

**MINUTES**  
**SENATE FINANCE COMMITTEE**  
**April 25, 2005**  
**9:10 a.m.**

**CALL TO ORDER**

Co-Chair Green convened the meeting at approximately [9:10:51 AM](#).

**PRESENT**

Senator Lyda Green, Co-Chair  
Senator Gary Wilken, Co-Chair  
Senator Fred Dyson  
Senator Bert Stedman  
Senator Lyman Hoffman  
Senator Donny Olson

**Also Attending:** NONA WILSON, Legislative Liaison, Department of Transportation and Public Facilities; KIP KNUDSON, Deputy Commissioner of Aviation, Department of Transportation and Public Facilities; JASON HOOLEY, Staff to Senator Fred Dyson; JOEL GILBERTSON, Commissioner, Department of Health and Social Services; CHUCK HARLAMERT, Juneau Section Chief, Tax Division, Department of Revenue; MIKE TIBBLES, Deputy Commissioner, Department of Administration; CHRIS CHRISTENSEN, Deputy Administrative Director, Alaska Court System; PAM VARNI, Executive Director, Legislative Affairs Agency

**Attending via Teleconference:** From Anchorage: MARGO MCCABE, Chair, Board of Trustees, Alaska Children's Trust

**SUMMARY INFORMATION**

**SB 133-AVIATION ADVISORY BOARD**

The Committee heard from the Department of Transportation and Public Facilities. One amendment was offered but withdrawn from consideration. The bill reported from Committee.

**SB 150-ALASKA CHILDREN'S TRUST FUND GRANTS**

The Committee heard from the bill's sponsor, the Alaska Children's Trust, and the Department of Health and Social Services. The bill reported from Committee.

SB 151-DECOUPLING FROM FED TAX DEDUCTION

The Committee heard from the Department of Revenue and the bill reported from Committee.

SB 71-NONUNION PUBLIC EMPLOYEE SALARY & BENEFIT

The Committee heard from the Department of Administration, the Court System, and the Legislative Affairs Agency. The bill was held in Committee.

#sb133

SENATE BILL NO. 133

"An Act establishing the Aviation Advisory Board; and providing for an effective date."

This was the first hearing for this bill in the Senate Finance Committee.

NONA WILSON, Legislative Liaison, Department of Transportation and Public Facilities, informed the Committee that the Department has identified this legislation as being "critical to the State's aviation infrastructure as well as the aviation industry as a whole". It would allow for the continuance of the Aviation Advisory Board, which was created in 2003 and renewed in 2004, to occur "without the need for annual administrative renewals". A permanent Board would be "practical and necessary to the continued success and prudent operation" of the State's international airport hubs in Anchorage and in Fairbanks and its 258 Rural airports.

Ms. Wilson stated that the Board also serves in an advisory capacity to the Commissioner of the Department of Transportation and Public Facilities (DOT) and facilitates on-going "coordination between the State and aviation industry" on such things as aviation policy, safety, airport management and operations.

Ms. Wilson noted that the composition of the Board, as detailed in Section 1, Sec. 44.42.230(a) on page two, lines six through 30, is "a broad cross-section" of the State's aviation industry and as such would provide well-balanced dialogue and expertise.

Senator Olson asked whether the responsibilities of the new Board would differ from its predecessor.

KIP KNUDSON, Deputy Commissioner of Aviation, Department of Transportation and Public Facilities, informed the Committee that

the Board was originally formed to improve communication between aviation interest groups and DOT personnel responsible for the airport system. The Board has done a good job in providing that conduit.

Senator Olson pointed out that a large portion of the Board member positions "are not necessarily aviation related", as exemplified by Section 1, Sec. 44.42.230. Composition of the Board (a)(5), (6), and (7).

(5) a member who is a community leader residing in the unorganized borough of the state;

(6) a member who represents the mayor of the Municipality of Anchorage;

(7) a member who jointly represents the mayors of the City of Fairbanks and the Fairbanks North Star Borough;

Mr. Knudson explained that when Governor Frank Murkowski established the original Board by Administrative Order, it was thought best not to "predetermine" that Board members should have an aviation connection. However, "effectively they are all aviation people" in that in some form, they each have "some leg in the aviation industry or some aviation interest group". The people who have been appointed by the mayors of the City of Anchorage and the City of Fairbanks have had aviation backgrounds. Therefore, "it happens that they're all aviation interested".

Co-Chair Green concluded therefore that it must be "assumed" that the appointees would have aviation industry backgrounds.

Co-Chair Green asked whether the Board composition in this bill is similar to the makeup of the Board established by the Administrative Order.

Mr. Knudson replied that this Board is identical to the original Board with the exception being that an at-large member was added "for tie breaks". Therefore this Board would have 11 members rather than ten.

Co-Chair Green asked whether the Board has met consistently during the two years it has existed.

Mr. Knudson communicated that the Board has had a busy schedule and has met nine times in the last two years.

Co-Chair Green understood that the responsibilities of the Board would continue as before. Absent this legislation it could continue via the issuance of an Administrative Order. This legislation would

serve to include the Board in State Statute and thereby make it subject to review by the Division of Legislative Budget & Audit. This would align the Board with other boards in the State.

Senator Hoffman asked for examples of the types of "major issues" the Board has addressed and resolved.

Mr. Knudson commented for general background that DOT oversees the operations of the Anchorage and Fairbanks airports. Other airports such as the ones in Juneau and Ketchikan are locally governed. The Board has addressed the issue of airport governance by gathering information from around the country in order to determine the best, most cost effective method to manage airports. Other issues that have been addressed include the operation of airport towers such as the tower at King Salmon and a feasibility issue relating to how small of a community could support a ten million dollar airport. The Board has provided good advice to the Commissioner in regards to such things as the allocation of resources.

Co-Chair Wilken voiced concern about the size of the Board; specifically that the budget and the Board's size and scope of responsibility do not appear to be "in alignment". Language in Section 1, Sec. 44.42.220. Meetings; hearings; records. does not appear to allow the Board to meet and make decisions by teleconference; therefore, he questioned how the 11-member Board could meet two or three times a year within the constraints of a \$20,000 budget. To that point, he asked whether the Board could meet and make decisions via teleconference.

Mr. Knudson communicated that, while the Board has held meetings by teleconference, they would prefer to meet as a group prior to issuing a resolution. Meetings have been held in Ketchikan, Anchorage, Fairbanks, and Juneau.

Co-Chair Wilken asked whether the \$20,000 annual Board budget would be sufficient.

Mr. Knudson stated that while the budget might cause some "scrimping", it would be workable.

Co-Chair Wilken questioned the language in Section 1, Sec. 44.42.230.(c), page three, lines two and three, that specifies that the Governor would name the Board chairman. He considered proposing an amendment to delete that language, as an 11-member Board, making such important decisions, would be qualified to choose their own chairman. It would also "keep peace in the family". The Chair being appointed by the Governor is an anomaly, as it is atypical of how other boards select their chairs.

Mr. Knudson understood that this must "be a construct of some Boards". The chair being appointed by the Governor was, "oddly enough", recommended by the Board for inclusion in the Administrative Order. One Board member, Richard Williams, thought that "it would de-politicize the chair to a certain extent" in that the chair selection "would not be a popularity contest".

Conceptual Amendment #1: This amendment deletes the language "The governor shall designate a member of the board to serve as chair of the board, or, at the governor's request," in Section 1, subsection (c), on page 3, lines two and three. The revised language would read as follows.

(c) The board shall elect a chair from among its members who are not state officers or employees.

Co-Chair Wilken moved to adopt Amendment #1.

Co-Chair Green objected and stated that one of the upsides in having a chair appointed by a Governor is that there is no delay in the deliberations of the Board. In her experience with Boards, she has concluded that, oftentimes, this process would have been preferred as it would result in a more efficient use of time and the board would be ready to conduct business.

Senator Olson asked the reason Co-Chair Wilken chose not to eliminate the language excluding State officers or employees from being able to chair the Board. He contended that numerous "State officers and employees are quite knowledgeable about the aviation industry" and would make excellent Board chairs.

Co-Chair Wilken opined that State officers and employees should not be considered for the chair position as he viewed this board as "a citizens' commission".

Co-Chair Wilken moved to withdraw Conceptual Amendment #1.

There being no objection, the Amendment was WITHDRAWN.

Senator Olson opined that, as the operator of two air taxi companies, this Advisory Board is an "asset to the aviation industry". He strongly supported the bill.

The Bill was HELD in Committee.

[NOTE: This bill was re-addressed later in the meeting.]

#sb150

SENATE BILL NO. 150

"An Act repealing the limits on grants awarded from the Alaska children's trust fund."

This was the first hearing for this bill in the Senate Finance Committee.

JASON HOOLEY, Staff to Senator Fred Dyson, Chair of the Senate Health, Education and Social Services (HESS) Committee, stated that the HESS Committee sponsors this bill by request of the Alaska Children's Trust Board of Trustees. The Trust was established in the late 1980s as a means through which to fund programs designed to "combat child abuse". The Board of Trustees is "seeking additional flexibility" in the administration of the program in regards to the awarding of Trust grants. To that point, Section 1 of this bill would require grant applicants to include a self-sustainability plan in their proposal. Section 2 of the bill would eliminate the current annual \$50,000 grant limitation; would re-define the current grant funding formula; and would specify that the grant award be limited to four-years in an effort to guarantee that the grant would be recognized as seed money for the program. Section 3 would reinforce the conditions specified in Sections 1 and 2 by allowing the Board to reduce or eliminate an awarded grant based on the performance of the grantee.

Co-Chair Green, noting that this grant process was revised within the last four or five years, asked the reason for the need to re-address the process.

Mr. Hooley deferred to Margo McCabe of the Alaska Children's Trust.

MARGO MCCABE, Chair, Board of Trustees, Alaska Children's Trust, testified via teleconference from Anchorage and commented that, while the assets of the Trust Fund currently exceed ten million dollars, the Trust could only expend its annual net income of the Trust Fund to fund the entirety of child abuse programs statewide. In the last few years, the amount of available funds was a limiting factor as the income was only sufficient enough to fund recurring grants. Therefore, "the intent of this legislation is to limit" funding for those grants so that money would be available to fund "new innovative" programs.

Co-Chair Green asked which current formula language must be changed in order to accomplish this goal; specifically why the proposed formula is to establish a sliding scale award of 75-percent of the

program's first year's expenses the initial year, 50-percent of the program's first-year expenses the second year, and 25-percent of the program's first-year expenses the third and fourth years.

Ms. McCabe stated that the proposed formula changes would establish parameters that would allow the grantees to become self-sufficient at the termination of the four-year period. This would also allow Trust funds to become available to fund other programs.

Co-Chair Green asked how many \$50,000 grants have been awarded.

Ms. McCabe responded that, due to budget constraints, the most recent Request for Proposals (RFP) grant awards were limited to \$30,000. Approximately half of the applicants applying requested the maximum \$30,000 amount, and four such grants were awarded. The Trust would be issuing its next RFP shortly.

Co-Chair Green noted that current State Statutes limit the award to \$50,000. She was curious to the number of grants that have been awarded at that level.

Ms. McCabe did not have that data available as the \$50,000 grant level was last awarded prior to her being on the Board. Recent annual award levels have been limited to \$30,000.

Co-Chair Green asked the Commissioner of the Department of Health and Social Services to explain, for the record, the specific formula change included in the Senate HES version of the bill.

JOEL GILBERTSON, Commissioner, Department of Health and Social Services, pointed out that the most substantial formula change in that version of the bill is the four-year grant award limitation specified in Section 2. Current State Statute does not specify any limitation on the length of a grant award. While current language does include a sliding scale award level, once the lowest award percentage is reached, it could be awarded indefinitely. One program recipient is receiving its eighth year of funding. "No grants are transitioning off", therefore no new grants are being awarded, as there is a finite amount of money available. No new programs have received grants in the last two years. The net income for the program is projected to continue at the current level and, unless programs are cycled out, funds to support new programs would be unavailable. Therefore, the four-year provision would provide the Trust the ability to transition from "continuation funding" to being able to fund new programs.

[9:30:19 AM](#)

Co-Chair Green stated that she had participated in the development of the previously adopted language. While the sliding scale language in the bill was intended to halt continual funding, the changes being proposed in this legislation would "correct and clarify" that a program would receive a sliding scale percentage of funding that would terminate at the end of the fourth year. This would provide the opportunity for new programs to be funded. The intent of the Trust funds is to provide "a boost but not a lifeline support system".

Commissioner Gilbertson affirmed that that the intent of the original Trust language was "to have the grants move toward sustainability plans and to transition off after a four year cycle". However, the four-year cycle language was omitted from State Statute.

[9:31:09 AM](#)

Co-Chair Green asked whether this legislation would affect the maximum award amount.

Commissioner Gilbertson stated that this legislation would eliminate the maximum limitation amount on the grants awarded by the Trust. The annual net income available would serve as "a natural cap".

Co-Chair Green concurred, but stated that the Trust should not award the entirety of its funds to a single program.

Commissioner Gilbertson stated that other factors would prevent one entity from receiving the entire amount of available funds. One deterrent to that would be the fact that existing grants must be honored until they transition out of their four-year cycle.

Co-Chair Green asked whether the number of program applicants might diminish once the current recipients conclude their four-year cycle.

Commissioner Gilbertson responded that one of the circumstances constantly encountered in grant programs is "that areas most in the need of the programs and programs that are most in need of coming into their communities are often those that are the least prepared to submit a good grant application". Typically the areas that submit good applications "are areas that are resourced enough". The challenge, therefore, is how to make those communities that do not have grant writers or the resources with which to compete with larger organizations more competitive. The proposed structure would require the formation of a sustainability plan, performance

measures, and would include the Trust's involvement in the process. This, combined with the phased four-year maximum grant award limitation, would allow a natural transition process that would provide the opportunity for programs that are on "the peripheral now" to get into the system and receive some start-up funding. The existing programs are good; however, as was the original intent of the Trust grant program, they need to become self-sustaining and allow other programs to benefit from the grant program.

Co-Chair Green asked whether the language authorizing the Board to reduce or discontinue an awarded grant, as included in Section 3, is a revision of current language.

Commissioner Gilbertson clarified that Section 3 is new language.

[9:33:54 AM](#)

Commissioner Gilbertson stated that Section 3 would allow the Trust to discontinue or reduce funds were a program to not meet performance standards. When he initially participated in the Trust, the quality of the data being collected on the grants disappointed him. The Board is addressing performance standards in a serious manner as reflected in the forthcoming RFP specifications. "Outcome data" would become more of the focus in the future.

Co-Chair Green supported this direction, as it would provide the Board the oversight authority required to ensure that the programs being conducted support the mission of the Alaska Children's Trust.

Commissioner Gilbertson affirmed that the Board and the Trust are "in agreement" that "a better tool and a better reason for why we approve a grant or why we discontinue it" is required. The outcome data, similar to the State's Missions and Measures policy, would allow the program's performance to be measured to insure that Trust funds are used in the most efficient and effective manner. The bill's language would also allow for program expansion for, as recipients cycle out, funding would become available to fund new grants.

Ms. McCabe voiced appreciation for the discussion. It covered the important aspects of what the bill would do.

Co-Chair Wilken moved to report the bill from Committee with individual recommendations and accompanying fiscal note.

There being no objection, CS SB 150(HES) was REPORTED from Committee with previous zero Fiscal Note #1, dated April 5, 2005 from the Department of Health and Social Services.

AT EASE [9:36:24 AM](#) / 9:37 AM

#sb133

SENATE BILL NO. 133

"An Act establishing the Aviation Advisory Board; and providing for an effective date."

Co-Chair Green noted that the bill was again before the Committee.

Co-Chair Wilken moved to report the bill from Committee with individual recommendations and accompanying fiscal notes.

There being no objection, SB 133 was REPORTED from Committee with a new \$20,000 Department of Transportation and Public Facilities fiscal note, dated April 25, 2005, and previous Department of Transportation and Public Facilities zero Fiscal Note #1, dated February 28, 2005.

#sb151

SENATE BILL NO. 151

"An Act excepting from the Alaska Net Income Tax Act the federal deduction regarding income attributable to certain domestic production activities; and providing for an effective date."

This was the third hearing for this bill in the Senate Finance Committee.

Co-Chair Green asked whether the Department of Revenue wished to present further testimony.

CHUCK HARLAMERT, Juneau Section Chief, Tax Division, Department of Revenue, stated that he was available to answer Committee questions.

[9:38:12 AM](#)/ [9:38:40 AM](#)

Co-Chair Green stated that a revised Department of Revenue fiscal note, dated April 19, 2005, has been provided.

Mr. Harlamert noted that the only revision included in the new fiscal note is that the revenue column reflects an \$8,230,000 revenue increase in FY 2006. An upward trend would continue with

\$14,995,000 being the projected revenue increase in FY 2011.

Co-Chair Green characterized this legislation as being "a good thing for the State budget".

Mr. Harlamert affirmed that this legislation would reinstate the money.

Co-Chair Green voiced that the legislation would "restore" the money.

Mr. Harlamert affirmed.

Co-Chair Green noted that other details of this legislation had been discussed during its previous hearings.

Co-Chair Wilken moved to report the bill from Committee with individual recommendations and accompanying fiscal note.

There being no objection, SB 151 was REPORTED from Committee with a new indeterminate Department of Revenue Fiscal Note, dated April 19, 2005.

[9:40:49 AM](#)

#sb71

SENATE BILL NO. 71

"An Act relating to the compensation of certain public officials, officers, and employees not covered by collective bargaining agreements; and providing for an effective date."

This was the first hearing for this bill in the Senate Finance Committee.

MIKE TIBBLES, Deputy Commissioner, Department of Administration, testified in support of the legislation. This bill would align the statutory pay schedule for partially exempt and exempt employees in the executive, legislative, and judicial branches with recent negotiated union contract salary schedules. It is anticipated that "complicated issues" would arise were the bill denied.

Mr. Tibbles stated that the area of interest is the process involved in making State employees wage adjustments: the wage adjustment process for Union employees is addressed via collective bargaining negotiations and, once an agreement is reached at that level, the proposed monetary terms are submitted to the Legislature

for approval; partially exempt or exempt employee salary adjustments are addressed by the submittal of legislation that would update State wage Statutes. SB 71 is the vehicle for that wage adjustment this year.

Mr. Tibbles noted that due to the fact that partially exempt and exempt wage bill proposals have not always "moved forward", there is currently an approximate five-percent disparity between their wage schedules and those represented by collective bargaining. This disparity would increase further in FY 2006 and 2007 as contracted wage implementations occur.

Mr. Tibbles stressed that were the salary scales of partially exempt or exempt employees not brought into alignment with those of union employees, three issues could arise. The first is an equity issue in that all State employee positions are assigned a salary range based on the nature and complexity of work and the amount of supervisory oversight. Since State Statutes require "like pay for like work", the Department's opinion is that were SB 71 to not move forward, a disparity between the two salary schedules would occur which would violate "the like pay for like work" statutory mandate at the point "when we get to a nine-percent difference between the two salary schedules".

Mr. Tibbles also shared that difficulties have arisen in situations where an effort was made to "move a position laterally" in the same range. For example, were an exempt fiscal analyst position to open in the Office of Management and Budget, a collective bargaining fiscal analyst employee would be disinterested in the position because "there was such a difference in pay". This situation has become problematic.

[9:45:52 AM](#)

Mr. Tibbles stated that a second issue is that recruitment efforts become more difficult as the disparity between the two schedules increases; particularly in the case of recruiting professionals, especially as "managers and directors are asked to do more". Were this "bill to not pass, the message being sent is that we are not respecting the management that they do perform ... in many cases, individuals" they supervise would be making more money than them at the point in time that a nine-percent difference in the two salary schedules occurs.

Mr. Tibbles communicated that the third issue is that when a large disparity between the two salary schedules is reached, it discourages people "from moving up" into management positions. The State is "required to encourage career progression" and, in his

opinion, that requirement could not be met when it would not take "that many years in merit step" increases for an individual to earn more than his or her own new supervisor. This is exemplified by a situation in which an individual in a Range 23 Step D supervisory position would be earning more than his or her Range 26, Step A supervisor. This situation is reflected in the "Comparison of Statutory and Supervisory Salary Schedules after bargained increases" chart depicted on page three of the "Comparison of Statutory, Judicial and Supervisory Salary Schedules" handout [copy on file].

Mr. Tibbles summarized that this bill is "very important" in addressing the inequity, recruitment, and difficulty in upward progression issues. It would provide a better playing field. The "union contracts have been submitted to the Legislature and are moving forward in the budget process". He asked the Committee's support in adjusting "the statutory schedules as well".

Senator Hoffman asked when the exempt and partially exempt salaries were last adjusted; specifically the salaries of Alaska Court System employees

Mr. Tibbles stated that the historical wage increases for exempt; partially exempt; and Court System employees are depicted on page two of the aforementioned handout. Court employees wage adjustments are specified in the column titled "Wage Increases for XJ". Their most recent wage adjustments included a two-percent increase in 2001 and a three-percent increase in 2002.

[9:46:32 AM](#)

Co-Chair Green understood therefore, that, under the current system, were a Range 10, Step "E" or Step "F" employee encouraged to advance in their career and increased to a Range 12, Step A or Step B position, "they would actually lose money" by such a promotion.

Mr. Tibbles responded that is possible. He also noted that were an employee to move from a classified position to a non-classified position, they would be moving from a collective bargain negotiated schedule that is higher than the non-classified schedule existing in Statute.

Co-Chair Green asked for further information regarding how the Step placement for a person earning the highest step in one range but who is being advanced to the next range would be determined.

Mr. Tibbles responded that there are "certain rules that govern

advanced step placement". Continuing, he noted that the operating procedures in place in the Executive Branch of State government specify that an individual "can't be moved into longevity and certain criteria must be met" before one could be placed within advanced steps. Such things as "exceptional service" are considerations. He was unfamiliar with the Legislative employee rules in this regard.

Co-Chair Green concluded therefore, that this legislation would serve to make "the smoothing much easier" and more aligned with employee counterparts in non-exempt positions. While this wage issue might "have been overlooked or intentional in years past for various reasons", this legislation would serve to correct the situation. It would make it "even, equal" and provide parity amongst between the two groups of employees.

[9:49:12 AM](#)

Co-Chair Green introduced her grandsons, Connor and Noel Leaf, who were visiting from Kenai.

[9:49:30 AM](#)

CHRIS CHRISTENSEN, Deputy Administrative Director, Alaska Court System, voiced appreciation for Court System employees being included in this Administration sponsored legislation. Of the Court System's approximate 733 permanent employees, 62 are judges appointed by the Governor, 39 are magistrates, and the majority of the remaining employees are clerical in nature. The Court System consumes less than two-percent of the State's operating budget, and even though it is one of the smallest departments in the Executive branch, more private citizens interact with the System on a daily basis than any other entity in State government with the plausible exception of the University of Alaska system. The majority of the private citizens with whom the Court System's staff work with every day are unfamiliar with the workings of the Court System, "are angry or scared, and might be undergoing the most traumatic experience of their lives". In addition, more than 150,000 new cases were filed with the Court System the previous year. While Court employees work hard under very stressful conditions and most of them work "at a very low salary", they are, nonetheless, proud of their work and believe that what they do matters.

Mr. Christensen informed the Committee that because approximately 70-percent of the employees are Range 15 or below, the Court experiences large turnover rates. This, in turn, results in management issues. Currently there is a 50-percent employee turnover rate for employees who have been with the System for less

than five years. The turnover rate in Rural locations, such as Kotzebue, is 100 percent for five-year or less employees, and at times the turnover has been 100-percent in one year. One factor in the high Rural turnover is that the local boroughs or Native Corporations offer higher compensation to employees than the State does for similar work.

Mr. Christensen reminded the Committee that the Legislature has historically provided non-judicial Court employees a cost of living adjustment (COLA) equal to the COLA provided to union employees. When this failed to occur in 1993, non-supervisory Court employees voted to join the IBEW union. In 1996, the Legislature provided both union and non-union employees a COLA amount that restored parity. Subsequently, those Court employees voted to de-certify the IBEW when the first collective bargaining agreement expired. Pay equity rather than working conditions appears to have been the driving force behind the initial vote. Currently, "the Court System has the largest non-union shop in State government".

Mr. Christensen informed the Committee that while the salaries of the Alaska Court System's judges "were ranked first in the nation in 1982", today, "according to the National Center of State Courts, the salary of a Superior Court Judge in Alaska ranks 49th, once adjusted for cost of living". This decline has occurred in a little more than twenty years. "The average annual increase for Superior Court Judges in other states during the period from 1992 to 2004 was three-point-one percent. In Alaska it averaged under one percent which was well under half the rate of inflation ... unlike other State employees, Judges do not get annual longevity increases". The salary of a new Judge is exactly the same as a Judge with 15 years of experience. There are no longevity increases to compensate for missed cost of living adjustments. In addition, the geographic differential (GD) provided to Rural judges is substantially less than that of other State employees. For example, a union employee in Barrow receives a 43-percent GD and a non-union employee receives a 31.5 percent GD. The local Superior Court Judge receives a 17-percent GD. In addition, Judges' geographic differential is calculated only on the first \$40,000 of his or her salary. Other State employees' GD is calculated on their entire salary. Due to the combination of there being no longevity increases and a limited GD, there are places in Rural Alaska in which the local prosecutor or the local public defender makes more than the local Superior Court Judge.

Mr. Christensen stated that this bill would provide non-judicial Court employees a salary adjustment effective in FY 2006 that would place the Court's salary schedule on par with the salary schedule approved last year for Alaska Public Employees Association (APEA)

members. Nonetheless, Court employees have lost substantial ground to inflation over the last two decades. Judges would receive a salary increase equal to the percentage increase that SB 71 proposes for a Range 28 Step E in the Executive Branch, as State Statutes ties a Judge's salary to that Range.

Mr. Christensen observed that this increase would improve Alaska's judges' ranking of 49th in the nation to 47th place. The increase would be appreciated, and by approving this bill, "the Legislature would send a message that it values Court employees as much as it does union employees in the Executive Branch and that it doesn't take their hard work for granted." Support of this bill would be appreciated.

[9:55:00 AM](#)

Co-Chair Green understood therefore that the Court System views this legislation "as a good thing for its employees".

Mr. Christensen affirmed.

[9:55:24 AM](#)

PAM VARNI, Executive Director, Legislative Affairs Agency, noted that in the 1980s and again in the 1990s, Executive Branch employees received salary increases that Legislative Branch employees did not. "Currently, Legislative employees' salaries are roughly five-percent behind their counterparts in the Executive and Judicial Branches with the exception of partially exempt employees. This bill should be passed as a matter of fairness and to eliminate any suggestion that employees doing similar work are not paid equally. It is long overdue. You want to retain the best and the brightest employees". Numerous "employees have been lost to the Executive Branch because they can take a position at the same range and step and make more money or they accept positions at a higher range, and receive an additional five percent increase in pay".

Ms. Varni stated that absent parity in salary, it is difficult to retain employees such as attorneys, programmers, personal assistants, and Legislative staffers. When reviewing the Legislative budget, "the drain" of long-term Legislative staff is noticeable as the number of Legislative staff receiving longevity Step increases is decreasing. In addition to this, the Legislative Affairs Agency is experiencing difficulty in recruiting Legislative Information Office (LIO) teleconference moderators in Rural areas as the "private sector wages are higher". It is difficult for staff at the lower Range levels "to keep up with cost of living". Wage adjustments are not keeping pace with the cost of living. In the

15-year period from 1988 to 2003, the Anchorage Consumer Price Index (CPI) increased 49.89-percent while Legislative pay increased 14.72-percent: a difference of 35.08-percent. "This is a significant difference". When comparing Alaska's Legislative wage increases for the past five years to other state's it is found that in contrast to Alaska's five percent increase, New Mexico increased 14.5-percent, Louisiana increased 30-percent, Indiana increased 12.7-percent, Virginia increased 11.8-percent, and Rhode Island increased 12.3-percent.

Ms. Varni thanked the Committee for their attention, and, as a manager and personnel officer, she urged for passage of this bill in order "to make wages fair and equitable to all employees in the Legislative branch".

Co-Chair Wilken noted that, regardless of political affiliation, over the years, Administrations have "struggled" in their search to find individuals to fill commissioner positions. Extended searches have occurred and oftentimes, the people filling those positions "have the financial means" that allow them to fulfill their public service. This is a re-occurring situation every election cycle. To that point, he asked whether this bill would be the avenue through which commissioner salaries could be addressed.

[9:59:12 AM](#)

Mr. Tibbles replied that the salaries of commissioners "are unique because they are tied to a range and a step". That creates a situation in which the salaries are frozen. As a result, other employees' salaries could increase beyond that of the Commissioner. He noted however, that people serve the state for a variety of reasons: some of them "are financially able" to accept the position at a lower salary than they would make in other professions. Generally; however, this is a concern. There were three acting commissioners this year. He shared that a number of the applicants would be taking a pay cut from their current job were they to become commissioner.

Co-Chair Green asked whether the applicants who would have taken a pay reduction were existing State employees.

Mr. Tibbles affirmed that a number of the applicants were State employees who would have received less compensation had they taken a commissioner position.

[10:00:32 AM](#)

Co-Chair Wilken suggested that the commissioner salary issue be

addressed in this legislation. Doing so could assist in making the process of hiring a commissioner easier for the next governor. Such conditions as implementing a salary upgrade effective date to coincide with the seating of the next governor could be considered.

Co-Chair Green noted that action eliminating the statutorily specified salary range and allowing the position to be subject to the range and step process could also be considered.

Mr. Tibbles opined that a simple solution would be to eliminate the Step "E" designation and simply include the Range 28 designation in Statute. This would allow the commissioner salary to move up the steps in the same manner that other State employees do.

Co-Chair Green asked whether the Range 28 Step "E" designation is frozen at its original level or would increase in line with other State salary increases.

Mr. Tibbles verified that it increases with the State's statutory schedules.

Co-Chair Green asked for confirmation that the salary currently increases in that manner.

Mr. Tibbles affirmed.

Co-Chair Green stated that further work on this legislation would be conducted.

The bill was HELD in Committee.

#

[10:02:36 AM](#)

Co-Chair Green announced that Senator Bunde is excused.

Senator Dyson introduced his wife and the wife of his staff person, Lucky Schultz.

#### **ADJOURNMENT**

Co-Chair Green adjourned the meeting at 10:03 AM.