

HOUSE FINANCE COMMITTEE  
April 11, 2019  
2:30 p.m.

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CALL TO ORDER

Co-Chair Wilson called the House Finance Committee meeting to order at 2:30 p.m.

MEMBERS PRESENT

Representative Neal Foster, Co-Chair  
Representative Tammie Wilson, Co-Chair  
Representative Jennifer Johnston, Vice-Chair  
Representative Dan Ortiz, Vice-Chair  
Representative Ben Carpenter  
Representative Andy Josephson  
Representative Gary Knopp  
Representative Bart LeBon  
Representative Kelly Merrick  
Representative Colleen Sullivan-Leonard  
Representative Cathy Tilton

MEMBERS ABSENT

None

ALSO PRESENT

Kate Sheehan, Director, Personnel and Labor Relations,  
Department of Administration

SUMMARY

PRESENTATION: UNDERSTANDING LABOR CONTRACTS  
DEPARTMENT OF ADMINISTRATION

Co-Chair Wilson reviewed the meeting agenda.

^PRESENTATION: UNDERSTANDING LABOR CONTRACTS

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KATE SHEEHAN, DIRECTOR, PERSONNEL AND LABOR RELATIONS, DEPARTMENT OF ADMINISTRATION, provided a PowerPoint presentation titled "Department of Administration: Understanding Labor Contracts" dated April 11, 2019 (copy on file). She intended to address monetary terms with collective bargaining units including the cost of living adjustments (COLA) and the merit and pay increments; bargaining laws and rules; and current contracts pending before the legislature.

Co-Chair Wilson asked what things occurred automatically (i.e. step increases) and what portions the Department of Administration (DOA) could negotiate.

Vice-Chair Johnston asked what was in statute and what was in federal law pertaining to contracts.

Ms. Sheehan agreed to address the items during the presentation. She began on slide 4 and detailed that DOA negotiated COLAs. She cited the current contract with the Alaska State Employees Association that included a 3 percent increase on July 1, 2019, 1 percent the second year, and 1 percent the third and final year of the agreement.

Ms. Sheehan highlighted that DOA also negotiated merit increases and pay increments. Merit increases applied to most employees. The three marine unions did not have merit increases or pay increments and the teachers' associations had a different salary schedule. She explained that merit increases were steps A through F and were approximately 3.5 percent between each step. Merit increases were received annually with an acceptable or better evaluation. She elaborated that the increases were automatic; if an increase was taken away because of poor performance with a "low acceptable or unacceptable" evaluation, timely notice was required (if the evaluation was late, the increase was automatic).

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Representative Sullivan-Leonard asked about the percentage on a normal merit increase.

Ms. Sheehan replied that the average merit increase was 3.5 percent. She noted the increases varied by bargaining unit - some went as low as 3.2 percent and some went as high as

4 percent based on how salary schedules had been established years ago.

Ms. Sheehan continued to address slide 4. She explained that once an employee hit step F (or step G for General Government Unit members) they moved into pay increments. She detailed that pay increments had been bargained and put into statute in 2008 and 2009. She elaborated that the increments occurred every two years and were 3.25 percent with no cap. She explained a performance evaluation rating of mid-acceptable or higher was necessary in order to receive the increment. The Public Safety Employee's Association contract included a cap on pay increments and the Supervisory Union did not have a cap, but payments were spread out farther than two years (at a given point in the steps the increases move to every three years).

Representative LeBon asked for verification that a performance rating of acceptable or better was required to earn an increase.

Ms. Sheehan replied in the affirmative.

Representative LeBon shared that when he had worked in the private sector, performance reviews had put 90 percent of the workforce above average. He asked what percentage of the workforce at the state level fell into the acceptable or better category. He asked if the state was employing a multitude of individuals who were receiving the maximum increase.

Ms. Sheehan responded that the situation was similar to Representative LeBon's experience in the private sector. She did not have a percentage, but the majority of state employees received evaluations of mid-acceptable or higher.

Co-Chair Wilson asked about a contract that showed increases of zero for three years. She wondered if employees truly received no increases during the contract period or if they received 3.5 percent per year with nothing additional.

Ms. Sheehan replied it would be 3.5 percent per year with nothing additional. When a contract showed all zeros, it pertained to zero COLAs, but the merit increases and pay increments remained.

Co-Chair Wilson asked for verification that with a 4 percent COLA in the current year, corrections [Alaska Correctional Officers Association Correctional Officers Unit] would receive 7.5 percent up to steps F and G and then every other year they would receive 3.25 percent added to the 4 percent.

Ms. Sheehan replied in the affirmative. She elaborated that the 4 percent was applied, and employees received whatever they were due in terms of a merit increase or pay increment. If there was another COLA adjustment in the second year of the contract (as in the correctional officers' contract), employees would receive that on top of whatever merit increase or pay increment they were due.

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Co-Chair Wilson asked why the COLA was not the actual cost of living (e.g. the Anchorage CPI) and when it had become negotiated.

Ms. Sheehan answered that she did not know when COLA had started to be negotiated. She reported that she had been with the division since 2004 and during that time, the COLA had not been tied to the CPI. She elaborated that sometimes the COLA had exceeded or been under CPI and sometimes there was no COLA.

Vice-Chair Ortiz remarked that he believed it had only been in recent years with the low rate of inflation increase, that increases had sometimes been greater than cost of living increases; however, there were many more years where COLA increases were under the rate of inflation.

Co-Chair Wilson had always thought that cost of living adjustment meant cost of living adjustment. She did not realize COLA was negotiated. She understood that Vice-Chair Ortiz was saying a COLA increase could have been a 1 percent increase, while the cost of living may have been 2 or 3 percent. She thought it would be interesting to look at the historical differences.

Vice-Chair Johnston asked if the supervisory unit and public employee unit had caps.

Ms. Sheehan replied that the public safety employees had a cap and the supervisory union spread out the years in

between [the increases]. The theory was that an average state employee [in the aforementioned unions] who worked for 30 years would not get as high a pay increment because the years were spread out in between.

Vice-Chair Johnston asked for verification that the COLA was not region specific - all correctional officers had the same COLA regardless of their location.

Ms. Sheehan agreed. The COLAs were the same for all employees in a bargaining unit.

Vice-Chair Johnston found the concept interesting because it really was not a cost of living adjustment.

Co-Chair Wilson noted there was also the concept of the geographical pay differential. She believed it was 60 percent in Bethel and 3 to 5 percent in Juneau. She surmised that the geographical differential would be on top of COLA and salary increases.

Ms. Sheehan replied in the affirmative. She elaborated that the pay differential was 5 percent in Juneau and 50 percent in Bethel. Depending on where an employee lived, they may have an additional geographic differential to account for the higher cost of living in some communities.

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Representative Carpenter was surprised a COLA was negotiated. He thought it was a raise under a different name. He asked if there was a process, factors, or criteria used to determine the number.

Ms. Sheehan answered it depended on the contract and situation (e.g. whether there were recruitment and retention difficulties). She noted there was a cost of living adjustment for troopers pending before the legislature for 7.5 percent. The increment aimed to try to catch up with what the Anchorage Police Department was paying. The department also tried to engage in pattern bargaining. For example, if DOA was negotiating an annual increase of 1 percent for three years for one union, it may try to negotiate the same increase for another union. The department also looked at the prior contract to consider whether a union had high COLAs given that year. Additionally, when unions went to interest arbitration and

the COLAs were awarded by an arbitrator, DOA may lower the COLA the following year if it had been considered high. There were various factors that played into determining the number.

Representative Carpenter surmised that the COLA adjustments had nothing to do with the cost of living and everything to do with a negotiation process surrounding what it would take to retain employees.

Ms. Sheehan answered affirmatively. The presentation included a slide showing what the state bargained in comparison to the Anchorage CPI.

Representative Josephson stated that in the late 1970s the inflation rate was 14 percent - a notoriously high rate that affected borrowing and other things. He thought in that circumstance a bargaining unit's argument for cost of living adjustments would be vastly stronger. He remarked that Ms. Sheehan had indicated in her response to Representative Carpenter that there was no correlation between the numbers. He asked if that was what Ms. Sheehan had meant to say.

Ms. Sheehan answered yes and no. She elaborated that the department took many things into account including inflation and the state's financial situation. She explained that the negotiating parties began from very different standpoints and met in the middle with a fair result for both parties.

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Ms. Sheehan returned to slide 3 and reported that the department was currently negotiating with the top bargaining units on the slide. Four of the contracts were currently pending in front of the legislature. The state had just completed binding interest arbitration with the Alaska Correctional Officers Association and the contract had been submitted; the contract had expired June 30, 2018.

Co-Chair Wilson asked if the 4 percent increase was retroactive back to when the contract should have been in place.

Ms. Sheehan replied that the arbitrator had awarded a zero percent effective July 1, 2018 so there would be no

retroactive pay. The 4.5 percent would be effective on July 1, 2019 (the second year of the contract).

Vice-Chair Johnston asked if they were allowed to talk about the contracts while under negotiation.

Ms. Sheehan answered that the power of negotiations resided with the executive branch, while the legislative branch had the power of appropriation. The executive branch did not talk to the legislative branch about the negotiations. She noted that in the past the department had received intent language. She summarized that the department kept negotiations separate from the legislative branch until contracts were sent over for approval.

Vice-Chair Johnston referenced the list of bargaining units on slide 3 and asked if contracts were finished or still in negotiation.

Ms. Sheehan answered that it was a bit of both. The correctional officer's contract was finished. The current contract for the Alaska State Employees Association (the largest union comprised of administrative assistants, paralegals, engineers, etcetera) would expire on June 30, 2019; the new contract had been agreed upon and was currently pending before the legislature. The department was in negotiations with the Alaska Vocational Technical Center Teachers as the current contract was due to expire on June 30. The current contract for the Confidential Employees Association (primarily composed of human resources staff in the DOA Division of Personnel) would expire on June 30; the new contract had been agreed upon and was currently pending before the legislature.

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Co-Chair Wilson asked for the details of the pending contracts.

Ms. Sheehan replied with the contract details. The Alaska State Employees Association had a 3 percent COLA in the first year and 1 percent in the second and third years. The Confidential Employees Association had no COLAs associated with the new three-year contract, but employees were moving from a 37.5-hour workweek to a 40-hour workweek. She elaborated that the change in workweek had been approved

the preceding year for the Supervisory Union and the Labor, Trades and Crafts Unit.

Representative Josephson thought it sounded like the state had won the bargaining match. He asked for verification that the Confidential Employees Association had accepted a contract with no COLA adjustments and with an increased workweek.

Ms. Sheehan answered the individuals were getting paid for the additional 2.5 hours per week. She continued to review the bargaining units on slide 3. The next three units were the three marine unions including the Inlandboatmen's Union of the Pacific (unlicensed crew); the Marine Engineers Beneficial Association (licensed engineers); and the Masters, Mates and Pilots (licensed crew). The three contracts had all expired on June 30, 2017; agreement had not yet been reached and the parties were continuing to bargain. Once agreement was reached the terms would be submitted to the legislature.

Representative Josephson asked about the binding interest arbitration or binding arbitration. He thought that under those circumstances, the legislature had a purely appropriation function. He asked for verification that under the circumstance, the legislature was required to appropriate.

Ms. Sheehan responded that due to binding arbitration the executive branch was required to submit the monetary terms, but the legislature was not required to appropriate the funds. If the legislature did not appropriate the funds, as with any other collective bargaining agreement, the department would go back to the negotiating table. She pointed out that voluntary agreement could not be reached in the first place, which was the reason for arbitration. She shared that in 2009 an interest arbitration award had been sent to the legislature; it had not been approved that year, but the same agreement was approved the following year.

Representative Josephson surmised the legislature had changed its mind and adopted what it formerly had not adopted.

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Ms. Sheehan answered in the affirmative.

Co-Chair Wilson remarked it could have been a different legislature.

Ms. Sheehan continued to review bargaining units on slide 3. The Teachers' Education Association of Mount Edgecumbe contract was currently pending. The contract had expired June 30, 2017 and the negotiation had been ongoing since that time. Agreement had been reached and the terms were pending before the legislature. The contract included a 3 percent COLA in all three years, with an effective date of July 1, 2019.

Co-Chair Wilson asked if the contracts had the same steps as the other state employees since it was a state school.

Ms. Sheehan answered in the negative. She detailed that the union was set up much like a school district - their steps were based on years of experience, degrees, and continuing education credits.

Ms. Sheehan continued with slide 3 and detailed that the Public Safety Employees Association was the next contract up for negotiation in the fall of 2019. She clarified that the contract for the Public Safety Employees Association currently before the legislature applied to troopers only. She explained that the entire union was comprised of court service officers, fire marshals, and airport police and fire officers. The state would begin bargaining with the entire group in the fall.

Co-Chair Wilson asked about 7.5 percent that was given on top of the existing contract. She asked if it was 7.5 percent per year or until the current negotiation was complete. She asked if the 7.5 percent was added to the 4 or 5 percent raise that was already in the contract.

Ms. Sheehan answered that the Public Safety Employees Association had a 6 percent raise the first year of their last agreement and zero COLAs the remaining years. The 7.5 percent only applied to the troopers.

Co-Chair Wilson asked if the 7.5 percent had ever been added to the 6 percent. Alternatively, she wondered if the 6 percent had gone down to zero.

Ms. Sheehan answered that the 6 percent was gone; the percentage was currently zero.

Vice-Chair Johnston asked if the contract had been reopened "just for this purpose."

Ms. Sheehan replied in the affirmative. She elaborated there had been intent language the preceding year to open up negotiations for the troopers for recruitment and retention. The contract had been opened and included troopers, public safety employees, command staff in the Supervisory Union. The 7.5 percent applied to trooper recruits, troopers, corporals, sergeants, lieutenants, captains, and majors.

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Representative Knopp thought there had been two rounds of 7.5 percent. He asked if the total was 15 percent.

Ms. Sheehan replied in the affirmative. She elaborated that some of the 7.5 percent was through a market based pay study (a classification study). She explained that the department had reviewed the study and every position had been increased by a range, which was approximately 7.5 percent. She clarified that a range increase from captain to major was only around 3.5 percent because their ranges were not as far apart. When the state had discovered its incongruity with the Anchorage Police Department it had started looking at other large police departments in Alaska and in the State of Washington. She explained that Alaska had been losing numerous troopers to King County in Washington. The state had determined it was not at market and had increased positions by one range. She noted that the classification action was separate from the negotiations. The state had also gone back and negotiated a 7.5 percent increase on top of the range increase they had received.

Co-Chair Wilson asked how much the study cost.

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Ms. Sheehan replied that the study was done in-house within the Division of Personnel.

Co-Chair Wilson asked if a study was required by contract or statute before a raise could be given.

Ms. Sheehan answered that statute required like pay for like work, so the department did internal alignment and looked at market-based pay. In order to do a range change, a study was necessary.

Ms. Sheehan continued with the last bargaining units on slide 3. She reported that in the fall of 2020 the department would begin negotiations with the Supervisory Union (all supervisors) and Labor, Trades and Crafts (general maintenance, equipment officers, electricians, food services). She elaborated that the two groups had been pending in front of the legislature the preceding year and had gone to a 40-hour workweek with no COLA adjustments. The last group was the Non-Covered - Exempt, Partially Exempt and Excluded. She reported that any salary change was in statute as part of the state-pay plan.

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Representative Josephson noted it had always struck him as strange that a deputy commissioner could earn \$200,000 and the commissioner position salary was set in statute at around \$150,000. He asked for the accuracy of his understanding.

Ms. Sheehan answered that deputy commissioners were partially exempt and were subject to the state pay plan; many of these employees made higher salaries because they were longer term state employees. Commissioners were exempt and their salary was set by the State Officers Compensation Commission.

Representative Josephson countered that a deputy commissioner was not always a longer serving employee.

Ms. Sheehan agreed.

Representative Josephson remarked that he had always thought a place to cut was in some of the highest exempt salaries. He thought the committee should have a conversation on the subject at some point.

Co-Chair Wilson stated that was the reason for starting with the current meeting.

Ms. Sheehan moved to slide 5 and addressed examples of monetary terms found in state collective bargaining units. She highlighted it was set in statute that the state bargains a cost of living differential for the marine units. She noted the differential pertained to Alaska versus Seattle, Washington; it did not look at communities within Alaska. She detailed that all contracts had leave provisions bargained. There were different incentive pays; for example, correctional officers and public safety employees had pilot premium pay and diver pay. She continued that many unions had the geographic pay differential with rates based on a 2008 study by the McDowell Group. Most of the travel and per diem that was bargained was tied to the Alaska Administrative Manual.

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Vice-Chair Johnston asked about correctional officer education incentive pay. She asked if the state had any sidebar as far as education or whether it was just general education.

Ms. Sheehan answered that the education incentive pay was for a bachelor's degree or higher but was not limited to a specific field.

Co-Chair Wilson asked if the purpose of the education incentive pay was to enable an employee to get a raise. She used teachers continuing education to improve their skills in their field. She wondered if there were parameters around the incentive.

Ms. Sheehan answered that it was an increased percentage of pay used as a recruitment tool and was not tied to a specific position.

Representative Sullivan-Leonard asked for the average per diem pay.

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Ms. Sheehan answered that the administrative manual outlined per diem of \$60 per day or \$40 per day for day trips.

Representative Josephson reported he had met an employee whose job it was to travel around the state for half of every week for Medicaid compliance. He recalled the woman had described that until she arrived in Bethel from Anchorage, for example, that she was not on the clock and received no pay. He asked if that was possible.

Ms. Sheehan replied that travel time was not compensable time if it was outside a person's normal workhours. For example, if the woman left Anchorage at 7:00 a.m. she would not receive pay from 7:00 a.m. to 8:00 a.m. She noted that if a person was overtime eligible the scenario would be slightly different. She explained that the state did not compensate for travel time unless it was during an employee's workhours.

Representative Carpenter asked for detail on family night pay and extracurricular pay pertaining to Mt. Edgecumbe.

Ms. Sheehan answered that because Mt. Edgecumbe is a boarding school, the school requests that teachers and their families eat dinner with the students; the teachers received some additional pay for that time. Extracurricular pay pertained to teachers coaching one of the teams, heading the debate club, or taking on additional duties.

Representative Knopp asked if the cost of living differential was different than COLA.

Ms. Sheehan replied that the two items were different. She detailed that the cost of living differential was only for the marine unions and was in statute. She noted the differential compared Alaska versus Seattle, Washington. She stated it was separate from COLAs.

Representative Knopp asked for verification the cost of living differential was in statute.

Ms. Sheehan replied in the affirmative.

Representative Knopp asked Ms. Sheehan to follow up with the specific statute.

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Ms. Sheehan moved to a table on slide 6 showing a sample historical COLAs and Anchorage CPI comparison from 2001 to

2018. She noted that the department had a spreadsheet with the information going back to the 1980s. The slide showed what had been bargained or awarded through interest arbitration compared to the Anchorage CPI. She highlighted that sometimes the COLAs exceeded CPI and other times they were below CPI. Slide 7 showed the average yearly base salary for FY 18. She reported that the information used actual salaries for filled positions and included all pay (overtime, premium pay, shift differential, and geographic differential). The slide provided an idea of the average salary for each bargaining union.

Co-Chair Wilson asked if the only way to change the geographic differential was in statute.

Ms. Sheehan answered that the differential was in statute and was bargained. She elaborated that in 2007 or 2008 the department had an appropriation and had commissioned a geographic differential study. Subsequently, the legislature had put the information in statute and the department had bargained it.

Co-Chair Wilson surmised it took the study to make the change.

Ms. Sheehan answered that the state could bargain a different rate, but it would not have any different figures showing the differences in the communities without new information.

Co-Chair Wilson provided a scenario where the legislature decided there were not sufficient funds to keep the differential at the current levels. She asked for verification that a study would not necessarily be required, but the department would not know how to set new levels without a study.

Ms. Sheehan agreed. She moved to slide 8 pertaining to monthly health insurance benefit credits for AlaskaCare members. She reported there were 11 unions, 4 of which had their own health trusts. Starting in FY 17 the benefit credit increased and held steady at \$1,555. She believed the figure would remain the same for another year or two.

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Vice-Chair Johnston thought it appeared the state was starting to get a handle on costs in FY 14 through FY 16. She asked what happened in FY 17.

Ms. Sheehan answered that she did not know. She detailed that retirement and benefits were not in her division's jurisdiction. She informed members that the responsible division had been working hard at plan management to keep the number steady.

Co-Chair Wilson noted if there was more interest in the healthcare portion the committee hear more about the issue in a later meeting.

Vice-Chair Ortiz asked if the dollar figures on slide 8 represented the state's monthly contribution to an individual employee's healthcare benefits.

Ms. Sheehan answered affirmatively. The figures showed the employer contribution per eligible employee per month. She shared that in the past several years the department had started negotiating an employee contribution for the economy plan, which historically had not been done.

Representative Josephson speculated that if the table on slide 8 showed average salaries since 2006, the figures may be 20 to 30 percent higher rather than 50 percent higher.

Ms. Sheehan agreed that the percentage would be very high if data included COLAs, merit steps, and the pay increment.

Representative Josephson referenced the largest union ASEA as an example and cited the average salary was \$61,000 [slide 7]. He asked if the average FY 06 salary was \$31,000.

Ms. Sheehan answered she did not believe so, but she did not know what it would be.

Representative Josephson thought the information illustrated that a lot of the increase in budgeting was due to healthcare, which was not the fault of the employees.

Co-Chair Wilson thought it was something the committee needed to look into. She had concerns about paying out to a health trust instead of making them part of the system. She considered whether or not it was making the system more

expensive. She noted that the topic was likely for a different presenter.

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Vice-Chair Johnston stated there had been some great efforts made by DOA. She thought it would be a good idea to hear more on the topic from the department. She was concerned about the health insurance benefit figure for FY 17 [slide 8] and wondered about the increase.

Representative LeBon referenced the insurance benefit credit [shown on slide 8]. He asked for verification that the dollar amount was an average per annual credit provided to an employee for health insurance.

Ms. Sheehan replied that health insurance was not her specialty. The data on slide 8 showed the employer cost to insure an employee under the economy healthcare plan.

Representative LeBon asked how much the employee contributed to the benefit.

Ms. Sheehan answered it depended on the bargaining unit. Some employees were contributing 12 percent, others contributed a flat number, and some did not contribute anything. The state had started bargaining an employee contribution in the past three to four years for the economy plan only. Employees with the premium plan had always contributed. The goal was to have everyone pay up to 12 or 15 percent.

Ms. Sheehan continued with her presentation. She reported there were four health trusts including Labor, Trades and Crafts; the Public Safety Employees Association; Masters, Mates and Pilots; and the Alaska State Employees Association. She highlighted the current rates paid by the state (the information was not included in the presentation). The state was currently paying \$1,432 for the Alaska State Employees Association; \$1,503 for Labor, Trades and Crafts; \$1,555 for the Public Safety Employees Association; and \$1,346 for Masters, Mates and Pilots. The numbers were much lower than the others because they had gone without a contract and the state had been paying status quo.

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Ms. Sheehan moved to slide 9 titled "Bargaining 101." She reported that negotiations were mandated by the Public Employment Relations Act (PERA) in AS 23.40.070 through AS 23.40.250. The state began negotiations typically in the fall and each collective bargaining agreement had an article explaining when they could ask for negotiations (negotiations could begin earlier if desired). Statute designated that agreements could not be over three years in duration. She detailed that PERA also required the state to bargain wages, hours, and terms and conditions of employment. The state may, but was not required to, negotiate permissive subjects of bargaining. One of the largest permissive subjects was classification. She referenced her earlier testimony that there was classification in statute requiring like pay for like work. The state, through its classification system, decided the appropriate pay and duties for a position (this was not bargained).

Ms. Sheehan continued reviewing slide 9. Monetary terms of agreements were required to be submitted to the legislature no later than the 60th day of legislative session to receive consideration during that calendar year. She clarified it did not mean the legislature could not consider the contracts after the 60th day; in many years they had been considered beyond that day. She detailed that if negotiations did not lead to an agreement and mediation failed, employees had the right to strike once their contract was expired. Employees did not get paid when on strike, but they could not be terminated when participating in a lawful strike. She explained that not all employees were able to strike.

Ms. Sheehan described the three classes of employees in statute. Class I employees were public service including troopers, correctional officers, nurses, and other. Class II employees (primarily Alaska Marine Highway System vessel employees) could go on strike but only for a minimum amount of time; the state could seek an injunction and call employees back to work. Class III employees were eligible to go on strike and included all other employees.

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Vice-Chair Johnston asked if it would be possible to receive a list showing a breakdown of the employee classifications in bargaining unit.

Ms. Sheehan asked if Vice-Chair Johnston was interested in the different job classes in each bargaining unit.

Vice-Chair Johnston agreed.

Ms. Sheehan agreed to follow up with the information.

Ms. Sheehan addressed the last bullet point on slide 9 and reported that striking employees may be replaced under certain circumstances. There were numerous laws surrounding striking employees and the different types of strikes. She could provide the committee with additional information on the topic if requested. She moved to slide 10 and reviewed "next steps." She detailed that the department was required to submit monetary terms to the legislature by the 60th day or within 10 days after reaching agreement. Contracts were subject to funding by legislative appropriation. She elaborated that if the legislature failed to fund the monetary terms, the next steps varied by bargaining unit and may be affected by whether a tentative agreement was reached with sufficient time to permit submittal by the 60th day. She added that the terms of agreement were also subject to ratification by the membership.

Ms. Sheehan continued with slide 10. She reported that if a union failed to ratify the agreement and the funding had already been put into the contract, the funding was reduced proportionately, things operated under status quo, and the parties returned to negotiations. She reported that all of the contracts currently pending in front of the legislature had ratified.

Co-Chair Wilson referenced Ms. Sheehan's statement that the contracts were sent to the legislature 10 days after reaching agreement. She asked how the process worked.

Ms. Sheehan replied that if agreement was reached outside of the 60th day, the department had 10 days to submit the contract to the legislature.

Co-Chair Wilson asked if the contract was sent to Juneau, via email, or other. She did not recall receiving anything.

Ms. Sheehan replied that a monetary terms report was submitted to the Senate President and the Speaker of the House.

Co-Chair Wilson wondered why all legislators did not receive the information.

Ms. Sheehan replied that she did not know but would look into the question.

Vice-Chair Johnston asked why the information did not go to the Legislative Budget and Audit Committee.

Co-Chair Wilson noted that Ms. Sheehan would follow up on the issue.

Ms. Sheehan noted that the information was also sent to the Office of Management and Budget (OMB). She did not know who OMB provided the information to.

Co-Chair Wilson remarked that was not the legislature. She also intended to ask the Speaker for the information.

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Ms. Sheehan briefly highlighted the three strike classes on slide 11.

Co-Chair Wilson asked if corrections had gone to mediation because they could not strike. She wondered if anyone could go through mediation after a certain point.

Ms. Sheehan answered that mediation was required for any strike Class 1 group (correctional officers and public safety employees); the group was allowed to go to interest arbitration because it could not go on strike. Class 2 and 3 typically went to mediation because sometimes it took an outside party to get one side to shift a little.

Ms. Sheehan turned to slide 12 that provided additional detail on strike classes. She highlighted that PSEA employees were all under strike Class 1. She reported that most of the larger unions including the General Government Union and Supervisory Union were a mix but were mostly comprised of Class 3.

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Ms. Sheehan discussed contractual terms on slide 13. She stated that if terms of an agreement were not ratified or were not approved and funded by the legislature, most of the agreements required the parties to reenter negotiations. The unions were all slightly different. She moved to a bargaining unit road map on slide 14. The top bubbles in green showed the general process of negotiations, reaching voluntary agreement, submittal of monetary terms to the legislature, and the funding of monetary terms through appropriation. She highlighted an arrow pointing down to a bubble indicating that if the terms were not funded, the parties returned to negotiations. She stated it became trickier when negotiations resulted in impasse. She explained that impasse was a term of art meaning that neither side felt they could move any more. Under the scenario, Class I employees went to interest arbitration. For all other employees, once the contracts expired (typically June 30), the employees could go on strike or the employer could lock them out; they could continue status quo with the contract and continue to try to work towards agreement; or the state could implement its last best offer.

Co-Chair Wilson asked if the state had ever locked anyone out.

Ms. Sheehan replied not to her knowledge.

Vice-Chair Ortiz asked if there was a difference between interest arbitration and binding arbitration.

Ms. Sheehan replied in the negative.

Ms. Sheehan concluded on slide 15 showing a summary of pending bargaining agreements. She detailed that ASEA had received a contract with a 3 percent COLA the first year and 1 percent in the second and third years. The first year of the agreement had health trust contributions of \$1,530 in the first year and \$1,555 in the second and third years. She noted that the state had access to their trust documents, which were reviewed by a state actuary to determine the appropriate rate (to avoid over or underfunding the trust). Additionally, the contract secured some work rules regarding management rights.

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Vice-Chair Johnston asked if the department had access to review the health trust financials.

Ms. Sheehan replied in the affirmative. She detailed that contracts included language requiring the union to provide information annually.

Vice-Chair Johnston asked if the department had full or limited access to the information.

Ms. Sheehan answered that she did not know that it was full access. The department had access to information the actuaries had determined was necessary to make a decision. She believed the state had more access to information in some trusts versus others. For example, Masters, Mates and Pilots was a multi-employer trust and there was some concern over providing all of the information.

Vice-Chair Johnston thought fund balances would be of interest. She wondered if the department's actuaries were privy to the information. Ms. Sheehan replied the department had access to the information.

Co-Chair Wilson asked if a comparison was ever made between AlaskaCare and the health trusts. She believed the insurance under some of the health trusts was better than AlaskaCare. She thought it sounded like the state was not paying any more for the trusts. She surmised perhaps AlaskaCare employees would be better off under the health trust insurance.

Ms. Sheehan did not know what comparisons the Division of Retirement and Benefits did, but she would look into it. She continued summarizing current pending bargains. The Alaska Correctional Officers Association contract had been agreed upon in interest arbitration. The contract had zero percent in the first year beginning July 1, 2018, 4.5 percent starting on July 1, 2019, and 3 percent the third year. As part of the arbitration decision, the union would be required to pay an employee contribution to healthcare of up to 12 percent.

Ms. Sheehan moved to the Confidential Employees contract that included no COLAs and a 40-hour workweek. The union had voluntarily agreed to employee contributions of up to 12 percent and up to 15 percent in the last year of the

contract. The troopers received a 7.5 percent COLA for command staff and troopers. The Teachers Education Association of Mt. Edgecumbe received 3 percent COLA each of the three years. Additionally, new columns for years of service and continuing education credits had been added.

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Ms. Sheehan noted that there were additional slides showing bargaining units summaries including average member age and other.

Vice-Chair Johnston noted that the committee was working on the last of its budget process. She asked for verification that approving the department's budget included the approval of the contracts.

Ms. Sheehan answered that the budget bill typically contained a section listing the bargaining unit contracts that were subject to the legislature's approval. She did not know where the personal services lines were located in the budget.

Co-Chair Wilson believed \$58 million had been added to the budget based on of contracts that had been negotiated. She confirmed that it was additional funding beyond the salary increases that went into each agency.

Co-Chair Foster agreed.

Vice-Chair Johnston asked if approving the appropriation was how the legislature was involved in the process.

Co-Chair Wilson agreed. She stated that she had included an amendment to take out the specific funds and had subsequently received numerous visitors on the topic.

Vice-Chair Johnston asked if there were some steps that would be taken if the legislature did not approve the contracts.

Ms. Sheehan replied in the affirmative. She detailed that in most cases the parties would reenter negotiations.

Co-Chair Wilson believed Ms. Sheehan had stated that negotiations may continue to occur, but the department could potentially end up putting the same proposal before

the legislature the following year to try to obtain approval.

Ms. Sheehan replied that the scenario could happen. She elaborated that if the parties understood there was an issue, hopefully there would be movement on each side to come up with a contract the legislature would approve.

Co-Chair Wilson reviewed the schedule for the following day.

#

ADJOURNMENT

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The meeting was adjourned at 3:25 p.m.