

SENATE FINANCE COMMITTEE
April 18, 2019
9:04 a.m.

[9:04:53 AM](#)

CALL TO ORDER

Co-Chair Stedman called the Senate Finance Committee meeting to order at 9:04 a.m.

MEMBERS PRESENT

Senator Natasha von Imhof, Co-Chair
Senator Bert Stedman, Co-Chair
Senator Click Bishop
Senator Lyman Hoffman
Senator Peter Micciche
Senator Donny Olson
Senator Bill Wielechowski
Senator David Wilson

MEMBERS ABSENT

Senator Mike Shower

ALSO PRESENT

Kate Sheehan, Director, Personnel and Labor Relations, Department of Administration; Neil Steininger, Chief Budget Analyst, Office of Management and Budget, Office of the Governor.

SUMMARY

PRESENTATION: UPDATED LABOR CONTRACT - DEPARTMENT OF ADMINISTRATION

Co-Chair Stedman reviewed the meeting agenda.

^PRESENTATION: UPDATED LABOR CONTRACT - DEPARTMENT OF ADMINISTRATION

[9:06:38 AM](#)

KATE SHEEHAN, DIRECTOR, PERSONNEL AND LABOR RELATIONS, DEPARTMENT OF ADMINISTRATION, discussed the presentation "Labor Contracts," (copy on file).

NEIL STEININGER, CHIEF BUDGET ANALYST, OFFICE OF MANAGEMENT AND BUDGET, OFFICE OF THE GOVERNOR,

[9:06:57 AM](#)

Ms. Sheehan turned to Slide 2, "State Personnel Overview," which had a table. She noted that the slide was shown during a presentation to the committee in February, and the slide had been updated.

Ms. Sheehan continued that the slide reflected the Management Plan budgeted positions and the total funding for those positions by type of funding.

Co-Chair Stedman asked how many permanent full-time employees were retained by the state.

Ms. Sheehan qualified that the budgeted PCN would be different than how many current employees the state had; the slide was based on the FY 19 management plan and showed 14,864 permanent full-time employees, plus 598 marine union employees. She added that in FY 18, the state had a total of 14,546 employees.

Co-Chair Stedman asked about annual payroll.

Ms. Sheehan stated that the total payroll would be what the employee received in premium pay.

Mr. Steininger interjected that the for the listed union and non-covered employees the total was approximately \$1.1 billion. The post vacancy funding for marine unions was approximately \$81 million. He said that the actual payroll costs varied based on turnover.

[9:09:32 AM](#)

Co-Chair Stedman understood that the state's obligation to payroll yearly was listed on the slide in the "Total Funding (Post-Vacancy)" column of the chart and totaled \$1,763,948,915. He asserted that this was the total payroll obligation.

Mr. Steininger answered in the affirmative. He noted that the figure included paychecks and health insurance benefits.

Co-Chair Stedman thought it was helpful to explain what the state's obligations were. He noted that there were different funding sources, including federal funds. He asked Mr. Steininger to address federal funds noted in the last column on the chart.

Mr. Steininger explained that federally funded positions would be funded by grants or matched state dollars. He added that Other Funding would be grants from sources other than the federal government. He noted that designated general funds (DGF) could include positions funded wholly through receipt of fees.

Co-Chair Stedman asked whether the total less the Other Funds and Federal Funds columns left a \$1.2 billion obligation for payroll.

Mr. Steininger replied in the affirmative.

[9:12:12 AM](#)

Co-Chair von Imhof asked whether there was data for comparing FY 10 through the present. She wondered about the growth of the expense. She thought it was important to understand a historical lookback to determine what the costs could be in the future.

Mr. Steininger stated that he could produce a lookback going back 10-years.

Co-Chair Stedman requested the 10-year lookback be provided to the committee.

Co-Chair von Imhof wanted to see a graph depicting the change over time as well as a table with the data.

[9:14:08 AM](#)

Senator Micciche agreed that the requested information would be interesting. He asked for clarification of the number of state employees, within and outside of the bargaining units.

Ms. Sheehan stated that Slide 2 was based on budgeted PCNs. The next slide would show the actual number of employees for FY 18. Ms. Sheehan explained that PCN signified a position control number. Every position had a number attached to it and each employee was placed into one of the numbers. She added that occasionally there were vacancies in the budgeted positions; sometimes reports were run on actual number of employees and sometimes on the budgeted positions.

[9:15:38 AM](#)

Senator Micciche asked whether there were more employees paid by the state that were not listed on the slide.

Ms. Sheehan affirmed that University was not on the slide. She said that she could provide the information later.

Co-Chair Stedman thought that the information could be included in the previous request.

Ms. Sheehan noted that Slide 2 did not include the Legislature or Courts.

Senator Micciche lamented that the public was always confused during discussions about the actual number of state employees.

Co-Chair Stedman thought that the requested information would be helpful as the legislature expected to navigate tighter and tighter budget scenarios.

[9:17:41 AM](#)

Senator Bishop considered total salary plus premium pay and asked whether premium pay was considered overtime pay.

Mr. Steininger answered in the affirmative.

Senator Bishop recalled that overtime, across bargaining units, was \$40 million. He wondered why there was so much overtime pay. He asked for a historical look at overtime pay. He requested an explanation of the cost associated with adding a PCN.

Mr. Steininger offered to get back to the committee with information.

9:19:36 AM

Senator Hoffman recalled legislation for steps and ranges for employees. He wanted a report showing how much the state was spending by department above and beyond those set steps and ranges.

Ms. Sheehan asked if Senator Hoffman was referencing legislation allowing employees to be paid above merit steps.

Senator Hoffman answered in the affirmative.

9:21:11 AM

Ms. Sheehan displayed slide 3, "Bargaining Unit (BU) Detail," which showed a table based on actual employees in FY 18 and the percentage total that they made up of the Executive Branch workforce. The table was broken down into those that were currently being negotiated, including: Masters, Mates, and Pilots (MMP); the Marine Engineers Beneficial Association (MEBA); the Inlandboatmen's Union of the Pacific (IBU); and the AK Vocational Technical Center Teachers (AVTECTA). The four contracts were in current negotiations; the three marine contracts expired on June 30, 2017 and AVTECTA was expiring June 30, 2019. She listed the contracts pending for action during the current legislature:

Before Legislature

Confidential Employees Association - CEA
Alaska State Employees Association - ASEA
Teachers' Education Association of Mt. Edgecumbe
Alaska Correctional Officers Association - ACOA

Ms. Sheehan listed the negotiations that would begin in the Fall 2019 and Fall 2020:

Fall 2019

Public Safety Employees Association - PSEA

Fall 2020

Alaska Public Employees Association - APEA (SU)
Public Employees, Local 71 - LTC

Ms. Sheehan pointed out that the last group was the non-covered employees and that any action to their pay plan was done through legislation.

[9:23:35 AM](#)

Co-Chair Stedman asked for explanation about troopers' contract. He recalled that the previous year there had been a request to adjust troopers' salaries to increase recruitment and retention.

Ms. Sheehan affirmed that there had been a market-based pay study for troopers that determined that the state had not been paying at market. Based on the study, the state had increased pay by one pay range (approximately 7.5 percent).

Mr. Steininger informed that there was a supplemental budget request of \$3.6 million to covers those FY 19 salaries. He stated that there was a request in the FY 20 budget to accommodate the salary adjustment.

[9:24:57 AM](#)

Senator Wilson considered how the pay increases would play into negotiations for troopers.

Ms. Sheehan stated that the pay study helped, but the pay was still behind that of the Anchorage Police Department. She said that an additional 7.5 percent had been bargained and was pending for legislative approval. She thought that the fall negotiations would consider current market-based studies.

Senator Wilson asked about any other market-based pay studies that were in process.

Ms. Sheehan stated that the focus aside from troopers was nurses. There had been issues recruiting nurses for correctional facilities. Psychiatric and correctional nurses had been moved up one pay range, approximately 7.5 percent. Phase 2 of the study had just been completed and had included psychiatric nurses, correctional nurses, certified nurses' aides, psychiatric nurse aides, and resident nurses. The study had not yet been implemented and was only recently completed.

[9:27:28 AM](#)

Senator Olson considered the trooper pay increase and noted that the Village Public Safety Officers (VPSO) were not included.

Ms. Sheehan stated that the VPSOs were not part of the PSEA and the state did not bargain their contract. The VPSO contracts were bargained by the Department of Administration.

Senator Olson assumed that the VPSO had not received a pay increase. He wanted to draw attention to the issue. He wondered what was occurring the Department of Law with prosecuting attorney pay ranges.

Ms. Sheehan replied that she did not know. She agreed to research the issue and get back to the committee.

[9:28:55 AM](#)

Co-Chair von Imhof referenced the nursing salary study. She asked whether salary versus benefits had been considered as well as the total financial package and the work environment. She thought some individuals valued salary over benefits and vice versa. She thought that the value of the job was holistic and wondered what would attract and retain quality workers for a long period of time.

Ms. Sheehan responded that, particularly with correctional nurses, the issue was one of environment over salary. She noted that when conducting the market pay study, salaries were the priority, but she agreed that benefits played into whether employees stayed in nursing positions.

[9:31:26 AM](#)

Ms. Sheehan showed Slide 4, " Summary of Bargaining," which showed a table of the 5 pending contract negotiations:

ASEA - General Govt Unit 2019-2022

7,510 Employees
3 percent COLA Effective 7/1/2019
1 percent COLA Effective 7/1/2020
1 percent COLA Effective 7/1/2021

Heath trust contributions

\$1539 first year
\$1555 following 2 years

Work rules regarding management rights

ACOA 2019-2021

877 Employees
0 percent first year
4.5 percent Effective 7/1/2019
3 percent Effective 7/1/2020

Employee contributions to economy plan

Confidential Employees 2019-2021

184 Employees
No COLA

Employee contributions to economy plan

40-hour workweek Effective 7/1/2019

State Troopers

7.5 percent COLA Effective upon legislative approval

Teacher Association of Mt. Edgecumbe 2015-2017

3 percent Effective 7/1/2019
3 percent Effective 7/1/2020
3 percent Effective 7/1/2021
Tentative agreement reached November 16, 2018. New contract set to begin July 1, 2019.

[9:34:20 AM](#)

Senator Wilson asked whether there were other groups that were looking at going to 40 hours per week outside of the confidential employees.

Ms. Sheehan reported that in 2018 the Supervisors Union and Labors, Trades, and Crafts moved to a 40-hour workweek.

[9:35:00 AM](#)

Co-Chair von Imhof asked whether all the contracts were public information.

Ms. Sheehan answered in the affirmative. She noted that all the contracts were on the State of Alaska Division of Personnel website.

Ms. Sheehan added that the teachers at Mt. Edgecumbe were contributing toward health insurance.

[9:36:10 AM](#)

Mr. Steininger referenced Slide 5, "FY20 Budgetary Impacts of Bargaining Unit Agreements," which showed both the new contracts and the out-year cost of contracts negotiated in prior years:

New Contracts

CEA - \$1.2 million
ASEA - \$30.2 million
ACOA - \$4.2 million
TEAME - \$73 thousand

Co-Chair Stedman asked for a definition of acronyms.

Mr. Steininger explained that CEA was the Confidential Employees Association, GGU or ASEA was the General Government Unit or Alaska State Employee Association, ACOA was the Alaska Correctional Officers Association, and TEAME was the Mt. Edgecumbe teachers.

Co-Chair Stedman reminded that committee hearings were for the public, and it was important to define terms.

Mr. Steininger continued, listing the ongoing contracts:

Ongoing Contracts

LTC - Labor, Trades, and Crafts - \$3 million
PSEA - Public Safety Employees Association - \$9 million
SU - Supervisory Union - \$1.7 million

Mr. Steininger relayed that the estimates were based on FY 2019 management plan position counts.

[9:38:49 AM](#)

Mr. Steininger reviewed Slide 6, "Out Year Estimates - Salary Adjustments":

- Estimates based on FY2019 Management Plan position counts.
- Does not account for changes in state workforce.

- o Amounts will be recalculated in development of FY21 budget.

Mr. Steininger qualified that the numbers on the table on the slide were estimates based on the FY 2019 management plan for decision making purposes. He noted that the numbers did not account for changes in state workforce or salaries.

[9:40:02 AM](#)

Senator Bishop commented that the salary adjustment figures were helpful when crafting budget subcommittee closeouts.

[9:40:36 AM](#)

Co-Chair Stedman observed that the slide showed approximately \$25 million over the next two years for bargaining agreements.

Mr. Steininger affirmed that for FY 20, there was an expectation of \$25 million when the three bargaining units were added together. In FY 21, there was an increase of about \$6.8 million for ASEA, \$75,000 in FY 20-21 for TEAME, and additional 3 percent for ACOA in FY 20-21 at \$4.4 million.

Co-Chair Stedman thought it would be helpful include the information on the slide with the requested 10-year lookback that Mr. Steininger would be bringing the committee. He thought the information would provide a helpful snapshot of economic trends.

[9:42:16 AM](#)

Co-Chair von Imhof looked at the UGF listed on the slide while contemplating a spending cap. She understood that according to Slide 6, in FY2021 the state would need to make headroom for an additional \$2.6 million for ASEA and \$4.1 million for ACOA.

Mr. Steininger stated that Co-Chair von Imhof interpreted the information correctly. He said that the information could be provided by department.

Co-Chair Stedman felt that the information would be helpful.

[9:43:56 AM](#)

Co-Chair von Imhof wanted to make sure that the slide reflected the total number for all bargaining units. She noted that the spending cap legislation currently being considered by the legislature had a 5-year lookback at the rate of CPI. She wondered about the growth rates and worried that salaries and benefits could crown out other expenditures.

Mr. Steininger stated that the table only included salary adjustments for the three bargaining units that had out-year salary adjustments. He changes would be made for health insurance that were more difficult to estimate into the out-years and were not included in the table. Some were based on the total cost of the health insurance plan and some were a fixed amount.

Co-Chair Stedman stated that the committee would have the Legislative Finance Division (LFD) reach out and synchronize with OMB to compare updated projection numbers. He noted that LFD would be presenting to the committee the following week, and he hoped for a much clarity as possible moving forward int eh budget process.

[9:46:27 AM](#)

Ms. Sheehan showed Slide 7, "APPENDIX."

Mr. Sheehan highlighted Slide 8, " 2019 AlaskaCare Employee Plan Premiums," which showed a table created based on a question from a previous committee hearing. She explained that the employees under AlaskaCare, negotiators bargained the employer contribution to the health trust but not the employee contribution. The actuaries had determined a specific premium for each plan based on the total estimated cost and the different value of the plan. She relayed that she did not have health benefits in her division and was limited in her knowledge.

[9:47:37 AM](#)

Co-Chair von Imhof understood that the monthly premium for the Consumer Directed Health Plan Employee and Family was \$68 monthly.

Ms. Sheehan replied in the affirmative.

Co-Chair von Imhof surmised that the employee paid 3.5 percent of the monthly cost.

Ms. Sheehan shared that the only thing the state bargained was the employee contribution to the economy plan; the standard plan had always had an employee contribution and had never been bargained.

Co-Chair von Imhof recalled that several bargaining units had their own trust accounts and that negotiators only bargain what the state paid into the accounts per employee.

Ms. Sheehan answered in the affirmative.

Co-Chair von Imhof asked for a chart showing all the different bargaining units, and their trusts, and what had been bargained per person, per year, and then a comparison with what was paid under AlaskaCare.

Ms. Sheehan agreed to provide the information.

[9:49:13 AM](#)

Ms. Sheehan advanced to Slide 9, "Resident Versus Non-Resident Receiving COLD," which showed a chart that was also a result of a question raised in a previous committee meeting. She explained that the cost of living differential (COLD) was to care for the difference in pay between Alaska and Seattle. She pointed out that approximately 86.5 percent of the IBU received the differential as part of their hourly rate, 67 percent of Marine Engineers, and 73 percent of Masters, Mates, and Pilots. She concluded that about 82 percent of the current vessel employees resided in the state and received a cost of living differential for doing so.

Co-Chair Stedman asked for an explanation for the COLD. He wondered why the differential was paid for employees living in the state.

Ms. Sheehan stated that most employees received a geographic differential because there were communities within the state that cost more to live in. There was a separate statute for marine vessel employees that provided that, vessel employees should live in the state while recognizing that it cost more to live in Alaska than in Seattle; the rates within each collective bargaining agreement were bargained based on the statute.

Co-Chair Stedman wondered about the dollar amount for the COLD received by employees.

Ms. Sheehan noted that the amount varied by position and was bargained into the hourly wage of some employees. She offered that other units had a flat amount. She offered to provide the information later.

Co-Chair Stedman thought that in the current AMHS financial climate, the numerics on the overall percentages would be helpful to the discussion.

[9:53:02 AM](#)

Co-Chair von Imhof asked how often there was a cost of living comparison between Seattle and Alaska. She recalled that the cost of housing in Seattle was skyrocketing. She asked whether there was a periodic cost of living analysis for Seattle and Alaska. She thought maybe the state had reached a point where the cost of living in Alaska was close enough to Seattle that COLD was no longer necessary.

Ms. Sheehan stated that the last study commissioned was in 2008, and the study was done by the McDowell Group. She expanded that statute states that a study should be done every 5 years, with an appropriation from the legislature, the legislature had las appropriated for the study in 2008.

Co-Chair Stedman asked for Ms. Sheehan to provide information on the cost of such a study for the committee to consider. He was curious whether the numbers had changed over the last decade.

Ms. Sheehan recalled that the study cost \$398,000 in 2008.

[9:55:54 AM](#)

Ms. Sheehan turned to Slide 10, " Rejection of Monetary Terms:CBA Terms":

ASEA: Re-enter negotiations for 10 days; if no agreement, Class 2 and Class 3 employees may take a strike vote

APEA: Not required to enter negotiations; impasse exists and members may call for a strike vote

CEA: Must re-enter negotiations upon demand by either party; negotiations last for 10 days but may be extended by mutual agreement; if no agreement, impasse exists and members may call for a strike vote

IBU: Must re-enter negotiations within five days

MEBA: Must re-enter negotiations immediately

MMP: Must re-enter negotiations immediately

PSEA: Upon written request, immediately negotiate a mutually satisfactory supplemental agreement

ACOA: Must re-enter negotiations immediately

LTC: Impasse exists and parties agree to pursue reasonable efforts to obtain a mutually satisfactory resolution

AVTECTA: Impasse exists and parties agree to pursue reasonable efforts to obtain a mutually satisfactory resolution

TEAME: Must re-enter negotiations immediately

Note: No definition of "immediately" is provided for in the collective bargaining agreements.

Ms. Sheehan noted that renegotiations would be entered into if contracts were not funded.

Co-Chair Stedman could not recall a time when the legislature had not funded the negotiated agreements.

Ms. Sheehan had found that LTC were not funded in 1986, the PSEA had not been funded in 1994, and in 2009, the ACOA

interest arbitration award was not funded one year, but then was funded the following year.

Co-Chair Stedman noted that the issue in 2009 had been a political anomaly.

[9:57:31 AM](#)

Ms. Sheehan referenced Slide 11, " Sample Historical COLAs & Anchorage CPI Comparison," which showed what was bargained back to the mid-1980s. She noted that the slide showed only the cost of living allowances and did not account for merit steps or pay increments.

Co-Chair Stedman thought some of the data on the slide could be rolled into the ten-year look-back requested by the committee. He thought that trend analysis would be helpful in grappling with the rates of change.

Co-Chair Stedman thanked OMB and the departments for working together to put the presentation together.

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ADJOURNMENT

[9:59:54 AM](#)

The meeting was adjourned at 9:59 a.m.