

**HOUSE
COMMITTEE REPORT**

(11)

Date referred: 3/7/86

FURTHER REFERRALS:

DATE: _____

The FINANCE Committee has considered HB 676

"An Act relating to implementation of a classification study for the classified service of state employees."

and recommends:

- do pass
- do not pass
- do pass with attached amendment(s)
- no recommendation
- replace with _____ same title
- new title

and recommends _____

further referral to the _____ Committee

- and attaches:
- letter of intent
 - first fiscal note
 - new fiscal note
 - zero fiscal note

SIGNING DO PASS:

SIGNING OTHER RECOMMENDATIONS:

Chairman

3/7

HOUSE
COMMITTEE REPORT

(7)

Date referred: 2/17/86

FURTHER REFERRALS: FINANCE

DATE: 3/5/86

The STATE AFFAIRS Committee has considered HB 676

"An Act relating to implementation of a classification study for the classified service of state employees."

and recommends:

- do pass
- do not pass
- do pass with attached amendment(s)
- no recommendation
- replace with _____ same title
- _____ new title

and recommends _____

further referral to the _____ Committee

and attaches:

- letter of intent
- first fiscal note Supplement 95
- new fiscal note
- zero fiscal note

SIGNING DO PASS:

Katie Hurley

Mr. C. W. ...

SIGNING OTHER RECOMMENDATIONS:

Stacy Jenkins No Rec

Cheryl Haller No Rec

Bill Cato No Rec.

Katie Hurley
Chairman

Introduced: 2/17/86
Referred: State Affairs
and Finance

Gov letter
7/20/87 - Sup 87

1 IN THE HOUSE

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

2 HOUSE BILL NO. 676

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to implementation of a classifica-
7 tion study for the classified service of state em-
8 ployees."

9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 * Section 1. AS 23.40.210 is amended to read:

11 Sec. 23.40.210. AGREEMENT. (a) Upon the completion of negotia-
12 tions between an organization and a public employer, if a settlement
13 is reached, the employer shall reduce it to writing in the form of an
14 agreement. The agreement may include a term for which it will remain
15 in effect, not to exceed three years. The agreement must [SHALL]
16 include a pay plan designed to provide for a cost-of-living differen-
17 tial between the salaries paid employees residing in the state and
18 employees residing outside the state. The plan must [SHALL] provide
19 that the salaries paid, as of August 26, 1977, to employees residing
20 outside the state [SHALL] remain unchanged until the difference be-
21 tween those salaries and the salaries paid employees residing in the
22 state reflects the difference between the cost of living in Alaska and
23 living in Seattle, Washington. The agreement must [SHALL] include a
24 grievance procedure which has [SHALL HAVE] binding arbitration as its
25 final step. Either party to the agreement has a right of action to
26 enforce the agreement by petition to the labor relations agency.

27 (b) The employer and the organization may not negotiate over or
28 include in the agreement a provision that is contrary to AS 39.27.013.

29 * Sec. 2. AS 39.27 is amended by adding a new section to read:

HB 676

COMMITTEE COPY

1 Sec. 39.27.013. PAY LEVEL FOR EMPLOYEE MOVED TO HIGHER RANGE.

2 (a) For the purposes of moving an employee to a higher range, either
3 through reclassification or a change in range, the employee must
4 be placed at the lowest step in the higher pay range that does not
5 result in a decrease in salary. This provision applies only to an
6 action taken to implement the classification study that was conducted
7 under the appropriation to the Department of Administration in sec.
8 32, ch. 107, SLA 1983, p. 10, l. 23, as amended by sec. 214, ch. 171,
9 SLA 1984, and sec. 405, ch. 105, SLA 1985.

10 (b) This section supersedes any personnel rules to the contrary.

11 * Sec. 3. This Act does not alter rights or obligations under an exist-
12 ing collective bargaining agreement.

HB676

02/24/85
sub 95

STATE OF ALASKA 1986 LEGISLATIVE SESSION
FISCAL NOTE

HB 676

Revision Date: 02/24/86

REQUEST	FISCAL DETAIL
Bill/Resolution No.: <u>HB 676</u>	Agency Affected: <u>All</u>
Title: <u>"An act relating to implementation of a classification study . . ."</u>	BRU: _____
Sponsor: <u>Rules at request of Governor</u>	Components: _____
Requestor: _____	_____
Date of Request: _____	_____

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
OPERATING						
PERSONAL SERVICES		9,824.6	17,461.4	12,820.9	8,048.1	3,518.8
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING		9,824.6	17,461.4	12,820.9	8,048.1	3,518.8

CAPITAL						
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REVENUE						
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FUNDING: (Thousands of Dollars)

GENERAL FUND		6,670.7	11,630.3	8,618.6	5,521.1	2,581.6
FEDERAL FUNDS						
OTHER		3,153.9	5,831.1	4,202.3	2,527.0	937.2
TOTAL		9,824.6	17,461.4	12,820.9	8,048.1	3,518.8

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: Attach a separate page if necessary

Prepared By: Michael P. McMullen *Michael P. McMullen* Phone: 465-2200
 Division: Commissioner's Office Date: 2/23/86
 Approved by Commissioner: Eleanor Andrews *Eleanor Andrews* Date: 2/25/86
 Agency: Department of Administration

Distribution (by Agency preparing fiscal note):
 Legislative Finance
 Legislative Sponsor
 Requestor
 Office of Management and Budget
 Impacted Agency(ies)

CONTINUATION of FISCAL NOTE ANALYSIS

For HB 676

This revised Fiscal Note incorporates two refinements referenced in the original Fiscal Note of February 13, 1986: 1) An estimate of the savings effect of turnover has been included, and 2) the costs have been broken out by General Fund and all other.

An attachment has been developed showing the costs by department for fiscal years 1987 and 1988.

The Legislature appropriated \$500.0 thousand in 1983 to fund the only comprehensive review of the total classification system since statehood. The study results are scheduled for implementation on January 1, 1987. This bill amends the Personnel Act to allow for implementation in the manner normally used by public employers on studies of this scope. The bill provides a one-time exception to the current Personnel Rules (AS 39.25.150, 2 AAC 07) regarding pay upon the upward movement of an employee. This one-time change will reduce the cost of implementation by more than half. This bill provides the only mechanism to express and discuss the financial impact of the study.

Under current collective bargaining agreements and Personnel Rules, when a position is reallocated to a higher range, the employee is entitled to a pay increase of at least one step on the pay schedule. When all positions in a job class are assigned a higher pay range, all incumbents retain the same step in the higher range. The FY 87 cost for implementing the Classification Study under this approach would be \$19,967.5.

This bill will provide, instead, that the pay of all employees moving to higher pay ranges will be set at the lowest step that does not provide a decrease

An example of this difference is shown below:

MONTHLY SALARY (Partial Table from AS 39.27.011)

Range	Step	A	B	C	D	E	F
12		2,082	2,145	2,217	2,286	2,365	2,445
13		2,217	2,286	2,365	2,445	2,531	2,623
14		2,365	2,445	2,531	2,623	2,715	2,818

Under current provisions, an employee at Range 12, Step E (\$2,365) would move to Range 14, Step B (\$2,445) upon reclassification, and to Range 14, Step E (\$2,715) if the pay range for the employee's job was changed from Range 12 to Range 14. Under this bill an employee would move to Range 14, Step A (\$2,365) in either case.

The Personal Services cost estimates are based on a computer model developed by the Division of Personnel. It is based on changes projected on a class-by-class basis. It considers bargaining unit; actual rates of pay, including current and projected step within a range and geographic

differentials; vacancy factor; benefits, including appropriate retirement system, the Supplemental Benefits System (SBS) cap, and departmental variable rates; and premium pay experience (except sea duty) by department. The model assumes that current pay rates will continue and that the study will be fully implemented on January 1, 1987.

Current Personnel Rules and collective bargaining agreements provide for "frozen" pay for employees who are reclassified or have their ranges changed to lower levels. This bill will not affect these provisions. Beginning in FY 88, the effect of such freezes begins to reduce Personal Services costs.

In addition, as employees with frozen salaries separate from State employment and are replaced by new workers, the new workers enter the work force at lower pay rates. Normally, such savings are offset by current employees receiving merit increases. However, the number of employees who will have frozen salaries as a result of the Classification Study will upset this balance. As turnover occurs, real reduction in Personal Services costs will be realized. A turnover rate of 15 percent has been assumed across all bargaining units and departments. The appropriate adjustment has been made to the savings expected from current employees with frozen salaries forgoing merit increases to reflect this turnover rate.

The combined savings from frozen salaries and turnover of those with frozen salaries is projected at \$2,187.8 in FY 88 (half year). For FY 89, these savings are \$4,640.5. Following FY 91, these savings fall rapidly.

The following table displays the Personal Services costs considering the prior year as the base for each year:

FY 87	\$9,824.6
FY 88	7,636.8
FY 89	-4,640.5
FY 90	-4,772.8
FY 91	-4,529.3

Governor Sheffield will be submitting an FY 87 Budget Amendment for the FY 87 costs. Costs for FY 88 and beyond will be routinely included in preparation of agencies' Personal Services line items.

Attached is a breakdown by department of incremental costs for FY 87 and FY 88.

General Fund and Other Fund Personal Services Cost by Department, FY 87 and FY 88, to Implement the Classification Study under HB 676.

<u>Department</u>	FY 87		FY 88	
	<u>G.F.</u>	<u>Other</u>	<u>G.F.</u>	<u>Other</u>
Office of the Governor	23.5	.1	23.5	.1
Administration	1,123.1	169.3	1,077.4	125.0
Law	97.4	48.9	87.6	43.9
Revenue	179.5	95.8	115.1	61.4
Education	190.1	94.5	125.2	62.2
Health and Social Services	1,818.4	288.7	1,718.4	272.8
Labor	127.4	310.3	101.9	248.4
Commerce and Economic Development	74.5	38.0	-17.6	-9.0
Military and Veterans Affairs	37.0	27.4	33.5	24.9
Natural Resources	575.9	57.7	465.3	46.6
Fish and Game	769.2	370.4	748.8	360.6
Public Safety	418.7	9.9	-464.6	-10.9
Environmental Conservation	110.6	34.8	89.0	27.9
Corrections	700.3	4.9	659.3	4.6
Community and Regional Affairs	75.8	36.2	31.0	14.8
Transportation and Public Facilities	349.0	1,567.3	166.1	1,403.3
Total	6,670.4	3,154.2	4,959.9	2,678.6

Note: Totals do not match page 1 due to rounding.

BILL SHEFFIELD
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

February 19, 1986

The Honorable Ben Grussendorf
Speaker of the House
Alaska State Legislature
P.O. Box V
Juneau, AK 99811

Dear Representative Grussendorf:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating to implementation of the classification study that is being completed by the division of personnel in the Department of Administration.

The legislature authorized the division of personnel to undertake a major classification study in 1983. \$500,000 were included in an appropriation to the Department of Administration for this purpose in sec. 32, ch. 107, SLA 1983, p. 10, l. 23. That appropriation has been amended twice to extend the lapse date to June 30, 1986. Sec. 214, ch. 171, SLA 1984, and sec. 405, ch. 105, SLA 1985.

This bill provides for a lower-cost method of implementing the classification actions recommended by the study than would presently be allowed under personnel rules and collective bargaining agreements. Salaries for classified state employees are based on ranges and steps within ranges. See AS 39.27.011. Currently, when an employee's position is reclassified to a higher pay range, the employee is paid at the step in the new range that provides the employee with a salary increase of at least one step over that in the former range. When the pay range for a class of work is increased, all employees are paid at the same step in the new range as the employees' steps in the old range. This bill alters the method of step placement for employees in the classified service whose positions are being moved upward as a result of the reclassification study.


AS 23.40.210 is amended in sec. 1 of the bill to prohibit negotiations for any collective bargaining provision that conflicts with the bill's new AS 39.27.013. The bill does not alter any existing collective bargaining agreements. All existing agreements expire at the end of this calendar year.

Section 2 of the bill creates a new section, AS 39.27.013, that provides for employees whose positions are being moved to a higher pay range to be placed at the lowest step in the higher range that does not result in a decrease in pay. This method of step placement would be statutorily required only for initial implementation of this study, not permanently. It will supersede personnel rules that provide for a different method of step placement for employees.

This legislation provides the opportunity for the State of Alaska to fulfill the obligations identified as a result of the classification study, while it mitigates the financial and personal impacts. The study is certain to cause a number of questions and challenges to the system proposed.

We must keep in mind, however, that this bill would bring to a close a very difficult situation. This is no easy task, and there are no easy answers.

Sincerely,

A handwritten signature in cursive script that reads "Bill Sheffield".

Bill Sheffield
Governor

21 2/87

STATE OF ALASKA 1986 LEGISLATIVE SESSION FISCAL NOTE

Page 1 of 3

Revision Date : _____

REQUEST

Bill/Resolution No. : 14676
 Title : "An Act relating to implementation of a Classification Study"
 Sponsor : Governor
 Requestor : _____
 Date of Request : _____

FISCAL DETAIL

Agency Affected : _____
 BRU : _____

 Components : _____

EXPENDITURES/REVENUES : (Thousands of Dollars)

OPERATING	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
PERSONAL SERVICES		9,824.6	18,327.7	15,431.1	12,388.5	9,199.9
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING		9,824.6	18,327.7	15,431.1	12,388.5	9,199.9

CAPITAL						
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REVENUE						
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FUNDING : (Thousands of Dollars)

GENERAL FUND		9,824.6	18,327.7	15,431.1	12,388.5	9,199.9
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS :

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : Attach a separate page if necessary

Prepared by : Michael P. Mullen
 Division : Commissioner's Office

Approved by Commissioner : Eleanor Andrews
 Agency : Department of Administration

Phone : 465-2200
 Date : February 13, 1986

Date : _____

Distribution (by Agency preparing fiscal note) :

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

CONTINUATION of FISCAL NOTE ANALYSIS

For Bill/Resolution No. HB 676 page 2 of 3

The Legislature appropriated \$500.0 thousand in 1983 to fund the only comprehensive review of the total classification system since statehood. The study results are scheduled for implementation on January 1, 1987. This bill amends the Personnel Act to allow for implementation in the manner normally used by public employers on studies of this scope. The bill provides a one time exception to the current Personnel Rules (AS 39.25.150, 2 AAC 07) regarding pay upon the upward movement of an employee. This one time change will reduce the cost of implementation by more than half. This bill provides the only mechanism to express and discuss the financial impact of the study.

Under current collective bargaining agreements and Personnel Rules, when a position is reallocated to a higher range, the employee is entitled to a pay increase of at least one step on the pay schedule. When all positions in a job class are assigned a higher pay range, all incumbents retain the same step in the higher range. The FY 87 cost for implementing the Classification Study under this approach would be \$19,967.5.

This bill will provide instead that the pay of all employees moving to higher pay ranges will be set at the lowest step that does not provide a decrease.

An example of this difference is shown below:

MONTHLY SALARY (Partial Table from AS 39.27.011)

Range	Step	A	B	C	D	E	F
12		2082	2145	2217	2286	2365	2445
13		2217	2286	2365	2445	2531	2623
14		2365	2445	2531	2623	2715	2818

Under current provision, an employee at Range 12, Step E (\$2365) would move to Range 14, Step B (\$2445) upon reclassification, and to Range 14, Step E (\$2715) if the pay range for the employee's job was changed from Range 12 to Range 14. Under this bill the employee would move to Range 14, Step A (\$2365) in either case.

CONTINUATION of FISCAL NOTE ANALYSIS

For Bill/Resolution No. HB 676 Page 323

Current Personnel Rules and collective bargaining agreements provide for "frozen" pay for employees who are reclassified or have their ranges changed to lower levels. This bill will not affect these provisions. Beginning in FY 88 the effect of such freezes begins to reduce Personal Services costs. The savings in FY 88 (half year) are approximately \$1,321. For FY 89 they grow to \$2,896.6. The growth in savings continues through FY 91 then drops rapidly.

Turnover of employees with "frozen" salaries also generate savings. This effect has not been calculated.

Governor Sheffield will be submitting an FY 87 Budget Amendment for the FY 87 costs. The Amendment will distribute the costs across the several funding sources.

Costs for FY 88 and beyond will be routinely included in preparation of agencies' Personal Services line items.

ALASKA STATE LEGISLATURE

14th Legislature SECOND Session

HOUSE BILL NO. 676

By THE RULES COMMITTEE
BY REQUEST OF THE GOVERNOR

'An Act relating to implementation of a classification study for the classified service of state employees.'

state employees

Introduced in the House ... 2/17, 1986.

HISTORY IN THE HOUSE

19 86

Feb 17

Read first time and referred to Committee on

STATE AFFAIRS AND FINANCE
Reported back with recommendation that

Read second time and

Read third time and

PASS	Effective Date
Yeas	Yeas
Nays	Nays
Absent	Absent
Excused	Excused

Reconsideration

PASS	Effective Date
Yeas	Yeas
Nays	Nays
Absent	Absent
Excused	Excused

Reported correctly engrossed
Signed by Speaker
Sent to Senate

CHIEF CLERK OF THE HOUSE

HISTORY IN THE SENATE

19

Read first time and referred to Committee on

Reported back with recommendation that

Read second time and

Read third time and

PASS	Effective Date
Yeas	Yeas
Nays	Nays
Absent	Absent
Excused	Excused

Reconsideration

PASS	Effective Date
Yeas	Yeas
Nays	Nays
Absent	Absent
Excused	Excused

Reported correctly engrossed
Signed by President
Returned to House

SECRETARY OF THE SENATE

HISTORY IN THE HOUSE

19

Received from Senate

Concurred in Senate amendment thus adopting:
VOTE

Failed to concur in Senate amendment; asked Senate to recede
VOTE

Senate receded from amendment
VOTE

Senate failed to recede from amendment
VOTE

CC appointed by House

CC appointed by Senate

CC adopted by House
VOTE

CC adopted by Senate
VOTE

To enrolling
Reported correctly enrolled
Sent to Governor

..... by Governor

Filed with Lt. Governor

Chapter No.

Introduced: 2/17/86
Referred: State Affairs
and Finance

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

1 IN THE HOUSE

2 HOUSE BILL NO. 676

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to implementation of a classifica-
7 tion study for the classified service of state em-
8 ployees."

9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 * Section 1. AS 23.40.210 is amended to read:

11 Sec. 23.40.210. AGREEMENT. (a) Upon the completion of negotia-
12 tions between an organization and a public employer, if a settlement
13 is reached, the employer shall reduce it to writing in the form of an
14 agreement. The agreement may include a term for which it will remain
15 in effect, not to exceed three years. The agreement must [SHALL]
16 include a pay plan designed to provide for a cost-of-living differen-
17 tial between the salaries paid employees residing in the state and
18 employees residing outside the state. The plan must [SHALL] provide
19 that the salaries paid, as of August 26, 1977, to employees residing
20 outside the state [SHALL] remain unchanged until the difference be-
21 tween those salaries and the salaries paid employees residing in the
22 state reflects the difference between the cost of living in Alaska and
23 living in Seattle, Washington. The agreement must [SHALL] include a
24 grievance procedure which has [SHALL HAVE] binding arbitration as its
25 final step. Either party to the agreement has a right of action to
26 enforce the agreement by petition to the labor relations agency.

27 (b) The employer and the organization may not negotiate over or
28 include in the agreement a provision that is contrary to AS 39.27.013.

29 * Sec. 2. AS 39.27 is amended by adding a new section to read:

1 Sec. 39.27.013. PAY LEVEL FOR EMPLOYEE MOVED TO HIGHER RANGE.

2 (a) For the purposes of moving an employee to a higher range, either
3 through reclassification or a change in range, the employee must
4 be placed at the lowest step in the higher pay range that does not
5 result in a decrease in salary. This provision applies only to an
6 action taken to implement the classification study that was conducted
7 under the appropriation to the Department of Administration in sec.
8 32, ch. 107, SLA 1983, p. 10, 1. 23, as amended by sec. 214, ch. 171,
9 SLA 1984, and sec. 405, ch. 105, SLA 1985.

10 (b) This section supersedes any personnel rules to the contrary.

11 * Sec. 3. This Act does not alter rights or obligations under an exist-
12 ing collective bargaining agreement.