

Offered: 4/12/85
Referred: Rules

Original sponsor: Finance Committee

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2

CS FOR SENATE BILL NO. 207 (Finance)

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6

For an Act entitled: "An Act relating to calculation of the cost-of-living and pay step differentials for the compensation and retirement benefits of certain public employees; classification system; limiting the state's power to change the cost to the state of compensation for certain positions; and providing for an effective date."

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

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* Section 1. AS 23.40 is amended by adding a new section to read:

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Sec. 23.40.075. ITEMS NOT SUBJECT TO BARGAINING. The parties

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may not negotiate terms contrary to the limitations on state personnel

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actions under AS 37.07.085 or on pay step differential calculations

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under AS 39.27.020(d).

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* Sec. 2. AS 37.07 is amended by adding new sections to read:

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Sec. 37.07.085. LIMITATIONS ON STATE PERSONNEL ACTIONS. (a)

21

Unless the budget specifically provides or the legislature approves,

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the state may not

23

(1) reclassify a position to a higher salary range after

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September 1, 1985 unless the reclassification is consistent with

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policies established in AS 39.25.150(1) for a position classification

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plan;

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(2) change the salary range of a job class unless the

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change is required to comply with AS 18.80.220(a)(5), AS 39.25.010 or

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39.25.150(2); or

1 (3) promote a person to the next step of a flexibly staffed
2 position if the person was first hired in the flexibly-staffed posi-
3 tion after the effective date of this section.

4 (b) In this section, "state" means the executive, legislative
5 and judicial branches of state government and includes the University
6 of Alaska.

7 Sec. 37.07.087. LISTING OF PERMANENT POSITIONS. (a) On or
8 before September 15 of each year, each department shall deliver to the
9 division of budget review in the Office of Management and Budget a
10 list of permanent positions in the department on July 31 of that year.
11 The list shall include for each position the position control number
12 (PCN), title, salary range, pay step, location, time status, bargain-
13 ing unit if any, and position funding source. A department shall
14 remove from the list a PCN that is not funded and shall revise the
15 listing of other PCN's to be consistent with the positions authorized
16 in the budget. The department shall report to the legislature each
17 year the positions removed from its list.

18 (b) After conforming the list of permanent positions to the
19 budget, a department may not establish a new permanent PCN or change
20 the salary range, pay step, location, or time status of an existing
21 PCN unless the division of budget review concurs.

22 (c) A department shall maintain the master list of the depart-
23 ment's positions as an automated position accounting control system
24 file in accordance with instructions from the Office of Management and
25 Budget.

26 * Sec. 3. AS 39.25.010(b) is amended to read:

27 (b) The merit principle of employment includes the following:

28 (1) recruiting, selecting, and advancing employees on the
29 basis of their relative ability, knowledge, and skills, including open

1 consideration of qualified applicants for initial appointment;

2 (2) regular integrated salary programs based on the nature
3 of the work performed;

4 (3) retention of employees with permanent status on the
5 basis of the adequacy of their performance, reasonable efforts of
6 temporary duration for correction in inadequate performance, and
7 separation for cause;

8 (4) equal treatment of applicants and employees with regard
9 only to consideration within the merit principles of employment; [AND]

10 (5) selection and retention of an employee's position
11 secure from political influences; and

12 (6) classification and pay plans designed to provide pay
13 equity by using judgments and factors free of biases based on race or
14 sex and determining job worth for all job classifications based on a
15 single set of criteria.

16 * Sec. 4. AS 39.27.020 is amended by adding a new subsection to read:

17 (d) If an employee's basic annual salary is no more than
18 \$30,000, the pay step differential shall be calculated using the
19 employee's basic salary. If the employee's basic annual salary is
20 greater than \$30,000, then the employee's pay step differential shall
21 be calculated on the differential for a basic salary of \$30,000.

22 * Sec. 5. AS 39.35 is amended by adding a new section to read:

23 Sec. 39.35.675. INCLUSION OF COST-OF-LIVING DIFFERENTIALS IN
24 COMPENSATION AND BENEFITS. (a) An employee shall make contributions
25 to the system based on compensation including a cost-of-living differ-
26 ential.

27 (b) The amount of a cost-of-living differential may not be in-
28 cluded in the employee's compensation for purposes of calculating
29 benefits paid under this chapter unless the employee has received a

1 cost-of-living differential in a comparable amount or of at least that
2 many steps for at least 50 percent of the employee's credited service.

3 (c) When an employee receives a benefit, and if the employee's
4 compensation for purposes of calculating the benefit does not include
5 a cost-of-living differential, then the administrator shall refund to
6 the employee the amount of contributions the employee made based on
7 the differential.

8 (d) In this section "cost-of-living differential" means an
9 adjustment to salary based on the cost of living in the geographic
10 region where the employee works and includes a pay step differential
11 under AS 39.27.020.

12 * Sec. 6. AS 39.35.680(8) is amended to read:

13 (8) "compensation" means the total remuneration earned by
14 an employee for personal services rendered, including cost-of-living
15 differentials only as provided in AS 39.35.675, payments for leave
16 that is actually used by the employee, the amount by which the em-
17 ployee's wages are reduced under AS 39.30.150(c), and any amount
18 deferred under an employer-sponsored deferred compensation plan, but
19 does not include retirement benefits, welfare benefits, per diem,
20 expense allowances, workers' compensation payments or payments for
21 leave not used by the employee whether those leave payments are sched-
22 uled payments, lump-sum payments, donations, or cash-ins;

23 * Sec. 7. The legislature shall review the pay step differentials
24 provided under AS 39.27.020 and under collective bargaining contracts
25 between the state and employee bargaining organizations following the
26 release of a comprehensive study of the geographic differentials by the
27 state.

28 * Sec. 8. By September 15, 1985, the division of budget review in the
29 Office of Management and Budget shall develop a master position control

1 system with the capability of matching permanent positions listed in an
2 automated position accounting control system against the state's master
3 payroll record.

4 * Sec. 9. The amendments made by secs. 5 and 6 of this Act apply only
5 to members first hired under the Public Employees' Retirement System on or
6 after the effective date of secs. 5 and 6 of this Act.

7 * Sec. 10. Nothing in this Act terminates or modifies a collective
8 bargaining agreement in existence on the effective date contained in
9 sec. 13 of this Act.

10 * Sec. 11. If any provision of this Act, or the application thereof to
11 any person or circumstance is held invalid, the remainder of this Act and
12 the application to other persons or circumstances shall not be affected
13 thereby.

14 * Sec. 12. Sections 5, 6, and 9 of this Act take effect January 1,
15 1987.

16 * Sec. 13. Sections 1 - 4, 7, 8, 10, and 11 of this Act take effect
17 immediately in accordance with AS 01.10.070(c).

Position Paper
CSSB 207 (Fin)

This Bill deals with four distinct topics. This position paper deals with those topics by discussing the various sections of the Bill that deal with a topic under the topic heading. Notation is made of fiscal impacts which are further detailed in two fiscal notes. In general, the Department of Administration supports the intent of the legislation. We believe, however, that there are several areas that should receive more attention.

Limitation on Actions

Sections 1, 2, 8, 10, 11, and 13 deal with placing certain limitations on the executive, legislative, and judicial branches and the University of Alaska. Section 2 of the Bill adds two sections to the Executive Budget Act (AS 37.07.010-.130). Proposed AS 37.07.085 limits: reclassification of positions unless the action is provided for in the budget, approved by the legislature, or consistent with the policies established under AS 39.25.150(1); changes in a salary range unless provided in the budget, approved by the legislature, or required for compliance with AS 18.80.220(a)(5), AS 39.25.010, or AS 39.25.150(2); and promotion of an incumbent, hired after the effective date, of a flexibly staffed position unless provided in the budget, or approved by the legislature. Proposed AS 37.07.087 provides a mechanism for annually reconciling departmental listings of positions with positions authorized in the budget. After the reconciliation, "a department may not establish a new permanent PCN or change the salary range, pay step, location, or time status of an existing PCN unless the division of budget review concurs."

Section 8 requires the Division of Budget Review to develop an automated system for the above reconciliation, with the capability of matching against payroll records, by September 15, 1985.

Section 10 "grandparents" current collective bargaining agreements from changes otherwise required by the Bill.

Section 1 prohibits future collective bargaining agreements from containing terms contrary to proposed AS 37.07.085.

Section 11 is a severability clause added by CSSB 207 (Fin) based on our testimony, discussed below, that a specific provision may violate the separation of powers doctrine.

Section 13 makes the limitation on actions provisions effective immediately.

Position

The Department of Administration supports the concept of reconciling budget and position information. The Department also supports the requirement that actions to reclassify positions or change salary ranges be taken in accordance with existing statutes, policies, and regulations.

Position Paper
CSSB 207 (Fin)

The Department believes that the provision in proposed AS 37.07.085(a)(3) (p.2, ll. 1-3) is an undue infringement of the legislative branch into decisions of the executive branch. The decision to promote an employee is a fundamental decision of an appointing authority. The proposed requirement of legislative or budget approval for such actions, in our view, violates the separation of powers doctrine. The appointing authority for the three branches of government and the University of Alaska is contained in AS 39.25.070. Proposed AS 37.07.085(a)(3) shifts some of the authority of the Governor, the Chief Justice and the Board of Regents to the legislature. We believe this subsection should be deleted.

The Department also has a concern about proposed AS 37.07.087(b) (p.2, ll. 18-21). This subsection would require the Division of Budget Review's concurrence before a department could change a salary range, award a merit increase (pay step) or relocate a position. While the intent of proposed AS 37.07.087 appears to be the maintenance of an accurate system of position accounting for budget purposes, the language in subsection (b) appears to place on the Division of Budget Review a requirement to review and act on substantive decisions normally made by departments. This conflicts with proposed AS 37.07.085(a)(1) and (2) where the State may reclassify positions and change salary ranges consistent with statute. It puts a limitation of the authority of the principal executive officer of agencies found in Title 44.

We believe proposed AS 37.07.087 should be amended to reflect the authority of the Division of Budget Review to control changes to the automated position accounting system, but not the actions of agencies taken under proper authority.

Our suggested language follows: "(b) After conforming the list of permanent positions to the budget, a department may not add a position to the list or change information about a position on the list which affects the cost of the position unless the division of budget review concurs."

Limit on Geographic Differential

Sections 1, 4, 7, 10, and 13 deal with limiting the payment of geographic differential to the first \$30,000 of an employee's salary. Section 4 contains the substance of the proposed law. Section 10 again "grandparents" current collective bargaining agreements, while Section 1 requires future agreements to comply with this proposed law. Section 13 makes the provision effective immediately for those not currently covered by a collective bargaining agreement. Section 7 provides a commitment by the legislature to review geographic differentials following the release of a comprehensive study of the subject.

Position

There is a strong argument for paying the same dollar differential to all employees at a duty station. Since cost-of-living differences tend to stem

Position Paper
CSSB 207 (Fin)

from geographic price differences in basic commodities and services, their effect on employees is not in direct relation to earning levels. A quart of milk, a kilowatt hour of electricity, and a gallon of gasoline cost the same for every employee in a duty station, regardless of income. Consequently, there is a strong equity argument for paying every affected employee a differential which is separate and apart from the employee's earning level. The State uses one method of doing so in its collective bargaining contract with the Labor, Trades and Crafts bargaining unit.

The Department of Administration supports Section 4. We further support the commitment of the legislature to review the issue once the study of geographic differential funded by the legislature in 1984 is available. We believe that would be an appropriate time to address the question of an inflation/deflation factor for the \$30,000 limit.

The Department has a concern with the effective date of Section 4. It is impossible to put the provisions into effect the day after the Governor signs the Bill. Computer system changes will take time. The prospect of manually adjusting the pay for each employee affected immediately would require additional staff beyond the needs shown in the fiscal note. The alternative prospect of maintaining two automated systems, one for those affected immediately and one for those affected with future collective bargaining agreements, is also more costly. Finally, there is an equity consideration. Only approximately 93 employees will be affected immediately. The vast bulk of employees, those in the General Government and Supervisory bargaining units, will not be affected until January 1, 1987, under current collective bargaining agreements. By that time, the legislature will have probably reviewed the issue under Section 7. The Department urges the adoption of an effective date for Section 4 that will allow uniform and well-planned implementation of this provision. An effective date of January 1, 1987, would be most equitable. However, January 1, 1986, would allow sufficient time for an orderly implementation.

The Department also has a concern about specifying a specific dollar limit. At the present time, there is no range and step on any schedule that corresponds to exactly \$30,000 per year. It would be administratively cumbersome to work from a fixed dollar amount versus using existing pay schedules as the State's automated pay processes are programmed to use existing schedules. We therefore recommend that the second sentence of Section 4 be amended to read: "If the employee's basic annual salary is greater than \$30,000, then the employee's pay step differential shall be calculated on the highest range and step that does not exceed \$30,000."

Merit Principle

Sections 3 and 13 deal with the merit principle of employment. Section 3 adds a sixth specific factor included within the merit principle. Section 13 provides an immediate effective date.

Position Paper
.CSSB 207 (Fin)

Position

Section 3 provides that the merit principle of employment includes classification and pay plans free of race or sex biases and a single set of classification criteria. The Department of Administration supports this provision. The legislature provided \$500,000 in funding in 1983 for development of a new classification system. Recommendations will be made to Governor Sheffield in August for the implementation of a classification system using a single set of factors.

Retirement Changes

Sections 5, 6, 9 and 12 propose amendments to the Public Employees' Retirement System.

The amendments in Sections 5 and 6 are to calculate retirement benefits using salaries including geographic differentials only if 50% or more of the credited service was at a location where a comparable geographic differential was paid. Only State employees are affected (there are no known geographic differentials within the participating political subdivisions). These Sections would also provide for refunding any contributions paid on area differential if the salary used for benefit calculation does not include area differential.

Section 9 makes the provision applicable only to employees hired after the effective date of the amendments. Section 12 makes the effective date January 1, 1987.

Position

Sections 5 and 6 would not affect current employees; therefore the immediate impact will be relatively small. The long-term impact will be greater because of the requirement to calculate retirement benefits differently for employees hired after the effective date of this Bill.

The computer programs of the Public Employees' Retirement System will need revision to accommodate the proposed changes to the method of calculating retirement benefits and refunds for employees hired before the effective date of this Bill. These costs would be substantial relative to the perceived cost savings; the net effect would be a small cost to the State. (See Division of Retirement and Benefits' Fiscal Note.)

In terms of computing retirement benefits, Section 5 would require the State to track retirement contributions on base salaries separately from contributions related to the cost-of-living differential only. The current benefit calculation is performed manually and requires the State to identify the number of years of creditable service and the three highest paid years for determining benefit amounts. Amending these retirement sections would significantly complicate the system and would actually increase employer costs, not reduce costs.

Position Paper
CSSB 207 (Fin)

The Department maintains a neutral position on the retirement provisions; however, we recognize that amending these retirement sections would significantly complicate the system without achieving cost savings or a significant program impact.

Frank Raye
Frank Raye, Director
Division of Personnel

4/24/85
Date

J. K. Humphreys
J. K. Humphreys, Director
Division of Retirement and Benefits

4/24/85
Date

Ken Bischoff
Kenneth Bischoff, Director
Division of Finance

4/24/85
Date

Lisa Rudd
Commissicher Lisa Rudd
Department of Administration

4/26/85
Date

STATE OF ALASKA
THE LEGISLATURE

LEGISLATIVE AFFAIRS AGENCY

POUCH Y STATE CAPITOL
JUNEAU ALASKA 99811
907 465 3800

MEMORANDUM

April 11, 1985

SUBJECT: Sectional analysis of CSSB 207 (Fin)

TO: Senator Jan Faiks and Senator John Sackett
Co-chair, Senate Finance Committee

FROM: Teresa B. Cramer *TBC*
Legislative Counsel

You have asked for a sectional analysis of CSSB 207 (Fin), relating to public employees.

Section 1 forbids the state, including the executive, legislative, judicial branches and the University of Alaska, from making changes to positions, job classes, or salaries as listed in the section. As explained in my memo of March 13, the regulation of employment practices may be viewed as a legislative infringement on the power of the governor, the chief justice of the Supreme Court, and the board of regents.

Section 37.07.087 requires departments to provide information on PCN's to the Office of Management and Budget and to revise that information based on current budget authorization. The departments may not change the list unless the division of budget review in OMB concurs.

Section 2 includes determination of job worth based on a single set of criteria within the merit principle of employment.

Section 3 limits the amount that an employee may receive as a pay step differential. The maximum differential would be calculated on a basic salary of \$30,000.

Section 4 and 5 require an employee to make contributions to the Public Employment Retirement System based on the employee's entire compensation including a cost-of-living differential. However, the employee's benefits will be

based on the entire compensation only if the employee received a comparable cost-of-living differential for at least 50 percent of the employee's credited service. If the employee does not receive benefits based on salary including cost-of-living differentials, then the division must refund the amount of contributions the employee made for the differentials. These sections raise equal protection questions. (See memo of April 1, 1985.)

Section 6 requires that the legislature review geographic pay step differentials after release of a state study on the subject.

Section 7 requires the division of budget review in OMB to develop a master position control system that can match permanent positions against the state's master payroll record.

Section 8 provides that the amendments to the Public Employees' Retirement System only apply to members first hired after the effective date of the sections amending the PERS. (January 1, 1987.)

Section 9 provides that the bill does not terminate or modify a collective bargaining agreement that was in effect on the effective date established in section 11.

Section 10 is an effective date for sections 4, 5, and 8.

Section 11 provides that the bill, except for sections 4, 5, and 8, takes effect immediately.

If I may be of further assistance, please advise.

TC:ojb
J13/081

STATE OF ALASKA
THE LEGISLATURE

LEGISLATIVE AFFAIRS AGENCY

POUCH Y STATE CAPITOL
JUNEAU, ALASKA 99811
907-465-3800

M E M O R A N D U M

March 13, 1985

SUBJECT: Sectional analysis of SB.207

TO: Senator Jan Faiks and Senator John Sackett
Co-chair, Senate Finance Committee

FROM: Teresa B. Cramer *ABC*
Legislative Counsel

You have asked for a sectional analysis of SB 207, relating to public employees.

Section 1 amends the Public Employment Relations Act to prohibit including geographic cost-of-living adjustments in basic salary when calculating overtime compensation or other salary adjustments.

Section 2 limits the amount that an employee may receive as a pay step differential. The maximum differential would be calculated on a basic salary of \$30,000.

Sections 3 and 9 require that overtime compensation for state employees be calculated on an employee's basic salary before the addition of any adjustments, including pay step differentials or shift differentials. Section 9 provides that section 3 takes effect on January 1, 1987.

Section 4 and 5 require an employee to make contributions to the Public Employment Retirement System on the employee's entire compensation including a cost-of-living differential. However, the employee's benefits will be based on the entire compensation only if the employee received a comparable cost-of-living differential for at least 50 percent of the employee's credited service. If the employee does not receive benefits based on salary including cost-of-living differentials, then the division must refund the amount of contributions the employee made for the differentials.

Senator Jan Faiks
Senator John Sackett
Co-chair, Senate Finance Committee
Page 2
March 13, 1985

Section 6 forbids the state, including the executive, legislative, judicial branches and the University of Alaska, from making changes to positions, job classes, or salaries as listed in the section.

The regulation of employment detailed in section 6 may be viewed as a legislative infringement on the executive power of the governor, the power to administer courts assigned to the chief justice of the Supreme Court, and the power to govern the University of Alaska given to the board of regents.

The legislature clearly can limit the amount of money that these coordinate branches of government may spend on personal services. Whether the legislature can limit the way in which this money is spent as extensively as this section provides is open to question.

There is also a problem about implementing the limitation on merit increases. Under the contracts negotiated by the state and the Alaska Public Employees' Association for the General Government Unit and the Supervisory Unit, the state may be required to provide a system of "performance incentives" for employees in those units. Article IV, section 2, of each of those contracts contains language on "performance incentives":

Performance incentives shall be based upon the appointing authority's evaluation of an employee's performance. A performance incentive of one step in the salary range may be given to an Employee who has received an overall performance evaluation of "Acceptable" or better on the Employee's merit anniversary date.

and

The Employer will not establish a quota or percentage system to determine the number of performance increases granted, but the parties agree to accept the standards provided in GG 77-36 dated September 27, 1979, for determining the granting or not granting of performance increases.

The text cited, GGU 77-36, is a memorandum from Sandra Withers, director of the division of personnel and labor

Senator Jan Faiks
Senator John Sackett
Co-chair, Senate Finance Committee
Page 3
March 13, 1985

relations, to all personnel officers. It addresses the standards that arbitrators had found to be improper reasons for denying a merit increase and heads the list with "lack of funds."

Under the second part of the contract language cited, it could be argued that denying all performance increases constituted a percentage system for determining the number of increases granted and therefore violated that clause of the collective bargaining contract. The reference to the memorandum and the memorandum's reference to "lack of funds" as an invalid basis for denying a merit increase supports that argument.

While collective bargaining contracts are specifically subject to legislative appropriation under AS 23.40.210, the legislature is not free to renegotiate the contract in making appropriations. The legislature can determine the amount of money available for state salaries, but the state is bound to pay its employees according to the terms of the contracts it negotiates. Insufficient funds would be a basis for layoffs but not for unilaterally changing the terms of the contracts.

Section 7 provides that the amendments to the Public Employees' Retirement System only apply to members first hired after the effective date of the sections amending the PERS. (They carry an immediate effective date.)

Section 8 provides that the bill does not terminate or modify a collective bargaining agreement that was in effect on the effective date established in section 10.

Section 10 provides that the bill, except for section 3, takes effect immediately.

If I may be of further assistance, please advise.

TC:mkr
096:WKJ12

STATE OF ALASKA
THE LEGISLATURE

FOURTH STATE CAPITOL
JUNEAU, ALASKA 99811
907 465 3800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

March 13, 1985

SUBJECT: Sectional analysis of SB.207

TO: Senator Jan Faiks and Senator John Sackett
Co-chair, Senate Finance Committee

FROM: Teresa B. Cramer *TBC*
Legislative Counsel

You have asked for a sectional analysis of SB 207, relating to public employees.

Section 1 amends the Public Employment Relations Act to prohibit including geographic cost-of-living adjustments in basic salary when calculating overtime compensation or other salary adjustments.

Section 2 limits the amount that an employee may receive as a pay step differential. The maximum differential would be calculated on a basic salary of \$30,000.

Sections 3 and 9 require that overtime compensation for state employees be calculated on an employee's basic salary before the addition of any adjustments, including pay step differentials or shift differentials. Section 9 provides that section 3 takes effect on January 1, 1987.

Section 4 and 5 require an employee to make contributions to the Public Employment Retirement System on the employee's entire compensation including a cost-of-living differential. However, the employee's benefits will be based on the entire compensation only if the employee received a comparable cost-of-living differential for at least 50 percent of the employee's credited service. If the employee does not receive benefits based on salary including cost-of-living differentials, then the division must refund the amount of contributions the employee made for the differentials.

Senator Jan Faiks
Senator John Sackett
Co-chair, Senate Finance Committee
Page 2
March 13, 1985

Section 6 forbids the state, including the executive, Legislative, judicial branches and the University of Alaska, from making changes to positions, job classes, or salaries as listed in the section.

The regulation of employment detailed in section 6 may be viewed as a legislative infringement on the executive power of the governor, the power to administer courts assigned to the chief justice of the Supreme Court, and the power to govern the University of Alaska given to the board of regents.

The legislature clearly can limit the amount of money that these coordinate branches of government may spend on personal services. Whether the legislature can limit the way in which this money is spent as extensively as this section provides is open to question.

There is also a problem about implementing the limitation on merit increases. Under the contracts negotiated by the state and the Alaska Public Employees' Association for the General Government Unit and the Supervisory Unit, the state may be required to provide a system of "performance incentives" for employees in those units. Article IV, section 2, of each of those contracts contains language on "performance incentives":

Performance incentives shall be based upon the appointing authority's evaluation of an employee's performance. A performance incentive of one step in the salary range may be given to an Employee who has received an overall performance evaluation of "Acceptable" or better on the Employee's merit anniversary date.

and

The Employer will not establish a quota or percentage system to determine the number of performance increases granted, but the parties agree to accept the standards provided in GG 77-36 dated September 27, 1979, for determining the granting or not granting of performance increases.

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Senator Jan Faiks
Senator John Sackett
Co-chair, Senate Finance Committee
Page 3
March 13, 1985

relations, to all personnel officers. It addresses the standards that arbitrators had found to be improper reasons for denying a merit increase and heads the list with "lack of funds."

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Section 7 provides that the amendments to the Public Employees' Retirement System only apply to members first hired after the effective date of the sections amending the PERS. (They carry an immediate effective date.)

Section 8 provides that the bill does not terminate or modify a collective bargaining agreement that was in effect on the effective date established in section 10.

Section 10 provides that the bill, except for section 3, takes effect immediately.

If I may be of further assistance, please advise.

TC:mkr
096:WKJ12

COMMITTEE REPORT
SENATE

FURTHER:

1/15/83

Date _____

Mr. President

The Committee on _____ considered _____

Committee on public employees pay

and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass
- do pass with attached amendment(s)
- replace with/or adopt CS for _____
- new title
- same title and recommends _____
- and attached a "LETTER OF INTENT" NEW FISCAL NOTE
- reports it back without recommendation
- recommends referral to _____ Committee

*2 FN A/B
35% Adm
2.2% PERS
36.0 cap*

MEMBERS SIGNING
DO PASS

MEMBERS HAVING
OTHER RECOMMENDATIONS

Chairman

Chairman recommendation

SENATE AMENDMENT

SAC-85
4/11/55
Referred
for incorp
within
85 (Fin)
207

By SACKETT

To: amend SENATE BILL No. 207

To: _____ HOUSE BILL No. _____

PAGE: 5 LINE: 5 add a new section to read:

SEVERABILITY.

If any provision of this Act, or the application thereof to any person or circumstance is held invalid, the remainder of this Act and the application to other persons or circumstances shall not be effected thereby.

RENUMBER REMAINING SECTIONS ACCORDINGLY.

+ Collective Bargaining Change, p. 3
+ Severability Amendment (Backst)
Incorporated into CS(Fin)

Cramer
4/11/85 ✓

Original sponsor: Finance Committee

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IN THE SENATE

BY THE FINANCE COMMITTEE

CS FOR SENATE BILL NO. 207 (Finance)

IN THE LEGISLATURE OF THE STATE OF ALASKA

FOURTEENTH LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled: "An Act relating to calculation of the cost-of-living and pay step differentials for the compensation and retirement benefits of certain public employees; classification system; limiting the state's power to change the cost to the state of compensation for certain positions; and providing for an effective date."

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

* Section 1. AS 37.07 is amended by adding new sections to read:

Sec. 37.07.085. LIMITATIONS ON STATE PERSONNEL ACTIONS. (a)

Unless the budget specifically provides or the legislature approves, the state may not

(1) reclassify a position to a higher salary range after September 1, 1985 unless the reclassification is consistent with policies established in AS 39.25.150(1) for a position classification plan;

(2) change the salary range of a job class unless the change is required to comply with AS 18.80.220(a)(5), AS 39.25.010 or 39.25.150(2); or

(3) promote a person to the next step of a flexibly staffed position if the person was first hired in the flexibly-staffed position after the effective date of this section.

(b) In this section, "state" means the executive, legislative and judicial branches of state government and includes the University

1 of Alaska.

2
3 Sec. 37.07.087. LISTING OF PERMANENT POSITIONS. (a) On or
4 before September 15 of each year, each department shall deliver to the
5 division of budget review in the Office of Management and Budget a
6 list of permanent positions in the department on July 31 of that year.
7 The list shall include for each position the position control number
8 (PCN), title, salary range, pay step, location, time status, bargain-
9 ing unit if any, and position funding source. A department shall
10 remove from the list a PCN that is not funded and shall revise the
11 listing of other PCN's to be consistent with the positions authorized
12 in the budget. The department shall report to the legislature each
13 year the positions removed from its list.

14 (b) After conforming the list of permanent positions to the
15 budget, a department may not establish a new permanent PCN or change
16 the salary range, pay step, location, or time status of an existing
17 PCN unless the division of budget review concurs.

18 (c) A department shall maintain the master list of the depart-
19 ment's positions as an automated position accounting control system
20 file in accordance with instructions from the Office of Management and
21 Budget.

22 * Sec. 2. AS 39.25.010(b) is amended to read:

23 (b) The merit principle of employment includes the following:

24 (1) recruiting, selecting, and advancing employees on the
25 basis of their relative ability, knowledge, and skills, including open
26 consideration of qualified applicants for initial appointment;

27 (2) regular integrated salary programs based on the nature
28 of the work performed;

29 (3) retention of employees with permanent status on the
basis of the adequacy of their performance, reasonable efforts of

1 temporary duration for correction in inadequate performance, and
2 separation for cause;

3 (4) equal treatment of applicants and employees with regard
4 only to consideration within the merit principles of employment; [AND]

5 (5) selection and retention of an employee's position
6 secure from political influences; and

7 (6) classification and pay plans designed to provide pay
8 equity by using judgments and factors free of biases based on race or
9 sex and determining job worth for all job classifications based on a
10 single set of criteria.

11 * Sec. 3. AS 39.27.020 is amended by adding a new subsection to read:

Collective Bargaining Statute A/SEA

12 (d) If an employee's basic annual salary is no more than
13 \$30,000, the pay step differential shall be calculated using the
14 employee's basic salary. If the employee's basic annual salary is
15 greater than \$30,000, then the employee's pay step differential shall
16 be calculated on the differential for a basic salary of \$30,000.

17 * Sec. 4. AS 39.35 is amended by adding a new section to read:

18 Sec. 39.35.675. INCLUSION OF COST-OF-LIVING DIFFERENTIALS IN
19 COMPENSATION AND BENEFITS. (a) An employee shall make contributions
20 to the system based on compensation including a cost-of-living differ-
21 ential.

22 (b) The amount of a cost-of-living differential may not be in-
23 cluded in the employee's compensation for purposes of calculating
24 benefits paid under this chapter unless the employee has received a
25 cost-of-living differential in a comparable amount or of at least that
26 many steps for at least 50 percent of the employee's credited service.

27 (c) When an employee receives a benefit, and if the employee's
28 compensation for purposes of calculating the benefit does not include
29 a cost-of-living differential, then the administrator shall refund to

1 the employee the amount of contributions the employee made based on
2 the differential.

3 (d) In this section "cost-of-living differential" means an
4 adjustment to salary based on the cost of living in the geographic
5 region where the employee works and includes a pay step differential
6 under AS 39.27.020.

7 * Sec. 5. AS 39.35.680(8) is amended to read:

8 (8) "compensation" means the total remuneration earned by
9 an employee for personal services rendered, including cost-of-living
10 differentials only as provided in AS 39.35.675, payments for leave
11 that is actually used by the employee, the amount by which the em-
12 ployee's wages are reduced under AS 39.30.150(c), and any amount
13 deferred under an employer-sponsored deferred compensation plan, but
14 does not include retirement benefits, welfare benefits, per diem,
15 expense allowances, workers' compensation payments or payments for
16 leave not used by the employee whether those leave payments are sched-
17 uled payments, lump-sum payments, donations, or cash-ins;

18 * Sec. 6. The legislature shall review the pay step differentials
19 provided under AS 39.27.020 and under collective bargaining contracts
20 between the state and employee bargaining organizations following the
21 release of a comprehensive study of the geographic differentials by the
22 state.

23 * Sec. 7. By September 15, 1985, the division of budget review in the
24 Office of Management and Budget shall develop a master position control
25 system with the capability of matching permanent positions listed in an
26 automated position accounting control system against the state's master
27 payroll record.

28 * Sec. 8. The amendments made by secs. 4 and 5 of this Act apply only
29 to members first hired under the Public Employees' Retirement System on or
CSSB 207(Fin)

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after the effective date of secs. 4 and 5 of this Act.

* Sec. 9. Nothing in this Act terminates or modifies a collective bargaining agreement in existence on the effective date of secs. 1 - 3, 6 and 7 of this Act.

* Sec. 10. Sections 4, 5, and 8 of this Act take effect January 1, 1987.

* Sec. 11. Sections 1 - 3, 6, 7 and 9 of this Act take effect immediately in accordance with AS 01.10.070(c).

A/B

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date:

Page 1 of 4

REQUEST

Bill/Resolution No.: SB 207
Title: An Act relating to public employees

FISCAL DETAIL

Agency Affected: Administration
Program Category Affected: Finance

Sponsor: Senate Finance
Requestor: Senate State Affairs
Date of Request: March 12, 1985

BRU, Program or Subprogram(s) Affected:

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
OPERATING						
100 PERSONAL SERVICES	0	359.0	45.0	45.0	45.0	45.0
200 TRAVEL	0	0	0	0	0	0
300 CONTRACTUAL	0	0	0	0	0	0
400 SUPPLIES	0	0	0	0	0	0
500 EQUIPMENT	0	0	0	0	0	0
600 LAND & STRUCTURES	0	0	0	0	0	0
700 GRANTS, CLAIMS	0	0	0	0	0	0
800 MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	359.0	45.0	45.0	45.0	45.0
CAPITAL	0	0	0	0	0	0
REVENUE	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	359.0	45.0	45.0	45.0	45.0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	0	359.0	45.0	45.0	45.0	45.0

POSITIONS:

FULL-TIME	0	6	1	1	1	1
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS: (Attach a separate page if necessary)

Prepared By: Ken Bischoff *KB* Phone: 465-2240
Division: Finance Date: March 13, 1985

Approved by Commissioner: Lisa Rudd *L. Rudd* Date: 3-13-85
Agency: Department of Administration

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

Fiscal Note
SB 207

201

Cost Calculation Summary:

One Time Costs

3 Journey level programmers 1 yr.	190.0
Admin Manual Update 6 employee months	31.0
Agency Training course development and Administering 6 employee months	31.0
Finance Participation in Coordination effort with all other affected groups (Personnel, Labor Relations, Retirement, Law unions) 12 employee months	<u>62.0</u>
	<u>314.0</u>

Ongoing Costs

Additional Manual Effort due to changes in
benefit calculation

1 position Range 16	45.0
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Additional Fiscal Note Analysis

This bill as it applies to the Division of Finance would impact us significantly as certain provisions change fundamental concepts about the methods the state uses to pay its employees. Our comments are limited to those areas where the state would be required to modify automated and manual processes in order to satisfactorily meet the provisions of this bill.

SUMMARY OF PROVISIONS AFFECTING FINANCE:

- A major target of this legislation is aimed toward changing the way in which cost of living differentials are determined and paid. The State currently maintains 60 separate salary schedules reflecting up to 30 salary ranges and 10 steps in each.
 - Cost of living differentials have always been paid according to a uniform percentage (subject to certain exceptions due to collective bargaining) to all pay schedules. This bill (sec. 2(d)) proposes to place a lid on the maximum amount that can be paid by establishing a basic annual salary limit of \$30,000.
- Section 3 of the bill would limit overtime rate determination to a calculation based upon the basic annual salary amount.
- In terms of computing retirement benefits section 4 would require the state to track base retirement contributions separately from contributions related to the cost of living differential only. The state would have to change benefit calculation algorithms to include separate calculations for base salary benefits and benefits based on area cost of living differentials for each year of service in order to satisfy the provisions of section 4 of the bill. The current benefit calculation is performed manually and requires the state to identify the number of years of creditable service and the three highest paid years for determining benefit amounts. This bill proposes a significantly more sophisticated approach that if done manually will be more subject to errors and require significantly more manual effort than before.
- Section 1, 2, 4-7 have immediate effective dates upon passage of this legislation. It is not feasible to implement the provisions of this bill immediately. The State is currently implementing a new statewide accounting system (AKSAS), the current payroll system is being modified to interface with AKSAS, there are scheduled changes to the current payroll system to accommodate the most recent labor agreements, a current area differential study is being completed which will have some impact to our payroll processes, and the current classification study will also likely have significant impact to our payroll processes.

Implementing changes required by this bill will need to be flexibly scheduled to be considered along with all other changes that will be legally and procedurally required in order to keep our state payroll processes and systems properly functioning without service interruption.

Summary analysis of changes and related fiscal impact:

- Modifications to automated systems (input form changes, file changes, program changes, analysis and design)

* 36 employee months

* ASSUMPTIONS

- State can use existing base pay schedules for each identified employee group (approximately 12 groups).
- This bill will not attempt to change any fundamental payroll processes. No major change will be required to the current pay schedules.
- This estimate does not include estimates for data processing chargeback costs.
- Changes required by this bill will be allowed to be scheduled appropriately with all other production work that is necessary to keep the state payroll systems properly operating.

- Update State Administrative Manual to include new pay calculation changes for supplemental and prepay processes.

6 employee months

- Train state agencies in new payroll calculation procedures.

6 employee months

- Coordination of affected groups to identify and mutually agree on intent of legislation (Finance, Labor Relations, Retirement, Department of Law, Unions, Legislature).

12 employee months

- Additional ongoing manual effort to calculate benefit amounts equates to one additional position.

A/R

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____ Page 1 of 2

REQUEST
 Bill/Resolution No.: SB 207
 Title: "An Act relating to public employees; and providing..."
 Sponsor: Finance Committee
 Requestor: State Affairs
 Date of Request: 3/1/85

FISCAL DETAIL
 Agency Affected: Department of Administration
 Program Category Affected: Labor Services
 BRU, Program or Subprogram(s) Affected: PERS

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
Operating						
100 Personal Svcs						
100 Rtmnt & Bnfts		[10.9]	[11.8]	[12.7]	[13.7]	[14.8]
200 Travel						
300 Contractual		13.1	14.1	15.3	16.5	17.8
400 Supplies						
500 Equipment						
600 Land & Struct						
700 Grants, Claims						
700 IRS Match						
TOTAL OPERATING	-0-	2.2	2.3	2.6	2.8	3.0
CAPITAL		36.0				
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND		[9.9]	[10.7]	[11.5]	[12.5]	[13.5]
FEDERAL FUNDS		[.5]	[.5]	[.6]	[.6]	[.7]
OTHER		48.6	13.5	14.7	1.9	17.2
TOTAL	-0-	38.2	2.3	2.6	2.8	3.0

POSITIONS:	-0-	-0-	-0-	-0-	-0-	-0-
FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

J.K. Humphreys

Prepared By: J.K. Humphreys, Director Phone: 465-4470
 Division: Retirement & Benefits Date: 3/13/85

Approved by Commissioner: Lisa Rudd Date: 3-13-85
 Agency: Department of Administration

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

Senate Bill 207
 Fiscal Note Analysis
 Prepared by Division of Retirement & Benefits
 Department of Administration
 March 13, 1985

IV Analysis: With passage, sections four and five of this bill would prohibit the three highest consecutive years salary, used for benefit calculation in the Public Employees' Retirement System (PERS), to include any area cost-of-living adjustment if the member has not received an area cost-of-living differential during at least 50 percent of the members credited service. The bill would also provide for refunding any contributions paid on area-differentials if the salaries used for benefit calculation do not include area-differential.

It is estimated that this bill would result in a .002% reduction in the State contribution rate in the PERS. We also estimate that the computer system enhancements needed would result in a one year \$36,000 FY 86 cost and a cost of \$13,100 for FY 86 maintenance. The costs are estimated to increase by 8% each year.

The \$38.2 FY 86 costs are calculated as follows:

The estimated decrease in FY 86 State contribution rate (.002%) times the FY 86 estimated state payroll (\$544,046,592)	[\$10.9]
Plus the estimated FY 86 system maintenance costs	\$13.1
Plus the estimated one year FY 86 system enhancement costs	<u>\$36.0</u>
Total Fy 86 estimated costs	<u><u>\$38.2</u></u>

Introduced: 3/1/85
Referred: State Affairs
and Finance

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2

SENATE BILL NO. 207

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6 For an Act entitled: "An Act relating to public employees; and providing
7 for an effective date."

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

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

10 Sec. 23.40.210. AGREEMENT. Upon the completion of negotiations
11 between an organization and a public employer, if a settlement is
12 reached, the employer shall reduce it to writing in the form of an
13 agreement. The agreement may include a term for which it will remain
14 in effect, not to exceed three years. The agreement shall include a
15 pay plan designed to provide for a cost-of-living differential between
16 the salaries paid employees residing in the state and employees resid-
17 ing outside the state. The cost-of-living differential or other
18 geographic cost-of-living adjustment may not be considered part of the
19 basic salary for purposes of calculating overtime compensation or
20 other salary adjustments. The plan shall provide that the salaries
21 paid, as of August 26, 1977, to employees residing outside the state
22 shall remain unchanged until the difference between those salaries and
23 the salaries paid employees residing in the state reflects the differ-
24 ence between the cost of living in Alaska and living in Seattle,
25 Washington. The agreement shall include a grievance procedure which
26 shall have binding arbitration as its final step. Either party to the
27 agreement has a right of action to enforce the agreement by petition
28 to the labor relations agency.

29 * Sec. 2. AS 39.27.020 is amended by adding a new subsection to read:

1 (d) If an employee's basic annual salary is no more than
2 \$30,000, the pay step differential shall be calculated using the
3 employee's basic salary. If the employee's basic annual salary is
4 greater than \$30,000, then the employee's pay step differential shall
5 be calculated on the differential for a basic salary of \$30,000.

6 * Sec. 3. AS 39.27 is amended by adding a new section to read:

7 Sec. 39.27.027. OVERTIME COMPENSATION. Overtime compensation
8 shall be calculated on the basic salary of an employee before the
9 addition of any adjustments including pay step differentials and shift
10 differentials.

11 * Sec. 4. AS 39.35 is amended by adding a new section to read:

12 Sec. 39.35.675. INCLUSION OF COST-OF-LIVING DIFFERENTIALS IN
13 COMPENSATION AND BENEFITS. (a) An employee shall make contributions
14 to the system based on compensation including a cost-of-living differ-
15 ential.

16 (b) The amount of a cost-of-living differential may not be in-
17 cluded in the employee's compensation for purposes of calculating
18 benefits under this chapter unless the employee has received a cost-
19 of-living differential in a comparable amount or of at least that many
20 steps for at least 50 percent of the employee's credited service.

21 (c) When an employee receives a benefit, and if the employee's
22 compensation for purposes of calculating the benefit does not include
23 a cost-of-living differential, then the administrator shall refund to
24 the employee the amount of contributions the employee made based on
25 the differential.

26 (d) In this section "cost-of-living differential" means an
27 adjustment to salary based on the cost of living in the geographic
28 region where the employee works and includes a pay step differential
29 under AS 39.27.020.

1 * Sec. 5. AS 39.35.680(8) is amended to read:

2 (8) "compensation" means the total remuneration earned by
3 an employee for personal services rendered, including cost-of-living
4 differentials only as provided in AS 39.35.675, payments for leave
5 that is actually used by the employee, the amount by which the em-
6 ployee's wages are reduced under AS 39.30.150(c), and any amount
7 deferred under an employer-sponsored deferred compensation plan, but
8 does not include retirement benefits, welfare benefits, per diem,
9 expense allowances, workers' compensation payments or payments for
10 leave not used by the employee whether those leave payments are sched-
11 uled payments, lump-sum payments, donations, or cash-ins;

12 * Sec. 6. (a) Unless the budget specifically provides or the legisla-
13 ture approves, the state may not

14 (1) reclassify a position;

15 (2) change the salary range of a job class unless the change is
16 required to comply with AS 18.80.220(a)(5);

17 (3) promote a person to the next step of a flexibly staffed
18 position if the person was first hired in the flexibly-staffed position
19 after the effective date of this section; or

20 (4) award a person a merit increase.

21 (b) In this section, "state" means the executive, legislative and
22 judicial branches of state government and includes the University of
23 Alaska.

24 * Sec. 7. The amendments made by secs. 4 and 5 of this Act apply only
25 to members first hired under the Public Employees' Retirement System on or
26 after the effective date of secs. 4 and 5 of this Act.

27 * Sec. 8. Nothing in this Act terminates or modifies a collective
28 bargaining agreement in existence on the effective date of secs. 1, 2 and
29 4 - 7 of this Act.

- 1 * Sec. 9. Section 3 of this Act takes effect January 1, 1987.
- 2 * Sec. 10. Sections 1, 2 and 4 - 7 of this Act take effect immediately
- 3 in accordance with AS 01.10.070(c).

Original sponsor: Finance Committee

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IN THE SENATE

BY THE FINANCE COMMITTEE

CS FOR SENATE BILL NO. 207 (Finance)
IN THE LEGISLATURE OF THE STATE OF ALASKA
FOURTEENTH LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled: "An Act relating to calculation of the cost-of-living and pay step differentials for the compensation and retirement benefits of certain public employees; limiting the state's power to change the cost to the state of compensation for certain positions; and providing for an effective date."

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

* Section 1. AS 37.07 is amended by adding new sections to read:

Sec. 37.07.085. LIMITATIONS ON STATE PERSONNEL ACTIONS. (a)

Unless the budget specifically provides or the legislature approves, the state may not

(1) reclassify a position to a higher salary range after September 1, 1985 unless the reclassification is consistent with policies established in AS 39.25.150(1) for a position classification plan;

(2) change the salary range of a job class unless the change is required to comply with AS 18.80.220(a)(5), AS 39.25.010 or 39.25.150(2); or

(3) promote a person to the next step of a flexibly staffed position if the person was first hired in the flexibly-staffed position after the effective date of this section.

(b) In this section, "state" means the executive, legislative and judicial branches of state government and includes the University of Alaska.

1
2 Sec. 37.07.087. LISTING OF PERMANENT POSITIONS. (a) On or
3 before September 15 of each year, each department shall deliver to the
4 division of budget review in the Office of Management and Budget a
5 list of permanent positions in the department on July 31 of that year.
6 The list shall include for each position the position control number
7 (PCN), title, salary range, pay step, location, time status, bargain-
8 ing unit if any, and position funding source. A department shall
9 remove from the list a PCN that is not funded and shall revise the
10 listing of other PCN's to be consistent with the positions authorized
11 in the budget. The department shall report to the legislature each
12 year the positions removed from its list.

13 (b) After conforming the list of permanent positions to the
14 budget, a department may not establish a new permanent PCN or change
15 the salary range, pay step, location, or time status of an existing
16 PCN unless the division of budget review concurs.

17 (c) A department shall maintain the master list of the depart-
18 ment's positions as an automated position accounting control system
19 file in accordance with instructions from the Office of Management and
20 Budget.

21 * Sec. 2. AS 39.25.010(b) is amended to read:

22 (b) The merit principle of employment includes the following:

23 (1) recruiting, selecting, and advancing employees on the
24 basis of their relative ability, knowledge, and skills, including open
25 consideration of qualified applicants for initial appointment;

26 (2) regular integrated salary programs based on the nature
27 of the work performed;

28 (3) retention of employees with permanent status on the
29 basis of the adequacy of their performance, reasonable efforts of
temporary duration for correction in inadequate performance, and

1 separation for cause;

2 (4) equal treatment of applicants and employees with regard
3 only to consideration within the merit principles of employment; [AND]

4 (5) selection and retention of an employee's position
5 secure from political influences; and

6 (6) classification and pay plans designed to provide pay
7 equity by using judgments and factors free of biases based on race or
8 sex and determining job worth for all job classifications based on a
9 single set of criteria.

10 * Sec. 3. AS 39.27.020 is amended by adding a new subsection to read:

11 (d) If an employee's basic annual salary is no more than
12 \$30,000, the pay step differential shall be calculated using the
13 employee's basic salary. If the employee's basic annual salary is
14 greater than \$30,000, then the employee's pay step differential shall
15 be calculated on the differential for a basic salary of \$30,000.

16 * Sec. 4. AS 39.35 is amended by adding a new section to read:

17 Sec. 39.35.675. INCLUSION OF COST-OF-LIVING DIFFERENTIALS IN
18 COMPENSATION AND BENEFITS. (a) An employee shall make contributions
19 to the system based on compensation including a cost-of-living differ-
20 ential.

21 (b) The amount of a cost-of-living differential may not be in-
22 cluded in the employee's compensation for purposes of calculating
23 benefits paid under this chapter unless the employee has received a
24 cost-of-living differential in a comparable amount or of at least that
25 many steps for at least 50 percent of the employee's credited service.

26 (c) When an employee receives a benefit, and if the employee's
27 compensation for purposes of calculating the benefit does not include
28 a cost-of-living differential, then the administrator shall refund to
29 the employee the amount of contributions the employee made based on

1
2 the differential.

3 (d) In this section "cost-of-living differential" means an
4 adjustment to salary based on the cost of living in the geographic
5 region where the employee works and includes a pay step differential
6 under AS 39.27.020.

7 * Sec. 5. AS 39.35.680(8) is amended to read:

8 (8) "compensation" means the total remuneration earned by
9 an employee for personal services rendered, including cost-of-living
10 differentials only as provided in AS 39.35.675, payments for leave
11 that is actually used by the employee, the amount by which the em-
12 ployee's wages are reduced under AS 39.30.150(c), and any amount
13 deferred under an employer-sponsored deferred compensation plan, but
14 does not include retirement benefits, welfare benefits, per diem,
15 expense allowances, workers' compensation payments or payments for
16 leave not used by the employee whether those leave payments are sched-
17 uled payments, lump-sum payments, donations, or cash-ins;

18 * Sec. 6. The legislature shall review the pay step differentials
19 provided under AS 39.27.020 and under collective bargaining contracts
20 between the state and employee bargaining organizations following the
21 release of a comprehensive study of the geographic differentials by the
22 state.

23 * Sec. 7. By September 15, 1985, the division of budget review in the
24 Office of Management and Budget shall develop a master position control
25 system with the capability of matching permanent positions listed in an
26 automated position accounting control system against the state's master
27 payroll record.

28 * Sec. 8. The amendments made by secs. 4 and 5 of this Act apply only
29 to members first hired under the Public Employees' Retirement System on or
after the effective date of secs. 4 and 5 of this Act.

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* Sec. 9. Nothing in this Act terminates or modifies a collective bargaining agreement in existence on the effective date of secs. 1 - 3, 6 and 7 of this Act.

* Sec. 10. Sections 4, 5, and 8 of this Act take effect January 1, 1987.

* Sec. 11. Sections 1 - 3, 6, 7 and 9 of this Act take effect immediately in accordance with AS 01.10.070(c).

Position Paper
Cost of Living (Geographic) Differential in Compensation
and Benefits: SB 207, Sections 4 and 5, CSSB 207 (Finance),
Sections 5 and 6; Work Draft CSSB121 (Finance),
February 12, 1986, Sections 32 and 34.

The Senate Finance Committee staff has requested the position of the Department of Administration on the topic shown above.

This proposal would amend the Public Employees' Retirement Systems. The amendment is to calculate retirement benefits using salaries including geographic differentials only if 50% or more of the credited service was at a location where a comparable geographic differential was paid. Only State employees are affected (there are no known geographic differentials within the participating political subdivisions). This proposal would also provide for refunding any contributions paid on geographic differential if the salary used for benefit calculation does not include the geographic differential.

This proposal does not affect current employees, only future employees.

This proposal has an impact in two areas. First, retirement benefits for some employees are affected and other will receive refunds; and second, the maintenance of records necessary for calculating benefits is greatly increased.

In preparation of this Position Paper, the Division of Retirement and Benefits researched the files of 34 terminated, vested former Alaska State Troopers and the files of the last 40 state employees retired in the Public Employees' Retirement System (PERS) to determine what effect this provision would have had on their retirement or projected retirement benefit.

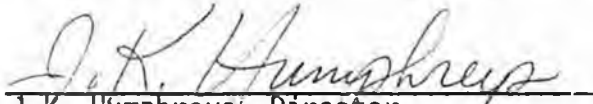
Even assuming that all of these employees were "new employees" and therefore subject to the proposal, we found that only two of them, both former Alaska State Troopers, would have their retirement benefits potentially affected. In one case, the benefit would have dropped from \$1,306.77 to \$1,108.60 (\$198.17 per month) and in the other case from \$1,073.60 to \$935.25 (\$138.35 per month). The only other employees affected are those that would have received refunds on their differential contributions--20 of the 74 individuals.

In terms of computing retirement benefits this proposal would require the State to track base retirement contributions separately from contributions related to the cost of living differential only. The State would have to change the benefit calculation algorithms to perform separate calculations cost of living differentials for each year of service. The attached Fiscal Note for the Division of Retirement and Benefits details these costs. The net first year costs are \$23.2.

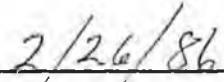
The current verification of service is performed manually and requires the State to identify the number of years of creditable service. This proposal would require a significantly more laborious approach with more manual steps and will be more subject to errors than before. The Division of Finance has calculated the costs for these recordkeeping requirements to be \$286.5 in FY 87, \$77.5 in FY 88 through FY 91, and require an increasing staff in FY 92 and beyond as employees become vested under this proposal (see attached Fiscal Note for the Division of Finance).

Position

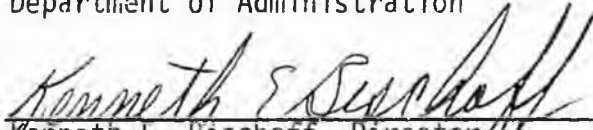
It is our belief that any savings in benefit costs will be more than offset by refunds and the cost of maintaining the additional detail that would be needed for all new employees. We do not support this provision due to the cost of achieving a minor reduction in the benefit of so few employees.



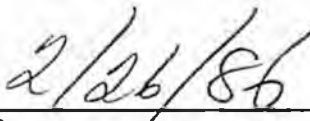
J.K. Humphreys, Director
Division of Retirement and Benefits
Department of Administration




Date




Kenneth E. Bischoff, Director
Division of Finance
Department of Administration



Date



Commissioner Eleanor Andrews
Department of Administration



Date

Attachments: Fiscal Notes (2)

STATE OF ALASKA 1986 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

REQUEST
 Bill/Resolution No.: _____
 Title: Cost of living differential
in compensation and benefits

 Sponsor: _____
 Requestor: Senate Finance
 Date of Request: February 24, 1986

FISCAL DETAIL
 Agency Affected: Administration
 BRU: Retirement and Benefits

 Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
PERSONAL SERVICES		(20.0)	(21.6)	(23.3)	(25.2)	(27.2)
TRAVEL						
CONTRACTUAL		43.2				
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	23.2	(21.6)	(23.3)	(25.2)	(27.2)
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND		21.0	(19.5)	(21.1)	(22.8)	(24.6)
FEDERAL FUNDS		1.0	(1.0)	(1.0)	(1.1)	(1.3)
OTHER		1.2	(1.1)	(1.2)	(1.3)	(1.3)
TOTAL	-0-	23.2	(21.6)	(23.3)	(25.2)	(27.2)

POSITIONS:	-0-	-0-	-0-	-0-	-0-	-0-
FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: Attach a separate page if necessary

Prepared By: Kenneth J. Humphreys Phone: 465-4460
 Division: Retirement and Benefits Date: _____
 Approved by Commissioner: Eleanor Andrews Date: 2/27/86
 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

Cost of Living Differential in Compensation and Benefits

This Fiscal Note is limited to the proposal found in sections 4 and 5 of SB 207, sections 5 and 6 of CSSB 207 (Finance) and section 32 and 34 of work draft CSSB 121 (Finance), dated February 12, 1986. It is further limited to the impact on the Division of Retirement and Benefits.

It is estimated that the savings in PERS would be approximately \$40,000 minus the refund of contributions of approximately \$20,000 for a net savings of \$20,000 in FY 87 (exclusive of administrative costs) and increasing by 8% each year thereafter.

STATE OF ALASKA 1986 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

<p>REQUEST</p> <p>Bill/Resolution No.: _____</p> <p>Title: <u>Cost of Living Differential</u> <u>in Compensation and Benefits</u></p> <p>Sponsor: _____</p> <p>Requestor: <u>Senate Finance</u></p> <p>Date of Request: <u>February 24, 1986</u></p>	<p>FISCAL DETAIL</p> <p>Agency Affected: <u>Administration</u></p> <p>BRU: <u>Finance</u></p> <p>Components: _____</p>
----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	------------------------------------------------------------------------------------------------------------------------

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
PERSONAL SERVICES	0	286.5	77.5	77.5	77.5	77.5
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	286.5	77.5	77.5	77.5	77.5
CAPITAL	0	0	0	0	0	0
REVENUE	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	286.5	77.5	77.5	77.5	77.5
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	0	286.5	77.5	77.5	77.5	77.5

POSITIONS:

FULL-TIME	0	1 (12)	1 (6)	1 (12)	1 (12)	1 (12)
PART-TIME	0	0	1 (6)	1 (6)	1 (6)	1 (6)
TEMPORARY	0	5 (42)	0	0	0	0

ANALYSIS: Attach a separate page if necessary

See attached analysis

Prepared By: <u>Kenneth E. Bischoff</u> <i>KES</i>	Phone: <u>465-2240</u>
Division: <u>Director</u>	Date: <u>February 24, 1986</u>
Approved by Commissioner: <u>Eleanor Andrews</u> <i>Eleanor Andrews</i>	Date: <u>2/26/86</u>
Agency: <u>Department of Administration</u>	

Distribution (by Agency preparing fiscal note):

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

Fiscal Note
Cost of Living Differential in Compensation and Benefits

Cost Calculation Summary:

One Time Costs

3 Journey level programmers 10 months each	162.5
Administrative Manual update 6 employee months	31.0
Agency training course development and administering 6 employee months	31.0
Finance participation in coordination effort with all other affected groups (Personnel, Labor Relations, Retirement and Benefits, Law, unions) 12 employee months	62.0
	<u>286.5</u>

Ongoing Costs

Additional manual effort required to maintain additional historical data needed to verify length of service and contributions with and without geographic differentials 1 position, range 16	45.0
Additional 6 month/year for payroll system, maintenance i position (6 month) Analyst/Programmer (65.0 x 1/2)	32.5
	<u>77.5</u>

Additional Fiscal Note Analysis

This Fiscal Note and the following comments are limited to the proposal found in sections 4 and 5 of SB 207, sections 5 and 6 of CSSB 207 (Finance) and sections 32 and 34 of work draft CSSB121 (Finance), dated February 12, 1986. They are further limited to the impact on the Division of Finance which would be required to modify automated and manual processes in order to satisfactorily meet the provisions.

- ° The proposal changes the way in which retirement benefits are calculated. It significantly impacts methods used by the State to pay its employees by requiring the complete separation of differential pay from other types of pay and requiring additional record keeping over an employee's entire employment history in order to be able to compute retirement benefits.
- ° The verification of length of service, including the calculation of periods with and without differentials, will essentially be a manual process. These calculations will start in approximately five years when new hires start becoming vested. At that time a new unit within the payroll section of the Division of Finance would be needed. It would probably be one or two employees initially and grow as more and more employees falling under the proposed law decide to retire. This cost occurs beyond the time frame shown on page one of this Fiscal Note.

Summary analysis of changes and related fiscal impact:

One time costs:

Modifications to automated systems (input form changes, file changes, program changes, analysis and design).

* 30 employee months.

◦ ASSUMPTIONS

- State can use existing base pay schedules for each identified employee group (approximately 12 groups).
- This bill will not attempt to change any fundamental payroll processes. No major change will be required to the current pay schedules.
- This estimate does not include estimates for data processing chargeback costs.
- Changes required by this bill will be allowed to be scheduled appropriately with all other production work that is necessary to keep the State payroll systems properly operating.

Update State Administrative Manual to include new pay calculation changes for supplemental and prepay processes.

* 6 employee months.

Train state agencies in new payroll calculations procedures.

* 6 employee months.

Coordination of affected groups to identify and mutually agree on implementation of legislation (Divisions of Personnel, Labor Relations, and Retirement and Benefits, Department of Law, unions).

* 12 employee months.

Ongoing costs:

Additional manual effort in the payroll section in order to maintain the additional historical data in a form that can be used to verify length of service including periods with and without differentials (one additional position).

Additional payroll systems maintenance due to increased complexity (6 month per year).

After five years when new employees start to retire, a new unit will need to be established to extract from the employment histories the data needed to verify length of service with and without differential which must be provided to the Public Employees' Retirement System.

POSITION PAPER
SB 207
(With Proposed State Affairs Amendments)

This bill deals with four distinct topics. This position paper is prepared on a sectional basis to deal with the individual topics. Notation is made of fiscal impacts which are further detailed in accompanying fiscal notes. In general, the Department of Administration supports the intent of the legislation. We believe, however, that there are several areas that should receive more attention.

SECTION 1:

This Section is aimed toward changing the way in which cost of living differentials are determined and paid. The State currently maintains 60 separate salary schedules reflecting up to 30 salary ranges with 10 steps in each.

The purpose of the proposed change to AS 23.40.210 appears to be to require that future collective bargaining agreements with State employees exclude geographic cost-of-living differentials/adjustments from any overtime or premium pay entitlements of employee. Overtime and other "premium pay" would be calculated only on the basic pay/wage schedule.

The concept of excluding geographic differentials from premium pay calculations may have merit. Since cost-of-living differences tend to stem from geographic price differences in basic commodities and services, their effect on employees is not in direct relation to earning levels. A pound of hamburger, a kilowatt hour of electricity, and a gallon of gasoline cost the same for every employee in a duty station, regardless of income. Consequently, there is a strong equity argument for paying every affected employee a differential which is separate and apart from the employee's earning level. (See also Section 2 below.) However, it is employees on the mid-to-lower ranges of the pay scales who typically earn overtime/premium pay. Calculating overtime/premium pay on a base schedule could produce a true income reduction for present employees.

Calculating overtime/premium pay only on a base schedule should result in a reduction in Personal Services expenses of the State. The amount of the reduction and its distribution have not been calculated yet.

In its current form, this Section may be read to apply only to the pay differential provided between employees residing in Alaska and those residing outside the state. If the intent is to exclude internal (within Alaska) geographic differentials as well, then the proposed new language should be redrafted to read:

Cost-of-living differentials or other geographic cost-of-living adjustment, whether applicable within or outside the state, which provide compensation in excess of that provided in the basic pay plan may not be considered part of the basic salary for purposes of calculating overtime compensation or other salary adjustments.

POSITION PAPER
SB 207

Section 1 has an immediate effective date, but applies only to future collective bargaining agreements (see Sections 8 and 10).

SECTION 2:

This Section of the bill would limit the application of the statutory pay step differentials to the first \$30,000 of an employee's base salary. There may be an argument for paying the same dollar differential to all employees at a duty station. This provision would do that once the \$30,000 cap is reached.

The Legislature in 1984 funded a study of the geographic differentials. The study is currently in process and is expected to be completed in April. We recommend that the Legislature be willing to give further consideration to the question of geographic differential when the results of the study are available.

This Section amends Title 39, Chapter 27 of the Alaska Statutes: Pay Plan for State Employees. There is no similar amendment to AS 23.40.070 through 260 of the Public Employees' Relation Act. Therefore, there is no requirement that future collective bargaining agreements comply with this Section. Section 8 of the bill clearly indicates the intention that Section 2 apply to collective bargaining agreements. To formally give this effect, AS 24.40.210 should be amended to require future agreements to not conflict with proposed AS 39.27.020.

Section 2 sets a cap of \$30,000 in basic salary for the payment of geographic differential. Over time, this cap will affect more and more employees. As salaries rise, the differential would therefore become a smaller and smaller portion of income. This will have an adverse effect on employees at the lower end of the salary schedule who are most affected by higher costs. In order to neutralize this effect, we recommend that the differential be applied to a fixed range and step of the statutory pay schedule. The closest current range and step to \$30,000 is range 15, step B. We therefore, recommend that Section 2 of the bill be amended to read:

- (d) If an employee's basic annual salary is no more than the basic salary provided by range 15, step B of the salary schedule in AS 39.27.011, the pay step differential shall be calculated using the employee's basic salary. If the employee's basic annual salary is greater than the basic annual salary provided by range 15, step B of the salary schedule in AS 39.27.011, then the employee's pay step differential shall be calculated on the differential for range 15, step B, of the salary schedule in AS 39.27.011.

Section 2 has an immediate effective date.

SECTION 3:

This Section of the bill is a companion provision to Section 1. This Section applies a restriction to overtime compensation calculation for employees not covered by collective bargaining in the Executive Branch. Section 1 applies a similar restriction to those employees covered by collective bargaining agreements.

POSITION PAPER
SB 207

Again, this Section would primarily affect employees in the mid-to-lower ranges of the pay scales.

Section 3 has an immediate effective date.

SECTIONS 4 and 5:

These Sections amend the Public Employees' Retirement Systems. The amendment is to calculate retirement benefits using salaries including geographic differentials only if 50% or more of the credited service was at a location where a comparable geographic differential was paid. Only State employees are affected (there are no known geographic differentials within the participating political subdivisions). These Sections would also provide for refunding any contributions paid on area differential if the salary used for benefit calculation does not include area differential.

Sections 4 and 5 would not affect current employees; therefore the immediate impact will be relatively small. The long term impact will be greater because of the requirement to calculate retirement benefits differently for employees hired after the effective date of this bill.

The computer programs of the Public Employees' Retirement System will need substantial revision to accommodate the proposed changes to the method of calculating retirement benefits and refunds for employees hired before the effective date of this bill. These costs would be substantial relative to the perceived cost savings; the net effect would be a cost to the State.

In terms of computing retirement benefits Section 4 would require the State to track retirement contributions on base salaries separately from contributions related to the cost-of-living differential only. The current benefit calculation is performed manually and requires the State to identify the number of years of creditable service and the three highest paid years for determining benefit amounts. Amending these retirement sections would significantly complicate the system without achieving a significant program impact.

Section 4 and 5 have an effective date of January 1, 1987.

SECTION 6:

This Section of the bill would require the Legislature to take an active role in the day-to-day management of all branches of government.

The Department of Administration opposes this Section. We believe this provision violates the separation of powers doctrine. It would provide an unwarranted intrusion of the Legislature into the management prerogatives of the Executive Branch.

SECTION 7:

This Section makes the retirement provisions of Sections 4 and 5 apply only to members of the Public Employees Retirement System first hired after the effective date of Sections 4 and 5.

POSITION PAPER
SB 207

SECTION 8:

Section 8 provides "grandparent" rights to current collective bargaining agreements.

SECTION 9:

This Section makes Sections 4 and 5 effective January 1, 1987.

SECTION 10:

Sections 1-3, and 6 and 7 have immediate effective dates upon passage of this legislation. It is not feasible to implement the provisions of this bill immediately. The State is currently implementing a new statewide accounting system (AKSAS), the current payroll system is being modified to interface with AKSAS, there are scheduled changes to the current payroll system to accommodate the most recent labor agreements, and a current area differential study is being completed which will have some impact on payroll processes. This bill provides different actual effective dates. For example: Overtime and premium pay for those not covered by collective bargaining, immediately; overtime and premium pay for those covered by collective bargaining, next contract; geographic differential cap of \$30,000 for those not covered by collective bargaining, immediately; geographic differential cap of \$30,000 for those covered by collective bargaining, not required.

Staggered implementation of the same requirement only makes implementation more difficult.

The current collective bargaining agreements for the General Government, Supervisory, Confidential and Labor, Trades and Crafts bargaining units all expire on December 31, 1986. In order to affect most employees covered by collective bargaining as well as those not covered by collective bargaining at one time, we recommend that the entire bill have an effective date of January 1, 1987. Not only will this apply a common effective date, but will allow the department sufficient time to implement the changes in an orderly fashion.

Implementing changes required by this bill will need to be flexibly scheduled to be considered along with all other changes that will be legally and procedurally required in order to keep the state payroll processes and systems properly functioning without service interruption.

Position Summary

We support the primary concept of this bill that attempts to distinguish payment for wages versus payment for cost-of-living differentials. We support the idea that the cost-of-living in a given geographical location is the same for all in that location and the way employees are currently paid is not consistent with that idea.

However, we need to emphasize that this is a significant departure from the way our current collective bargaining agreements and statutes read and how our employees are paid. We will need some time to consider how we can best implement the intent of this bill without causing significant disparity

POSITION PAPER
SB 207

between covered and noncovered groups of employees or without violating certain constitutional provisions. Additionally, this bill has certain provisions which go into effect immediately upon passage. It is not possible to implement them immediately as the changes significantly impact our automated and manual payroll processes. We recommend that implementation be scheduled to coincide with the time when appropriate collective bargaining changes can be made as covered employees are 95% of the work force. If this group is not included, this bill will quite likely cost more money than it will save.

Frank Raye

Frank Raye, Director
Department of Administration

3/18/85

Date

J. K. Humphreys

J. K. Humphreys, Director
Department of Administration

3/18/85

Date

Kenneth E. Bischoff

Kenneth E. Bischoff, Director
Department of Administration

3/18/85

Date

Lisa Rudd

Commissioner Lisa Rudd
Department of Administration

3/18/85

Date

COMMITTEE REPORT
SENATE

FURTHER:

FINANCE

3/1/85

Date 03/14/85

Mr. President

The Committee on STATE AFFAIRS considered SB 207

relating to public employees; efd.

and (a majority of the committee) (the committee) reports it back with the following recommendations:

do pass

do pass with attached amendment(s)

replace with/or adopt CS for _____

new title

same title and recommends _____

and attached a "LETTER OF INTENT"

NEW FISCAL NOTES

reports it back without recommendation

recommends referral to _____ Committee

MEMBERS SIGNING

DO PASS

Edna De Vries

Tim Kelly

MEMBERS HAVING

OTHER RECOMMENDATIONS

Missler - NO REC

Until Constitutional Questions Resolved

Bill Ray DO NOT PASS in form it leaves STATE AFFAIRS

Michael Reed

Chairman

Debra Donohue with Rice

Chairman recommendation

do pass with Finance Committee

Page 1, lines 6-7: Delete title and insert:

"An Act relating to overtime compensation for public employees; calculation of cost-of-living and pay step differentials for the compensation and retirement benefits of public employees; limiting the state's power to change the cost of the compensation for certain positions; and providing for an effective date."

Page 3, line 14: after "position" insert "to a higher salary range"

Page 3, lines 28-29: Delete "1, 2 and 4 - 7" and insert "1 - 3 and 6, 7"

Page 4, line 1: Delete "Section 3" and insert "Sections 4, 5"

Page 4, line 2: Delete "1, 2 and 4 - 7" and insert "1 - 3 and 6, 7"

SENATE AMENDMENT

By STATE AFFAIRS

To: _____ SENATE BILL No. 207

To: _____ HOUSE BILL No. _____

PAGE: 1 LINE: 6,7

DELETE: THE PRESENT TITLE

ADD NEW TITLE: "AN ACT RELATING TO OVERTIME COMPENSATION FOR PUBLIC EMPLOYEES; CALCULATION OF COST-OF-LIVING AND PAY STEP DIFFERENTIALS FOR THE COMPENSATION AND RETIREMENT BENEFITS OF PUBLIC EMPLOYEES; LIMITING THE STATE'S POWER TO CHANGE THE COST TO THE STATE OF COMPENSATION FOR CERTAIN POSITIONS; AND PROVIDING FOR AN EFFECTIVE DATE."

SENATE AMENDMENT

By STATE AFFAIRS

To: _____ SENATE BILL No. 207

To: _____ HOUSE BILL No. _____

PAGE: 3 LINE: 14

AFTER "POSITION"

ADD: "TO A HIGHER SALARY RANGE;"

SENATE AMENDMENT

By: STATE AFFAIRS

To: _____ SENATE BILL No. 207

To: _____ HOUSE BILL No. _____

PAGE: 3 LINE: 28

DELETE: [1, 2]

ADD: 1 - 3

SENATE AMENDMENT

By STATE AFFAIRS

To: _____ SENATE BILL No. 207

To: _____ HOUSE BILL No. _____

PAGE: 3 LINE: 29

DELETE: [4 - 7]

ADD: 6, 7

SENATE AMENDMENT

By STATE AFFAIRS

To: _____ SENATE BILL No. 207

To: _____ HOUSE BILL No. _____

PAGE: 4 LINE: 1

DELETE: [3]

ADD: 4, 5

SENATE AMENDMENT

BY STATE AFFAIRS

To: _____ SENATE BILL No. 207

To: _____ HOUSE BILL No. _____

PAGE: 4 LINE: 2

DELETE: [1,2] [4 - 7]

ADD: 1 - 3 ; 6, 7

Introduced: 3/1/85
Referred: State Affairs
and Finance

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2

SENATE BILL NO. 207

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6

For an Act entitled: "An Act relating to public employees; and providing

7

for an effective date."

8

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

9

* Section 1. AS 23 40.210 is amended to read:

10

Sec. 23.40.210. AGREEMENT. Upon the completion of negotiations

11

between an organization and a public employer, if a settlement is

12

reached, the employer shall reduce it to writing in the form of an

13

agreement. The agreement may include a term for which it will remain

14

in effect, not to exceed three years. The agreement shall include a

15

pay plan designed to provide for a cost-of-living differential between

16

the salaries paid employees residing in the state and employees resid-

17

ing outside the state. The cost-of-living differential or other

18

geographic cost-of-living adjustment may not be considered part of the

19

basic salary for purposes of calculating overtime compensation or

20

other salary adjustments. The plan shall provide that the salaries

21

paid, as of August 26, 1977, to employees residing outside the state

22

shall remain unchanged until the difference between those salaries and

23

the salaries paid employees residing in the state reflects the differ-

24

ence between the cost of living in Alaska and living in Seattle,

25

Washington. The agreement shall include a grievance procedure which

26

shall have binding arbitration as its final step. Either party to the

27

agreement has a right of action to enforce the agreement by petition

28

to the labor relations agency.

29

* Sec. 2. AS 39.27.020 is amended by adding a new subsection to read:

1 (d) If an employee's basic annual salary is no more than
2 \$30,000, the pay step differential shall be calculated using the
3 employee's basic salary. If the employee's basic annual salary is
4 greater than \$30,000, then the employee's pay step differential shall
5 be calculated on the differential for a basic salary of \$30,000.

6 * Sec. 3. AS 39.27 is amended by adding a new section to read:

7 Sec. 39.27.027. OVERTIME COMPENSATION. Overtime compensation
8 shall be calculated on the basic salary of an employee before the
9 addition of any adjustments including pay step differentials and shift
10 differentials.

11 * Sec. 4. AS 39.35 is amended by adding a new section to read:

12 Sec. 39.35.675. INCLUSION OF COST-OF-LIVING DIFFERENTIALS IN
13 COMPENSATION AND BENEFITS. (a) An employee shall make contributions
14 to the system based on compensation including a cost-of-living differ-
15 ential.

16 (b) The amount of a cost-of-living differential may not be in-
17 cluded in the employee's compensation for purposes of calculating
18 benefits under this chapter unless the employee has received a cost-
19 of-living differential in a comparable amount or of at least that many
20 steps for at least 50 percent of the employee's credited service.

21 (c) When an employee receives a benefit, and if the employee's
22 compensation for purposes of calculating the benefit does not include
23 a cost-of-living differential, then the administrator shall refund to
24 the employee the amount of contributions the employee made based on
25 the differential.

26 (d) In this section "cost-of-living differential" means an
27 adjustment to salary based on the cost of living in the geographic
28 region where the employee works and includes a pay step differential
29 under AS 39.27.020.

1 * Sec. 5. AS 39.35.680(8) is amended to read:

2 (8) "compensation" means the total remuneration earned by
3 an employee for personal services rendered, including cost-of-living
4 differentials only as provided in AS 39.35.675, payments for leave
5 that is actually used by the employee, the amount by which the em-
6 ployee's wages are reduced under AS 39.30.150(c), and any amount
7 deferred under an employer-sponsored deferred compensation plan, but
8 does not include retirement benefits, welfare benefits, per diem,
9 expense allowances, workers' compensation payments or payments for
10 leave not used by the employee whether those leave payments are sched-
11 uled payments, lump-sum payments, donations, or cash-ins;

12 * Sec. 6. (a) Unless the budget specifically provides or the legisla-
13 ture approves, the state may not

14 (1) reclassify a position;

15 (2) change the salary range of a job class unless the change is
16 required to comply with AS 18.80.220(a)(5);

17 (3) promote a person to the next step of a flexibly staffed
18 position if the person was first hired in the flexibly-staffed position
19 after the effective date of this section; or

20 (4) award a person a merit increase.

21 (b) In this section, "state" means the executive, legislative and
22 judicial branches of state government and includes the University of
23 Alaska.

24 * Sec. 7. The amendments made by secs. 4 and 5 of this Act apply only
25 to members first hired under the Public Employees' Retirement System on or
26 after the effective date of secs. 4 and 5 of this Act.

27 * Sec. 8. Nothing in this Act terminates or modifies a collective
28 bargaining agreement in existence on the effective date of secs. 1, 2 and
29 4 - 7 of this Act.

1 * Sec. 9. Section 3 of this Act takes effect January 1, 1987.

2 * Sec. 10. Sections 1, 2 and 4 - 7 of this Act take effect immediately

3 in accordance with AS 01.10.070(c).