

SENATE FINANCE COMMITTEE
January 31, 2014
9:08 a.m.

9:08:07 AM

CALL TO ORDER

Co-Chair Meyer called the Senate Finance Committee meeting to order at 9:08 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; Nancy Sutch, Director, Division of Personnel Labor Relations, Department of Administration.

PRESENT VIA TELECONFERENCE

Rick Halford, Chair, Alaska State Officers Compensation Commission.

SUMMARY

SB 125 REJECT RECOMMENDATION OF COMP. COMMISSION

SB 125 was REPORTED out of committee with a "do pass" recommendation and with a new fiscal not by the Department of Administration.

#sb125

SENATE BILL NO. 125

"An Act disapproving all recommendations of the State Officers Compensation Commission relating to the salaries of state officers; and providing for an effective date."

9:09:10 AM

CHRISTINE MARASIGAN, STAFF, SENATOR KEVIN MEYER, introduced the legislation. She explained that the bill would reject the recommendations from the Compensation Commission. She explained that, according to statute, the Compensation Commission provides a final report 10 days into the session of any changes to salary. She stated that the recommendations were on pages 2 and 3 of the report titled, "Alaska State Officers Compensation Commission Findings and Recommendations" (copy on file). Once the final recommendations were made, the legislature had sixty days to reject the recommendations. If the legislature does not take action, the recommendations are enacted. She stated that SB 125 rejects the commission's recommendations.

RICK HALFORD, CHAIR, ALASKA STATE OFFICERS COMPENSATION COMMISSION (via teleconference), explained that the recommendations focused on the executive branch salary schedule. He explained that the most challenging part of the commission was dealing with the legislative and political side. He stated that the recommendations totaled approximately \$280,000. He stated that the changes were mostly technical, and would move the commissioners, governor, and lieutenant governor in line with where they would be on the salary schedule. He stressed that the only substantive action was the provision that dealt with deputy commissioners moving up to commissioner, and with the geographic pay differential. He stressed that the current recommendation did not include the legislative branch.

Co-Chair Meyer queried the changes between the preliminary versus the final reports. Mr. Halford responded that there were a series of small changes over the course of many years. He stated that the changes were intended to make the system exactly what it would have been, if the executive branch had been operating under the previous salary structure.

9:14:23 AM

Co-Chair Meyer support the recommendation, and felt that the commissioners and the governor earned the salaries that were recommended. He felt that the timing of the recommendation was not good, because of the current deficit spending in the state. He queried the difference between the preliminary report and the final report.

NANCY SUTCH, DIRECTOR, DIVISION OF PERSONNEL LABOR RELATIONS, DEPARTMENT OF ADMINISTRATION, (DOA) stated that the report was not delivered until that morning, because the file was too large to send the day prior. She explained that the reason for the salary increases for the deputy commissioners, commissioners, governor, and lieutenant governor was to catch up for what did not occur in 2010, 2011, and 2012. Other parties had seen a 2 percent wage increase over those three years, so this recommendation made the match.

Ms. Sutch discussed the recommendations of the commission.

The governor's salary shall be \$150,872.79 per annum effective July 1, 2014 with an additional increase of 2.5 percent effective July 1, 2015.

The lieutenant governor's salary shall be \$119,657.73 per annum effective July 1, 2014 with an additional increase of 2.5 percent effective July 1, 2015.

The salary of department heads shall be \$146,142.67 per annum which includes the 1 percent increase granted under sees. 11 and 20. eh. 47, SLA 2013 effective July 1, 2014.

Department heads shall receive geographic pay differentials conunensurate with other state employees in accordance with AS 39.27.020.

The salary of a deputy commissioner who accepts the office of department head with the same department with no break in service, if paid a salary higher than the salary authorized for the department head, shall retain his or her current salary with subsequent statutory increases, while holding the position of department head.

Ms. Hutch explained that there was a flat amount for commissioners' salaries, but the deputy commissioners were

on a range step system. Therefore, there were some deputy commissioners that made more money than commissioners. When some deputy commissioners were asked to advance to the commissioner level position, they would be taking a pay cut.

Co-Chair Meyer wondered if there was a problem with deputy commissioners refusing to advance to commissioner because of the decrease in pay. Ms. Hutch replied that it had caused a problem for some people.

Senator Dunleavy wondered how the state compared to other states in regard to volume and/or difficulty of work. Ms. Hutch agreed to provide that information.

[9:19:15 AM](#)

Senator Dunleavy asked for an estimate of the comparison. Mr. Hutch deferred to Mr. Halford.

Senator Dunleavy wondered how the state compared to other states in regard to volume and/or difficulty of work. Mr. Halford responded that Alaska fell in the middle. He furthered that the different agencies were compared in different ways. For example, the Department of Health and Social Services (DHSS) was compared based on the population of the state, whereas Department of Natural Resources (DNR) was compared based on management responsibilities.

Vice-Chair Fairclough looked a page 4 of the recommendations, and quoted, "thirteen of twenty-three deputy commissioners were receiving higher salaries than the department heads. In the salaries of seven of these deputy commissioners exceed the commissioners proposed salaries for department heads."

Co-Chair Meyer announced that the Commission members included Rick Halford, Gordon Harrison, Thomas McGrath, and Richard Knapp.

Senator Dunleavy surmised that the legislation would not approve the increase, but others would continue to progress. Co-Chair Meyer replied in the affirmative.

Vice-Chair Fairclough wondered if there was a consideration regarding attracting professionalism and high quality in state positions, because Alaska was in the middle of the 50

states for deputy commissioner and commissioner salaries. Mr. Halford replied that there was a consideration, and furthered that the comparison with other states had an impact on the recommendation. He stressed that the Commission focus on positions and responsibility, but not on individuals. He stressed that there were people that were serving in cabinet positions that had the best job that they had ever had, and others in cabinet positions that took a substantial economic increase in order to serve the state. He stated that there was no way that a system could close that differential. He stressed that any time negotiations occurred, particularly with a resource area, negotiations occurred with individuals who had very high compensation and benefits. He stressed that the executives of the state's resource corporation were extremely underpaid.

[9:26:14 AM](#)

Vice-Chair Fairclough felt that there had been a loss of some very talented people from the state system. She noted that the fiscal note did not reflect what implementation would cost by category. She remarked that rejection would develop an inequity between commissioner and deputy commissioner. She looked at the fiscal note, and queried the cost of implementation by category. She expressed concern regarding the inequity between a deputy commissioner and a commissioner. Ms. Hutch looked at the final page of the recommendation, and stated that the total cost was \$227,000. She agreed to provide the individual costs at a later time.

Vice-Chair Fairclough shared that the governor had publicly rejected that number. She specifically queried the differential of the people that would be affected by the deputy commissioners' higher salaries than commissioners. She stated that the legislature was not asking union contractors to take pay freezes. She understood that Alaska was facing a budget deficit, but felt that the financial pressure facing Alaska was a reason to employ the best people.

Senator Olson agreed that Alaska should have individuals that can negotiate with multi-national company executives. He felt that the individuals who ran for public office were not doing so for the salary; rather, they were running for public office, because they felt that they could serve

Alaska and affect public policy. Mr. Halford agreed, but felt that the system must be effective and equitable.

[9:31:24 AM](#)

Senator Olson looked at the compensation package, and wondered if there were any individuals that had trouble feeding their families. Mr. Halford replied that he knew of some who did not want to advance in their field, because of the economic impact.

Senator Olson queried the increase in benefits for individuals in the executive branch. Ms. Hutch asked for clarification.

Senator Olson wondered if there was a benefit value that was greater than the salary. Ms. Hutch responded that the commission only evaluated the salaries, not the benefits.

Co-Chair Kelly wondered if the commission discussed the creation of a group that would have a higher salary than other members of the administration. He stressed that there should never be a loss of an important position because of the salary. He remarked that the best and the brightest individuals should be in the private sector.

[9:37:02 AM](#)

AT EASE

[9:38:55 AM](#)

RECONVENED

Co-Chair Kelly stressed that there were salary issues throughout state government that needed to be addressed.

Co-Chair Meyer closed public testimony.

Co-Chair Meyer remarked that contracted experts were frequently used for various issues. He felt that the expertise did not need to be on the payroll year round.

Senator Bishop remarked that many state officers understood that they would make less compensation than in the private sector. He recalled a time in the 1980s when state government workers took a pay freeze.

[9:44:22 AM](#)

Ms. Hutch remarked that she had additional information that compared Alaska to other states and employers.

Senator Olson commented that the state was entering into significant deficit spending in the near future. He felt that there should not be a focus on pay increases during this difficult time.

Vice-Chair Fairclough felt that it was inherently wrong that a deputy commissioner receive greater compensation than a commissioner. She wondered if there could be separate recommendations in the future, so deputy commissioners do not make more compensation than commissioners. Mr. Halford replied that the total recommendation was \$227,000, which picked up the old scales. He stated that it was symbolic, but the Commission was politically sensitive. He pointed out that the size of the recommendation was very small, but it may irritate someone symbolically. He stated that there was no interest from the public regarding the recommendation. He felt that he did not know how to make a smaller recommendation.

[9:50:26 AM](#)

Co-Chair Kelly stated that he had some questions regarding how the Commission functioned and some suggestions for the future.

Senator Hoffman remarked that he has not made up his mind on the issue. He stated that it was difficult to support the recommendation when the governor publicly stated that he would not take the pay increase.

Co-Chair Meyer noted that there was a zero fiscal note attached to the bill.

Vice-Chair Fairclough MOVED to REPORT SB 125 out of committee with individual recommendations and the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

SB 125 was REPORTED out of committee with a "do pass" recommendation and with a new zero fiscal note by the Department of Administration.

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ADJOURNMENT

9:54:30 AM

The meeting was adjourned at 9:54 a.m.