

SENATE FINANCE COMMITTEE
March 22, 2024
9:04 a.m.

9:04:00 AM

CALL TO ORDER

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

MEMBERS PRESENT

Senator Lyman Hoffman, Co-Chair
Senator Donny Olson, Co-Chair
Senator Bert Stedman, Co-Chair
Senator Jesse Kiehl
Senator Kelly Merrick
Senator David Wilson

MEMBERS ABSENT

Senator Click Bishop

ALSO PRESENT

Paula Vrana, Commissioner, Department of Administration;
Kate Sheehan, Director, Division of Personnel and Labor Relations, Department of Administration.

PRESENT VIA TELECONFERENCE

Memry Dahl, Chief Human Resource Officer, University of Alaska.

SUMMARY

FORTHCOMING LABOR CONTRACTS and MONETARY TERMS
DEPARTMENT OF ADMINISTRATION

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9:04:31 AM

Co-Chair Stedman relayed that the committee would receive an update on the pending labor contracts. He explained that

there were currently four bargaining units/unions in contract negotiations, which would impact the budget. The committee would hear a presentation from the Department of Administration (DOA) and the University of Alaska (UA).

[9:05:14 AM](#)

PAULA VRANA, COMMISSIONER, DEPARTMENT OF ADMINISTRATION, explained that the Division of Personnel and Labor Relations negotiated, coordinated, approved, and implemented the 11 executive branch labor contracts. She relayed that the division director Kate Sheehan was involved in bargaining all state labor contracts; the division was negotiating three in the current year including the Supervisory Union (SU), Labor, Trades and Crafts Unit, and the Alaska Correctional Officers Association (ACOA). She noted that Director Sheehan would present on the process for legislative approval of state labor contracts, provide updates and timelines on various contracts, and review the approval process for letters of agreement. The department was working to roll out a new automated workflow process for the letters of agreement and the associated approval.

[9:06:58 AM](#)

KATE SHEEHAN, DIRECTOR, DIVISION OF PERSONNEL AND LABOR RELATIONS, DEPARTMENT OF ADMINISTRATION, provided a PowerPoint presentation titled "Alaska Department of Administration 2024 - Labor Contracts," (copy on file). She explained that the division was tasked with bargaining contracts under the Public Employment Relations Act (slide 2). The negotiations included bargaining wages, hours, and other terms and conditions of employment. She stated that some of the items were clear in statute whereas some of the items were set through prior legal decisions. She noted that the state was not required to negotiate permissive terms, which included classification. She added that monetary terms had to be approved by the legislature. She was required to submit a contract to the legislature within 10 days of reaching an agreement.

Ms. Sheehan stated that the department was currently bargaining three contracts. She noted there were four before the committee because at the time, the state had still been bargaining with the Alaska Police and Fire Officers Association. An agreement had been reached and was

in the operating budget. She shared that she was directed to provide the monetary terms of a new agreement by the 60th day of session. She acknowledged that they were clearly beyond that mark at present. She explained that the legislature could decide to not review the monetary terms, to put them in the operating budget, or elsewhere. She noted that the legislature could opt to amend terms of the conference committee to include them. She did not yet have the monetary terms for the three outstanding contracts.

9:09:46 AM

Ms. Sheehan continued to review slide 2. She relayed that once impasse was reached and mediation failed it depended on which of the three strike classes was involved. The first strike class included public safety and nurses and was unable to strike. The second strike class included teachers at Mt. Edgecumbe and equipment operators providing snowplow removal. The third strike class included the majority of state employees. She relayed that if an impasse was reached the employees could strike. She added that their contract expired on June 30.

Senator Wilson asked if DOA or the Department of Law (DOL) negotiated on behalf of the state.

Ms. Sheehan answered that it was currently a mix. She shared that she had great labor relations staff, but they were new to the job. The division was currently using a hybrid approach. She detailed that one of her deputy directors was negotiating the agreements for Labor, Trades, and Crafts and the Supervisory Union. The division had outside counsel negotiating the ACOA contract.

9:11:26 AM

Co-Chair Olson considered lawyers negotiating on the division's behalf and wondered about the strain on the Department of Law, which he knew was understaffed. He asked if DOL would need supplemental funding.

Ms. Sheehan replied that she anticipated a supplemental budget request. She acknowledged that the work was a strain on DOL. She detailed that the negotiations were heavily using one attorney. She believed there were alternatives that could be devised for the seven negotiations in the

following year. She confirmed that it was a legitimate concern and problem that needed to be addressed.

Co-Chair Stedman commented that sometimes the legislature received supplementals at the conclusion of the legislative process and it almost always tried to incorporate them into the budget.

Ms. Sheehan relayed that she had been director for 10 years and had been deputy director for 7 years prior. She noted that there had always been an extra funding source for labor relations. She explained that the current situation was not new, but the fund was about depleted; therefore, she believed it was a needed conversation.

[9:13:21 AM](#)

AT EASE

[9:13:38 AM](#)

RECONVENED

Co-Chair Stedman relayed that the meeting needed to conclude at 10 o'clock.

Senator Wilson asked if the division's current budget request was reflective of current staffing levels and the seven contracts up for negotiation in the coming year.

Ms. Sheehan replied that she did not believe increasing the number of PCNs [position control numbers] would solve the division's staffing issues. For example, the legislature could give the division 20 PCNs but if there were not qualified individuals to fill the positions it would not help the situation.

[9:14:39 AM](#)

Ms. Sheehan addressed slide 3 titled "Letters of Agreement (LOA)." She explained that letters of agreement modified collective bargaining agreements and could be for individual employees, a section, a division, a department. She estimated that she approved and signed around 300 letters of agreement annually. She shared that Legislative Legal Services and DOL had told her that if an agreement required an appropriation, it had to come through the legislature. She explained that statute required monetary terms to be approved by the legislature. However, if an

agreement did not require an appropriation, she had the authority to sign an agreement for that fiscal year. She elaborated that when requests came in, she contacted the Office of Management and Budget (OMB) to receive confirmation there was available funding. She then looked at the terms of the letter of agreement and decided whether it complied with contract language and what the agency was asking for. Once those things were determined, the agreement was signed.

Co-Chair Stedman asked Ms. Sheehan to touch on the reporting. He noted there was an interest with OMB, Legislative Legal Services, and legislators keeping track of the status of letters of agreement and their amounts.

Ms. Sheehan responded that the division had been providing a courtesy copy of letters of agreement to the director of the Legislative Finance Division (LFD). She did not think it made a lot of sense to send everything the division was currently sending; therefore, she had been working with OMB to develop a report that would help the legislature understand the monetary impacts. The division was also working with the Division of Finance on updating its systems with the goal of improved reporting.

Co-Chair Stedman communicated that there was an interest in having the letters of agreement consolidated in a report in order for the legislature to keep track of the totals instead of receiving the information piecemeal.

[9:17:40 AM](#)

Senator Kiehl asked how the division came up with the appropriate levels in the letters of agreement. He had seen the letters include various levels including one step at 3.5 percent of pay, 30 percent of pay, \$2,000, and five figures. He considered that there had to be a method.

Ms. Sheehan replied that the 30 percent was likely within Labor, Trades, and Crafts. She explained that Alaska Airlines told the division it would discontinue service to the Bethel airport unless the state could do something about it. She believed the increase also was witnessed at the Anchorage airport because cargo planes announced they would not fly into the airport unless enough runways could be cleared. She thought the higher levels were based on the decision of DOA that a crisis mode had been reached. She

explained that letters of agreement that contained lower levels were aimed at attracting new employees.

Senator Kiehl thought it made it sound like a crisis had been hit and the state panicked and threw cash at the problem. He asked how 30 percent had been decided upon as opposed to 20 percent, 50 percent, or another number.

Ms. Sheehan thought the 30 percent was based upon what was being done with other unions. She stated that their pay rate was approximately 30 percent higher than "ours." She used the example of the International Brotherhood of Electrical Workers (IBEW), which had "a higher rate than us" for trades; however, "we don't cap out and they don't have the leave necessarily that we have." She stated it was necessary to factor in wages, benefits, and leave when proposing terms to unions. She stated that "we have pay increments, so we don't cap out." She believed IBEW capped out at seven years.

Senator Kiehl thought it sounded like the broader market and total picture was factored in. He asked if the letters of agreement got "us to market," if the goal was to roll the letters of agreement into the contracts. He asked if the state should be looking in the contracts towards something like the letters of agreement did.

Ms. Sheehan answered, "No." She thought many of the letters of agreement were funded through current vacancy rates through current budget. She explained that it was possible to put them into the contract, but it would be part of what DOA sent over to be funded; however, she did not know if it was necessary.

[9:21:15 AM](#)

Ms. Sheehan turned to slide 4, "Bargaining Unit (BU) Detail." The slide showed a table listing current and future bargaining negotiations. The department was currently negotiating with the Supervisory Union, ACOA, and Labor, Trades and Crafts. There were seven contract negotiations in the coming year, which was a heavy lift. The following year included public safety negotiations, which had been broken into two groups divided between the Department of Public Safety (DPS) and the Department of Transportation and Public Facilities (DOT) including airport, police, and fire. The last section of the table

pertained to noncovered employees. She explained that legislation had been passed that specified noncovered employees would receive what the Supervisory Union received through an appropriation by the legislature.

[9:22:23 AM](#)

Ms. Sheehan referenced slide 5 titled "State Personnel Overview." A table on the slide showed what the state paid for each union and employees including benefits and total funding.

Co-Chair Stedman asked for detail about the column labeled "Salary + Premium Pay." He asked if premium pay was overtime pay.

Ms. Sheehan answered that premium pay included things like travel pay and cellphone allowances.

Co-Chair Stedman asked Ms. Sheehan to get back to the committee with a breakdown of costs pertaining to overtime pay. He expressed concern about vacancy rates leading to a substantial amount of overtime and expensive operations.

Co-Chair Hoffman asked Ms. Sheehan to break down the premium pay figures between overtime and salary.

Ms. Sheehan agreed to provide the information.

[9:23:51 AM](#)

Ms. Sheehan addressed slide 6 titled "Summary of Bargaining." A table showed the three unions currently in the bargaining process with the state. She highlighted that the cost of living allowance (COLA) was one of the largest bargaining components. The department had made proposals to two of the unions and was still working out some bargaining dates with ACOA. The state also bargained health employee contributions and work rules. She explained that bargaining was internal and she could not go into exact details about what the parties were proposing.

[9:24:42 AM](#)

Ms. Sheehan reviewed slide 7 titled "Sample Historical COLAs & Anchorage CPI Comparison." A table showed what the

state had given every union compared to the Anchorage Consumer Price Index (CPI).

Co-Chair Stedman asked for more details about the slide. He observed that the column labeled "MEBA" showed a total of 3 percent at the bottom of the slide compared to 27 percent for the Anchorage CPI. He asked what the column labeled "MMP" was, which showed a total of 6 percent. He asked why there were substantial differences between the totals.

Ms. Sheehan explained that some of the reason was that it had been a couple of years without a contract agreement [with some of the entities shown on slide 7]. She noted that entities not under an agreement received no COLA.

Co-Chair Stedman asked what MEBA and MMP stood for.

Ms. Sheehan replied that MEBA was the Marine Engineers' Beneficial Association with about 73 members. The Masters, Mates, and Pilots entity had approximately 80 members.

Co-Chair Stedman stated that it was not the legislature's role to get into the bargaining and it was tasked with funding agreements worked out between the administration and the labor force. He cited concern that the state was at a competitive disadvantage with the State of Washington, other nearby states, and even within Alaska. He remarked that the state had trouble filling its roles and had higher vacancy rates. He did not know what the base rate had been at the beginning of the table in 2011 [on slide 7]; therefore, he did not have a starting point reference. He highlighted the column labeled "ACOA" and observed there was a significant difference [in the total at the bottom of the table]. He pointed to the column labeled "PSEA," which showed a total of close to 35 percent.

Ms. Sheehan explained that ACOA was the Alaska Correctional Officers Association and PSEA was the Public Safety Employees Association. She detailed that both entities were able to do interest arbitration. She elaborated that interest arbitration was under statute and if agreement could not be reached, the union and the state presented their sides to the arbitrator and the arbitrator made a decision. She remarked that they were slightly skewed. She relayed that there were multiple issues associated with the marine unions over time including a failure to reach agreement. She relayed that MEBA had a pension fund funded

by the state that was separate from the Public Employees' Retirement System (PERS). She elaborated that when looking at numbers associated with MEBA, the funding appeared in their pension instead of wages, which is what the entity wanted. She believed the reason MMP was skewed was due to a lack of an agreement with the state.

[9:28:46 AM](#)

Senator Kiehl stated that the table [on slide 7] only showed a comparison of what it cost to live in one town in the state [Anchorage]. He asked how the long-term pay trends compared to what the state's competitors paid.

Ms. Sheehan noted that the slide did not factor in the five different geographic differentials, which was based on where a person lived. She explained that the geographic differential was 60 percent higher in either Bethel or Nome when compared to Juneau (employees in Juneau received 5 percent). The marine unions had a cost of living differential for living anywhere in Alaska. She relayed that the state's biggest competitor was the federal government that had a cost of living differential to live in Alaska. The state considered the geographic location for the majority of state employees. She noted that the geographic differential was still based off of a study conducted by the state in 2009.

Senator Kiehl thought the chart showed that the state's goal in bargaining was not to match the cost of living because that only happened in two of the columns reflecting different unions. He asked if the state was matching anything else. For example, he asked if the state was matching what the State of Washington and the federal government paid correctional officers or what the private sector paid equipment operators. He asked if the principle was to pay as little as the state could get away with. He asked what the real comparators were.

Ms. Sheehan answered that the legislature had appropriated funding for a statewide salary study, which would be final on June 30, 2024. She reported that the objective was to be the 65th percentile of what everyone was paid. The study looked at the federal government, private sector, other states, and municipalities. The goal was for the salary study to reflect what the state was paying in contrast to what others were paying.

[9:31:48 AM](#)

Ms. Sheehan reviewed slide 8 titled "Benefits." She explained that some benefits were a part of the bargaining process and others were not. Other than the Marine Engineers' Beneficial Association, the state did not bargain anything with pension. She noted that the state bargained the employer contribution for health trusts. She elaborated that if an individual was not in a health trust and was in an Alaska select plan, the state bargained the employee contribution.

Ms. Sheehan turned to slide 9 titled "State's Contribution to Health Trust / Health Insurance." The slide included a table showing what the state was currently paying for employee health insurance. Ms. Sheehan noted that most of the contracts specified a percentage paid versus an exact dollar amount. For example, a percentage could be 10 or 15 percent depending on the contract. She remarked that the percentage varied based on what the administration decided the state was paying into healthcare.

Co-Chair Stedman remarked that when the slide was redone in the future it did not need to include anything under the one dollar mark when listing the cost per employee.

[9:33:30 AM](#)

AT EASE

[9:34:06 AM](#)

RECONVENED

Co-Chair Stedman relayed that it was a struggle to put parameters on the budget because the budget would stay within its projected revenue for FY 25. He elaborated that it meant no draw exceeding 5 percent on the Permanent Fund Earnings Reserve Account (ERA) and no draw from the Constitutional Budget Reserve (CBR). He asked if the division could privately provide a range of expectations because there was a high likelihood all of the available funding would be expended. He suggested it would be prudent to set aside funding to ensure the state would meet the obligations negotiated with employees, so they did not have to wait until the following January.

Ms. Sheehan relayed that the division's goal was to reach an agreement with all three unions prior to the end of legislative session. She explained that the division was tying numbers to the CPI and at present it was necessary to look at historical numbers; the lookback was at approximately 5 percent. She thought the CPI was probably going down, so it was difficult to do outlying years. She noted that under statute, the division presented the data in the budget every year.

Co-Chair Stedman asked for the division to follow up with a range for the committee to pencil in to ensure the money was set aside. He remarked that the other body was in the process of wrapping up the operating budget and the Senate could include the funding in its version of the operating budget, which gave more time. He still needed a rough idea of the amount.

Ms. Sheehan replied that over the years she had seen the cost [for negotiated contracts] go into the capital budget and she had seen rules changed in conference committee. The division's goal was to get the numbers to the committee as soon as possible.

Co-Chair Stedman encouraged the negotiating bargaining units to come to agreement as soon as possible. He recounted that there had been times when the deadline had been missed. He highlighted that the University of Alaska (UA) missed the deadline a couple of years back because an agreement had not been reached prior to the finalization of the budget. He stated that the sooner an agreement had been reached, the higher the probability it would get funded.

Ms. Sheehan could not speak for the unions, but the administration's goal was to reach agreement as soon as possible.

[9:37:42 AM](#)

MEMRY DAHL, CHIEF HUMAN RESOURCE OFFICER, UNIVERSITY OF ALASKA (via teleconference), provided an update on the one contract it currently had in negotiation with the newly formed Alaska Graduate Workers Association (AGWA). In late October [2023], the bargaining unit held an election, which was certified in November and negotiations had begun in January. The negotiations were still underway, and UA was committed to reaching an agreement that met the needs of

the University and the graduate students. She detailed that the union had been officially formed about five months back and less than 60 days had passed since negotiations had begun. She elaborated that the UA bargaining team was continuing to work and conduct research as articles were passed back and forth. There was substantial work going on behind the scenes to respond to information and analysis. She explained that negotiations were closed to the public. She relayed that UA did not typically set a deadline or timeline for negotiations, but it always wanted to be timely in submitting agreements to the legislature for approval and appropriation. She communicated that UA believed negotiations were proceeding well and were generally on track. She reported that currently three articles had been tentatively agreed on. The University was committed to reaching a fair contract for all parties involved whether or not agreement was reached in time for inclusion in the FY 25 budget.

Co-Chair Stedman stated that his previous comment had also been directed at UA and the bargaining union. He communicated that the committee wanted to honor the negotiated agreements with labor unions and other employee groups, but there were a limited amount of funds and many funding requests. He relayed that the budget would be tight for FY 25 and would likely be tighter the following year. He explained that the sooner an agreement could be reached and provided to the legislature, the easier it would be for the committee to ensure there were resources available for inclusion in the budget. He did not want to see the bargaining agreements come in at the last minute making it necessary to back other items out of the budget or to be faced with funding the agreements in a supplemental the following year. He encouraged everyone at the bargaining table to wrap up agreements as soon as possible.

Ms. Dahl understood Co-Chair Stedman's comments and relayed that UA was working towards completing a contract sooner rather than later.

Co-Chair Stedman asked Ms. Dahl to provide a rough idea offline of what the committee should prepare for by providing a dollar range. He thanked DOA and UA for the updates. He thanked DOA for working with OMB and LFD as the legislature worked to get a handle on the letters of agreement. He remarked that there were many letters of agreement that added up to a substantial amount of money.

He noted that the current structure made it difficult to keep track of the entire magnitude. The committee appreciated DOA trying to come up with some consolidated documents in order for OMB and LFD to have a good handle on what was going on.

Ms. Dahl thanked the committee.

Co-Chair Stedman discussed the schedule for the following Monday.

ADJOURNMENT
9:44:48 AM

The meeting was adjourned at 9:44 a.m.