

HOUSE FINANCE COMMITTEE

April 23, 2016

11:04 a.m.

[11:04:29 AM](#)

CALL TO ORDER

Co-Chair Thompson called the House Finance Committee meeting to order at 11:04 a.m.

MEMBERS PRESENT

Representative Mark Neuman, Co-Chair
Representative Steve Thompson, Co-Chair
Representative Dan Saddler, Vice-Chair
Representative Bryce Edgmon
Representative Les Gara
Representative Lynn Gattis
Representative David Guttenberg
Representative Scott Kawasaki
Representative Cathy Munoz
Representative Lance Pruitt
Representative Tammie Wilson

MEMBERS ABSENT

None

ALSO PRESENT

Representative Craig Johnson, Sponsor; Representative Charisse Millett, Sponsor; Robert Ervine, Staff, Representative Craig Johnson; Grace Abbott, Staff, Representative Charisse Millett; Representative Louise Stutes.

PRESENT VIA TELECONFERENCE

SUMMARY

HB 379 STATE EMPLOYEE & OFFICER COMPENSATION

Co-Chair Thompson reviewed the agenda for the meeting.

[11:05:03 AM](#)

#hb379

HOUSE BILL NO. 379

"An Act eliminating pay step increases and pay increments for certain state employees; relating to collective bargaining agreements entered into by the state; and providing for an effective date."

11:05:13 AM

Co-Chair Neuman MOVED to ADOPT the proposed committee substitute for HB 379, Work Draft (29-LS1647\E). There being NO OBJECTION, it was so ordered.

11:06:00 AM

REPRESENTATIVE CHARISSE MILLETT, SPONSOR, explained the changes in the committee substitute (CS). She reported that in Section 10 a progressivity element was added. The employee received a percentage of the pay increment based on the average price per barrel of oil. She listed the following:

- 25 percent of the pay increment at \$60-\$69.99/bbl.
- 50 percent of the pay increment at \$70-\$79.99/bbl.
- 75 percent of the pay increment at \$80-\$89.99/bbl.
- 100 percent of the pay increment at \$900/bbl. or more

Representative Millett explained that the title was changed and the word "reducing" was added to reflect the change. In addition, the effective date was also changed to July 2, 2016 in order to honor the contracts that had already been negotiated.

Vice-Chair Saddler asked for clarity about the meaning of average. He deduced that the applicable price of oil was the average for the entire year. Representative Millett responded in the affirmative.

Co-Chair Neuman spoke to the similar situation during the last fiscal year; the state was facing huge deficits due to the falling price of oil and reduced revenue. He noted that the discussion focused on ensuring jobs for Alaskans as the departmental budgets were reduced. He wondered whether securing state jobs was "the thought process behind the bill."

Representative Millett answered in the affirmative. She referred to Representative Gara's comments from the previous meeting regarding employee morale. She thought the progressivity aspect of the CS provided "hope and opportunity" for employees in increased wages when the price of oil rose and state revenues increased. She spoke to the "difficulty" of providing "pay raises" in a "downturn economy" and the state's \$4 billion deficit. She preferred securing state jobs versus paying pay increases.

REPRESENTATIVE CRAIG JOHNSON, SPONSOR, reported that some of the revenue generating bills "had zero growth" factored in. He ascertained that "at zero growth and a 2 percent or 3 percent increase in wages the only option was to reduce employees." He believed that it was not an appropriate time to grow government and that the bill "fit" with other measures that were currently proposed while "preserving state workers."

Representative Millett added that the legislation was not changing the geographical pay differentials (geo diff) in small rural communities or other areas of the state. She reported that Barrow received a 60 percent geo diff, Nome received a geo diff of 50 percent, Juneau's was 5 percent and Fairbanks received 3 percent. She felt that maintaining the geographical pay differentials was a "fair way of saving state employees."

Co-Chair Thompson mentioned that Representative Pruitt was in attendance.

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Co-Chair Neuman asked whether the CS affected any of the contracts that had been approved. Representative Millett relayed that the effective date change protected the contracts that were ratified. She added that any contracts negotiated after the effective date of the bill were affected.

Representative Kawasaki asked what the revenue was at \$60 per barrel of oil. Co-Chair Thompson remarked that the answer depended on the amount of production.

Representative Johnson answered that the sponsors had not done calculations and was uncertain an accurate fiscal note was possible.

Representative Kawasaki asked why the specific figures were used in the progressivity provision. He wondered whether the numbers were arbitrary. Representative Johnson responded that he wanted to be "simplistic." Representative Kawasaki questioned whether the intent was that as state revenue increased more money was available for step increases. Representative Johnson responded in the affirmative. He commented that he supported the \$95 bbl. cut off but agreed with previous concerns raised from committee members. He referenced the revenue forecast that projected higher oil revenue in 2022 and wanted to prevent employees from feeling that they would never receive a raise. Representative Kawasaki observed that state employees did not have the ability to affect the price of oil. He felt employee performance was not connected to the price of oil. He asked for comments. Representative Johnson stated that salaries were not tied to oil but were connected to revenue. He mentioned that employees receiving pay increases in the face of a \$4 billion deficit was "difficult for people in the private sector." He spoke about the system being flawed and wanted a "true merit system." Currently, employees received an automatic pay raise as long as they did not receive a negative evaluation. He was in favor of a merit system that only rewarded exemplary work.

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Representative Kawasaki agreed that it was worth re-examining the merit system. He suggested that if a legislator agreed with the premise of the bill that the state could not afford things like pay increases in an economic downturn it should also apply to "other big payouts like oil tax credits in Cook Inlet."

Co-Chair Thompson clarified that oil credits was not the subject of the bill.

Representative Gara understood the concept of rewarding excellence and endorsed revising the merit pay system. However, he wanted to focus on the provisions in HB 379. He referred to the progressivity provision in Section 10. He asked what percentage the pay increments were. Representative Millett answered that the pay increments were 3.25 percent. Representative Gara clarified that at \$60/bbl. of oil a step increase was approximately .08 percent as a quarter of 3.25 percent. He concurred that

\$60/bbl. oil was not forecasted until 2021 and a price above \$67/bbl. was not forecasted until 2026. He calculated that in the absence of cost of living allowances (COLAs) that were also eliminated, over the next ten years employees would average pay increases far less than 1 percent. He felt that the result affected employee's decisions to leave state employment. Representative Millett responded that the state's unemployment rate "tripled" over the last year. She did not believe that gaining employment in the private sector was possible. She discussed the economic crisis and the attempts to remedy the situation including instituting taxes that would impact the economy. She believed that the state could not afford to provide pay raises at a time the state was cutting services. She spoke to the difficulty of explaining the situation to her constituents. She observed the private sector and the actions it was taking to remain in business.

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Representative Gara agreed that merit raises should be looked at in terms of performance rather than automatic raises. He maintained that the state would have difficulty retaining and attracting employees with less than a 1 percent merit increase over 8 years. He stated that parts of the private sector were still providing merit increases. Representative Johnson referred to one email he had received. The individual took a 50 percent decrease in pay then recently lost her job altogether. He remarked that the scenario was currently the "environment" in the private sector. The private sector did not offer automatic pay increases. He reiterated his desire for a merit system based on performance. However, the bill addressed the "automatic" system that was currently in place.

Representative Millett indicated that the state offered stability, a "robust" health care plan, a good working environment, and paid leave. She believed the bill offered more job stability by providing more money for employees. She thought that state employment was very desirable and highly coveted.

Representative Johnson reminded the committee that future contract negotiations would deal with other types of pay increases. He noted however, that the "automatic raises" would be "off of the table." Representative Gara remarked that differing views on the bill were evident. He

referenced the Department of Administration (DOA) data that two categories of employees started at below market wages. He viewed the bill as a deterrent to attracting and retaining professional employees. He believed that the best way to solve the issue was to come together and adopt a fiscal plan. He voiced that the answer was to raise revenue.

Co-Chair Thompson agreed with adopting a fiscal plan but thought that the bill was also a step in addressing the deficit.

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Representative Johnson interjected that part of why people worked for the state was due to the benefit package.

Vice-Chair Saddler remarked that the bill was "common sense legislation." He appreciated that the bill did not affect currently negotiated contracts and favored that the bill was linked to state revenue. He thought that morale would be worse if a person was unemployed. He referenced the fiscal note that projected roughly \$31 million in savings. He wondered whether the sponsors had any data related to the equivalent amount of state employees in job reductions.

Co-Chair Thompson remarked that a revised fiscal note that addressed the changes in the CS was forthcoming.

Representative Johnson offered that the average state salary was \$66 thousand per year.

Representative Wilson asked what the price per barrel was that the current budget was based on. Representative Johnson replied that the budget was based on \$110. Representative Wilson asked whether entry level employees could still be promoted. Representative Millett responded in the affirmative and added that the geographic differential was still intact as well as the possibility for future union negotiated raises.

Representative Wilson asked about the mandatory furlough days for state employees. Representative Millett replied that mandatory furlough amounted to 5 days. Representative Wilson asked whether the 5 day furlough was still in effect with passage of the bill. Representative Johnson answered in the affirmative. Representative Wilson thanked the

sponsors for offering the legislation. She favored that the bill was predicated on the price of oil. She asked what would happen if the effective date of the bill was July 1st. Representative Johnson replied that the contracts that were negotiated but not ratified would be included in the legislation.

Co-Chair Thompson reported that currently there were 4 contracts that had been ratified and were funded in the budget. Other contracts were presently being negotiated and would be affected by the legislation.

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Representative Gattis stated that she was "disappointed" about the timing of the bill's introduction. She agreed with honoring the ratified contracts that the administration negotiated that included reductions. She referenced emails from state workers asking what pay cuts the legislature enacted for themselves. She asked for the record what the legislature's pay cuts were. Representative Johnson stated that the House of Representative reduced staff, mandated furloughs, and reduced office accounts. He relayed that a board controlled legislator's salaries and commented that the legislator rebuffed its last recommended salary increase. Representative Gattis clarified that legislators had not received pay raises and either decreased staff pay or eliminated positions. She stressed that legislators were leading by example and took many reductions. She asked whether there had been a study about whether state salaries were competitive. She advised that the state perform a wage comparison study. Representative Millett spoke to her work experience in DOA and acknowledged that job studies were done but was not aware of any current studies.

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Representative Gattis stated that the job comparison should not only focus on entry level positions but consider higher level positions. She cited emails she received stating the belief that higher level positions were over compensated. She believed that the bill forced an evaluation of the state's employment system.

Co-Chair Thompson relayed that the last time the legislators received a pay increase was in 2008 and

additionally did not receive any merit pay or step increases.

Representative Munoz asked how many contracts had not been approved and how many employees were affected by the bill. Representative Johnson did not know the answer.

Co-Chair Thompson reiterated that 4 contracts were ratified.

Representative Munoz asked Representative Johnson to estimate how many employees would be affected based on information he had access to. Representative Johnson responded that approximately 15 thousand employees were affected by the bill. Representative Munoz wondered whether partially exempt employees were included in HB 379. Representative Johnson responded in the affirmative.

Representative Guttenberg worried that the bill treated all employees the same. He offered that the Court System did not control how many people it had to serve and had already taken significant reductions. He related that state troopers were motivated to leave state employment after the state invested in their training which was expensive. He observed that state employees were unfairly criticized and many were doing more with less. He noted that the Permanent Fund Corporation recently lost a highly paid employee to the private sector for triple the salary who had made the state "a lot of money." He believed that people only looked at his salary and not his value as an employee. He voiced that deep reductions were already enacted, state employees were working harder with less, and that state services were threatened. He pointed out that the public did not know the extent of the cuts. He suggested that there were parts of the economy that remained unaffected by the state's fiscal situation. He concluded that the legislation was not equal across the board. Representative Millett replied that the state's pay was not equitable because there were 14 different bargaining units. She was also hearing about people leaving state service for jobs in the private sector but questioned the validity of the hearsay and wanted accurate data. She thought the government competed with the private sector for employees. She thought removing merit pay was equitable due to the bargaining unit's ability to negotiate on behalf of the employees objectives.

Co-Chair Thompson recognized the presence of Representative Stutes.

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Representative Johnson was unsure how to draft legislation that singled out any group of employees without violating laws. He felt the legislation was the most equitable way to address the merit pay issue. He relayed that the Permanent Fund Corporation was not included in the bill. He pointed out that trooper retention was always problematic and was often due to job location. He was unsure that pay was always the guiding principle for retention.

Representative Guttenberg related that he had worked as a union member his entire life. The different bargaining units were not related to the equity issue he discussed. He clarified that he was speaking to what happened when all pay adjustments were removed. The courts had already tightened their belts considerably and now they were being asked to tighten them more. He had seen many people take private sector jobs after being trained by the state. He was referring to the equity between departments and positions and all of the employees asked to do more with less.

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Vice-Chair Saddler noted that he had asked about the concessions made with the bargaining units and discovered that they amounted to \$6 million. He had yet to hear the total value of the concessions compared to the total payroll. He did not believe the unions had given up much. He thought the legislation represented a common sense approach to an "unprecedented" drop in revenue while preserving state jobs.

Representative Gattis spoke to the geographical difference. She referenced that the Cold Foot Camp employees received 37 percent above the base salary and the geo diff was 50 percent in King Cove, Dead Horse, and King Salmon and was 60 percent in Kotzebue. She believed that the differential "made up the difference." She commented that people choose jobs for many different reasons and pay was not always the main driver. She thought people needed to know that the geographical differentials remained and had not been removed in the legislation.

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Representative Gara recognized that the bill was a measure to address the budget deficit. However, he disagreed with the sponsors about the bill. He emphasized that the state employed child protective workers, troopers protecting communities, and many other workers doing "important" state work. He asked whether the sponsor felt that the state would be able to retain the "best people" for the types of jobs he described under the bill. Representative Millett voiced that she wanted to retain as many state workers as possible with the bill. She restated that the contracts that had been negotiated in the current year would be held harmless. She voiced that the bill did not remove COLAs. The unions could negotiate a cost of living increase in the future as well as other pay adjustments. She could not say that one state worker was of more value than another. She valued state workers and acknowledged that "people rely on state government." She hoped to stop merit raises versus having to lay off more state employees. She emphasized that the legislation saved jobs.

Co-Chair Thompson asked whether there were further comments from the sponsors.

Representative Johnson thanked the committee for hearing the legislation.

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Representative Kawasaki asked whether the sponsors examined Governor Palin's examination of salary and wage increases or the subsequent study in 2009 that recommended doubling the salary of legislators.

GRACE ABBOTT, STAFF, REPRESENTATIVE CHARISSE MILLETT, responded that there had been multiple discussions about automatic merit raises but was uncertain about everything that was considered. Representative Kawasaki remembered that most current legislators were in office when the bill that created the existing pay system was introduced and voted for it. He wondered whether Administrative Order 237 that laid out the context for the salary increases was researched while crafting the bill.

ROBERT ERVINE, STAFF, REPRESENTATIVE CRAIG JOHNSON, stated that there had been some discussions raised in his office

regarding Governor Palin's pay increases that had "gone too far" and the bill was an attempt to remedy and propose a path forward. Representative Kawasaki recounted that in 2007 the state experienced nearly 16 percent employee "turnover." He relayed that the discussion focused on retention and that training cost roughly one half of the cost of an annual salary. He referenced the study from 2007 that concluded the federal government paid 24 percent more in COLAs and that the state needed to be more competitive as an employer and "could do better." He felt that the bill discounted the discussions concerning recruitment and retention and that the bill "might harm recruitment and retention" efforts. Ms. Abbott agreed about the importance of recruitment and retention and believed the study was accurate at the time. She opined that the bill addressed the present situation and reflected the different environment of the state. She thought the bill attempted to address what the state could afford.

Vice-Chair Saddler asked whether the current fiscal note that reported a savings of \$18 million in FY 17 and \$12.6 million in FY 18 were applicable to the CS. Ms. Abbott answered in the affirmative.

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Representative Gara referred to two fiscal notes for the bill. He indicated that he viewed one fiscal note that reported \$18 million in savings and \$12 million in future years and another that reported \$30 million in savings. He wondered which fiscal note applied. Ms. Abbott stated that to the best of her knowledge the fiscal note was compounded and deferred to OMB for the answer.

Co-Chair Thompson directed Representative Gara to look at the analysis on page 2 of the executive branch fiscal note.

Representative Gara asked for clarification regarding Sections 2 through 9 of the legislation.

Mr. Ervine explained that Sections 2 through Section 9 referred to the \$90 progressivity provision applied to the various state employees. Section 2 applied AS 39.27.011(h) and Section 3 repealed the statute as necessary, which continued in the same manner through Section 9. Representative Gara remained confused about Sections 2 through 9.

Ms. Abbott clarified that the Sections were crafted to reflect both circumstance where the price of oil was below \$90/bbl. and when the price rose above \$90/bbl. Representative Gara mentioned that Section 10 was easily understood. He wondered whether Sections 2 through 9 were conforming provisions for Section 10. Mr. Ervine responded that Sections 2, 4, 6, and 8 were conforming statutes and Sections 3, 5, and 7 repealed Sections 2, 4, 6, and 8 when the price of oil was above \$90/bbl.

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Representative Edgmon asked whether the intent language in the bill "comported" with the progressivity provision in Section 10. Ms. Abbott indicated that the intent language did comport because of the new effective date change.

Representative Edgmon pointed to the sentence on page 1, line 10 and read:

...oil for sale on the United States West Coast for an entire fiscal year is \$90 or more,...

Representative Edgmon offered that the language did not conform to Section 10.

Mr. Ervine referred to Section 1, line 8 and read:

...pay increments be fully or partially suspended...

Mr. Ervine related that the fragment was the "operative" conforming language. Representative Edgmon thought that the language was not conforming to Section 10. Mr. Ervine shared that he held conversations with Daniel Wayne, Attorney; Legislative Legal Services (LAA), who confirmed that the language was "appropriate."

Representative Wilson thought that job seekers considered other factors besides pay. She stated that many businesses did not offer health insurance and retirement benefits. She commented that the legislation posed a difficult decision. She believed that state employees worked hard and "did a good job." The decision had nothing to do with workers not performing, but the fact that the state "had to put its house in order." She recommended readjusting the entire state employment system. She thought it was the correct time to implement the current legislation. She cautioned

the University and "others" not included in the legislation that the legislature would closely examine its contracts. She wanted to get the state's "house in order" before asking her constituents for "other revenue." She hoped the bill passed out of committee today in light of the state's deficit.

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Representative Munoz had concerns with the bill because it was not a universal approach. She agreed that the merit pay system should be reexamined. She thought that performance was the best way to judge merit increases. She felt that the legislation was separating state employees into two categories; those that received the pay increments such as teachers at Mt. Edgecombe High School and the General Government Unit and those that did not such as correctional officers and public safety employees.

Co-Chair Thompson maintained that each bargaining unit negotiated on its own behalf and the outcome never created equity among bargaining units.

Representative Gattis favored the legislation and referenced Representative Kawasaki's remarks about the Palin Administration implementing the merit system currently in place. She reminded the committee that under the Palin Administration the price of oil was \$140/bbl. She reported receiving emails from state employees who felt "devalued" by the legislation and related that no cuts were easy for legislators. She shared a personal story from a constituent and thought the bill ensured that everyone was "pitching in."

Representative Gara agreed that everyone needed to pitch in. However, "hundreds" of state jobs were already eliminated which created a "ripple effect" through the economy. He observed that state workers already "pitched in." He thought there were better ways to save \$30 million than eliminating state employee pay raises. He suggested that without pay raises the state would lose good people at a cost of community safety and child protective services. He relayed his wife's job experience in the private sector as an example. She received pay freezes occasionally but only for up to one year and would most likely seek other employment if a pay freeze lasted 10 years. He asserted that there were better ways to reduce the deficit. He noted

that over 6000 corporations were exempt from paying state corporate taxes. He suggested that closing the loophole alone would raise \$50 million to \$100 million in revenue according to a 10 year old Department of Revenue (DOR) study. He could not support the legislation and argued that there were "smarter" ways to save money than to eliminate merit pay for 10 years. He reported that there were other fiscal plans that were not being discussed. He agreed with the sponsors regarding engaging in discussions on improving the merit system.

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Representative Guttenberg clarified that when he was talking about fairness he was not talking about the different bargaining units or classifications of state employees. He was talking about the current bill not recognizing that some state entities already "tightened its belt." He did not believe "in placing more of the burden and an unfair burden" on the shoulders of the state's employees and did not believe the bill was adequate to address the fiscal crisis.

Vice-Chair Saddler commented that morale was a problem when a high performing state employee sees a perceived low performing state worker also receive merit pay. He thought it was appropriate that in the future the legislature rewarded workers via a "true merit system." The clear linkage between merit and performance would improve state productivity and morale. He referred to a comment made by the DOA Commissioner, Sheldon Fisher's testimony that state worker pay exceeded inflation by 11 percent and rose to 31 percent with the addition of the COLA. He believed the bill was a "good deal" and was "common sense legislation" because it preserved jobs and allowed for the reinstatement of merit pay as revenues improved.

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Representative Kawasaki reported that there had been several studies in the late 2000's which concluded that the state was not a very good employer due to salary and benefits and that the state could improve its status as a competitive employer. He restated the data regarding turnover in 2006. He elaborated that the cost of training and turnover were a burden on the state and created "incredible challenges." He relayed hearing testimony by

agencies that reported difficulty in recruitment and retention and characterized state employment as a "training ground" for better employment in the private sector. He furthered that Commissioner Fisher testified that "overall" the state's "cash compensation" was below market value for professional and new employees. He agreed that there were some employees that earned above market values due to longevity and tier status which he opined "should be applauded." He remarked that public testimony was heard in committee on a previous Friday morning when state employees were diligently working. He reported receiving "a lot" of emails from public employees. He noted the \$12 million in savings reported in the fiscal note. He thought the bill "brought out" people that "demonized" legislators and its work as well as state employees and despised government. He believed the situation was a "shameful reflection" of the consequences of actions such as introduction of the HB 379. He stated that if the legislature continued to "degrade merit and longevity and continued to "demonize" the state's public employees it would be difficult to hire and retain good workers. He also remarked that the bill linked public employee merit with the price of oil, which the employees had "nothing to do with." He suggested linking other expenditures to the price of oil. He felt that the deficit was the legislators "fault" and not the fault of state employees. He felt "badly that the legislature was pushing the bill through."

Co-Chair Thompson discouraged Representative Kawasaki from speaking on behalf of the sponsors. Representative Kawasaki clarified his remarks and asserted he was relaying his experience of the consequences of introducing the legislation. He believed "folks" were metaphorically "beating up" public employees and it was "shameful."

Co-Chair Neuman did not agree with his remarks regarding beating up public employees.

Representative Kawasaki restated that he had received emails that were disparaging public employees and felt that it was "shameful."

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AT EASE

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RECONVENED

Representative Kawasaki continued that the bill sent a "bad message" to state employees at a time when the state depended on their work "more than ever" and that state workers contributed to making the state "great." He strongly opposed the bill.

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Representative Edgmon did not think the legislation was ill founded. He believed that the discussion was appropriate in light of the state's fiscal situation. He understood the need for the legislation. He also determined that the legislation might have deep ramifications. He viewed the discussion less about merit pay and more about the universal merit and employee compensation system of the state. He felt that he was unable to decipher all of the "moving parts" in a system with different tier status, etc. He noted that the employees in the criminal justice system were already working longer hours with less support. He reported observations regarding fiscal impacts and reported testimony from Commissioner Fisher regarding the departments absorbing additional personnel costs through attrition and retired employees and not additional appropriations. He reflected on the overall impact of the bill and considered rural state employees who "never seem to catch up" in defiance of the geographic differentials. He mentioned the "double edge sword" that described the "exponential" effect on rural areas when the price of oil rose. He viewed the legislation as a major policy change and thought it needed further consideration and proper vetting. He did not support the bill that only "touched the outer edges" of a larger policy and was only quickly evaluated.

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Co-Chair Neuman stated that he believed that the legislation was not a pay cut, but rather a pay freeze. He acknowledged the hard work of state workers and voiced that the legislature respected state employees. He related his personal work experience. He thought of the bill as a means of trying to protect workers rather than lying off employees. He endorsed regulation reform and believed it would reduce employee workload by shrinking enforcement duties. He maintained that decisions around budget reductions were very difficult but necessary in the face of the fiscal crisis and large deficits. He stressed that the

legislature had reduced its budget. He thought about cause and effect and noted the importance of paying attention to effects like state troopers leaving state employment. He viewed the legislation as beneficial but asserted that adjustments could be made if the effect was negative. He commented that the state's economy was "slowing down." The legislature had to deal with the current fiscal crisis and the legislation was another difficult decision that was on the table.

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Co-Chair Thompson asked whether members had any amendments.

Representative Gara moved Conceptual Amendment 1.

Representative Wilson objected.

Representative Gara explained Conceptual Amendment 1:

He stated that the amendment was "delete all material" and requested more information about the bill and the state's salary system. He did not possess an "accurate picture" of how the system worked. He had "suspicions" that anyone would receive merit pay without working hard. However, he thought it was worth looking at how the state handled merit pay. He wondered whether the issue interfered with the rights to collective bargaining. He did not believe that the bill "gets it right." He explained that the conceptual amendment requested more information and called for a review in order to construct a fair system. The information was not currently available. He believed the department could undertake a study without the amendment and felt a study and more discussion was warranted.

Representative Gara WITHDREW Conceptual Amendment 1.

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RECONVENED

Co-Chair Neuman explained that he held a discussion with the sponsors who agreed with the second part of Representative Gara's conceptual amendment that requested further "study to devise a merit pay system that properly awarded performance and recognized the public intent in effective recruitment and retention with a study prepared by December 31, 2016 for the legislature." He felt that a study was appropriate.

1:00:42 PM

Co-Chair Neuman offered the amendment as Conceptual Amendment 2.

Representative Wilson objected to Conceptual Amendment 2. She had no problem with requesting a study. However, she objected to the latter half of the amendment that requested to "devise a merit pay system that properly awarded performance and recognized the public intent in effective recruitment and retention..." She believed the language contained a "policy call" for the legislature to decide. She believed that the amendment as currently written authorized DOA to devise the merit pay system.

Co-Chair Neuman agreed with Representative Wilson. He delineated that his intent was to send a message to the administration to conduct the study by next year.

Co-Chair Neuman WITHDREW Amendment 2.

Vice-Chair Saddler MOVED to REPORT CSHB 379 out of committee with individual recommendations and the accompanying fiscal note(s).

Representative Munoz Objected.
A roll call vote was taken on the motion.

IN FAVOR: Pruitt, Saddler, Wilson, Gattis, Neuman, Thompson
OPPOSED: Edgmon, Gara, Guttenberg, Kawasaki, Munoz

The MOTION PASSED (6/5).

CSHB 379 was REPORTED out of committee with a "do not pass" recommendation and with a fiscal impact note by the

Legislature, a fiscal impact note by the Alaska Judicial System, and a fiscal impact note by the Executive Branch.

^RECESSED TO THE CALL OF THE CHAIR

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ADJOURNMENT

1:04:30 PM

The meeting was adjourned at 1:06 p.m.