees get longevity increases and are thus making more than new hires. He disagreed with that argument for two reasons. The first reason is simple fairness. In Barrow, Bethel, and Kotzebue, for example, the differential is 10 to 10.5 percent. That is the difference between a range 10A and a 10C. A new range-10 employee would make as much as a person in his/her third year at a range 10 who had already been trained and performed the job satisfactorily. It also means that a new range-10 subordinate would be making the same amount as a range-12 supervisor. The second reason is that the high rate of turnover in rural Alaska means the court system doesn't have a lot of employees with enough longevity to make as much as a new hire.

Number 0662

MR. CHRISTENSEN noted that in Barrow, Nome, Bethel, and Kotzebue there are twelve range-10 employees, who even with their current level of longevity will still make less than any newly hired range 10 employee. In those four communities, there are seven range-12 employees, who even with longevity will be paid less than any newly hired range-12 employee.

Number 0575

MR. CHRISTENSEN pointed out that the initial savings of the current version of the bill are a false savings. His current employees who believe they're being treated unfairly have one option: to unionize. He explained that back in the mid-90s they had a labor union for three years. It was started when the legislature funded a pay raise for all the union employees in state government but did not fund the same pay raise for all the non-union employees. The employees decertified the union three years later when the legislature gave the non-union employees the same raises the union employees were getting.

Number 0497

MR. CHRISTENSEN said he is not saying that the union is a good or bad thing. He is just saying a union is an expensive thing. He asked the committee to adopt the amendment that was proposed

by the administration to treat his rural employees fairly. He noted that doing so will allow the state to save ever increasing amounts of money beginning the third year after the legislation is passed.

Number 0418

REPRESENTATIVE WILSON commented that it is very bad for morale when the newly hired employees make more than those with experience. This is a very important point because it is a big issue of fairness.

Number 0340

SENATOR DONLEY asked Ms. Elgee to confirm that the last time salaries were increased, the certified and non-certified [non-union] employees were treated the same way.

MS. ELGEE explained that in that piece of legislation, the differentials were the same as those proposed in SB 180; the transition language was slightly different. People's salaries were frozen instead of being grandfathered in.

SENATOR DONLEY said the problem with that was the folks under the old one in the "higher areas" didn't think that was fair because they didn't get raises until their current salaries "caught down" to where they would be under the new geographic differential. To be fair to those folks, they were allowed to continue to grandfather in and continue to get raises from where they were, and that's what created the problem to the other folks that were on the down side. This bill resulted to try to accommodate the people who testified today. Given the current budget situation, he said he doesn't believe the legislature should be passing bills that are going to cost the state more money, especially if the new geographic differential is going to save the state money.

SENATOR DONLEY said that he empathized with the four areas that would stay where they are. He said that nobody will take a pay cut; they will continue to get their merit increases, and the difference will work out over time. He would hate to see a bill intended to save money, cost the state more money. He noted that the union employees weren't able to elect which option would benefit them the most.

Number 0064

REPRESENTATIVE JAMES asked Senator Donley how he would feel if he were one of those employees. People know what's fair, she told him.

TAPE 02-40, SIDE A  
Number 0046

SENATOR DONLEY commented that this wasn't the original piece of legislation; it would have saved a lot more money and would have been exactly the same as what the union employees have. He had worked on an agreement with the Senators from Fairbanks, and this was the compromise that was reached that still saves the state money and pays this in over time.

REPRESENTATIVE JAMES reiterated that she still sees a fairness issue on it.

SENATOR DONLEY remarked that he doesn't think it's fair that currently, 80 percent of state employees who are unionized and 20 percent who are not unionized are under another system. The existing system is not fair either. As far as the argument that the union employees got something that the non-union employees didn't get, he suggested that most of that had to do with medical benefits. Medical benefits are a big cost-driver in negotiations, and the non-union employees benefit from the negotiations of the union employees in that area. They are not paying union dues, but they are always granted the same medical insurance that the union people go out and fight for. The non-union employees are actually beneficiaries of the union efforts. They aren't really being hurt at all.

Number 0337

SENATOR DONLEY reiterated that this is not his first choice, but it is a reasonable compromise that he can support.

Number 0460

MR. LYLE said he read the amendment and is pleased with it. He argued that partially exempt employees are not treated the same way as union people. One of the reasons why the grandfathering has been requested is because the partially exempt employees don't have the opportunity to negotiate increases. That is entirely up to the legislature. He said they know that those increases are not going to be forthcoming, and they understand that. But if there is some thought of going back to a freeze, they would be against that, because unions have an opportunity

every three years or so to negotiate increases, and partially exempt employees do not. Although there seems to be an opinion that partially exempt employees always get those increases, that is not correct. Partially exempt employees were decoupled from the union on several increases. He expressed support for some changes but not if some people's pay would be frozen.

REPRESENTATIVE JAMES moved to report CSSB 180(FIN)(efd fld), as amended, out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, HCS CSSB 180(STA) was reported out of the House State Affairs Standing Committee.

REPRESENTATIVE CRAWFORD expressed concerns about some of the things Mr. Christensen brought up, and said he would like to see them addressed before this goes to the House floor.

**ADJOURNMENT**

Number 0657

There being no further business before the committee, the House State Affairs Standing Committee meeting was adjourned at 9:48 a.m.