

Fiscal Note

State of Alaska
2017 Legislative Session

Bill Version:	SB 31
Fiscal Note Number:	4
(S) Publish Date:	4/10/2017

Identifier: SB031-OOG-OMB-03-27-17
 Title: NO ST. EMPLOYEE PAY INCREASE FOR 2 YRS
 Sponsor: RLS BY REQUEST OF THE GOVERNOR
 Requester: Governor

Department: Various (for Fiscal Notes only)
 Appropriation: Various
 Allocation: Executive Branch
 OMB Component Number: 0

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2018	Included in	Out-Year Cost Estimates					
	Appropriation Requested	Governor's FY2018 Request	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
OPERATING EXPENDITURES	FY 2018	FY 2018	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Personal Services	(451.6)	(1,817.9)	(1,896.1)					
Travel								
Services								
Commodities								
Capital Outlay								
Grants & Benefits								
Miscellaneous								
Total Operating	(451.6)	(1,817.9)	(1,896.1)	0.0	0.0	0.0	0.0	0.0

Fund Source (Operating Only)

1002 Fed Rcpts (Fed)	(131.7)	(39.0)	(183.2)					
1003 G/F Match (UGF)		(5.4)	(15.9)					
1004 Gen Fund (UGF)	(49.9)	(975.3)	(744.4)					
1005 GF/Prgm (DGF)	(0.1)	(31.2)	(16.4)					
1007 I/A Rcpts (Other)	(0.2)	(380.9)	(370.0)					
1178 temp code (UGF)	(269.7)	(386.1)	(566.2)					
Total	(451.6)	(1,817.9)	(1,896.1)	0.0	0.0	0.0	0.0	0.0

Positions

Full-time								
Part-time								
Temporary								

Change in Revenues

None								
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Estimated SUPPLEMENTAL (FY2017) cost: 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY2018) cost: 0.0 *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? No
 If yes, by what date are the regulations to be adopted, amended or repealed?

Why this fiscal note differs from previous version:

Updated to clarify which entities are included in the fiscal note numbers.

Prepared By:	Colleen O'Sullivan, Chief Budget Analyst	Phone:	(907)465-4785
Division:	Office of Management and Budget	Date:	03/24/2017 10:00 AM
Approved By:	Pat Pitney, Director	Date:	03/27/2017
Agency:	Office of Management and Budget		

REPORTED OUT OF
SFC 04/07/2017

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2017 LEGISLATIVE SESSION

Analysis

This fiscal note estimates the potential savings from freezing executive branch employee salaries for two years (FY2018-FY2019).

This hypothetical estimate recognizes that no funding currently exists in agency budgets to pay for merit and pay increment increases. Historically, the cost of merit and pay increment steps was assumed to be offset by the savings due to turnover – positions hired at lower salaries offsetting the merit and pay increment increases of retained employees. Otherwise reductions had to be found in other areas of the budget. Agencies with few employees and/or low turnover have had a greater challenge paying for these unfunded salary increases from their existing budget.

If exempt and partially exempt salaries are frozen, it is assumed the savings that would have been needed to pay for advancing merit steps/pay increments could be retained and the budget reduced. However, given significant budget reductions in recent years, and the fact that actual turnover and actual spending reductions an agency is able to achieve may not directly match the estimated cost of the avoided salary increases, there is a risk that some agencies will not be able to achieve the proposed budget reductions.

In general increases for exempt and partially exempt positions eligible for merit and pay increment steps were calculated and compared to the current base. Two increases were identified: a) costs of FY2017 increases incurred for 12 months in FY2018 (versus fewer months at the higher merit step in FY2017). These costs are unavoidable in FY2018 despite a statute change but are used as the estimated avoided cost increase for the second merit step in FY2019. b) Costs of new increases that would have been paid in FY2018. Positions in merit steps were considered separately than those in pay increments.

Savings shown in the table below are for FY18 and FY19 combined.

Entity	Covered by the Bill?	Included in OMB Fiscal Note?	Estimated Cost Savings
Executive Branch*	Yes	Yes	\$3,490.9
Alaska Housing Finance Corporation	Yes	Yes	\$674.7
University of Alaska**	Yes	Yes	\$0
Permanent Fund Corporation***	Yes	No	N/A
Judicial Branch	No	N/A	N/A
Legislative Branch***	Yes	No	N/A

*Includes positions that receive no pay increases (such as commissioners)

** The University as the Board of Regents has already implemented similar actions so no additional savings would be realized

*** Estimates included in separate fiscal note

The estimated savings that may be realized is \$4,165.6 over two fiscal years for the executive branch.

Total savings are not realized in one year because individuals in pay increments receive a salary increase every other year. In addition, individuals receive increases at various times during the fiscal year. It takes two years to get the full savings because merit steps increases don't happen on July 1, but on an employee's hire date. Additional savings in fiscal years beyond FY2019 are anticipated because salaries will be lower in those years than if the temporary freeze was not implemented, however that amount is indeterminate.

The FY2018 Governor's budget includes an initial estimate in the branch-wide component of \$1,817.9. This updated estimate of \$2,205.5 includes entities where data was not yet available at the time of the initial estimate. This estimate may be reflected in each component's budget versus in a statewide component at the legislature's discretion.

In addition to the \$2,205.5 reduction for the merit and pay increment freeze, a \$64.0 reduction in general funds in FY2018 is included for a one-third salary reduction for the Governor of Alaska. The total FY2018 reduction is \$2,269.5.