

SENATE FINANCE COMMITTEE  
February 20, 2013  
9:05 a.m.

[9:05:16 AM](#)

CALL TO ORDER

Co-Chair Kelly called the Senate Finance Committee meeting to order at 9:05 a.m.

MEMBERS PRESENT

Senator Pete Kelly, Co-Chair  
Senator Kevin Meyer, Co-Chair  
Senator Anna Fairclough, Vice-Chair  
Senator Click Bishop  
Senator Mike Dunleavy  
Senator Lyman Hoffman  
Senator Donny Olson

MEMBERS ABSENT

None

ALSO PRESENT

Curtis Thayer, Deputy Commissioner, Department of Administration; Nicki Neal, Director, Division of Personnel, Department of Administration; Former Senator Jim Duncan.

SUMMARY

^PRESENTATION: DEPARTMENT OF ADMINISTRATION ON CONTRACT NEGOTIATIONS

[9:05:46 AM](#)

CURTIS THAYER, DEPUTY COMMISSIONER, DEPARTMENT OF ADMINISTRATION, introduced department staff. He recognized former Senator Jim Duncan and the General Government Bargaining Unit (GGU) team in the audience. He provided a disclaimer that any discussion on previously bargained state contracts was not an indictment of past practices. He stressed that all contracts had been bargained with and

agreed to by the state and parties. He added that historic bargaining priorities may have been different than current priorities.

[9:08:13 AM](#)

Mr. Thayer provided a PowerPoint presentation titled "Alaska Department of Administration: Understanding Labor Contracts" dated February 20, 2013 (copy on file). He moved to slide 2 titled "Bargaining 101." He read from the slide:

- Negotiations are mandated by the Public Employment Relations Act (AS 23.40.070-23.40.250).
- Bargaining begins in accordance with the terms set forth in the collective bargaining agreements but generally commences between the months of October and December.
- The State must negotiate and enter into written agreements on matters of wages, hours and other terms and conditions of employment. These are considered mandatory subjects of bargaining.
  - For example: cost of living increases, merit increases, pay increments, leave accrual, health insurance
- The State may, but is not required, to negotiate permissive subjects of bargaining.
  - For example: classification, benefits for retirees, representation of non-permanent employees
- Monetary terms of the agreement must be submitted to the Legislature no later than the 60th day of the legislative session to receive consideration during that calendar year (AS 23.40.215).

Mr. Thayer elaborated that current contract negotiations had commenced in October 2012 for one union and in January 2013 for another. The department and unions were working together to submit their monetary agreements to the legislature by the March 15, 2013 deadline.

Mr. Thayer read from slide 3 titled "Bargaining 101":

- If negotiations do not lead to agreement and mediation fails, employees (except protective service personnel) have the right to strike.
- Employees who are on strike do not get paid, but may not be terminated because they choose to lawfully strike.
- Striking employees may be replaced - either temporarily for the duration of the strike, or permanently under certain circumstances.
- Our goal is to reach a fair and balanced agreement.

Contracts are...

- three years in duration
- typically bargained by the State on a cycle of 3-5 separate agreements each year (see next slide for detail)

Mr. Thayer expounded that contracts were required to be negotiated at least every three years.

[9:10:00 AM](#)

Mr. Thayer turned to slide 4 titled "Bargaining Units (BU)":

| Contracts That Expire on June 30, 2013                           | Number of Employees |
|--|---------------------|
| ASEA Alaska State Employees Association (GGU)                    | 8,231               |
| APEA Alaska Public Employees Association (Supervisory Unit (SU)) | 2,219               |
| CEA Confidential Employees Association                           | 192                 |
| Contracts That Expire on June 30, 2014                           |                     |
| AVTECTA Alaska Vocational Technical Center Teachers              | 39                  |
| IBU Inlandboatmens' Union of the Pacific                         | 654                 |
| MEBA Marine Engineers Beneficial Association                     | 99                  |

|  |     |
|--|-----|
| MMP Masters, Mates and Pilots            | 97  |
| PSEA Public Safety Employees Association | 487 |

Contracts That Expire on June 30, 2015

|  |       |
|--|-------|
| ACOA Alaska Correctional Officers Association          | 777   |
| LTC Public Employees, Local 71                         | 1,675 |
| TEAME Teachers' Education Association of Mt. Edgecumbe | 29    |
| Non-Covered Exempt, Partially Exempt and Excluded      | 1,359 |

Mr. Thayer explained that the non-covered exempt positions included commissioners, deputy commissioners, directors, and the majority of the Department of Law.

[9:11:34 AM](#)

Mr. Thayer discussed the average yearly base salary on slide 5. Salaries varied broadly depending on the association; average annual pay was \$55,000 for GGU members \$80,000 for SU members, \$55,000 for the Confidential Employees Association (CEA), and \$96,000 for non-covered employees. He relayed that the total personal services cost was close to \$1.7 billion. The average employee benefit percentage was 49 percent (the percentage varied slightly per union and included benefits on top of salary). The slide also included the geographic differential received by unions.

Mr. Thayer directed attention to slides 6 through 8 titled "Contract Negotiations Now Underway." Slide 6 provided detail on the Alaska State Employees Association (ASEA), which had 8,941 budgeted positions (the 8,231 number listed on slide 4 represented a snapshot of the number of employees on payroll at a certain time). Other ASEA statistics included an average member age of 44, an average service of 7.87 years, a \$55,000 average annual salary for full-time employees, and a total FY 12 gross pay for all members of \$414 million. Slide 7 included the information for the Alaska Public Employees Association (APEA). Statistics included a membership total of 2,240, an average member age of 49, an average service of 13.69 years, an average annual salary for full-time employees of \$76,638, and \$173 million in total FY 12 gross pay for all members (the gross pay included premium pays, but excluded benefits). Shown on slide 8, the CEA included a membership

total of 201, an average member age of 42, an average service of 8.26 years, a \$55,000 average annual salary for full-time employees, and a total FY 12 gross pay for all members of slightly under \$10 million. He added that the majority of the CEA employees worked in the Personnel and Labor Relations Division of the Department of Administration (DOA).

[9:14:16 AM](#)

Mr. Thayer looked at slide 9 titled "Monetary Terms." One portion of the monetary terms found in collective bargaining agreements was the cost of living increase. He detailed that a general wage increase was provided to all bargaining unit members typically effective on July 1 of every year of the agreement. Merit increases and pay increments also fell under the monetary terms category. He explained that pay scale merit steps went from "A" to "F"; employees received a 3.5 percent raise on an annual basis during state service. Once an employee reached the "F" step they received a 3.75 percent pay increase every two years; the statutory requirement had been a new contract addition in 2008/2009. He noted that the merit increases were provided in addition to the cost of living increases.

Mr. Thayer discussed how merit increases and pay increments factored into overall costs (slide 10). He used GGU as an example and explained that granting a 1 percent increase in FY 14 would cost approximately \$6.6 million; however, cumulatively over three years the increase would cost approximately \$46.7 million. Merit increases and pay increments were valued at approximately \$15 million in FY 14, with a cumulative total over three years of approximately \$105 million. The slide also included the detailed information for the SU and CEA. He explained that the costs and percentages were used during bargaining agreements. He turned to slide 11 related to understanding increases over time. The slide provided a snapshot of a state employee's salary. He detailed that if the employee had been hired in 2006 they would have received a 38 percent pay increase by 2012 due to cost of living increases and merit/longevity steps. He explained that an employee with a "G" step in 2006 would have received a 28.25 percent pay increase by 2012 with pay increment increases occurring every other year. The slide also showed the Consumer Price Index increase from 2006 to 2012; the increase averaged 18.3 percent. The cost of living increase

average over the same time period was 17 percent. He relayed that Alaska was one of the only states that granted raises every year for state employees during the 2008 recession. He elaborated that Florida had not provided pay raises for six years and the federal government had not provided raises for its employees for four years.

Mr. Thayer addressed slide 12 titled "Leave." He described leave currently as the "800-pound gorilla in the room." He detailed that employees with zero to two years of state service received 24 days of leave per year, employees with two to five years received 27 days, employees with five to ten years received 30 days, and employees with over ten years received 36 days. He noted that leave included personal and sick time; in 2000 the bargaining units had combined separate sick leave and vacation time systems into one leave system. He detailed that previously there had been a cap on leave accrual; however, the cap had been removed in 2000. Currently employees were required to use one week of leave per year. Additionally, employees could cash-in unlimited leave providing they maintained a balance of 37.5 hours. Leave was valued at an employee's current rate of pay with the exception of non-covered employees. He expounded that if an employee had worked for the state for 10 years any accrued leave would be valued at their current rate of pay. However, leave for non-covered and exempt employees was valued at the rate of pay at the time it was accrued.

[9:19:56 AM](#)

Mr. Thayer continued to discuss leave on slide 12. He explained that there was a working reserves account in statute that was used for funding the payment of leave cash-ins and accrued leave upon separation from employment. He relayed that there were currently employees with 3,000 and 4,000 hours of leave accrued. He communicated that in some of the bargaining units if three employees left state employment they would be paid over \$500,000 in excess leave. He directed attention to a bar graph on slide 13 titled "Growing Leave Liability." The increasing leave liability was currently \$164 million and the state had paid out \$36 million in leave during the prior year. The leave liability was valued at \$140 million in FY 09 and had grown by approximately \$10 million per year through FY 12. The state had expressed its concern over the liability to its bargaining units and was working to address the issue. He

shared that the state had discussed putting a cap on leave and raising the number of hours an employee would be required to use in a given year. He stated that the leave was "better than the bank"; merit and cost of living increases caused leave to grow over time. He noted that many employees viewed their leave as a savings account.

[9:21:49 AM](#)

Mr. Thayer addressed a health insurance graph on slide 14. The red bars showed the state's contributions to the active employees' health plans (the list of health plans were shown on the right of the slide). He relayed that the state did not directly insure all state employees. He detailed that some bargaining units used a health trust (the state's contribution to the trust were based on the economy plan premium for AlaskaCare). He pointed out that the state's healthcare contribution was growing significantly. He discussed the importance of letting the provider community know that the cost increases could not be sustained. He relayed that Alaska was one of four states that covered full premium for employees; most state's required an 80 percent/20 percent copay. The health insurance contribution per employee was approximately \$15,900 in FY 13.

Mr. Thayer directed attention to "National Trends" shown on slide 15:

- Little to no pay increases since 2007
- Extensive furlough of employees
- Extensive layoffs
- Freezing of longevity pay
- Increase in subcontracting - "managed competition"
- Limitations on "legacy" costs such as pensions, sick or vacation "buyback" upon retirement, and other such long-term costs.
- Greater operational flexibility, to provide more service at the same or lesser cost to taxpayers and citizens.

Mr. Thayer noted that Alaska did not include the furlough of state employees in its bargaining language.

[9:24:19 AM](#)

Mr. Thayer turned to slide 16 titled "Department of Administration's Bargaining Priorities and Concerns":

- Fiscally prudent cost of living increases
- Reducing the cost of longevity steps (i.e. pay increments)
- Reducing the legacy costs of leave liability
- Operational productivity improvements
- Obtain voluntary, balanced agreements
- If a strike occurs, continue to provide essential services to citizens

Mr. Thayer relayed that a strike situation was a last resort to the state.

[9:25:20 AM](#)

NICKI NEAL, DIRECTOR, DIVISION OF PERSONNEL, DEPARTMENT OF ADMINISTRATION, addressed slide 17 titled "Next Steps." She discussed that once monetary terms were agreed to DOA submitted them to the legislature for appropriation. She explained that if the legislature failed to fund the monetary terms of an agreement the next steps varied by bargaining unit and the action taken could be affected by whether or not the terms were submitted in a timely manner (by the 60th day of legislative session; March 15 in the current year). She communicated that if the legislature failed to fund the agreement, an impasse was considered to exist for some units and others had 10 days to reach an agreement. She stressed that each situation was evaluated and was fact specific; contract language varied between units. She stated that the fact that the monetary terms of

the parties' agreement could potentially be submitted to the legislature after the 60th day of session did not prevent the legislature from either considering or funding them. Additionally, the appropriation was subject to the ratification of the collective bargaining agreement by the union's membership.

Co-Chair Kelly asked members to read through slide 17 as it related specifically to the legislature's duties.

9:27:04 AM

AT EASE

9:28:01 AM

RECONVENED

Ms. Neal continued to address slide 17. She communicated that when monetary terms of an agreement were submitted to the legislature the union membership had typically not yet ratified the agreement. She detailed that appropriated funding was proportionately reduced if the unions did not ratify the agreement. A flow chart on slide 18 provided a bargaining "road map." She relayed that the ideal process began with negotiation, which was followed by a voluntary agreement, the submittal of monetary terms to the legislature, and the funding of monetary terms through legislative appropriation.

Ms. Neal reiterated her earlier testimony that if the legislature failed to fund the monetary terms, some contracts specified that an impasse existed; whereas others required the state to return to negotiations. In the case of an impasse, the state often entered into mediation; interest arbitration for Class I employees (i.e. troopers, correctional officers, and other) was entered into if mediation was not successful. It was the state's position that it was not required to go to interest arbitration with units with a mixed membership (i.e. units that were not solely Class I) until the membership voted to strike. In the event of an impasse a couple of options existed: (1) the state could choose to implement its "last best offer"; however, any monetary terms were subject to appropriation; and (2) the state could choose to continue under the terms of the current collective bargaining agreement. She relayed that in either situation the state and unions would continue to negotiate.

[9:30:31 AM](#)

Senator Dunleavy asked for verification that the legislature did not set a cap on increases (e.g. 1 percent, 3 percent, or other) or items agreed to in the state's negotiations with unions. He asked for confirmation that the state bargained with unions and subsequently asked the legislature to fund the agreements. Ms. Neal responded in the affirmative.

Co-Chair Kelly asked the department to provide further detail on how Alaska's contracts compared with those in other states. He asked Vice-Chair Fairclough to elaborate on the question.

Vice-Chair Fairclough referred to AS 23.40.210 related to cost of living differentials. She pointed to a specific comparison between the state and Seattle, WA. She asked the department to expand on the comparison.

Ms. Neal asked for clarification on the statute.

Vice-Chair Fairclough pointed to AS 23.40.210(a) related to the cost of living differentials. She read from the statute:

...the plan shall provide that salaries paid as of August 26, 1977, to employees residing outside the state shall remain unchanged until the difference between those salaries and the salaries paid employees residing in the state reflect the difference between the cost of living in Alaska and living in Seattle, Washington.

Ms. Neal replied that the department would get back to the committee with a response.

Co-Chair Kelly spoke to the department's testimony that Florida and the federal government had not provided step increases for employees [in relatively recent years]. He asked whether there were other states in the same situation.

[9:33:28 AM](#)

AT EASE

[9:35:20 AM](#)

RECONVENED

Mr. Thayer answered that 22 states had been present at the recent National Association of State Personnel Executives meeting and 20 of the states had not provided pay increments or salary increases; only two states had given raises in the past two years. He added that Ms. Neal could provide more detail on the issue.

Co-Chair Kelly asked Mr. Thayer to repeat the name of the organization. Ms. Neal replied that the organization was the National Association of State Personnel Executives. She relayed that Alaska was one of two states out of the 22 in attendance that had continued to provide pay increases. Delaware had provided increases in the past several years. She elaborated that the other states had not provided cost of living increases and very few had provided merit steps. She expounded that Louisiana and one other state had planned to provide increases in the current year for the first time in several years.

Co-Chair Kelly extended an invitation for former Senator Duncan to address the committee if he desired. Mr. Duncan declined.

Senator Dunleavy referred to step and column increases provided to teachers. He wondered whether there were steps and columns in the state employee contracts.

[9:37:23 AM](#)

Ms. Neal replied that the teachers' salary structure was slightly different. She expounded that state employees were assigned a salary range when hired and received advanced steps based on years of service and performance.

Senator Dunleavy surmised that there did not appear to be complete agreement on what constituted a raise. He asked whether a cost of living increase raised an employee's columns or steps. Ms. Neal answered that the negotiated cost of living increase caused the entire salary schedule to increase (e.g. a 2 percent salary increase would cause the salary schedule to rise by 2 percent). She explained that merit steps were raises provided to employees within their salary range. She elaborated that a typical employee was eligible for one increase per year for the first five years; after five years the employee advanced to pay

increments, which was a 3.75 percent increase every two years thereafter.

Senator Dunleavy wondered about specifics related to what was considered a raise. He asked whether in the absence of a cost of living increase an employee could say that they did not receive a raise. He thought that in some instances even though employees moved columns or steps they were not considered to have received a raise.

Ms. Neal responded that employees were still eligible for merit increases or pay increments in the absence of a cost of living increase. She believed the increases constituted a raise.

[9:39:32 AM](#)

Co-Chair Kelly asked at what point in an individual's employment they began receiving merit increases every other year. Mr. Thayer replied that employees moved to the every other year schedule after approximately five years.

Co-Chair Kelly asked whether there were any employees who did not receive step or merit increases (aside from those employees receiving the increases every other year).

Mr. Thayer replied that some marine highway employees did not receive merit and step increases; however, only about 1000 employees fell under the category. He elaborated that most of the 16,000 state employees received merit and pay increments. The department had worked hard to communicate to unions that merit and pay increments constituted an increase in salary; cost of living increases were in addition to the other increases. He pointed to slide 11 that represented how an employee's salary had increased by 28 percent to 38 percent over the past 7 years (increases shown were a combination of merit pay increments and cost of living allowances).

[9:41:13 AM](#)

Vice-Chair Fairclough surmised that the cost to the state had increased more than the 38 percent due to health benefit costs. She asked for an overall cost increase to the state. Mr. Thayer replied that the department would follow up on the question at a later time. He confirmed that the state's liability continued to grow as it

continued to pay health care premiums at 100 percent and leave value increased. He stated that 23 years earlier there had not been an issue; however, currently the liability was significant and continued to grow. The department had talked with unions during negotiations about how to arrest the liability through a leave cap, different leave accrual for new employees, or other.

Vice-Chair Fairclough returned to her earlier question related to how the state determined cost of living increases. She wondered how the state compared to the other 49 states. Ms. Neal answered that the specific statute [AS 23.40.210] was applied to the Alaska Marine Highway System; employees received a cost of living differential for living in Alaska. She did not know why the differential was only applied to marine highway employees and would follow up with detail at a later time.

Vice-Chair Fairclough asked the department to follow up on how often cost of living was established and what location the state compared itself to in order to establish the amount. She believed the cost of living in different states varied and was interested to know where Alaska fell on the spectrum.

[9:44:19 AM](#)

Ms. Neal responded that the specific statute [AS 23.40.210] was not applied during the state's contract negotiations for non-covered employees. She believed the statute pertained to a geographic differential as opposed to a cost of living increase. She reiterated the department's intent to follow up on the issue.

Co-Chair Kelly asked if the current leave accrual liability was \$163 million. Mr. Thayer replied that the current liability was \$164 million. Co-Chair Kelly wondered whether leave accrual included benefits in addition to time and salary. Mr. Thayer replied that the leave accrual related strictly to time and salary.

Co-Chair Kelly was concerned about an apocalyptic scenario that could potentially cause the price of oil to dramatically drop and the impact it would have on the state. He wondered if the state had a furlough system in place to deal with the potential problem and whether unions

had money set aside to take care of employees during such an event.

Mr. Thayer answered that the state did not have furlough language in its contracts; contracts did include layoff language. He believed individual unions and bargaining units would be able to better answer the question regarding any funds set aside.

[9:46:52 AM](#)

AT EASE

[9:49:12 AM](#)

RECONVENED

Senator Hoffman pointed to an increase in accrued leave over time. He asked whether individuals were moving to higher cost of living areas when they neared retirement. Ms. Neal replied that the state did not monitor it, but there was rumor of the occurrence, especially with Tier I employees; all other tiers were required to spend 50 percent of their career in a location with a geographic differential.

Senator Olson asked why binding arbitration was not included in the state's process in the event of an impasse. Ms. Neal answered that interest arbitration was binding.

Co-Chair Kelly asked for verification that the binding interest arbitration was statutory. Ms. Neal replied in the affirmative.

Senator Olson asked about funding that would be reduced proportionately [if a union failed to ratify the bargaining agreement] (slide 17). Ms. Neal replied that when the monetary terms were brought to the legislature for appropriation the agreement had not yet been ratified. She explained that when a membership failed to ratify an agreement typically the legislature had already funded the monetary terms; therefore, funding was reduced appropriately.

Vice-Chair Fairclough asked whether the state had conducted an analysis on the effectiveness of a 37.5-hour versus a 40-hour workweek. She wondered whether the issue was discussed during labor negotiations. She had heard that the

37.5-hour workweek had been implemented to remove a potential liability of overtime payments.

[9:52:34 AM](#)

Ms. Neal answered that she was not aware that any analysis had been done and did not know how the state had arrived at a 37.5-hour workweek. The workweek hours were negotiated and in order to increase the hours the state would need to negotiate it with each union. She stated that perhaps the working to avoid overtime payments was initially an issue. The Fair Labor Standards Act did not require overtime until after 40 hours per week; however, under most of the state's collective bargaining units the state paid overtime after 37.5 hours.

Co-Chair Kelly asked whether the 37.5-hour workweek went back to statehood. Ms. Neal replied that the workweek had been 37.5 hours throughout her 30 years of service. She recalled a couple of attempts to switch to 40 hours, which had been unsuccessful.

Co-Chair Kelly asked whether the 37.5-hour workweek had been negotiated versus set in statute. Ms. Neal answered that she did not know how the 37.5-hour workweek initially began, but it was currently in the state's collective bargaining agreements.

Co-Chair Kelly noted that he would not be surprised that the workweek was outlined in statute; he believed the 37.5 hours went back to statehood. He discussed that when he had worked for the University of Alaska, the university would have paid \$300,000 to \$400,000 per year in overtime if it had moved from its 40-hour workweek to a 37.5-hour workweek. He discussed that there were currently \$25 million in automatic increases paid to state agencies regardless of contracts. He surmised that contracts would likely be for an additional \$10 million to \$20 million in the current year. He wondered whether an analysis had been done on the number of layoffs that may be required or services that may need to be cut as a result of pay increases during a time of declining revenues. He discussed that legislators working on the operating budget had an eye on savings; the goal was to avoid eating into the state's savings or to tap them in a managed way.

[9:56:37 AM](#)

Mr. Thayer answered that DOA had not done an analysis on the issue. He discussed state government and pointed to the employees, programs, and space. The department had been looking at the state's current leased space to determine whether it was possible to reduce its footprint in order to save money; preliminary estimates showed an approximate savings of over \$125 million in the next 20 years. For example, the state had been looking at the elimination of three floors at the Atwood Building in Anchorage; the potential savings would be over \$1 million. He elaborated that agencies could be moved from private leased space, which rented at \$2 to \$3 per square foot, into a building that cost \$1.56 per square foot. He concluded that in the Atwood Building alone there was the potential for a \$2 million savings. There were capital costs associated with the shift, but the payback period was within five to seven years. He noted that savings resulting from space reduction would occur over the long-term.

Co-Chair Kelly asked whether there was a plan to reduce the leave accrual. Mr. Thayer responded that DOA was in negotiations with unions related to leave accrual. Discussions had included a potential leave accrual cap or a new leave accrual. He believed there was an acknowledgement by all parties that the unfunded liability was huge.

[9:59:43 AM](#)

Senator Bishop pointed to slide 14 related to health insurance costs. He stressed that something needed to be done to arrest the growing costs of health insurance for the state. He emphasized that the state could not expect to stay in business if costs continued to increase by \$100 million every six years. He relayed that he had brought information to DOA. He asked for an update on methods that would save the state money related to health care costs. He noted it could be provided at a later time.

Vice-Chair Fairclough looked at the bargaining road map on slide 18. She observed that it would be helpful for everyone for negotiations to occur under a standard road map to make it easier to navigate if the state was put in a position where it could not approve a contract due to a lack of funds. She wondered whether the state was negotiating to streamline the process. She stated that the

\$164 million of outstanding leave and the ability for an employee to cash out all their leave upon separation from the state was adding substantially to the liability. According to her math, using the 37.5-hour workweek instead of a 40-hour workweek added up to a full year within a 16-year time period; she believed the state paid for close to two years in time off (in addition to benefit packages) for employees who worked 30 years. She discussed that the benefit was significant and provided families with flexibility. She stated that the federal government cost of living allowances were difficult for the state to compete with and caused the state difficulty when working to attract specialized employees.

[10:03:49 AM](#)

Co-Chair Meyer inquired if there were some bargaining units that could not strike (e.g. public safety employees, corrections, or other). Ms. Neal replied in the affirmative. She elaborated that Class I employees could not strike, which included state troopers, airport, police and fire, and correctional officers. She added that some Class I employees worked within GGU and SU as protective service workers (e.g. probation officers and pioneer home employees).

Co-Chair Meyer asked for verification that employees could cash-in their entire leave amounts. Ms. Neal answered in the affirmative. She detailed that most bargaining units allowed employees to cash-in an unlimited amount of accrued leave; a minimum balance of 37.5 hours was required to remain in an employee's account.

Co-Chair Meyer asked whether leave included vacation and sick time. Ms. Neal responded that leave was classified as personal leave for most units; there was not a designated sick leave bank.

Co-Chair Meyer asked whether there was a concern from a safety standpoint if employees never took time off. He believed the purpose of leave was to allow employees to get rest. He was worried about how a lack of time off would affect employees who carried guns as a job responsibility. He opined that there may be workers' compensation issues that should be considered as well. He believed leave was healthy for the state and the employee.

Ms. Neal replied that mandatory leave usage provisions were meant to address the issue. She elaborated that most collective bargaining agreements required the use of a minimum of 37.5 hours per year; however, when employees accrued the maximum level of 36 days per year they still accumulated a significant amount of leave. She noted that occasionally departments certified that an employee did not have the opportunity to use the leave due to business needs.

Co-Chair Meyer noted that overtime for Anchorage police officers was negotiated and was based on seniority. He asked whether overtime was based on seniority for state employees. Ms. Neal answered that overtime needed to be equitably assigned; it was not assigned strictly on a seniority basis.

[10:07:14 AM](#)

Senator Olson asked about the distribution of state employees in Tiers I through IV. Ms. Neal would follow up on the question. She noted that Tier I employees were beginning to decline, but she did not have the precise numbers.

Co-Chair Kelly asked for verification that merit increases were no longer provided. Mr. Thayer replied that merit increases were provided during an employee's first five years with the state. Following the first five years an employee received a pay increment every other year going forward.

Co-Chair Kelly asked for confirmation that all state employees received merit increases in the first five years. Mr. Thayer answered in the affirmative. Co-Chair Kelly surmised that the word "step" had been replaced with the word "merit." He wondered whether merits and steps had been merged because merit had not been used as it should have been.

Ms. Neal answered that increases were merit steps. Employees were automatically awarded merit increases unless a supervisor proactively denied the increase through a written performance evaluation prior to the due date.

Co-Chair Kelly asked how frequently supervisors had denied merit increases in the past year. Ms. Neal replied that she did not have the number, but that it did not occur often.

Co-Chair Kelly remarked on poor management related to pay issues. He recalled his discussion with a former commissioner 15 years earlier; the commissioner had relayed that three merit increases had been denied the past year. He communicated that state supervisors should work to improve management skills.

[10:10:15 AM](#)

Mr. Thayer responded that the state had been asked to provide bargaining units with information on its management practices; the state had learned a significant amount through the process. He explained that the reports generated in response to the units' questions raised issues pointing out that management skills needed improvement. He discussed that over time, information requests had shown the state that the existing leave accrual system was a problem.

[10:11:14 AM](#)

AT EASE

[10:11:36 AM](#)

RECONVENED

Co-Chair Kelly thanked the department for its presentation and time. He invited former Senator Jim Duncan to address the committee if he desired. [Mr. Duncan declined and thanked the committee from his seat in the audience.]

#

ADJOURNMENT

[10:12:32 AM](#)

The meeting was adjourned at 10:12 a.m.