

**ALASKA STATE LEGISLATURE  
HOUSE STATE AFFAIRS STANDING COMMITTEE**

March 3, 2016

8:06 a.m.

**MEMBERS PRESENT**

Representative Bob Lynn, Chair  
Representative Wes Keller, Vice Chair  
Representative David Talerico  
Representative Liz Vazquez  
Representative Sam Kito  
Representative Jonathan Kreiss-Tomkins

**MEMBERS ABSENT**

Representative Louise Stutes

**OTHER LEGISLATORS PRESENT**

Representative Cathy Tilton

**COMMITTEE CALENDAR**

HOUSE BILL NO. 322 "An Act limiting employee compensation for certain officers and employees in the exempt service; and providing for an effective date."

- HEARD & HELD

**PREVIOUS COMMITTEE ACTION**

BILL: HB 322

SHORT TITLE: EXEMPT STATE EMPLOYEE SALARY LIMIT

SPONSOR(S): REPRESENTATIVE(S) COLVER

02/19/16	(H)	READ THE FIRST TIME - REFERRALS
02/19/16	(H)	STA, FIN
03/03/16	(H)	STA AT 8:00 AM CAPITOL 106

**WITNESS REGISTER**

REPRESENTATIVE JIM COLVER  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** As prime sponsor, presented HB 322 using a PowerPoint presentation.

NANCY MEADE, General Counsel  
Administrative Staff  
Office of the Administrative Director  
Alaska Court System  
Anchorage, Alaska

**POSITION STATEMENT:** Testified on HB 322.

JO HECKMAN, Board of Regents  
University of Alaska  
Fairbanks, Alaska

**POSITION STATEMENT:** Testified on HB 322.

LESLIE RIDLE, Deputy Commissioner  
Department of Administration (DOA)  
Anchorage, Alaska

**POSITION STATEMENT:** Answered questions on HB 322.

KATE SHEEHAN, Director  
Division of Personnel & Labor Relations  
Department of Administration (DOA)  
Juneau, Alaska

**POSITION STATEMENT:** Answered questions on HB 322.

#### **ACTION NARRATIVE**

[8:06:14 AM](#)

**CHAIR BOB LYNN** called the House State Affairs Standing Committee meeting to order at 8:06 a.m. Representatives Keller, Vazquez, Kito, Kreiss-Tomkins, Talerico, and Lynn were present at the call to order.

#### **HB 322-EXEMPT STATE EMPLOYEE SALARY LIMIT**

[8:09:08 AM](#)

CHAIR LYNN announced that the only order of business would be HOUSE BILL NO. 322, "An Act limiting employee compensation for certain officers and employees in the exempt service; and providing for an effective date."

[8:09:51 AM](#)

REPRESENTATIVE JIM COLVER, Alaska State Legislature, as prime sponsor, said the intent of HB 322 is to reset to a manageable level some of the higher state government salaries in order to

help with the budget deficit and to derive value for the people of Alaska. He stated that there are a number of state employees earning a salary greater than the governor's, which is \$145,000 per year. He revealed that the intent of the proposed legislation is to reset those salaries to a lower or the same level as the governor's; however, he allowed that some positions would be excluded from the salary limitation. He referred to the employee spreadsheet in the committee packet, titled "Executive Branch Exempt Employees with Earnings of \$145,000 or More in CY 2015," and added that bargaining unit positions were not included in this list.

[8:12:57 AM](#)

CHAIR LYNN asked if there are employees in bargaining units with salaries greater than the governor's.

REPRESENTATIVE COLVER answered that there are but there are special circumstances to warrant the higher salary, such as location or overtime. Representative Colver continued by saying that the listing of positions and salaries in the employee spreadsheet consists of only exempt employees, but he plans to include partially exempt employees in the proposed legislation as well. The total of the salaries listed in the spreadsheet comes to \$11.9 million. After limiting these salaries and adjusting for the ones excluded, the savings to the state would be about \$2 million.

REPRESENTATIVE COLVER further stated that he was unable to obtain salary data from the University of Alaska and was informed that the Alaska Railroad employees are excluded from the proposed legislation.

[8:15:18 AM](#)

CHAIR LYNN inquired why Representative Colver was not able to get university salary information, as the university is a public institution.

REPRESENTATIVE COLVER replied that he is unsure why and would keep trying.

CHAIR LYNN asked why the university president is excluded.

REPRESENTATIVE COLVER replied that he believes that position requires a high level of education, experience, and responsibility.

CHAIR LYNN asked if the governor's appointees didn't also require a high level of expertise and experience.

[8:18:38 AM](#)

REPRESENTATIVE COLVER referred to slide 4 and reiterated that the intent of the proposed legislation is to reset the salaries, and if, for reasons determined by the governor, a higher salary is needed to fill a position with the expertise required, the governor could unilaterally raise that salary and report the action to the legislature.

CHAIR LYNN asked Representative Colver to explain why the governor would do anything other than set the salary for appointees based on expertise and a level needed to fill the position.

REPRESENTATIVE COLVER replied by saying that through pay increments ("step increases"), merit increases, and cost of living allowances (COLA), some salaries that started out much lower have risen significantly. He referred to slide 7 to demonstrate the percentage rise in salaries.

REPRESENTATIVE COLVER referred to the employee spreadsheet to describe a provision called "override." He directed attention to the second column from the end, labeled "[Employee Exempt] Pay Rate Override," which he defined as the current mechanism by which the executive branch can pay above and beyond the range for which the position is approved.

[8:23:23 AM](#)

REPRESENTATIVE KELLER asked why judges and magistrates were among the exempt positions.

REPRESENTATIVE COLVER replied that he learned through discussion with several Alaska Supreme Court justices that even at their current salary of \$185,000, justices consider these state positions more of a retirement job.

[8:25:30 AM](#)

NANCY MEADE, General Counsel, Administrative Staff, Office of the Administrative Director, Alaska Court System, thanked the sponsor for discussing the proposed legislation with her and listening to her concerns. She maintained that her intent is

not to express any policy views on the wisdom or integrity of HB 322. She went on to state her concern, which is that the proposed legislation implicates Article IV, Section 16, of the state constitution, which grants to the court administrative director the ability to set salary schedules for employees of the judicial branch. She added that this provision is also in statute and in the court administrative rules.

[8:27:23 AM](#)

CHAIR LYNN asked Ms. Meade how the administrative director determines salary levels.

MS. MEADE replied that the administrative director aligns salaries closely with the executive branch salary schedule through a comparison of duties. She further stated that justices and judges are not included in this employee group and their salaries are set by the legislature. She offered that a bill setting a salary cap may run afoul of these provisions. She added that within the entire judicial system there are only two positions that would be affected by the proposed legislation according to base salary - the administrative director and the deputy director - and there are two or three more employees affected whose salaries have surpassed the governor's because of longevity.

[8:30:27 AM](#)

REPRESENTATIVE KELLER asked for clarification on the legislative influence on the salary schedule by way of its power of appropriations to the court system.

MS. MEADE conceded that the legislature did have that power, but stated that the number of judges are set by statute and again mentioned the constitutional provisions regarding salaries for the judicial branch.

[8:31:52 AM](#)

REPRESENTATIVE VAZQUEZ asked for clarification regarding the administrative director of the court establishing the salaries of non-judges.

MS. MEADE confirmed that the administrative director issues a salary schedule for judicial employees.

REPRESENTATIVE VAZQUEZ asked for the statutory authority for [the salary schedule].

MS. MEADE answered that the statute is AS 22.20.037(a) and the rule is Alaska Court Rules, Rules of Administration, Rule 2.

REPRESENTATIVE VAZQUEZ asked if there is any criteria for exemptions from the schedule established by the administrative director.

MS. MEADE answered that the court salary schedule looks like the executive branch salary schedule with ranges and steps. The two positions mentioned previously, in regard to base salaries above \$145,000, are not on that salary schedule. The administrative director's salary is in administrative rule and the deputy has an override granted by the administrative director.

REPRESENTATIVE VAZQUEZ asked Ms. Meade if she had provided the court's salary schedule to Representative Colver.

MS. MEADE responded that she had provided him the salary schedule along with a chart showing the salaries of the employees who would be affected by the proposed legislation.

[8:33:42 AM](#)

REPRESENTATIVE VAZQUEZ asked Ms. Meade why the two individuals are exempted.

MS. MEADE reiterated that the administrative director's salary is set in court rule and the deputy's salary is set by the administrative director. She offered that these individuals need special expertise to do their jobs: they both need to be attorneys; they both need to be experts in court operations; and they both need to be well-versed in the wide-ranging duties of an administrative director. She added that it is for this reason that the two salaries are aligned somewhat with judges' salaries.

REPRESENTATIVE VAZQUEZ asked Ms. Meade if she is recommending that these two positions be exempt [from the proposed legislation] along with the judges.

MS. MEADE responded that she believes the judicial branch should be exempt from the proposed legislation because of the constitutional provision granting the administrative director the authority to set the salaries.

[8:35:41 AM](#)

REPRESENTATIVE KELLER asked if the constitution specifies that the court administrator sets salaries.

MS. MEADE clarified that it is the administrator's role to be the head of the operations of the court system and statute specifies that includes salaries. She added that court rule more specifically states that salaries are established by the administrator.

[8:36:31 AM](#)

MS. MEADE further clarified that the constitution gives the administrative director the authority to set salaries for the 700 employees of the judicial branch, who are not judges and justices. The legislature has the right to set judge and justice salaries without implicating that provision.

REPRESENTATIVE VAZQUEZ read Article IV, Section 16, as follows:

The chief justice of the supreme court shall be the administrative head of all courts. He may assign judges from one court or division thereof to another for temporary services. The chief justice shall, with the approval of the supreme court, appoint an administrative director to serve at the pleasure of the supreme court and to supervise the administrative operations of the judicial system.

REPRESENTATIVE VAZQUEZ asked Ms. Meade whether "to supervise the administrative operation of the judicial system" means that it empowers the administrative director to set salaries.

[8:38:53 AM](#)

MS. MEADE responded that the administrative director is responsible for all operations within the court system. She maintained that AS 22.20.037(a) further clarifies the constitutional provision, and read the statute as follows: "Judicial employees shall be employed subject to classification and wage plans based on the merit principle and adapted to the special needs of the judiciary, as determined by the administrative director of the [court system]." She went on to offer her interpretation that creating wage plans is a direct responsibility of the administrative director. She continued by

paraphrasing the Alaska Court Rules, Rules of Administration, Rule 2(b), which read as follows [original punctuation provided]:

The administrative director shall receive an annual compensation in an amount equal to \$2,000.00 less than the annual compensation provided by law for a justice of the Alaska Supreme Court. Employees in the partially exempt and classified service are entitled to receive compensation in accordance with the salary and classification plan adopted by the administrative director under the personnel rules. The administrative director with the approval of the chief justice shall appoint and fix the compensation of such assistants as are necessary to the exercise and performance of the powers and duties vested in the administrative director.

[8:40:14 AM](#)

REPRESENTATIVE VAZQUEZ agreed that AS 22.20.037(a) does appear to provide the administrative director the power to classify and set forth wage plans.

MS. MEADE reiterated that the salary schedule that the administrative director sets forth is very closely aligned to that of the executive branch. She stated she did not believe these salaries levels to be irresponsible and added that there are just two positions outside that salary schedule and above the governor's salary in base pay.

[8:41:54 AM](#)

CHAIR LYNN asked for clarification that the proposed legislation would exempt the judges.

REPRESENTATIVE COLVER replied that according to Ms. Meade's testimony and legal interpretation, the administrative director and deputy director should be included among the exemptions. He affirmed that he would review that and work with the committee to draft amendments as needed.

REPRESENTATIVE KELLER requested a copy of the legal opinions that Representative Colver mentioned.

REPRESENTATIVE VAZQUEZ requested a copy of the salary schedules provided by the court system to Representative Colver's office.

8:43:52 AM

JO HECKMAN, Board of Regents, University of Alaska, apologized that salary data from the university was not provided to the sponsor of HB 322. She offered that salary data is readily available and she would make sure her staff provides the data to the bill sponsor. She continued by explaining that the university recruits nationwide to find the best faculty, senior administrators, and officers. She expressed her concern that HB 322 would make the university non-competitive in recruiting future mid-management administrators, who are needed to effect change. She cited the negative effects to the university during the '80s when the state economy suffered. She recited the directives from the university president - to maintain excellence, increase enrollment, procure additional funding for research, and encourage increased donations. She opined that some of these directives would become difficult to achieve if the university loses quality employees, and she emphasized that the university would become non-competitive in the market environment. She offered that the compensation structure is market-based and is derived utilizing a benchmark standard - the annual competitive compensation survey from the National Association of Human Resource Professionals. She indicated that this benchmark tool lists salary positions for 55,000 positions in over 1,200 public and private universities nationwide. Currently the University of Alaska is offering salaries that are 90 percent of the national median for comparable positions when hiring new employees; therefore, at present, the university is not competitive nationwide.

8:48:41 AM

MS. HECKMAN said that a total of 88 university employees have salaries over \$145,000 for FY 16, and she offered to provide supporting documentation. She categorized the 88 employees as: 14 faculty members; 41 officers and senior administrators; and 33 deans and department heads. She expressed the concerns of the university in regard to HB 322, which are: faculty would choose to leave the university rather than make less than market wages; faculty would be difficult to replace with quality faculty if non-competitive salaries are offered; and the university would not be able to fulfill its mission according to the directives previously stated. Ms. Heckman cited the example of the open chancellor position at the University of Alaska Fairbanks (UAF). She posited that the university would not be able to find a candidate with the experience and credentials

required who would accept a salary of \$145,000. She offered that UAF is considered a research university and nationally recognized in many classifications. She recited the national median annual salaries for research university administrators: \$337,000 for a provost; \$248,000 for a dean of sciences; and \$287,000 for a dean of engineering. She further opined that if the university loses quality faculty and researchers, then it would be difficult to attract research funding and students would not choose to enroll.

[8:52:08 AM](#)

CHAIR LYNN asked the sponsor of HB 322 to specify the exemptions of university positions in the proposed legislation.

REPRESENTATIVE COLVER replied that only the university president position would be exempt under the proposed legislation. In reference to the university administrative positions, Representative Colver offered that he is trying to work with the university to consolidate administrative functions.

[8:53:21 AM](#)

MS. HECKMAN claimed that the 14 faculty members at the university who teach business, accounting, engineering, and some sciences, could earn salaries in excess of \$145,000 per year in the private sector, but choose to teach in Alaska's university system. She added that it would be very difficult to recruit qualified faculty because of the high private sector salaries in these fields.

[8:54:16 AM](#)

REPRESENTATIVE KITO asked Ms. Heckman if the capping of the salary of the 88 positions prompted any concern at the university for potential loss of accreditation of any program.

MS. HECKMAN revealed that she does not know; however, she offered her belief that it is plausible that loss of faculty and the credentials they bring with them may put the university at risk.

[8:55:01 AM](#)

CHAIR LYNN acknowledged Representative Cathy Tilton joined the committee meeting.

REPRESENTATIVE TALERICO referenced Ms. Heckman's mention of higher private sector salaries and requested Representative Colver obtain salary averages for engineers and researchers in the State of Alaska from the Department of Labor & Workforce Development (DLWD).

[8:56:34 AM](#)

REPRESENTATIVE KITO cited board certified staff psychiatrists listed on the employee spreadsheet but not among the positions exempt from HB 322. He stated his understanding that the Alaska Psychiatric Institute (API) has extreme difficulty recruiting and retaining psychiatrists and, as a result, has used itinerant psychiatrists. He expressed his belief that this situation is a result of non-competitive salaries and a shortage of psychiatrists nationwide. He suggested that psychiatry is a field for which the Department of Health and Social Services (DHSS) needs to offer salaries necessary to fill positions.

REPRESENTATIVE COLVER responded that the Legislative Finance Division analysis identified a number of budgeted salaries at the \$400,000 range at API. He suggested that relying on itinerant psychiatrists may be driving up the cost. He promised that he would review this with DHSS to determine the challenges of filling those positions.

[8:59:21 AM](#)

LESLIE RIDLE, Deputy Commissioner, Department of Administration (DOA), agreed and reminded committee members that since most of the individuals on the employee spread sheet were on salary overrides, it is possible that the next employee in that position may have a different salary based on experience or department need.

[9:01:13 AM](#)

REPRESENTATIVE VAZQUEZ asked who set the salaries for the Alaska Oil and Gas Conservation Commission (AOGCC).

[9:01:34 AM](#)

KATE SHEEHAN, Director, Division of Personnel & Labor Relations, Department of Administration (DOA), responded that exempt salaries are set within the agencies and with the Office of the Governor. She added that some agencies, through policy, follow

the State Personnel Act [AS 2015, Section 39.25] and others have their own policies.

REPRESENTATIVE VAZQUEZ asked Representative Colver if there is any consideration for exemption of employees [under HB 322] in AOGCC.

REPRESENTATIVE COLVER replied that he did identify that market rates for geologists and those overseeing permitting in the oil and gas industry are above the \$145,000 threshold, and he stated that he would review the level of expertise needed by employees of AOGCC to appropriately manage the resource.

[9:03:24 AM](#)

REPRESENTATIVE VAZQUEZ noted from the employee spreadsheet that many of the AOGCC employees are geologists and engineers, and she offered that competitive salaries would be needed to recruit such personnel.

REPRESENTATIVE COLVER stated that he expects to have answers to committee members' questions by the beginning of the following week.

REPRESENTATIVE VAZQUEZ noted the exemption for the State Medical Examiner in the proposed legislation and echoed Representative Kito's concern regarding the recruitment of psychiatrists. She suggested the possibility of a broad exemption for any state physician position, due to the difficulty of recruiting a physician at an annual salary of \$145,000.

[9:06:26 AM](#)

CHAIR LYNN, after ascertaining no one wished to testify, closed public testimony on HB 322.

REPRESENTATIVE VAZQUEZ reiterated her opinion that all physician positions should be exempt from HB 322.

REPRESENTATIVE KELLER thanked the sponsor for calling attention to state salaries and conceded that decisions regarding exemptions under HB 322 would be difficult.

[9:07:52 AM](#)

REPRESENTATIVE VAZQUEZ referred to page 3 of the employee spreadsheet to discuss the salary of a portfolio manager within

the Department of Revenue (DOR). She insisted that due to the expertise required for a portfolio manager and the salary that such a position demands, an exemption under HB 322 would be appropriate. She further suggested that if portfolio managers in DOR have job descriptions similar to portfolio managers in the Alaska Permanent Fund Corporation (APFC), perhaps there should be consideration for transfer of these positions to the APFC.

REPRESENTATIVE COLVER offered to collaborate with Representative Vazquez in regard to the exemption of portfolio managers. He expressed his understanding that the legislature has raised the salaries of positions as needed and added that his research has included tracking salary increases determined by the state.

[9:11:33 AM](#)

REPRESENTATIVE KITO shared two considerations with the committee members regarding state salaries: one, most Alaskans would find \$100,000 a comfortable living considering the median income in Alaska is about \$50,000; and two, Alaska needs to recruit and retain state employees in a competitive environment nationwide. He thanked the sponsor for the information and opined that for some professions, limiting salaries may be beyond the control of state government.

CHAIR LYNN asserted his opinion that HB 322 borders on income equality in the sense that salaries would be made equal regardless of expertise, and he further stated that Alaska requires many specialized positions needing expertise and unique qualifications. He thanked the sponsor for the information.

[9:15:50 AM](#)

REPRESENTATIVE VAZQUEZ asked the sponsor to address partially exempt employees exceeding the \$145,000 salary level in the proposed legislation.

REPRESENTATIVE COLVER replied that he does intend to include partially exempt employees. He also contended that the proposed legislation is not about income equality but more about building credibility among Alaskans about responsible state expenditures and getting good value. He further attested that he does not want to impugn anyone's reputation for his/her expertise, and will continue vetting the positions that should be exempt. He further held that the large number of state employees receiving

a salary above the highest ranking official in Alaska is philosophically problematic.

[HB 322 was held over.]

[9:18:11 AM](#)

**ADJOURNMENT**

There being no further business before the committee, the House State Affairs Standing Committee meeting was adjourned at 9:18 a.m.