

SENATE FINANCE COMMITTEE
March 24, 2014
9:12 a.m.

[9:12:04 AM](#)

CALL TO ORDER

Co-Chair Kelly called the Senate Finance Committee meeting to order at 9:12 a.m.

MEMBERS PRESENT

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

MEMBERS ABSENT

Senator Lyman Hoffman

ALSO PRESENT

Senator Fred Dyson; Christine Marasigan, Staff Senator Kevin Meyer; Nancy Sutch, Deputy Director, Personnel and Labor Relations, Department of Administration; Nicki Neal, Director, Division of Personnel and Labor Relations, Department of Administration; Ron Bressette, Masters, Mates, and Pilots Union, Juneau; Ben Goldrich, Marine Engineers' Beneficial Association; Rick Deising, Regional Director, IBU, Juneau; Sila Thielke, IBU; Lydia Rodriguiz, Self, Juneau;

PRESENT VIA TELECONFERENCE

Dawn Nelson, Self, Nikiski, Kenai; Liz Bunes, Self, Wrangell; Denny Kay Weathers, Self, Hawkins Island; Casey Calhoun, Self, Ketchikan; Kris Wilson, Self, North Pole; John Mayer, Self, Homer;

SUMMARY

SB 182 PUBLIC EMPLOYEE SALARY DIFFERENTIALS

SB 182 was HEARD and HELD in committee for further consideration.

SB 194 TOURISM MARKETING BOARD

CSSB 194(FIN) was REPORTED out of committee as amended with a "do pass" recommendation and with a new zero fiscal note from the Senate Finance Committee for the Department of Commerce, Community and Economic Development.

CSHB 266(FIN)

APPROP: OPERATING BUDGET/LOANS/FUNDS

CSHB 266(FIN) was SCHEDULED but not HEARD.

CSHB 267(FIN)

APPROP: MENTAL HEALTH BUDGET

CSHB 267 was SCHEDULED but not HEARD.

#sb194

SENATE BILL NO. 194

"An Act creating the Alaska Tourism Marketing Board and relating to tourism marketing."

[9:13:09 AM](#)

Vice-Chair Fairclough MOVED to ADOPT the proposed committee substitute for SB 194, WORK DRAFT 28-LS1497\P (Martin, 3/21/14) as a working document. There being NO OBJECTION, it was so ordered.

[9:13:35 AM](#)

CHRISTINE MARASIGAN, STAFF SENATOR KEVIN MEYER, changes in the latest version had generated from previous committee discussion of the legislation. Language in the bill had been changed pertaining to the Statewide Non-Profit Tourism Association, as well as the issue of encouraging the board to meet electronically. Changes had been made in the way the quorum was defined; regionalism had been brought up in discussions and so a list of all regions could not be found on Page 3 of the bill. The sunset date had been addressed on Page 4, Line 11; however, a typo had been made.

[9:14:53 AM](#)

Co-Chair Meyer noted that the typo would be corrected. He queried whether Ms. Marasigan had been in contact with the bill sponsor.

Ms. Marasigan replied in the affirmative.

[9:15:30 AM](#)

Vice-Chair Fairclough MOVED to ADOPT a conceptual amendment:

Page 4
Line 11
After "June 30,"
Delete "2014"
Insert "2018"

There being NO OBJECTION, the conceptual amendment was ADOPTED.

[9:16:13 AM](#)

Co-Chair Meyer inquired if the fiscal note attached to the bill was zero.

Ms. Marasigan replied in the affirmative. She added that the funds to support the operation of the board would be taken from funds that had already been appropriated to the Department of Commerce, Community and Economic Development budget.

[9:17:06 AM](#)

Vice-Chair Fairclough MOVED to REPORT CSSB 194(FIN) as amended out of committee with individual recommendations and the accompanying fiscal notes.

[9:17:19 AM](#)

CSSB 194(FIN) was REPORTED out of committee as amended with a "do pass" recommendation and with a new zero fiscal note from the Senate Finance Committee for the Department of Commerce, Community and Economic Development.

[9:17:49 AM](#)

AT EASE

[9:19:46 AM](#)

RECONVENED

#sb182

SENATE BILL NO. 182

"An Act relating to salary differences in collective bargaining agreements subject to the Public Employment Relations Act that are based on a difference in the cost of living outside the state and the cost of living in the state; and providing for an effective date."

[9:20:30 AM](#)

RON BRESSETTE, MASTERS, MATES, AND PILOTS UNION, JUNEAU, testified in opposition to SB 182. He relayed that the union had been involved in good faith negotiations with the administration since December 2013 and was willing to continue negotiations in order to reach an agreement on the cost of living differential (COLD), the subject of SB 182. He believed that negotiation between the administration and the union was the proper way to resolve the COLD issue for Alaska Marine Highway Vessel Employees. He appreciated the new language in the current version of the bill, which protected the income of current employees. He shared that the role of the union was to represent current members as well as future members, and that future members should receive the same pay and benefits as current members. He believed that the passage of the legislation would negatively affect the ability of the marine highway system to recruit new employees. He explained that with the strong demand for qualified mariners across the country, benefits like COLD would allow the state to compete with other maritime employers.

[9:23:05 AM](#)

BEN GOLDRICH, MARINE ENGINEERS' BENEFICIAL ASSOCIATION, testified against SB 182. He believed that the current version of the bill would hinder recruitment. He shared that marine engineers were currently running at a 10 percent vacancy rate; the masters, mates and pilots were at about a 20 percent vacancy rate. He stated that COLD had been a successful in bringing mariners to the state and

keeping homegrown mariners in the state. He noted that the savings the bill would bring to the state were unknown but that COLD was an investment in the future. He said that the state was competing for mariners all over the world and that without the COLD incentive employees would be working side-by-side for unequal compensation. He reiterated the concern that the marine highway would not be able to recruit the talented, young mariners that were necessary to keep the system operating.

[9:24:35 AM](#)

Co-Chair Meyer inquired about the graph that had been created by the administration, "Top Three Earners - Marine Units"(copy on file)

Mr. Goldrich replied that the numbers provided little information unless the number of hours that each employee worked was also considered. He said that the vacancy rate that the system was currently operating under had resulted in employees working for up to three months straight.

Co-Chair Meyer inquired what the acronyms for each position stood for on the chart.

Mr. Goldrich replied that the Marine Engineers Beneficial Association (MEBA) represented the licensed engineering officers and that IBU stood for the Inland Boatman's Union.

[9:26:39 AM](#)

RICK DEISING, REGIONAL DIRECTOR, Inland Boatman's Union (IBU), JUNEAU, testified in opposition to SB 182. He explained that IBU had been negotiating since December 2013 and had started good faith negotiations with the State of Alaska through the collective bargaining process. As discussions progressed the IBU had requested proposals from the state, which the state failed to supply. He stated that when the state did reply it requested that the IBU give up COLD. The union explained that COLD was part of the hourly wage, and had been 1977. He furthered that the union had been willing at that time to discuss other avenues in order to help the state meet projected budgetary figures. He contended that the state had offered no incentive to union members and had suggested cutting other benefits. He opined that it was difficult to negotiate in good faith with the

state when there was a third party involved; the legislature.

[9:30:39 AM](#)

Co-Chair Meyer agreed that the negotiations should be between IBU and the administration; however, the legislature did get involved on occasion. He thought that the hang-up with seemed to be the COLD factor and requested an explanation for the public regarding what COLD was.

[9:31:21 AM](#)

Mr. Deising stated that the COLD factor had resulted in the attempt to draw people to work and line in Alaska. The wage had been set in Seattle and in Alaska. A wage was set in Seattle and then another was set in Alaska. As wages rose over the years, the COLD factor became part of the hourly wage for union boatmen. The legislature put the differential into effect in 1977. He stressed that the current expense to the state to run the ferry system was not the fault of marine highway employees. He noted that the payment for employees living out of state was 20 percent less than those who lived in the state of Alaska.

[9:33:31 AM](#)

Senator Olson asked whether Mr. Deising refuted the numbers listed on the "Marine Unit-Top Three Earners" document.

Mr. Deising responded in the affirmative. He added that the numbers did not tell the entire story. He explained that employees were often held over without relief which could put them in overtime status. He stated that the numbers did not reflect the straight time work, but bulked up overtime hours.

[9:35:05 AM](#)

Senator Olson probed whether the numbers were a correct or incorrect reflection of wages.

Mr. Deising suggested that the numbers were correct.

[9:35:48 AM](#)

SILA THIELKE, IBU, spoke against SB 182. He refuted the numbers on the "Marine Unit Top 3 Earners". He thought that the numbers reflected the current recruitment problems at the marine highway system. He stated that the rates down south were too high for the system to maintain a competitive and hiring atmosphere. He said that the state currently had a 23.6 percent vacancy rate for Able Bodied Seamen (ABE), which was high. He argued that the numbers on the top earners sheet were large because employees did not have relief and could not go home. He stressed that in his position he was legally bound to stay with the ship if someone did not show up for work. He stated that employees put in 84 hour weeks, sometimes twice as much, and it was imperative that the system attract more young sailors to the state. He felt that the McDowell report that the sponsor used in crafting the legislation was lacking. He noted that the 2008 Alaska geographic differential methodology did not include household surveying or retail price surveying in Seattle; the bill was supposed to be crafted to compare the cost of living difference between the state of Alaska and Seattle.

[9:39:55 AM](#)

Senator Olson inquired what data should be used, if not the data from the McDowell Group.

Mr. Thielke replied that he did not know.

[9:40:46 AM](#)

DAWN NELSON, SELF, NIKISKI, KENAI (via teleconference), spoke in strong opposition to SB 182. She expressed concern that COLD compared Seattle to Anchorage; however, very few AMHS employees lived in Anchorage. She furthered that many employees lived in coastal areas and small town where livings expenses were higher than in Anchorage.

[9:42:05 AM](#)

LIZ BUNESS, SELF, WRANGELL (via teleconference), testified against SB 182. She feared that new employees to the system would be starting at a pay rate that was below the cost of living in the state. She reiterated that system employees worked very long hours and had particularly honed set of skills.

9:43:59 AM

AT EASE

9:45:52 AM

RECONVENED

9:45:59 AM

DENNY KAY WEATHERS, SELF, HAWKINS ISLAND (via teleconference), spoke against SB 182. She reiterated previous testimony concerning the retention of quality employees from outside the state. She stated that in the past, the Republican Party had preached Alaska hire, SB 182 did not sent that message. She said that not many system employees lived in the Anchorage area and so that city should not be considered the cost hub. She furthered that system employees had attempted to meet with the bill sponsor and had been rejected. She said that the numbers presented by the administration had been inflated. She echoed the issue of overtime and lack of vacation availability due to limited staff. She referenced a letter from Matt Wilkens that clearly explained the history and importance of COLD (copy on file).

9:51:01 AM

CASEY CALHOUN, SELF, KETCHIKAN (via teleconference), testified in strong opposition of SB 182. He echoed the concern of previous testifiers. He referenced the McDowell Group report.

9:53:31 AM

KRIS WILSON, SELF, NORTH POLE (via teleconference), spoke against SB 182. He reiterated previous testimony.

9:59:57 AM

JOHN MAYER, SELF, HOMER (via teleconference), testified against SB 182. He made several similar points to those of previous testifiers.

10:02:30 AM

LYDIA RODRIGUIZ, SELF, JUNEAU, spoke against SB 182. She spoke of the expense of working for the marine highway system. She shared that she worked on the MV Kennicott and

that many of the employees she worked with paid a lot of money in order to get to work. She said that if you live in Kodiak and want to work for the marine highway you have to travel to southeast where the ships are located. Employees have to buy their own round-trip tickets, full-time work was not expected until after the first 5 years and year-round work was non-existent. She stressed that it was expensive for a person to work for the system and continue living in Alaska. She shared that the basic training classes in water, medical, firefighting costs were the burden of employees; additionally, a Coast Guard class is required that costs the employee over \$1500. She stated that she wanted to work and live in, and help build the economy of Alaska. She stressed that in order for the people aboard the vessels to be as safe as possible the people working on them had to be the best qualified and most competent people available.

[10:09:25 AM](#)

Co-Chair Meyer CLOSED public testimony.

[10:09:46 AM](#)

AT EASE

[10:10:20 AM](#)

RECONVENED

[10:10:28 AM](#)

NICKI NEAL, DIRECTOR, DIVISION OF PERSONNEL AND LABOR RELATIONS, DEPARTMENT OF ADMINISTRATION, stated that the current statutory language was outdated and provided limitations on what the administration was able to bargain. Currently, the state was required by statute and by collective bargaining agreements to pay substantial amounts in COLD, which limited the state's ability to adjust wages in other ways. She believed that there were recruitment difficulties, but not to the extent that had been described by the previous testifiers. She said that paying COLD was not the way to alleviate the hiring issue. The state currently had employees from the Lower 48 that were making less than Alaskan employees and paying COLD limited the state's ability to put those dollars elsewhere.

[10:12:08 AM](#)

Co-Chair Kelly requested an explanation of the bill in very simple terms.

Ms. Neale replied that the bill removed COLD from the statute and prohibits the state from bargaining new collective bargaining agreements that included terms for COLD and would grandfather in all existing employees. All existing employees would receive the differential for the duration of their employment as long as they remained an Alaskan resident.

[10:13:13 AM](#)

Co-Chair Kelly clarified that people living out-of-state did not receive COLD.

Ms. Neal replied in the affirmative. She reiterated that Alaska residents that worked for the marine highway system received COLD. The legislation would not allow the state to provide COLD to new employees or negotiate future collective bargaining agreements that would provide for the differential.

[10:14:09 AM](#)

Co-Chair Kelly asked if there would still be a differential between Anchorage and the smaller communities in the state.

Ms. Neal replied that there was a geographic differential currently for most employees. She said that the geographic differential was difficult to apply to marine highway employees because they did not all live where their change port was located; however through collective bargaining the state had proposed geographic differentials for those employees that, it was assumed, lived in the communities in which their change port was located.

[10:14:50 AM](#)

Co-Chair Kelly understood that the cost differential used Anchorage as the cost of living base.

Ms. Neale responded yes. She explained that employees that were on a day boat would receive a cost of living differential for the community that the vessel was located in; Juneau and Cordova.

[10:15:43 AM](#)

Ms. Neale said that the geographic differential was based on the McDowell Group Cost of Living Survey.

[10:15:56 AM](#)

Co-Chair Kelly queried the Seattle reference in Section 1 of the legislation.

Ms. Neal said that there was a provision in statute that specified what the state could not collective bargain, this would be added to that meaning that the state could no longer collectively bargain a differential for employees that lived inside the state.

[10:17:06 AM](#)

Senator Bishop noted that the top three earners sheet had been prepared by the administration and reflected only the highest wage earners in the marine highway system.

Ms. Neal responded that the sheet reflected the three top earners of each bargaining unit.

Senator Bishop asked why so many employees were being held over for overtime.

Ms. Neal thought that there were various reasons. She said that the extra overtime pay was reflected in the "premium pay" column of the earner sheet, the regular pay more accurately represented the normal salary.

[10:18:25 AM](#)

Vice-Chair Fairclough inquired whether out-of-state employment numbers that could be tied to each union could be supplied to the committee.

Ms. Neale replied that 71 percent of the marine engineer union members resided in-state; 77 percent of masters, mates and pilots union members, and 91 percent for inland boatmen union members.

[10:19:26 AM](#)

Vice-Chair Fairclough asked where most of the people receiving cost differentials lived.

Ms. Neale responded that it was hard to make an exact determination; however, the administration had home addresses for the employees.

Vice-Chair Fairclough asked about the employee's responsibility to get to the change port.

Ms. Neal agreed that it was the employee's responsibility to get to the change port.

Vice-Chair Fairclough asked if the state was responsible for getting any employees to any of the change ports.

Ms. Neal replied no.

[10:20:39 AM](#)

Vice-Chair Fairclough noted that a testifier had claimed that every year his contract had been decreasing. She requested further clarification on the matter.

Ms. Neale responded that negotiation was a give and take. She said that nothing was ever taken away without the state giving something in return.

Vice-Chair Fairclough requested confirmation on who paid for the cost of the required training and certification for marine highway employees.

Ms. Neale responded that she would need to check with the Department of Transportation.

[10:22:17 AM](#)

Vice-Chair Fairclough wanted an explanation of leave accrual for the three different units. She asked whether 10 percent was normal for the state to carry as a vacancy factor in the system.

Ms. Neal responded that she would need to check with the Alaska Marine Highway System.

[10:23:16 AM](#)

Vice-Chair Fairclough requested that Ms. Neal also research whether there were other factors in premium pay in addition to the overtime.

Ms. Neale responded that there were things in premium pay besides overtime. She deferred the question to Nancy Sutch.

[10:23:37 AM](#)

NANCY SUTCH, DEPUTY DIRECTOR, PERSONNEL AND LABOR RELATIONS, DEPARTMENT OF ADMINISTRATION, stated that other pay types that could be included in premium pay were; penalty pay, pilotage pay, travel pay, and there were a variety of different overtime payments depending on whether the employee was held over beyond their assignment or working extra hours within an assignment.

[10:24:15 AM](#)

Vice-Chair Fairclough asked what the travel pay entailed.

Ms. Sutch explained that if an employee was assigned to go to a different change port, rather than their normal change port, the employer typically paid for the travel to the different port.

[10:25:02 AM](#)

Vice-Chair Fairclough clarified that the number reflected a wage not received on a paycheck, but a wage to transport an employee to their change port; or was it in addition to compensation for their salary.

Ms. Sutch responded that it would be in addition to their regular earnings. Employees earned an hourly rate or pay and then if they had to travel somewhere unexpected the state would pay for the travel.

Vice-Chair Fairclough inquired whether the travel pay was considered overtime pay or regular pay.

Ms. Sutch responded that travel pay was normally straight-time pay and not overtime pay.

Vice-Chair Fairclough asked if there was a minimum pay for the travel pay.

Ms. Sutch said that she would need to look to the individual bargaining agreements, but typically it was 4 hours with a limit of 12 hours.

Vice-Chair Fairclough inquired what kind of pay was included in "other pay."

Ms. Sutch responded that she did not know what "other pay" was. She noted that she had not prepared the document but that she could provide the information to the committee at a late date.

[10:26:54 AM](#)

Vice-Chair Fairclough wanted to know how long it took to retire from the unions, how much vacation was accrued inside the unions and how much the governor of the state made.

Ms. Neal replied that that the governor currently made \$145,000 per year. She said that the IBU and MMP were part of Public Employees' Retirement System (PERS) and followed the same provisions as other state employees. She relayed that MEBA had its own pension plan.

[10:27:49 AM](#)

Ms. Sutch spoke to leave accrual and related that there were different tiers of leave. Within the MMP, depending on when you were hired, you would accrue different rates of leave; the same went for the IBU.

Vice-Chair Fairclough asked if the three unions had been capped in past contracts for leave accrual.

Ms. Sutch responded that the bargaining agreements addressed a cap for leave accrual. The cap for the IBU was 840 hours. She said that she did not know if that maximum accrual had been enforced by the marine highway system.

[10:29:14 AM](#)

Co-Chair Meyer felt that the legislature should not get involved in the collective bargaining process.

Vice-Chair Fairclough understood that the bill would not take effect until after the current collective bargaining unit was concluded.

Ms. Neale responded that the bill was scheduled, if passed, to take effect on July 1, 2014. She furthered that the current collective bargaining agreements expired on June 30, 2013. She hoped that new collective bargaining agreements were in place before the expiration date.

[10:30:52 AM](#)

SB 182 was HEARD and HELD for further consideration.

Co-Chair Meyer discussed housekeeping.

#

ADJOURNMENT

[10:31:55 AM](#)

The meeting was adjourned at 10:31 a.m.