

SENATE FINANCE COMMITTEE
February 9, 2017
9:01 a.m.

[9:01:06 AM](#)

CALL TO ORDER

Co-Chair MacKinnon called the Senate Finance Committee meeting to order at 9:01 a.m.

MEMBERS PRESENT

Senator Lyman Hoffman, Co-Chair
Senator Anna MacKinnon, Co-Chair
Senator Click Bishop, Vice-Chair
Senator Mike Dunleavy
Senator Peter Micciche
Senator Donny Olson
Senator Natasha von Imhof

MEMBERS ABSENT

None

ALSO PRESENT

Sheldon Fisher, Commissioner, Department of Administration;
Emily Wright, Deputy Director, Labor Relations, Department
of Administration; Nancy Sutch, Deputy Director, Personnel,
Department of Administration; Pat Pitney, Director, Office
of Management and Budget, Office of the Governor.

PRESENT VIA TELECONFERENCE

SUMMARY

PRESENTATION: DEPARTMENT OF ADMINISTRATION - LABOR
CONTRACTS

Co-Chair MacKinnon

^PRESENTATION: DEPARTMENT OF ADMINISTRATION - LABOR
CONTRACTS

[9:01:50 AM](#)

SHELDON FISHER, COMMISSIONER, DEPARTMENT OF ADMINISTRATION, discussed the presentation, "Alaska Department of Administration - 2017 Labor Contracts" (copy on file). He showed Slide 2, "Framework":

BACKGROUND: The scope and framework of negotiations are governed by the Public Employment Relations Act (PERA) AS 23.40.070-23.40.250.

- The State begins bargaining successor agreements between October and December; start date may be accelerated if both parties agree.
- Wages, hours and other terms and conditions of employment are mandatory subjects of bargaining.
- The State may, but is not required to, negotiate permissive subjects of bargaining.
- Monetary terms must be approved by the Legislature.

STATUS QUO: If either side finds the demands too unfavorable, they can largely maintain status quo by doing nothing.

Once impasse is reached and mediation fails:

- employees have the right to strike (exception: protective service personnel do not have the right to strike but must enter binding arbitration)
- State has the right to implement last best offer (Both options are harmful to labor-management relationship as well as the public)

INCREMENTAL CHANGE: As a result, you tend to see pattern bargaining and incremental changes

Commissioner Fisher pointed out to the committee that successful labor negotiations were reliant on both sides coming to an agreement; should both sides fail to come to an agreement there were mechanisms, such as arbitration, to facilitate and agreement. He stated that the state had a history of trying to reach agreements with bargaining units through negotiations. He shared that it could take a series of negotiations to effectuate meaningful change.

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Commissioner Fisher turned to Slide 3, "Bargaining Unit (Mr. Burnett) Detail," which showed a table containing the 11 bargaining units in the state. He said that the state was currently negotiating with the Alaska Marine Highway units, Alaska State Troopers, the Teachers' Education Association of Mt. Edgecumbe, and the Alaska Vocational Technical Center Teachers. He relayed that there were four principal units that contained most of the state's employees: Alaska State Employees Association (ASEA), Alaska Public Employees Association (APEA), Public Employees - Local 71 (LTC), and Confidential Employees Association (CEA).

[9:05:47 AM](#)

Senator Dunleavy asked whether the 'Non-Covered' - Partially Exempt and Excluded group shown on slide 3 was being identified for reductions.

Commissioner Fisher replied that the state tried to treat covered and non-covered employees consistently. He said that the bills that the governor had submitted this session would allow for a freeze in the salaries of non-covered employees. He added that the governor had instructed that similar terms be negotiated for each of the bargaining units.

[9:07:13 AM](#)

Co-Chair MacKinnon asked whether the state was trying to negotiate the same pay freeze for all bargaining units.

Commissioner Fisher answered in the affirmative.

Co-Chair MacKinnon wondered whether all bargaining units could be brought to the table to halt wage increases in order to address an increase in the recession.

Commissioner Fisher stated that the state did not have reopeners in bargaining contracts. He said that the state could approach bargaining units with the request that they make concessions. He did not think that concessions could be made outside of the bargaining of the overall contracts.

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Co-Chair Hoffman felt that the possibility of disagreement between bargaining parties was problematic. He thought that the actions taken by the Alaska Court System in regards to budget cuts should be a model for the administrative branch to follow. He believed that the senate was taking a similar approach of making significant cuts to spending. He asserted that the state could not "cut itself" out of the fiscal crisis, but that a stronger stance needed to be taken to address fiscal responsibilities. He said that it was not a foregone conclusion that the deficit would be addressed, but he hoped that the administrative branch would take on a similar strategy as that of the executive branch.

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Senator Olson applauded the efforts by the judicial branch to make meaningful cuts. He wondered whether the cuts to that branch involved non-exempt employees.

Commissioner Fisher thought that most of cuts to the judicial branch were made to employees that were not covered by a collective bargaining agreement. He understood that the state was facing a fiscal crisis. He stated that the state would pursue additional concessions from the bargaining units that were in contract.

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Senator Micciche noted that the legislature did not negotiate with bargaining units. He wondered whether the union employees would rather see individual members disappear from the roles of employment, or "collectively take a bit of a haircut on preserving those positions." He stated that the state had a problem and that every job that was necessary to run the government should be preserved. He hoped that the cuts could be fairly distributed.

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Senator Dunleavy concurred with Senator Micciche's remarks. He suggested that the commissioner review the remarks of the Chief Justice from the previous day. He lamented that the administration seemed unwilling to continue to make deeper cuts. He hoped that the size of government could be further reduced and reorganized.

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Commissioner Fisher discussed the question of layoffs versus salary cuts. He stressed that he was not trying to exercise judgement on the matter. He conveyed that bargaining units had communicated a value judgement that it would be preferable to see layoffs as opposed to wage reductions. He conveyed that it was the intention of the state in each negotiation to negotiate similar terms for those who are covered and those who are not. He discussed the nature of successive 3-year cycles of bargaining, and noted that some units may experience a different set of terms than others.

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Co-Chair MacKinnon asked whether adopting arbitrator guidelines had been considered. She wondered whether most of the state contracts contained a requirement to mediate through arbitration and accept the mediators ruling.

Commissioner Fisher responded that certain contracts had binding arbitration, and others left the choice to the parties. He said that the bargaining unit's right to strike was typically a determining factor. He used the example of the Alaska State Troopers, which did not have the right to strike, could use binding arbitration as the alternative. He said that arbitration was always an option. He said that he welcomed the conversation with the legislature concerning arbitrator guidelines.

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Co-Chair MacKinnon relayed that some in her community had asked why the state negotiated with unions, which had national professional negotiators. She wondered whether the administrative team had the advantage to bargain higher because they would directly benefit from the negotiations.

Commissioner Fisher discussed the question of the competency of the Department of Administration (DOA) negotiators as compared to union negotiators. He felt confident that the DOA negotiators were skilled and not outmatched. He expressed that the DOA team had greater consistency in staff retention and experience. He acknowledged that to some extent, individuals were negotiating a set of terms that would also impact them

directly. He opined that professional negotiators tended to be lawyers and were very costly to hire.

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Co-Chair MacKinnon shared the suggestion of a "blue ribbon panel" that was supported by a lawyer who could train and provide expertise. She thought that a third party group that was on a more volunteer, or board basis, could be effective.

Co-Chair MacKinnon recognized that the commissioner and his team always acted in good faith. She noted that they were still in negotiations with some of the bargaining units that had been previously outlined. She stressed that she had not been in conversations with the administration concerning the bargaining units. She explained the nature of wage increases for state employees and the different ways in which employee excellence was rewarded. She stressed that all Alaskans should work together to combat the budget deficit.

[9:30:19 AM](#)

Commissioner Fisher discussed Slide 4, "Long Term Objectives":

Alaska State government will be a model of efficiency and effectiveness, characterized by:

High performing workforce rewarded for best results

Compensation and benefit programs which are balanced and rational

Work rules which are efficient and streamlined

Commissioner Fisher noted that the slide reflected principles that guided the DOA workforce. He felt that the top performers in an organization made the most impact, but that the state did not have a strong culture of performance management. He said that the department was in the process of developing better capabilities that would eventually form the foundation for other available initiatives. He furthered that there were two features to the state's current compensation and benefit programs that fell under scrutiny: automatic step increases and the growth of

salaries over the life of an employee, and generous benefits packages. He said when considering the employees as a whole, cash compensation was slightly below market and benefits were above market - balancing each other out. He shared that steps had been taken such as eliminating cost for living increases and instigating furloughs, as well as freezing step salaries. He relayed that steps had also been taken to reduce benefits packages. He noted that the tier 4 benefit package for state employees was significantly less than for tiers 1 through 3, and employees were being required to contribute more to their healthcare. He thought that better benchmarks and metrics needed to be established in order to inform future conversations about employee compensation and benefits.

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Senator Micciche asked how often market conditions were evaluated for the purpose of benchmarking compensation.

Commissioner Fisher relayed that evaluation of market conditions had happened every year since he had been with the state. He said that many different employers were taking significant steps that impacted Alaskans. He hoped that the efforts that the department was making in their salary management costs would be recognized.

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Senator Micciche felt that the current fiscal situation of the state was unprecedented. He asked whether the department had brought new and innovative thinking to contract negotiations.

Commissioner Fisher sensed a dearth of satisfaction from the committee regarding the lack of progress that had been made by DOA in making reductions. He rebutted that the department had worked to be innovative and to shirk the status quo. He noted the end of awarding a cost of living increase to employees and increases to healthcare costs. He said that the department had been focused on flattening the growth curve of salary costs by implementing a hiring freeze. He shared that redefining the growth curve would be beneficial. He thought that performance management and performance reviews would be an important tool for creating cultural change within the state departments. He assured

that committee that the aspirations of the department were beyond the status quo.

[9:40:09 AM](#)

Senator Micciche asked whether there were triggers that were every negotiated into a labor contract, in which concessions were in place for the immediate with the intent to reinstate rewards in the more financially stable future.

Commissioner Fisher stated that it was possible to put such mechanisms in to contract, but thought that the unions had been wary of such agreements. He said that the state had worked to put a timeline on certain mechanisms; for example, the pay freezes put forth by the governor had a two year timeline. He stated that a timeline allowed for the issue to be revisited, and adjusted to suit the realities if the time.

[9:42:33 AM](#)

Co-Chair Hoffman felt that short-term objectives were in order. He stressed that the state should be focused on not doing "business as usual." He spoke of belt tightening and the need for short-term objectives. He applauded the court system for making meaningful reductions. He felt that the governor's proposed budget did not reflect the financial crisis that the state was currently experiencing.

[9:45:58 AM](#)

Co-Chair MacKinnon acknowledged Pat Pitney, Director, Office of Management and Budget, Office of the Governor, in the room.

Vice-Chair Bishop spoke to the commissioner's previous statement that the committee seemed dissatisfied with the department's approach to reigning in spending. He asked not to be included in that comment until the presentation was complete.

Senator Dunleavy opined that the governor's supplemental budget, in addition to his proposed operating budget, actually increased spending. He felt as if the senate and the governor were working at cross purposes.

[9:47:07 AM](#)

Senator Micciche asked whether there were other cost-control measures available to the state outside of the bargaining units and layoffs.

Commissioner Fisher discussed the concept of "increasing the vacancy factor," which entailed holding a position open after a state employee retired or left the position. He mentioned that another tool was to discontinue certain programs.

Commissioner Fisher further discussed layoffs. He said that over the next five years over 20 percent of state employees would be eligible for retirement. He said that at any given time roughly two-thirds of those who were eligible retired. He stated that he believed the issue was one of attrition, and not layoffs. He felt that the size of government could be controlled through attrition of senior employees. He added that individual experiences would vary, he suggested that people be prepared to cultivate the skills that a reorganized state department would require.

[9:50:04 AM](#)

Co-Chair MacKinnon stated that the other body was examining programs, rather than individual attrition. She understood that the loss of a job, wages and health benefits, could be a crisis for families. She understood that 10 percent of Alaskan's benefitted from the Alaska Marine Highway System (AMHS), which was costing the state \$120 million per year. She added that in past years the cost of running the system was equal to the cost of all of the roads that benefitted 90 percent of the population. She spoke of the governor's proposed privatization of 500 Department of Transportation and Public Facilities design team employees. She thought that the move would increase cost, and worried that there would not be enough management. She believed that most communities that used the AMHS could find alternative transportation. She said that private sector jobs would be available for ferry workers to migrate to. She said that she valued the AMHS employees, and that the negotiation team for AMHS had served their membership well. She wondered how many out-of-state employees were with the AMHS, and why the AMHS had a cost of living differential (COLD), rather than a cost of living adjustment (COLA). She queried whether flying in employees was creating additional cost to the state. She lamented that AMHS work rules had

improved safety for the workers, but had negatively affected the state's bottom line.

[9:55:50 AM](#)

Commissioner Fisher relayed that there were three unions that supported AMHS.

Co-Chair MacKinnon directed committee attention to Slides 15, 17 and 18, which contained relevant information about the AMHS bargaining units.

Commissioner Fisher referred to Slide 15, "Bargaining Unit Summary," which showed information pertaining to the Inlandboatmen's Union of the Pacific (IBU) bargaining unit. He shared that 92 percent of the bargaining unit were Alaskan residents.

Commissioner Fisher referred to Slide 17, "Bargaining Unit Summary," which showed details about the Marine Engineers' Beneficial Association. He relayed that 66 percent of the employees covered by the unit reside in Alaska.

Commissioner Fisher referred to slide 18, "Bargaining Unit Summary," which showed details for the Masters, Mates, and Pilots (MMP) bargaining unit; 72 percent of their employees reside in Alaska.

Co-Chair Hoffman asked how the department defined "Alaskan resident."

EMILY WRIGHT, DEPUTY DIRECTOR, LABOR RELATIONS, DEPARTMENT OF ADMINISTRATION, explained that the bargaining unit numbers were based on the COLD data. She said that in order for an employee to receive the benefit they must reside in state. She added that DOT monitored the residents and that residency was not tied to the permanent fund dividend application.

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Senator von Imhof spoke to Slide 4, and asked about short-term options. She queried rewards and seniority among high-performing employees. She worried about holding critical jobs vacant as a method of managed attrition. She probed any and all of the methods the department had used to reduce overhead costs. She thought that the state could

learn some creative cost cutting measures by studying the private sector.

Commissioner Fisher responded to Co-Chair MacKinnon's reference to flying AMHS team members to certain ports. He conveyed that normally, a member had the obligation to get to the duty station on their own dime. He shared that mitigating circumstances could require the state paying for transportation, but that those instances were rare.

Commissioner Fisher stated that seniority was a sacred union principle. He relayed that due to the current fiscal situation nothing had been done to reward high-performing employees. He stated that the state was working to improve performance management tools, which would address low-performing employees. He said that many of the programs that the department administered were in statute and could not be eliminated without the work of the legislature. He shared that overtime had gone down 10 percent between 2015 and 2016. He related that the IBU had reduced 60 positions in the past year, and overtime by \$34,000. He stressed that overtime had been reduced in every bargaining unit and that vacancy factors had been expanded.

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Co-Chair MacKinnon acknowledged that Commissioner Fisher was in a difficult position. She wondered about the repercussions for rejecting a union contract.

Commissioner Fisher replied that as part of the rejection process the legislature would give the department guidelines for dealing with unions. He said that negotiations would continue until an acceptable contract was agreed upon.

Co-Chair MacKinnon understood that rejected contracts would not be included in the operating budget, and that the legislature would provide reason for not accepting the union contract.

Commissioner Fisher believed that that was correct.

Co-Chair MacKinnon asked how late in the legislative session that the contracts would be available for consideration.

Commissioner Fisher stated that there was a tension between the demands that were made, and the speed at which a negotiated agreement could be met. He said that if a contract was completed and brought to the legislature by the 60th legislative day then the legislature was obligated to consider the contract. He furthered that if the negotiations went beyond the 60th day, the legislature did not have that obligation. He thought that due to some of the changes that were being offered by the state in the negotiations, the 60 day target would be more difficult to achieve.

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Co-Chair MacKinnon hoped to have future conversations regarding union strikes.

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Commissioner Fisher reviewed Slide 5, "Summary of Bargaining", which showed the contracts that had been negotiated in the last round of negotiations. He said that the department viewed furloughs as a small part of an overall set of short-term tools that could be used to address budget issues. He said that furloughs allowed for a cut across a department to affect many groups in modest ways. He lamented that furloughs did not maximize the savings that could be achieved because benefits were still being paid, as well as other costs associated with the employee.

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Co-Chair MacKinnon asked about the comparison of state employee wages to federal employee wages. She opined that the federal government could offer higher wages. She wondered about health benefits, and whether they were a bargaining piece for the state.

Commissioner Fisher stated the generally speaking, the state provided the required health care for its employees. There were four bargaining units that had their own health trust: troopers, ASEA, Labor Trades and Crafts, and MMP. He shared that healthcare costs were growing at a rate faster than inflation, and the in the previous healthcare costs had grown by 9 percent. He stipulated that the administration focused on four levers to address the issue:

plan design (increased copay, out of pocket maximum, and changing coverage levels for different services), negotiating better rates with providers, asking employees to contribute more, and requiring employers to contribute more. He furthered that the department worked under the principal of not over or under funding; different employer groups had different costs due to demographics and work conditions. He said that the plans were inspected for effectiveness.

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Commissioner Fisher asserted that the department was clear in its negotiations that terms would not be established for a contribution without sufficient details surrounding benefit plans.

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Co-Chair MacKinnon queried that number of state employees with lower priced plans than the state plan.

Commissioner Fisher offered to come back with more information at a later date, but thought that a number of the health plans had lower costs and that there were thousands of employees covered by trusts that had a better cost structure. He qualified that the largest difference was demographics, that there was a demographic difference in their population mix that resulted in lower cost. He did not believe that the lower cost was a reflection of better or worse management.

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Co-Chair MacKinnon extrapolated that the state paid, inside of each plan, a specific dollar amount based on the health of the plan versus what was paid to the state plan.

Commissioner Fisher replied that this had been the case for the previous two years.

Co-Chair MacKinnon asked whether Commissioner Fisher chose that path because it saved the state money.

Commissioner Fisher answered in the affirmative.

Co-Chair MacKinnon wondered whether the state would benefit from pooling healthcare costs.

Commissioner Fisher spoke to pooling healthcare costs. He relayed that the senate had requested that the department perform a study on the healthcare authority, and the department was revisiting the question about the benefit of pooling and the possible related savings. He shared that the study was due in June 2017. He said that the state worked to negotiate a fixed amount based on the framework discussed on Slide 2; for example, the ASEA had a fixed amount and had been flat for the past six years. He added that that amount had been lower than what the state contributed for employees. He said that the department looked at employees and their experience when determining the fixed amount.

[10:20:31 AM](#)

Co-Chair MacKinnon noted that the strategy had saved the state money. She queried previously mention requirements that the commissioner had mentioned.

Commissioner Fisher believed that the state was required by statute to provide healthcare benefits.

Ms. Wright concurred.

Co-Chair MacKinnon surmised that if the statutes were changed, healthcare benefits would not be bargained by the administration.

Commissioner Fisher stated that the state had elected to negotiate a portion of the health benefits. He elaborated that the state had two plans, a standard plan that had a richer benefit, and the economy plan that had a lesser benefit. He relayed that the decision had been made, prior to his leadership, that the state would bargain the economy plan and never the standard plan. He thought that progress had been made in the areas of plan design and employee contribution.

[10:22:06 AM](#)

Commissioner Fisher restated that the state had never bargained the standard plan.

Co-Chair Hoffman restated Co-Chair MacKinnon's question about a possible change in the statutory requirement to provide insurance.

Commissioner Fisher replied that if the state wanted to stop bargaining a plan, once it had already been bargained for in the past, it would need to be bargained out of the contract. He explained that the statutory change alone would not eliminate the states obligation.

Co-Chair Hoffman thought that if the statute was changed, future negotiations would change.

Commissioner Fisher replied that that state could bargain the economy plan out of contracts anytime it chose to do so. He stated that the economy plan was not a mandatory subject of bargaining, but was one that the state had chosen to bargain. He furthered that if the statute changed, the state would no longer have an obligation to provide healthcare, and it would be up to Alaskans collectively to decide whether healthcare was a benefit that was critical for state employees.

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Co-Chair Hoffman noted that healthcare was one of the largest cost drivers in the state. He queried the last time, and the reason, that a serious strike had happened in the state.

Ms. Wright did not believe that there had ever been a strike in the state.

NANCY SUTCH, DEPUTY DIRECTOR, PERSONNEL, DEPARTMENT OF ADMINISTRATION, revealed that in the 1907s the AMHS had gone on strike over leave accrual. She offered to get back to the committee with more information.

Co-Chair MacKinnon commented that the amount of leave accrual allowed had been examined, and changed, by the committee several years ago. She believed that the amount allowed was still high when compared to the private sector. She asked whether the assumption that having a thousand hours in the leave bank could be, for an employee, like receiving a three percent raise once cashed-in, was accurate.

[10:26:54 AM](#)

Commissioner Fisher stated that caps on leave accrual had been negotiated in contracts. He admitted that the state tended to have a more generous leave accrual benefit than the private sector. He stated that leave accrual had peaked, and the rate of growth had slowed. He explained that in 2016, the leave accrual obligation had declined, but was still at approximately \$172 million. He furthered that leave accrual was paid out at the "then current" rate; if leave was accrued at a lower rate, as an employee advanced in their career and chased out leave, the leave could be cashed out at a higher rate.

Co-Chair MacKinnon concluded that it was accurate that if people held large amounts of leave, those hours could be paid out at a higher rate than the rate at which they were earned.

[10:28:49 AM](#)

Commissioner Fisher showed Slide 6, "Sample Historical COLAs & Anchorage CPI Comparison," which showed a data table that provided information about cost of living allowances as compared to the consumer price index (CPI), over time. He noted the close alignment between CPI and COLA over time, a few bargaining units were higher.

Co-Chair MacKinnon asked whether there would be an advantage to providing a lump sum, versus COLA, in the form of a salary increase. She wondered whether negotiating with union leadership to pay a fixed sum instead of increasing wages could be beneficial in making an employee feel appreciated without adding to the states expense.

Commissioner Fisher agreed that the advantage of offering a lump sum was that it would not impact an employee's salary; if an employee made \$10,000 per year, and received at \$1000 lump sum, the following year the employee would still make \$10,000, whereas a \$1000 increase would raise the salary to \$11,000 per year. He said that COLAs were not currently being negotiated, but when the time came to do so, a lump sum would be considered.

[10:30:55 AM](#)

Co-Chair MacKinnon asserted that there were still employees that were receiving salary increases.

Commissioner Fisher stated that the observed salary increases were due to contracts that had already been negotiated.

Co-Chair MacKinnon asked whether there was a way to reopen the contracts and have a conversation about a fixed rate.

Commissioner Fisher replied that an attempt had not been made to have that conversation with negotiators, but that he would look into the matter.

[10:31:59 AM](#)

Senator Micciche thought that it was important to recognize the union groups that had not increased their COLA percentage since 2015. He wondered about the Anchorage CPI as a reference point for all bargaining groups.

Commissioner Fisher clarified that the Anchorage CPI was used for comparison because it was the only CPI that was produced by the Federal Department of Labor, an Alaska-wide CPI was unavailable. He agreed that COLAs had been at, or modestly below, the CPI increase, but added that when the automatic salary increases were layered in there was a wider growth above the CPI.

[10:33:56 AM](#)

Vice-Chair Bishop asked whether Commissioner Fisher had anecdotal information on state employees transferring out of state service and moving to other states.

Commissioner Fisher replied that some information could be provided on the "churn rate" or degree to which employees were leaving state service. He clarified whether the question was about people who left state employment to work in another state, or left state employment in general.

Vice-Chair Bishop requested the churn rate as a whole. He expressed support for keeping out-to-bid contract jobs within the state.

[10:36:07 AM](#)

Co-Chair MacKinnon recognized that the nature of the issue made the conversation difficult to have, and added that the committee valued the employees of the State of Alaska. She lamented that the state's fiscal crisis made the conversation necessary. She hoped that the administration and the legislature could work together on reducing the budget and while maintaining the public trust. He stressed that both exempt and non-exempt employees were important. She recognized that all state employees spent money in the state economy, and that there would be ramifications to the economy as the result of budget cuts. She offered the example of her aforementioned disparity between the AMHS and the state's road system. She clarified that she recognized that the Southeast Alaskan community would be disproportionately disadvantaged if there were major employee cuts in the AMHS. She asserted that cuts to the AMHS would not be meant as an attack on the system, but rather a prioritization of investments.

[10:38:32 AM](#)

Co-Chair Hoffman interjected that the senate was trying to take measures that would allow for the state to make payroll. He opined that if corrective actions were not taken then state employees would not be paid. He lamented that a comprehensive fiscal plan had yet to be determined by a fractured legislature, and the administration.

[10:40:03 AM](#)

Commissioner Fisher turned to Slide 7, "Merit Steps and Pay Increments":

- o The Governor has directed our teams to seek a freeze in merit steps and pay increments in conjunction with SB31 and HB71.
- o Troopers receive merit steps and pay increments.
- o The Marine Unions do not receive merit steps and pay increments. Historically the sole mechanism for pay increases has been COLAs.
- o Mt. Edgecumbe and the Alaska Vocational School teachers are placed on the salary scheduled based on years of service and education level; they are capped at 10 years and 18 years respectively.

10:40:58 AM

Commissioner Fisher displayed Slide 8, "Benefits":

Benefits are an integral part of employees' total compensation package.

- o Health Benefits:
 - Employee premium contribution.
 - Implemented an employee premium for partially exempt and exempt in the executive, legislative, and judicial branches; currently bargained and implemented for Confidential Employee Association and Supervisory Unit in January 2017. This premium will increase in 2018.
 - Implemented cost savings measures and plan improvements.
- o Health Trusts
 - We are contributing at a rate which seeks to neither over nor underfund.
- o Pension: Defined benefit and defined contribution plans.

Commissioner Fisher concluded his remarks on the presentation.

10:41:27 AM

Co-Chair Hoffman stated that state employees received the Alaska Supplemental Annuity Plan (SBS) instead of Social Security, which was capped at a different rate. He asked whether SBS was capped.

Commissioner Fisher answered in the affirmative.

10:41:55 AM

Co-Chair MacKinnon hoped that all parties could work together to address the fiscal crisis faced by the state. She discussed housekeeping.

#

ADJOURNMENT

10:43:39 AM

The meeting was adjourned at 10:43 a.m.