

ALASKA STATE LEGISLATURE
SENATE STATE AFFAIRS STANDING COMMITTEE

February 25, 2014

9:02 a.m.

MEMBERS PRESENT

Senator Fred Dyson, Chair
Senator Cathy Giessel, Vice Chair
Senator John Coghill
Senator Bill Wielechowski

MEMBERS ABSENT

Senator Bert Stedman

COMMITTEE CALENDAR

SENATE BILL NO. 106

"An Act providing for certain individuals who have erected a building on land leased from the state to receive a preference right to purchase certain state land without competitive bid."

- MOVED CSSB 106(STA) OUT OF COMMITTEE

SENATE BILL NO. 133

"An Act establishing May 31 of each year as Katie John Day."

- MOVED SB 133 OUT OF COMMITTEE

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."

- HEARD & HELD

PREVIOUS COMMITTEE ACTION

BILL: SB 106

SHORT TITLE: STATE LAND DISP./LEASEHOLDER PREFERENCE

SPONSOR(s): SENATOR(s) MEYER

01/22/14	(S)	PREFILE RELEASED 1/10/14
01/22/14	(S)	READ THE FIRST TIME - REFERRALS

01/22/14 (S) STA
02/25/14 (S) STA AT 9:00 AM BUTROVICH 205

BILL: SB 133

SHORT TITLE: KATIE JOHN DAY
SPONSOR(s): SENATOR(s) OLSON

01/22/14 (S) READ THE FIRST TIME - REFERRALS
01/22/14 (S) STA
02/25/14 (S) STA AT 9:00 AM BUTROVICH 205

BILL: SB 182

SHORT TITLE: PUBLIC EMPLOYEE SALARY DIFFERENTIALS
SPONSOR(s): SENATOR(s) DYSON

02/19/14 (S) READ THE FIRST TIME - REFERRALS
02/19/14 (S) STA
02/25/14 (S) STA AT 9:00 AM BUTROVICH 205

WITNESS REGISTER

SENATOR KEVIN MEYER
Alaska State Legislature
Juneau, Alaska
POSITION STATEMENT: Sponsor of SB 106.

EDRA MORLEDGE, Staff
Senator Meyer
Alaska State Legislature
Juneau, Alaska
POSITION STATEMENT: Provided a committee substitute (CS) overview for SB 106.

WYN MENEFEY, Deputy Director
Division of Mining
Alaska Department of Natural Resources
Anchorage, Alaska,
POSITION STATEMENT: Explained the municipality land acquisition process and its impact on private leases with the state.

ROGER BURGGRAF, representing himself
Fairbanks, Alaska
POSITION STATEMENT: Supports SB 106.

MEL GILLIS, representing himself
Fairbanks, Alaska
POSITION STATEMENT: Supports SB 106.

JOY DEMMERT, Staff
Senator Olson
Alaska State Legislature
Juneau, Alaska
POSITION STATEMENT: Provided an overview of SB 133.

DAVID SCOTT, Staff
Senator Olson
Alaska State Legislature
Juneau, Alaska
POSITION STATEMENT: Provided an overview for SB 133.

MAUDE BLAIR, Vice President
Alaska Federation of Natives
Anchorage, Alaska
POSITION STATEMENT: Supports SB 133.

SUSETTNA KING, Advocate
Alaska Native Sisterhood-Camp 70
Juneau, Alaska
POSITION STATEMENT: Supports SB 133.

KATHRYN MARTIN, Vice President
Ahtna, Inc.
Glennallen, Alaska
POSITION STATEMENT: Supports SB 133.

FRED JOHN, representing himself
Delta Junction, Alaska
POSITION STATEMENT: Supports SB 133.

HAVEN HARRIS, representing herself
Anchorage, Alaska
POSITION STATEMENT: Supports SB 133.

JULIE ROBERTS-HYSLOP, Vice President
Tanana Chiefs Conference
Tanana, Alaska
POSITION STATEMENT: Supports SB 133.

JOSHUA BANKS, Staff
Senator Dyson
Alaska State Legislature
Juneau, Alaska
POSITION STATEMENT: Provided an overview of SB 182.

NICKI NEAL, Director
Division of Personnel and Labor Relations
Alaska Department of Administration
Juneau, Alaska

POSITION STATEMENT: Provided departmental information on SB 182.

KATE SHEEHAN, Deputy Director
Labor Relations
Division of Personnel Labor Relations
Department of Administration
Juneau, Alaska

POSITION STATEMENT: Introduced herself for departmental questions.

REUBEN YOST, Deputy Commissioner
Alaska Department of Transportation and Public Facilities
Juneau, Alaska

POSITION STATEMENT: Addressed administration questions for the Alaska Marine Highway System.

ACTION NARRATIVE

[9:02:30 AM](#)

CHAIR FRED DYSON called the Senate State Affairs Standing Committee meeting to order at 9:02 a.m. Present at the call to order were Senators Giessel, Wielechowski, and Chair Dyson.

CHAIR DYSON reviewed the committee's calendar. He said three bills will be heard in the committee meeting and announced his intention, pending the approval of the committee, to move SB 106 and SB 133 from committee.

SB 106-STATE LAND DISP./LEASEHOLDER PREFERENCE

CHAIR DYSON announced the consideration of SB 106.

[9:04:02 AM](#)

SENATOR KEVIN MEYER, Alaska State Legislature, Juneau, Alaska, said SB 106 provides for certain individuals to receive a preference right to purchase certain state land without a competitive bid.

[9:04:33 AM](#)

SENATOR GIESSEL moved that the committee adopt the CS for SB 106, labeled 28-LS0864\N.

CHAIR DYSON said seeing no objection, version N is the working document.

SENATOR MEYER explained that the purpose of SB 106 is to allow state land leaseholders the first opportunity and first right of refusal on land that they have made investments on and depend on for their livelihood. He noted that SB 106 was initiated by a constituent who has invested a substantial amount of his retirement funds in a hunting lodge on some land he had leased from the state for a long period of time. He explained that his constituent requested to be given first opportunity to purchase his leased land before the property was sold or traded to a municipality. He explained that current state statutes allow for an individual to purchase up to five acres of land under certain conditions as follows:

- Must have erected a building on the land,
- The land must have been used for more than five years for bona fide business purpose,
- Must be under a federal permit or without the need for a permit,
- For state selection, must be under a state permit or lease,
- The business the land is used for must have produced at least 25 percent of an individual's total income for the five years preceding the application.

He said SB 106 would extend the first right of refusal to individuals who have state issued leases. He noted that the right of first refusal currently applies only to federal lands. He specified that the municipal entitlement selection also means "borough." He said SB 106 allows for a preference to purchase up to five acres of land without a competitive bid under the following conditions:

- Individual must have erected a building,
- Individual must have used the building for a bona fide purpose for ten years or more,
- Individual has received at least 25 percent of their income for the last ten years preceding the application.

He explained that the program's specifics are in the case of an admissible state land entitlement of the state land where an individual meets the conditions previously outlined and applies for preference right within 120 days of notice of a municipal entitlement selection. He specified that an individual will be

granted a preference right to purchase land and added that the land will be sold at a fair market value. He noted that SB 106 also provides a mechanism for which a municipality may be compensated for the entitlement land if a leaseholder chooses to purchase the land. He said there is no cost associated with SB 106 and the Department of Natural Resources (DNR) has submitted a zero fiscal note.

[9:07:43 AM](#)

SENATOR GIESSEL addressed a memorandum attached to the bill from Don Bullock [Legislative Counsel]. She said Mr. Bullock asked questions that pertained to whether the acreage will be credited against a municipal entitlement and where the money ultimately goes. She asked Senator Meyer to address Mr. Bullock's questions.

SENATOR MEYER replied that he will have Ms. Morledge answer Senator Giessel's inquiry.

[9:08:21 AM](#)

EDRA MORLEDGE, Staff, Senator Meyer, Alaska State Legislature, Juneau, Alaska, explained that a committee substitute (CS) was brought forward in response to Mr. Bullock's scrutiny. She said the bill's previous version did not have a mechanism by which the municipalities could be compensated for land that they may have wanted to choose, but the first right of preference goes to the leaseholder. She explained in the CS, lines 26-30, as follows:

The amount of land, within an overall municipal entitlement, shall be reduced by the amount of land covered under this section, up to the five acres that an individual can exercise their noncompetitive bid rights; however, subject to appropriation, the revenue from the purchase of the parcel will be given to the municipality if the municipal entitlement land selection is approved. We felt this CS addressed the concerns that the drafter had with the original version.

CHAIR DYSON asked to clarify in the previous statement, "Shall be reduced by the amount of land covered under this section."

MS. MORLEDGE answered that the land of a leaseholder that exercises their first right of refusal will reduce the land entitled to the municipality.

CHAIR DYSON asked to clarify that a municipality is going to have a state owned land as an inholding within a municipality.

MS. MORLEDGE responded that theoretically, Chair Dyson's assertion could be correct. She deferred to the DNR on how some of the specifics would work.

SENATOR WIELECHOWSKI asked for an explanation on the statement located on page 2, line 9, and "Where there is a valid municipal entitlement selection on state land."

[9:11:53 AM](#)

WYN MENEFEЕ, Deputy Director, Division of Mining, Alaska Department of Natural Resources, Anchorage, Alaska, answered that when a municipality has an entitlement they first select their desired acquisition lands and the DNR proceeds with a consideration process. He noted that municipalities inevitably over-select for their entitlement due to a certain percentage being denied. He explained that municipality selections are constrained by legal land classifications.

SENATOR WIELECHOWSKI asked for an explanation under what circumstances a municipality would have a right to an entitlement selection on state land.

MR. MENEFEЕ replied that a municipal entitlement occurs when a borough or municipality is formed. He explained that a law dictates that entitlement is calculated on a percentage basis.

[9:14:12 AM](#)

SENATOR WIELECHOWSKI asked if Anchorage, Fairbanks, or Juneau still have opportunities for state land entitlement.

MR. MENEFEЕ answered that most of the main municipalities have already received their entitlement. He said newly formed boroughs have room for additional state land entitlement.

SENATOR WIELECHOWSKI asked to clarify that state land entitlement applies to newer forming municipalities.

MR. MENEFEЕ replied correct. He noted that some entitlement lands have not been fulfilled in Petersburg, Lake and Peninsula, and Northwest Arctic boroughs. He said the DNR is wrapping up land entitlement in the Denali Borough.

CHAIR DYSON asked to verify that the term "municipality" includes cities and boroughs.

MR. MENEFEE answered correct.

CHAIR DYSON asked if a qualified citizen would get title to the land or just the improvements.

[9:16:48 AM](#)

MR. MENEFEE answered that a qualified individual may purchase the land with improvements. He noted that the land acquisition would not apply to subsurface. He added that land sold to an individual will be decremented from the municipality's entitlement. He specified that an individual's land is taxable, but lease revenue will not exist due to the land purchase. He said the municipality would receive the money from the individual's land purchase.

[9:19:48 AM](#)

SENATOR WIELECHOWSKI asked how many properties would be affected by SB 106.

MR. MENEFEE replied that currently there are 8 to 12.

SENATOR WIELECHOWSKI asked what specifically occurs when a municipality selects land that has a citizen with a business.

MR. MENEFEE answered that the existing lease is transferred to a municipality and the lease's terms are honored. He specified that lease renewal is strictly up to a municipality.

[9:22:54 AM](#)

CHAIR DYSON asked what happens to private leaseholders on federal land when a transfer occurs to either a municipality or native corporation.

MR. MENEFEE answered that he is not sure. He assumed that the federal transaction is similar in nature where valid lease terms are honored.

[9:24:31 AM](#)

SENATOR WIELECHOWSKI noted his intent to address unintended consequences of the bill. He asked if there is any likelihood for people to start leasing state land for future noncompetitive bid possibilities when new municipalities may be formed or expanded.

MR. MENEFEE noted that the qualifications stipulated in SB 106 makes Senator Wielechowski's scenario inconceivable.

CHAIR DYSON welcomed the testimony from two citizens.

9:26:52 AM

ROGER BURGGRAF, representing self, Fairbanks, Alaska, stated that he supports SB 106 as a means of protecting many individuals and businesses from losing developed property. He said in many cases an individual's primary livelihood and assets have been tied up into leased state properties that were thought to be secure.

9:32:58 AM

MEL GILLIS, representing himself, Fairbanks, Alaska, said he is one of the eight or ten that Mr. Menefee noted. He explained that he has a lodge on land that was given to the Lake and Peninsula Borough. He revealed that he has invested over \$1 million into his leased land. He asserted that boroughs are specifically selecting the best properties. He said he has been guiding in Alaska for 43 years and is just about out of business because of his leased land situation. He declared that SB 106 is a good first step.

CHAIR DYSON recalled that he had spoken to Mr. Gillis regarding his lease situation.

MR. GILLIS answered correct.

CHAIR DYSON assumed that an attempt was made to see if there was any way to help out people like Mr. Gillis and concluded that there was not.

SENATOR MEYER replied that SB 106 does not help Mr. Gillis with his current situation. He set forth that SB 106 will help individuals in the future.

9:36:24 AM

SENATOR WIELECHOWSKI asked if more than five acres is involved.

MR. MENEFEЕ replied that SB 106 only allows for up to five acres. He added that an applicant can further negotiate with a municipality for additional land.

SENATOR WIELECHOWSKI asked what would stop the DNR from selling the land right now as opposed to leasing.

MR. MENEFEЕ explained that statutes dictate that only settlement land may be sold.

CHAIR DYSON asked if DNR in favor of SB 106.

MR. MENEFEЕ replied that the Administration is in favor of SB 106 in the revised version as it stands.

CHAIR DYSON commented that he appreciates what seems to be fair consideration the state is doing in protecting Alaskans and landholders.

[9:40:44 AM](#)

SENATOR GIESSEL moved CS for SB 106, labeled 28-LS0864\N from committee with zero fiscal note and individual recommendations.

[9:41:00 AM](#)

CHAIR DYSON announced that without objection, [CSSB 106(STA)] moved out of the Senate State Affairs Standing Committee.

[9:41:03 AM](#)

CHAIR DYSON announced that the committee will stand at ease.

SB 133-KATIE JOHN DAY

[9:41:47 AM](#)

CHAIR DYSON announced that the committee will take up SB 133.

[9:42:00 AM](#)

JOY DEMMERT, Staff, Senator Olson, Alaska State Legislature, Juneau, Alaska, read a statement as follows:

Katie John is an Athabascan icon to Alaska, she is best known for her determination and success in fighting for subsistence rights. Katie John is also known for traditional teachings and way of life, she lived to be 97 years old. Katie John was passionate about preserving the Athabascan culture and language and she also helped to create the alphabet for the Ahtna dialect. In 2011, Katie John received the honorary doctor of laws degree from the University of Alaska Fairbanks. Katie John and her husband raised 14 of their own children and 6 foster children, she left behind more than 250 descendants. When considering this bill, one might ask is it necessary to pass a bill for Katie John's legacy, my answer would be "yes" because by supporting this piece of legislation we are sending a message to Alaska and to the entire world

that we love and support our Alaska native cultures and the people. Each year on May 31 all Alaskans can reflect on the cultures and values of Alaska and peoples' connection with the land, be it native and nonnative.

MS. DEMMERT thanked the committee for hearing SB 133, a bill that honors the Athabascan icon of Alaska.

SENATOR WIELECHOWSKI asked about the significance of May 31 for Katie John Day.

[9:44:15 AM](#)

DAVID SCOTT, Staff, Senator Olson, Alaska State Legislature, Juneau, Alaska, explained that May 31 is the date that Katie John passed away. He noted that there was no record of Katie John's actual birthday.

[9:44:44 AM](#)

CHAIR DYSON announced that the committee will take a brief at ease.

[9:44:49 AM](#)

CHAIR DYSON stated that he is confident SB 133 is going to pass out of committee and go directly to the Senate Floor through the Rules Committee. He said the committee is very respectful of the testifiers who want to praise Katie John and her impact on Alaska.

[9:46:32 AM](#)

MAUDE BLAIR, Vice President, Alaska Federation of Natives, Anchorage, Alaska, read a statement in support of SB 133 as follows:

There are about 120,000 Alaska native people in the state and the vast majority of them still participate in hunting, fishing, and gathering food during the year. Subsistence is a way of life for us and has been the basis of our cultures for thousands of years. As the state's population has grown, we have had to balance the interests of the different user groups with the need to sustain the resources for future generations. Katie John grew up living a traditional lifestyle at Batzulnetas, a traditional Ahtna village where her family had a fish camp. The state of Alaska closed the subsistence fishery there shortly after statehood. In 1980, Congress passed the Alaska

National Interest Lands Conservation Act (ANILCA) which provides for a subsistence priority for hunting and fishing on federal public lands in Alaska by rule of residence; it allows state management on federal lands if the state enacts a law that extends the rural priority for subsistence uses to nonfederal lands. The state did enact a rural preference on nonfederal lands following the passage of ANILCA; however the State Board of Fisheries denied a request by Katie John and Doris Charles to reopen the fishery at Batzulnetas. In 1985, Katie John and Doris Charles sued the state of Alaska for not providing a subsistence priority required under ANILCA. What we call the "Katie John Cases" was actually a series of different lawsuits that involved several plaintiffs that had wound through the state and federal court systems. Katie John was the lead plaintiff and very much a leader in the push to preserve the subsistence rights that we native people have enjoyed for thousands of years. The Alaska Supreme Court ruled in 1989 in another case that the rural residency preference the state had adopted to comply with ANILCA and manage federal lands had violated the state's constitution, so the federal government took over management of the federal priority on federal lands, but refused to extend the authority over any fisheries. Katie John and Doris Charles then sued the United States in federal court to protect their fishing rights under ANILCA. The Ninth Circuit Court of Appeals held in 1995 and again in 2001, that the federal priority for rural users applied to Batzulnetas and all other areas where the United States holds reserved water rights; this is good news because it meant that Katie John and other rural residents have a priority for subsistence fishing on federal lands, which make up about 60 percent of the state. As was mentioned already, Katie John didn't get to hear the most recent part of the case, it's still going on and it has been going on for 29 years; she passed away on May 31. May 31 is also significant because it is the day the state of Alaska allowed native people to put their fish-wheels in the water. Each year at our Alaska Federation of Natives (AFN) conventions, we pass resolutions of importance to us and the very first one we passed last October was asking the state of Alaska to name May 31 "Katie John Day."

9:50:16 AM

SUSETTNA KING, representative, Alaska Native Sisterhood-Camp 70, Juneau, Alaska, read a statement in support of SB 133 as follows:

I am representing the Alaska Native Sisterhood Camp 70. Our mission is to better the lives of native people and their families, to fight for civil rights and the rights of all Alaska native people, to share the cultural knowledge, wisdom, and artistic beauty of native tribal society, and to strive for the spirit of brotherhood and sisterhood among all people. Our ancestors fought for the betterment of Alaska natives, just as our Athabascan sister, Katie John. Katie John belonged to the Athabascan nation, she was important and the key of subsistence fight, and for like many in her time it was a fight for our way of life. Katie John worked for Alaska native because it was right thing to do. Written records shown, 2001, her fight took her to the Ninth Circuit Court of Appeals ruling stating that subsistence fishery protection provided under Title 8 of Alaska National Interest Lands Conservation Act (ANILCA) did in fact to all navigable waters in which the federal government own reserved water rights, effectively allowing subsistence fishing to continue unrestricted in those areas. The Alaska Native Sisterhood-Camp 70 stands with our brothers and sisters from the northern part of the state of Alaska in honoring Katie John, the subsistence fight she fought not only benefited the northern, but us in the Southeast Panhandle. We support SB 133 to establish Katie John's Day each year on May 31. Katie John was an Alaska native woman we all strive to live like. Katie John was celebrated and honored in the Alaska Federation of Natives (AFN) in 2003; we celebrate her by gathering of many. The Alaska Native Sisterhood-Camp 70 encourages enacting SB 133 and honoring Dr. Katie John.

CHAIR DYSON remarked that SB 133 will pass out of committee today. He stated that testimony is not needed to get SB 133 out of committee. He encouraged testifiers, if possible, not to repeat what was said by previous individuals.

9:53:17 AM

KATHRYN MARTIN, Senior Vice President, Ahtna, Inc., Glennallen, Alaska, thanked Senator Olson and Senator Ellis for introducing

SB 133 for consideration. She noted that she is the granddaughter of Katie John. [She provided testimony that concurred with previous witnesses in support of SB 133.] She summarized that naming May 31 as Katie John Day would be an incredible honor and a show of respect for a woman who lived her whole life taking care of others.

[9:56:09 AM](#)

FRED JOHN, representing himself, Delta Junction, Alaska, said he is the son of Katie John. [He provided testimony that concurred with previous witnesses in support of SB 133.] He set forth that Katie John taught her children to profess that native Alaskans' ways are not a threat to the state of Alaska.

CHAIR DYSON stated that the committee is honored to move SB 133 forward.

[9:58:15 AM](#)

HAVEN HARRIS, representing himself, Anchorage, Alaska, said he supports SB 133. He asserted that Katie John's contribution to all of Alaska is something that should be shared in our history books. He said it would be a tremendous honor for Katie John to be recognized every year on the day of her passing.

[9:58:55 AM](#)

JULIE ROBERTS-HYSLOP, Vice President, Tanana Chiefs Conference, Tanana, Alaska, said she supports the passing of SB 133 [and provided testimony that concurred with previous witnesses.] She summarized that the state of Alaska has an opportunity to honor and acknowledge a woman of strength and courage, a woman that fought hard for a way of life that cannot be forgotten.

[10:00:35 AM](#)

CHAIR DYSON asked if there is anyone in the committee room that wants to testify on SB 133. He announced seeing none, public testimony is closed.

[10:00:51 AM](#)

SENATOR GIESSEL moved SB 133, labeled 28-LS1288\A from committee with zero fiscal note and attached individual recommendations.

[10:01:06 AM](#)

CHAIR DYSON announced that without objection, SB 133 moved out of the Senate State Affairs Standing Committee.

[10:01:10 AM](#)

CHAIR DYSON announced that the committee will stand at ease.

SB 182-PUBLIC EMPLOYEE SALARY DIFFERENTIALS

[10:02:08 AM](#)

CHAIR DYSON, bill sponsor, introduced SB 182, version N. He noted that his office was asked to consider the bill from the Administration. He explained that a law from 1977 established a protocol for Cost of Living Adjustments (COLA) or Cost of Living Differentials (COLD) for employees of the Alaska Marine Highway System (AMHS) vessels that compared the cost of living in Seattle, Washington. He pointed out that all of the other state employee groups have a COLA based upon Anchorage. He said data shows that the cost of living for Anchorage and Seattle are virtually equal. He said SB 182, if it passes, will put AMHS employees on the same COLD system as all the rest of the state employees. He explained that current bargaining agreements will not be changed and SB 182 will only be enforced for the agreements that come in the [future]. He remarked that there could be a significant savings to the state, especially during tight budget times.

[10:04:25 AM](#)

JOSHUA BANKS, Staff, Senator Dyson, Alaska State Legislature, Juneau, Alaska, announced that he will provide a brief sectional for SB 182.

MR. BANKS addressed Section 1 as follows:

Adds a subsection in AS 23.40.075, this is the section for items that are not subject to bargaining between the state and public unions for collective bargaining agreements. This section will prohibit parties from adjusting the salary of instate employees based on the difference of the cost of living in Alaska and outside of Alaska. The purpose of this section is to ensure the legislative intent of taking out the cost of living differential and it will not eliminate other options that the state has and the public unions have to promote living in the state of Alaska. We are most certainly in favor of providing incentives for state employees to live inside the state.

MR. BANKS addressed Section 2 as follows:

Section 2 will repeal AS 23.40.210 and reenacts it without the statutory requirement to provide the cost

of living differential for employees living outside of state based on the cost of living differential between Alaska and Seattle. The cost of living differential is not necessarily a problematic portion of this statute, it is the fact that we have to go back to cost of living differential from 1977 that we felt we ought to change the statute. We want to ensure that the benefits for public employees reflect current cost of living and this statute as it stands limits the ability to do so. This section also deletes language used to determine how an employee will be eligible for the cost of living differential and the language that is reenacted is currently in the law, so we are not adding anything to this section.

[10:06:59 AM](#)

He addressed Section 3 as follows:

Section 3 ensures that SB 182 will only affect bargaining agreements settled on or after the effective date. Agreements passed before the effective date will still include the cost of living differential for state employees.

He addressed Section 4 as follows:

Section 4 establishes an immediate effective date.

SENATOR WIELECHOWSKI asked what bargaining units SB 182 will apply to.

MR. BANKS replied that primarily the three maritime unions noted in the packets presented to the committee that shows the percentage of the unions that live outside of the state.

SENATOR WIELECHOWSKI asked if SB 182 will apply to those bargaining units within the state that have geo-differential adjustments like Public Safety employees.

MR. BANKS answered that the bill will not affect employees that currently receive COLD. He said an example is State Troopers receiving pay adjustments that compensate for living in Bethel or Nome.

[10:08:23 AM](#)

SENATOR WIELECHOWSKI addressed the fiscal note and set forth that the collective bargaining agreement is odd. He asked to

verify that the collective bargaining agreement with the International Organization of Masters, Mates & Pilots (MM&P) sets a base salary rate with an added cost of living adjustment for employees that live in Alaska.

MR. BANKS answered yes. He explained that the adjustment is either paid hourly or a lump sum on top of the monthly salary.

SENATOR WIELECHOWSKI asked to clarify that the fiscal note is \$7.6 million. He surmised that SB 182 would keep the rates for those that live outside the same and drag down the Alaskan salaries.

CHAIR DYSON asked for the Administration to answer Senator Wielechowski's question.

[10:10:11 AM](#)

NICKI NEAL, Director, Division of Personnel and Labor Relations, Alaska Department of Administration, Juneau, Alaska.

[10:10:17 AM](#)

KATE SHEEHAN, Deputy Director, Labor Relations, Division of Personnel Labor Relations, Department of Administration, Juneau, Alaska.

MS. NEAL stated that she would provide background on the cost of living differential as follows:

AS 23.40.210 requires that collective bargaining agreements include a pay plan that is designed to provide a Cost of Living Differential (COLD) between employees residing in the state and employees outside of the state. In 1977, that statutory authority was amended and the amendments were targeted at the marine units. Essentially, the salaries paid to employees residing outside of the state were to remain unchanged until the difference between those salaries and the salaries paid to employees residing in the state reflects a difference between the cost of living in Alaska and Seattle. Essentially, in 1977 the cost of living in Alaska was much higher than Seattle. Subsequently, COLD was negotiated into collective bargaining agreements; it provides a differential to those living in Alaska. Currently the COLD for the Masters, Mates & Pilots (MM&P) and for the Marine Engineers' Beneficial Association (MEBA), ranged between \$453.80 to \$664.40 per pay period; they have

26 pay periods period in a year, those rates last changed in 2007. The Inlandboatmen's Union, it is actually added to their hourly rate; they currently receive approximately \$4.06 to \$5.05 per hour for COLD.

10:12:19 AM

CHAIR DYSON asked if the Inlandboatmen's Union members work something 2,000 hours a year.

MS. NEAL answered yes. She explained that the Inlandboatmen's Union members work approximately 2,184 hours per year.

She continued to explain COLD as follows:

In 2008, with funding approved by the Legislature, the Division of Personnel conducted a geographic differential study and that was done by the McDowell Group; that study indicates that the cost of living in Seattle and Anchorage are about equal.

CHAIR DYSON recalled that all of the state's regional compensation tied to the cost of living is based on Anchorage as zero and any other sites are plus or minus.

MS. NEAL answered correct. She explained that Anchorage is considered as the "base."

CHAIR DYSON remarked that those are pretty significant numbers. He asked if the MM&P members also work 2,184 hours per year.

MS. NEAL answered correct.

CHAIR DYSON mentioned speaking to various union members that noted that part of the attractiveness of working for AMHS was due to salary and benefits. AMHS' compensation plan attracts and keeps qualified people. With the competition for licensed mariners around North America, recruiting and retention will be an issue. He asked for someone to address his query and the Administration's response.

10:15:04 AM

REUBEN YOST, Deputy Commissioner, Alaska Department of Transportation and Public Facilities (DOT&PF), Juneau, Alaska, noted that he oversees AMHS. He addressed the situation of recruitment and retention if SB 182 were to go into effect under its current version. He said DOT&PF would negotiate base-pays,

taking into account what the drop in pay was for Alaskans. He noted that DOT&PF does a lot of recruiting for all three maritime unions, particularly MM&F and MEBA from outside the state. He pointed out that AMHS has very good people who choose to work from Seattle or points even further south based on their salary. He addressed geographic differentials and noted that except for the crews the three day-boats as follows: MV Fairweather, MV Chenega, and the MV Lituya; AMHS employees are not required to live in a particular community. He said AMHS employees are currently paid COLD regardless of whether they live near a change-port. He noted that DOT&PF believes it is appropriate to look at COLA for day-boat crew members due to the need to live in particular communities because the vessels have no accommodations.

10:16:10 AM

SENATOR COGHILL joined the committee meeting.

SENATOR WIELECHOWSKI asked if it is fair to say that if SB 182 passes, compensation for people who live in Seattle or in the Lower 48 will remain the same and residents of Alaska who work for the AMHA will receive a pay cut.

MR. YOST answered correct. He specified that the assumption is nothing changes during negotiations. He noted that DOT&PF is already considering during negotiations to apply the COLD money that might go away to the base rate of pay.

10:18:08 AM

SENATOR WIELECHOWSKI reiterated that the language in the collective bargaining agreement is odd and decades old. He asserted that negotiations without a COLD provision will end up raising the rates of people in the Lower 48 and keeping Alaskan's rates flat or low.

MR. YOST replied that Senator Wielechowski's assertion is a possibility. He noted that right now a person can live wherever they choose to live. He added that people have a choice to live in an area with a lower cost of living. He pointed out that AMHS employees are receiving COLD that was originally put into place because there was a significantly higher cost of living in Alaska.

CHAIR DYSON asked to clarify that the compensation for people that live in Seattle will stay the same.

MR. YOST answered yes, based on SB 182. He specified that his point in negotiations is that there will be an effort to raise the base salary for everyone.

CHAIR DYSON said his understanding is if SB 182 passes and COLD goes away, COLA would be applied as done with other state employees.

MR. YOST replied that AMHS only has three boats where people have to live in a given community.

10:20:16 AM

CHAIR DYSON asked to clarify that an employee that lives in Alaska would get COLD like every other state employee.

MR. YOST answered that he does not believe Chair Dyson's assumption is correct and deferred to the Department of Administration.

MS. NEAL specified that the option for the geographic differential application as it applies to the three marine units would need to be negotiated through collective bargaining. She agreed that COLD for the three day-boats would be relatively easy, but applying COLD would be more difficult for the rest of the employees. She said negotiating for a COLD is certainly an option.

CHAIR DYSON asked if all of the other state bargaining units have the same COLA in their agreements.

MS. NEAL replied yes. She noted that a new rate agreement with the Labor, Trades and Crafts Unit has yet been obtained, but others do include it.

SENATOR WIELECHOWSKI reiterated that SB 182's impact will increase the wages of Seattle workers and decrease the wages of Alaska workers.

MR. YOST answered correct. He said the standpoint from DOT&PF and the Administration is to either keep a COLD inequity in place forever or do something to address it. He noted the issue with applying geographical differential for crew members who do not work on day-boats where individuals are compensated for choosing to live in the most expensive parts of the state.

10:23:38 AM

SENATOR WIELECHOWSKI asked if the Parnell Administration supports SB 182.

MR. YOST answered yes. He remarked that the current COLD gives vessel employees tremendous incentive to live in the state and for nonresident employees collect COLD as well. He said removing COLD and coming up with some other form of compensation would free DOT&PF from being involved in residency investigations. He noted that DOT&PF has quite a few residency cases that typically go to arbitration and usually DOT&PF prevails. He said DOT&PF would like to not be in the position of having to investigate where people have their primary residence.

CHAIR DYSON said he suspected that there will be quite a bit of public testimony and lots of questions from the committee.

[10:25:24 AM](#)

CHAIR DYSON announced that the committee will stand at ease.

[10:25:34 AM](#)

CHAIR DYSON announced that public testimony will be taken at the next committee meeting. He asked that testimony not be repeated. [SB 182 is held in committee.]

[10:26:01 AM](#)

There being no further business to come before the committee, Chair Dyson adjourned the Senate State Affairs Standing Committee at 10:26 a.m.