

SENATE FINANCE COMMITTEE

April 8, 2013

9:06 a.m.

[9:06:46 AM](#)

CALL TO ORDER

Co-Chair Meyer called the Senate Finance Committee meeting to order at 9:06 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

Christine Marasigan, Staff, Senator Kevin Meyer; Ed Fogels, Deputy Commissioner, Department of Natural Resources; Heather Shattuck, Staff, Senator Pete Kelly; Brittany Hutchison, Staff, Senator Click Bishop; Curtis Thayer, Deputy Commissioner, Department of Administration (DOA); Nicki Neal, Director, Division of Personnel and Labor Relations, Department of Administration; Senator Peter Micciche; Larry Semmens.

PRESENT VIA TELECONFERENCE

Jim Dodson, President, Fairbanks Economic Development, Fairbanks.

SUMMARY

SB 74 UNIVERSITY OF ALASKA BUILDING FUND

SB 74 was REPORTED out of committee with a "do pass" recommendation and with new zero fiscal notes from the University of Alaska, Department of Administration, and Department of Revenue.

CS SB 85 (TRA) EXPERIMENTAL VEHICLE PLATES

CS SB 85 (TRA) was REPORTED out of committee with a "do pass" recommendation and with previously published zero fiscal note: FN1 (ADM).

CS SB 95 STATE EMPLOYEE COMPENSATION AND BENEFITS

CS SB 95 was REPORTED out of committee with a "do pass" recommendation and with a new fiscal impact note from the Legislature; new fiscal impact note from the Court System; and previously published fiscal impact note: FN1 (GOV).

SB 96 OIL AND GAS AND GAS ONLY LEASES

SB 96 was HEARD and HELD in committee for further consideration.

SCS CS HB 77(FIN)

LAND USE/DISP/EXCHANGES; WATER RIGHTS

SCS CS HB 77(FIN) was REPORTED out of committee with a "do pass" recommendation and a new zero fiscal note from Department of Natural Resources, and previously published zero fiscal note: FN2 (DFG).

#hb77

CS FOR HOUSE BILL NO. 77(RES)

"An Act relating to the Alaska Land Act, including certain authorizations, contracts, leases, permits, or other disposals of state land, resources, property, or interests; relating to authorization for the use of state land by general permit; relating to exchange of state land; relating to procedures for certain administrative appeals and requests for reconsideration to the commissioner of natural resources; relating to the Alaska Water Use Act; and providing for an effective date."

[9:08:19 AM](#)

Co-Chair Meyer noted letters in the committee member's packet from various corporations, support letters, and paperwork related to the bill.

[9:08:54 AM](#)

Co-Chair Kelly MOVED to ADOPT the proposed committee substitute for SCS CS HB 77 (FIN), Work Draft 28-GH1524\P (Bullock 4/7/13).

Co-Chair Meyer OBJECTED for purpose of discussion.

[9:09:57 AM](#)

CHRISTINE MARASIGAN, STAFF, SENATOR KEVIN MEYER, noted the title change on the first page of the CS, which pertained to material stated on page 18, section 30. The section allowed for the performance of a feasibility study at Chikuminuk Lake. Language pertaining to the same subject was found on page 6 in the transition language. She mentioned 2 additional substantive changes to the bill, the first on page 6, section 4 addressed leases. The final change on page 23, section 47 addressed language related to transition, pending applications.

[9:11:43 AM](#)

Co-Chair Meyer noted that the change in access to the Wood-Tikchik State Park was previously included in Senator McGuire's bill, which was the reason for the title change. He stated that long-term lease sales allowed first purchasing opportunity to the lessee. Ms. Marasigan concurred.

[9:12:55 AM](#)

Co-Chair Meyer understood that transition language in the bill required correction in collaboration with the Department of Natural Resources (DNR). Ms. Marasigan replied that there had been some discussion regarding Section 4 pertaining to preference rites.

[9:13:17 AM](#)

Ms. Marasigan pointed out that the transition language at the end of the bill should result in a zero fiscal note. She stated that DNR representatives were available to discuss the fiscal note.

[9:14:08 AM](#)

Senator Olson objected that the finance CS was considerably different from the original and he hoped for ample time for committee consideration.

Co-Chair Meyer explained that the bill's changes were minor and he did not feel the need to hold the bill.

Senator Olson remarked that the citizens affected by the changes in the bill did not consider the issues minor.

[9:15:08 AM](#)

Co-Chair Kelly queried the page number for Tikchick State Park and Chikuminuk Lake.

Ms. Marasigan replied that the title change was noted on page one. Another change noted on page 18, section 30 addressed Chikuminuk Lake. She continued that page 23 had transition language which also addressed Chikuminuk Lake.

[9:15:59 AM](#)

Co-Chair Kelly remarked that the CS would not grant access to the park, but rather enable a feasibility study.

Co-Chair Meyer agreed, but remarked that funding was acquired in the FY 13 capital budget for a hydro project, but access to the park was necessary to perform the feasibility study.

[9:16:46 AM](#)

Co-Chair Kelly reiterated that access would be granted for the feasibility study alone.

[9:17:01 AM](#)

Vice-Chair Fairclough looked at page 6, and noted that Section 4 was new.

Ms. Marasigan replied that the section was new and related to preference rights to purchaser lease without competitive bid for up to five acres of state land. She pointed out that the change added time for an applicant to purchase the lease land. The federal permit requirement was also removed.

[9:18:08 AM](#)

Senator Hoffman noted that section 40 from the previous version was now listed as section 42.

Ms. Marasigan replied that the bill remained the same minus the three discussed changes.

[9:18:42 AM](#)

Co-Chair Meyer addressed Senator Olson's concerns. He understood that any time bills were combined, public input was minimized. He noted that the process of combining bills was expected at the end of a legislative session. He believed that the bill's impact was similar and that testimony for HB 77 would remain consistent. He judged the CS as an appropriate vehicle for the changes.

[9:19:31 AM](#)

Senator Olson felt that the bill was deemed controversial prior to the introduction of the Senate Finance Committee version. He opined that the judgment of the chairman was clouded by end-of-session pressure. He suggested holding the bill in committee for further work in a subcommittee or special session. He requested testimony from DNR and the Water Resources Board.

[9:20:44 AM](#)

Co-Chair Meyer shared that DNR was available to discuss the changes. He opined that HB 77 was well vetted between the two bodies.

Senator Olson felt that the CS was much different than the version passed to the committee.

Co-Chair Meyer agreed that changes were made, which was common practice at the end of session.

[9:21:20 AM](#)

Senator Olson suggested that bad legislation was often passed when time was short and legislators were rushed.

[9:21:25 AM](#)

AT EASE

[9:24:23 AM](#)

RECONVENED

[9:24:33 AM](#)

Senator Bishop pointed to Section 4 and requested clarification from the department.

[9:24:54 AM](#)

ED FOGELS, DEPUTY COMMISSIONER, DEPARTMENT OF NATURAL RESOURCES, introduced himself.

[9:25:37 AM](#)

Senator Bishop noted that section 4 stated that "a director shall grant a preference to right-to-purchase or lease without competitive bid up to 5 acres...who has erected a building on the land and use the land for a bona fide business purposes." He asked if the section would apply to traditional fish camps on the Yukon River.

Mr. Fogels replied that the intent of the preference was to provide Alaskans with federal permits on federal land. The permits allowed Alaskans the opportunity to purchase the land.

[9:26:32 AM](#)

Senator Bishop asked if an Alaskan with a fish camp could apply for the preference to purchase or lease federal land.

Mr. Fogels pointed out that the amendment stated that an Alaskan with a state permit or lease who met the requirements of 10 years and 25 percent would have the option to purchase the property.

[9:27:26 AM](#)

Co-Chair Meyer clarified that the proposed amendment would not be addressed until the CS was adopted.

[9:27:42 AM](#)

Co-Chair Kelly remarked that the changes in the CS were not significant and were present to protect Alaskans. He did not think that the subject of a feasibility study was especially controversial.

[9:29:13 AM](#)

Co-Chair Meyer remarked that combining the bills seemed logical. He noted that access to the park also seemed logical since the money for the project was appropriated in the FY 13 capital budget.

Co-Chair Kelly furthered that there were two separate pieces that the feasibility study could be applied to and the most applicable option was propagated in the CS.

[9:30:09 AM](#)

Co-Chair Kelly restated his original motion, and MOVED to ADOPT the proposed committee substitute for SCS CS HB 77 (FIN), Work Draft 28-GH1524\P (Bullock 4/7/13).

Senator Olson OBJECTED for discussion.

Senator Olson wondered if Mr. Fogels would explain the forthcoming amendment upon proposal.

Co-Chair Meyer replied in the affirmative.

[9:30:36 AM](#)

Senator Olson removed his objection. There being NO OBJECTION it was so ordered. Version P was adopted.

[9:31:29 AM](#)

AT EASE

[9:32:04 AM](#)

RECONVENED

[9:32:08 AM](#)

Co-Chair Kelly moved Amendment 1.

DELETE Sec.4

Create a new preference right under AS 38.05.035

(o) Where there is an active municipal entitlement selection on state land under AS 29.65.010 - 29.65.030 that has a state issued lease and before the decision to approve the municipal entitlement, the director shall grant a preference right to purchase without competitive bid of up to five acres of the state land to an individual who has erected a building approved by a lease on the state land and used the land for bona fide business purposes for 10 or more years under a state lease, if the business produced no less than 25 percent of the total income of the applicant for the 10 years preceding the application to purchase the land. The director shall sell the land at a price determined by the director to represent the current fair market value of the unimproved land determined by appraisal and survey, if not already completed, at the cost of the applicant. If the director determines in a written finding that the purchase of the land would interfere with public use by residents of the area, the director may condition the purchase to mitigate the adverse effects on the public or may reject the application if those effects can not be mitigated. The revenue from the purchase of the parcel will be given to the municipality if the municipal entitlement is approved for that acreage. In this subsection, "business purposes" means a purpose consistent with the classification of the land at the time the land was entered. In this subsection, "building" means a permanent type of structure with solid walls, foundation, and roof.

Co-Chair Meyer OBJECTED for discussion.

[9:32:27 AM](#)

Ms. Marasigan explained that Amendment 1 deleted Section 4, and created a new preference right under AS 38.05.035. She invited the department to discuss the amendment.

[9:33:00 AM](#)

Mr. Fogels explained that DNR observed problems with Section 4 as stated in the finance version. The first issue was that the CS deleted a preference right deemed necessary to the department. He proposed focus on the preference right allowing a leaseholder the option of purchasing that lease.

Co-Chair Meyer wondered if the department's testimony addressed Senator Bishop's concerns.

[9:33:53 AM](#)

Senator Bishop clarified that a leaseholder could apply for the lease if the land would revert to a municipality.

Mr. Fogels responded that the option would exist for the lease holder when the land was given to the municipality through the municipal entitlements program.

[9:34:14 AM](#)

Vice-Chair Fairclough queried the impact of the five years versus ten years and how the time frame either hurt or helped an individual or municipality. Mr. Fogels responded that the intent of the extended time period ensured that a person invested more in their piece of land indicating seriousness about their presence. He stated that the department's leases were typically for commercial purposes. The provision showed that a commercial lease was viable and that 25 percent of income was derived from the commercial venture.

[9:35:10 AM](#)

Vice-Chair Fairclough wondered if there was a particular title holder that would be adversely affected by the legislation.

Mr. Fogels did not know.

Senator Hoffman wondered how the amendment would be viewed in light of individuals with long-term fish camp sites on the Yukon River. Mr. Fogels responded that the preference right was only for state leases. If the person with the fish camp had a state lease then they would qualify, otherwise the provision would not apply.

[9:36:18 AM](#)

Senator Olson felt that there was no protection for Alaskans with long-term fish racks if they did not have leases.

Mr. Fogels responded that a person holding a fish camp with a state lease was able to purchase the land. He added that many of the fish camps were on private land, which would not be affected.

[9:37:11 AM](#)

Senator Olson wondered about the Water Resources Board as established under Alaska statute.

Mr. Fogels responded that the Water Resources Board was dormant without funding or membership.

Senator Olson found the information troublesome.

[9:37:57 AM](#)

Co-Chair Meyer removed his objection. There being NO OBJECTION, Amendment 1 was ADOPTED.

[9:38:26 AM](#)

Co-Chair Meyer asked about fiscal note changes.

Ms. Marasigan responded that a forthcoming new indeterminate fiscal note would be attached to the bill. She asked the department to address the fiscal note.

[9:38:52 AM](#)

Mr. Fogels responded that the changes to the bill were without fiscal impact.

Co-Chair Meyer concurred. He understood that both fiscal notes were without fiscal impact.

[9:39:20 AM](#)

Co-Chair Kelly MOVED to REPORT SCS CS HB 77 (FIN) as amended out of committee with individual recommendations

and the accompanying fiscal notes. There being NO OBJECTION, it was so ordered.

Co-Chair Meyer stated that a separate title change resolution would accompany the bill.

[9:41:00 AM](#)
AT EASE

[9:41:24 AM](#)
RECONVENED

[9:41:30 AM](#)

Co-Chair Kelly REMOVED his PREVIOUS MOTION, for the purpose of correcting the motion. There being NO OBJECTION, it was so ordered.

[9:41:47 AM](#)

Co-Chair Meyer MOVED to REPORT SCS CS HB 77 (FIN) as amended out of committee with individual recommendations, attached SCR Title Change, the accompanying fiscal notes. There being NO OBJECTION, it was so ordered.

SCS CS HB 77(FIN) was REPORTED out of committee with a "do pass" recommendation and a new zero fiscal note from Department of Natural Resources, and previously published zero fiscal note: FN2 (DFG).

[9:42:51 AM](#)

Senator Hoffman stressed grave concern about testimony regarding section 42. He intended to allow the bill to move from committee, but would sign the report "amend."

[9:43:37 AM](#)
AT EASE

[9:46:08 AM](#)
RECONVENED

#sb74
SENATE BILL NO. 74

"An Act creating the University of Alaska building fund for the payment by the University of Alaska of

the costs of use, management, operation, maintenance, and depreciation of space in buildings; and authorizing the Board of Regents of the University of Alaska to designate buildings for which the fund is to be used."

[9:46:33 AM](#)

Co-Chair Kelly inquired about the dedicated fund.

HEATHER SHATTUCK, STAFF, SENATOR PETE KELLY, related that a memo from Legal Services was in members' packets. The memo stated that the bill did not create a dedicated fund.

[9:47:49 AM](#)

AT EASE

[9:48:52 AM](#)

RECONVENED

Vice-Chair Fairclough queried the upper limit of bonding authority for the university. The discussion arose regarding the engineering buildings. She noted that under AS 14.40.253 regarding financing notice and approval, the university must return to the legislature to communicate their debts, reasons and anticipated annual payments.

[9:49:59 AM](#)

Vice-Chair Fairclough supported the bill, but wondered how the building fund would be capitalized. She reminded committee members that the capital budget language section suggested that a building be given to the university. She wondered whether the intention was for seed money for the building fund.

[9:51:29 AM](#)

Co-Chair Kelly MOVED to REPORT SB 74 out of committee with individual recommendations and the accompanying fiscal notes. There being NO OBJECTION, it was so ordered.

SB 74 was REPORTED out of committee with a "do pass" recommendation and with new zero fiscal notes from the University of Alaska, Department of Administration, and Department of Revenue.

[9:52:29 AM](#)

AT EASE

[9:54:25 AM](#)

RECONVENED

#sb85

SENATE BILL NO. 85

"An Act relating to experimental vehicles."

[9:55:18 AM](#)

BRITTANY HUTCHISON, STAFF, SENATOR CLICK BISHOP, explained the difference between SB 85 and CS SB 85 (TRA). She noted that the words "cold weather" on page one were removed to allow Alaska to welcome all types of vehicle testing. She stated that Alaska was marketed as a reliable location for cold weather testing. Currently no statutes existed regarding registration for experimental vehicles. She noted that one company testing vehicles was stopped by troopers and asked to register and title their vehicles, which was not desirable or possible in Alaska. The Division of Motor Vehicles (DMV) lacked statutory authority to register experimental vehicles.

Ms. Hutchison continued that SB 85 would allow the DMV to issue experimental plates to vehicle manufacturer distributors for vehicle testing. The plate would be valuable for a 12 month period and could be renewed up to two times for a total of 36 months. Following completion of the experiment, the vehicles must then be destroyed or taken out of the state.

Co-Chair Meyer noted that multiple testifiers were available online for questions. He appreciated the self-explanatory nature of the bill. He OPENED public testimony.

[9:58:02 AM](#)

JIM DODSON, PRESIDENT, FAIRBANKS ECONOMIC DEVELOPMENT, FAIRBANKS (via teleconference), testified in support of SB 85. He stated that Fairbanks Economic Development had marketed to the cold-weather testing industry for 20 years. He noted that the emerging industry was diversifying Alaska's economy. He pointed out that the industry created more than \$500 million worth of economic activity along

with more than 300 jobs. He claimed that Alaska offered the reliability, accessibility and affordability needed for the industry. He noted that Alaska had the greatest opportunity to advance its local economy.

Co-Chair Meyer CLOSED public testimony.

[10:00:02 AM](#)

Co-Chair Meyer pointed out the zero fiscal note. He was happy for the opportunity to hear the bill in the Senate Finance Committee.

[10:00:28 AM](#)

Co-Chair Kelly MOVED to REPORT CS SB 85 (TRA) out of committee with individual recommendations and the accompanying fiscal note.

CS SB 85 (TRA) was REPORTED out of committee with a "do pass" recommendation and with previously published zero fiscal note: FN1 (ADM).

[10:01:01 AM](#)

AT EASE

[10:02:35 AM](#)

RECONVENED

#sb95

SENATE BILL NO. 95

"An Act relating to the compensation, allowances, geographic differentials in pay, and leave of certain public officials, officers, and employees not covered by collective bargaining agreements; relating to certain petroleum engineers and petroleum geologists employed by the Department of Natural Resources; relating to increased pay for certain partially exempt employees of the state in specific circumstances; making conforming amendments; and providing for an effective date."

[10:02:51 AM](#)

Vice-Chair Fairclough MOVED to ADOPT the proposed committee substitute for CS SB 95 (FIN), Work Draft 28-GS1101\U (Wayne, 4/7/13).

Co-Chair Meyer OBJECTED for discussion.

[10:04:01 AM](#)

Ms. Marasigan noted that her office worked to create the work draft before the committee. She requested that the department provide a bill overview for the committee.

[10:04:43 AM](#)

CURTIS THAYER, DEPUTY COMMISSIONER, DEPARTMENT OF ADMINISTRATION (DOA) introduced himself and the director of labor relations, Nicki Neal. He noted two changes to the bill. The first addressed section 20 and a change that did not comply with current law. The change included salary adjustments for certain exempt officers and employees of the executive branch. He noted that the employees received COLAs, but when the bill was drafted the option was omitted for exempt employees. The second piece would allow judges to receive the geographic differential language. He would discuss the issue further in his overview of the bill.

[10:06:01 AM](#)

Co-Chair Meyer WITHDREW his OBJECTION. There being NO OBJECTION, it was so ordered.

[10:06:22 AM](#)

Mr. Thayer presented the PowerPoint, "Alaska Department of Administration, Overview of HB 195 and SB 95, State Employee Condensation and Benefits" (copy on file).

Mr. Thayer began with slide 2: "What are HB 195 and SB 95 About?"

- Consistency with cost of living, reduction of leave accrual, cap on leave amount and decreases in the pay increment
- Enhance ability to recruit and retain highly-skilled professionals
- Implementation of Geographical Pay Differential for last phase of remaining employees

Mr. Thayer continued with slide 3: "Overview of the Bill Sections."

- Section 1-4: Leave Accrual and Cap
- Section 5: Petroleum Engineers/Geologists
- Section 6-8: Cost of Living Increases
- Section 9: Pay Increments
- Section 10: Partially-Exempt Salaries
- Section 11-14: Geographic Pay Differentials

Mr. Thayer discussed slide 4, "New Leave Accrual and Cap." He stated that the accrual rates were negotiated by the General Government Employees Union and the confidential employees to reduce leave accrual for new-hires beginning July 1, 2013. The new accrual rating required 16 years of service to receive 270 hours of leave. He mentioned the new mandatory leave usage requiring an employee to use two weeks of leave annually if they had less than 400 hours in their leave balance. If an employee had greater than 400 hours of leave as of December 16th, they must use three weeks of leave annually.

Mr. Thayer pointed out the new maximum accrual limit of 1000 hours for executive, judicial and legislative branch employees. The department discovered, prior to drafting the bill that without a cap the department faced a \$164 million liability in employee's leave. The top ten state employees would cost the state \$1.6 million at retirement. The legislation would reduce the state's leave liability by two-thirds.

[10:09:22 AM](#)

Vice-Chair Fairclough appreciated the administration's efforts. She asked about the survey provided by the McDowell Group. She wondered how the mandatory leave usage compared to the average accrual for state employees.

Mr. Thayer explained that the study addressed the geographic pay differential, which was located in a different portion of the bill. The study established the cost of living.

[10:11:00 AM](#)

Vice-Chair Fairclough wondered if the sick leave had been rolled into paid time off.

Mr. Thayer responded that the state utilized Paid Time Off (PTO), which encompassed all forms of leave.

[10:12:20 AM](#)

Vice-Chair Fairclough wondered about a study or survey comparing sick leave with PTO for best practice.

[10:12:36 AM](#)

Nicki Neal, Director, Division of Personnel, Department of Administration explained that a survey of that nature had not been commissioned in Alaska. Prior to the 2013 collective bargaining, a survey of other states was performed. The department received responses from approximately 15 states that had annual and sick leave programs. The responding states reported a cap of 450 hours.

[10:13:08 AM](#)

Vice-Chair Fairclough appreciated the compromises. She wondered how robust the benefits provided by the state were. She hoped that the administration would continue to work with the union contractors to communicate the dynamics facing the state. She asked about a comparison of leave accrual among other states and the federal government.

[10:14:56 AM](#)

Ms. Neal was not sure about comparisons with the federal government, but she offered to provide the information to the committee. Regarding other states, Alaska compared appropriately with leave accrual. She pointed out that the other states had both annual and sick leave, whereas Alaska had PTO.

[10:15:12 AM](#)

Mr. Thayer looked at slide 5, "Petroleum Engineers/Geologists."

Section 5:

- Removes exclusion of in Division of Geological and Geophysical Surveys (DGGS).
- Only 1 position - DGGS, Energy Section Manager (currently SU Geologist V) - vacant since March 17, 2012.
 - Position requires complete understanding of petroleum systems analysis and exploration that is obtained primarily through industry experience
 - Industry salaries are approximately 50 percent higher than current authorized salary (data from Assoc of Petroleum Geologists 2011 Survey)
 - Two national searches failed - No qualified applicants after 45 days of recruitment and advertising in national trade publications
- Amendment applicable to DNR, DGGS only

[10:16:16 AM](#)

Mr. Thayer discussed slide 6, "Cost of Living Increases."

Sections 6-8:

- Effective 7/1/13 - 1 percent
- Effective 7/1/14 - 1 percent
- Effective 7/1/15 - 2.5 percent
- Consistent with terms of recently negotiated collective bargaining agreements
- Applies to noncovered classified and partially exempt (PX) and many exempt employees of the executive branch, employees of the legislature (AS 24.10.011), and the judicial branch.

[10:16:32 AM](#)

Mr. Thayer highlighted slide 7, "Pay Increments."

Section 9:

- Effective 7/1/15 the percentage between pay increments (J and above) will decrease from 3.75 percent to 3.25 percent
- Consistent with terms of recently negotiated collective bargaining agreements
- Applies to noncovered classified and PX employees - also applies to many exempt employees through policy

- Applies to legislative branch if a policy has been adopted (AS 39.27.011(j))

[10:17:06 AM](#)

Mr. Thayer displayed slide 8, "Partially-Exempt Salaries."

Section 10:

- Partially Exempt (PX) positions are subject to classification and pay plans which limits flexibility
- State often not competitive for top talent - need some flexibility for mission critical positions
- Governor or designee on case-by-case basis:
 - o serves critical governmental interest of state
 - o employee possesses exceptional qualifications
 - o recruitment difficulties exist; or
 - o necessary to compete with labor market
- Applies to executive branch Partially Exempt (PX) employees only

[10:18:36 AM](#)

Mr. Thayer discussed slide 9, "Geographical Pay Differentials." He noted that sections 11-14 addressed the survey conducted by McDowell Group in 2008 and completed in 2009. The study set the base at zero for Anchorage and South Central Alaska. Based on the outcome of the survey, Fairbanks would see a 3 percent pay differential, while Juneau and Sitka would see 5 percent. Kodiak, Cordova and Valdez would see 11 percent. Dillingham, Nome, and the Roadless Interior would receive 37 percent. Barrow, Bethel, Aleutians, and South West small communities would see 50 percent. Kotzebue, Unalaska/Dutch Harbor would receive 60 percent.

Mr. Thayer furthered that the change would affect the executive branch with an increase for 483 employees, while 122 would see no loss in pay and 727 would see no change at all. The legislative branch would have 154 employees with an increase, 24 without a loss in pay, and 204 without change. He noted that the study was performed every five years depending on appropriations.

[10:20:34 AM](#)

Co-Chair Meyer looked at slide 9 and opined that the Tok and Glennallen Regions would be more expensive than Anchorage.

Mr. Thayer raised the same question initially, and was told that the survey viewed the cost of living, housing, utilities, food and transportation when making the recommendations.

[10:21:27 AM](#)

Co-Chair Kelly wondered if the percent above the base was considered in the retirement calculations.

Ms. Neal responded that a Tier One employee was considered, otherwise a person must work 50 percent of time in the location to receive the geographical pay differential on retirement.

[10:22:15 AM](#)

Co-Chair Meyer wondered if the geographical pay differentials were budgeted into the operating budget.

Co-Chair Kelly replied that the bill's cost was included in the fiscal note.

Co-Chair Meyer CLOSED public testimony.

[10:23:28 AM](#)

Mr. Thayer discussed the fiscal notes, which were prepared by the Office of Management and Budget (OMB) and would implement changes in the first year of the contract, which is when the geographic differential would take effect. In FY 15 a decrease would be seen. The 2.5 percent increase would be seen in FY 16.

Co-Chair Kelly wondered if the total amount of the contracts was less than originally anticipated.

Mr. Thayer concurred. He explained that various union negotiations altered the projected figures.

[10:25:14 AM](#)

Co-Chair Kelly opined that the fiscal note fit well within the expectations.

[10:25:49 AM](#)

Co-Chair Meyer pointed out that the fiscal note would change with the CS's inclusion of the courts.

Mr. Thayer stated that the court sought geographic differential pay for 23 judges, which would affect the fiscal note minimally.

Vice-Chair Fairclough addressed the fiscal notes individually. She noted that the first fiscal note affected OMB in FY 14 by \$8,171,900, in FY 15 by \$4,821,800 and FY 16 by \$10,644,000. The bill related to compensations, allowances, geographic differentials in pay and leave for certain public officials, employees not covered by collective bargaining and related to certain petroleum engineers and geologists employed by the Department of Natural Resources (DNR). Beginning in FY 14, salaries were increased by 1 percent, same for FY 15, but an increase of 2.5 percent was anticipated for FY 16. The salary schedule matched the recent negotiated agreement reached between the state and the supervisory and general government units.

Vice-Chair Fairclough continued with the second fiscal note for the Legislative Branch. In FY 14, \$1,281,200, FY 15, \$410,400 and FY 16, \$1,039,300 was stated. The final fiscal note was for the Alaska Court System that would be amended by the 23 judges as explained earlier. The third fiscal note showed \$741,900 for FY 14, \$749,100 for FY 15 and \$1,890,900 for FY 16.

[10:28:30 AM](#)

Senator Hoffman remarked that legislators would not see pay increases as a result of the legislation.

Co-Chair Meyer asked if the bill pertained to staff. [Response was indecipherable]. He understood that the total dollar amount was less than anticipated.

Co-Chair Kelly replied yes.

Co-Chair Meyer stated that the fiscal note was large, but so was the number of employees. He appreciated the

negotiation process. He was unsure about whether the deal was ratified.

Mr. Thayer replied that the supervisory unit was in the process of ratification and expected the wrap up to occur later in the month. The general services expected ratification in the later part of May, due to the size of their bargaining unit. He clarified that 23 judges would be eligible for the geographical pay differential.

[10:30:15 AM](#)

Co-Chair Kelly MOVED to REPORT CS SB 95 (FIN) out of committee with individual recommendations and the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

CS SB 95 (FIN) was REPORTED out of committee with a "do pass" recommendation and with a new fiscal impact note from the Legislature; new fiscal impact note from the Court System; and previously published fiscal impact note: FN1 (GOV).

[10:31:53 AM](#)

AT EASE

[10:32:09 AM](#)

RECONVENED

#sb96

SENATE BILL NO. 96

"An Act relating to the primary period of an oil and gas or gas only lease and the extension of a lease; relating to terms to be included in an oil and gas or gas only lease; relating to rental for an oil and gas or gas only lease; and providing for an effective date."

[10:32:45 AM](#)

SENATOR PETER MICCICHE introduced SB 96. He explained that SB 96 proposed changes to the oil and gas leasing statutes to provide the commissioner of DNR with the ability to grant a one-time extension to the primary term of an oil and gas or gas-only lease, up to 10 years.

[10:33:26 AM](#)

LARRY SEMMENS, STAFF, SENATOR PETER MICCICHE introduced himself. He provided a brief overview of the legislation. He stated that the department and the industry supported the bill. He pointed out that the bill had a zero fiscal note with an indeterminate revenue impact. He explained that the bill corrected an issue with short-term leases of five to seven years. He mentioned situations where the short-term leases should be extended to the normal ten-year lease term. He mentioned that gas-only leases did not expire as long as production occurred from the lease or unitization of the lease.

Mr. Semmens continued that SB 96 provided the statutory authorization to extend the lease if it was in the best interest of the state to do so.

Co-Chair Meyer CLOSED public testimony.

SB 96 was HEARD and HELD in committee for further consideration.

ADJOURNMENT

[10:36:14 AM](#)

The meeting was adjourned at 10:36 a.m.