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187

HOUSE COMMITTEE REPORT

(7)

Date referred: 3/18/87

FURTHER REFERRALS: Finance

DATE: 3-30-87

The State Affairs Committee has considered HB 187

"An Act relating to geographic pay differentials; and providing for an effective date."

RECOMMENDS:

- replace with _____ the same title
- attached amendment(s) a new title
- do pass
- do not pass
- no recommendation
- individual recommendations
- additional referral to the _____ Committee

ADOPTS: _____ letter of intent

ATTACHES NEW FISCAL NOTE(S):

- fiscal impact same as previous fiscal note published _____
- zero fiscal note same as previous zero fiscal note published 3/18/87
- zero with analysis

SIGNING DO PASS:

W. B. Boush

Sam Williams

Tom Wilson

SIGNING OTHER RECOMMENDATIONS:

Lynn Hoffman (No Rec)

Cliff Davidson (no rec)

Larry Martin (no rec)

Bob Dooly (no rec)

Tom Wilson

 Chairman's signature



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

March 16, 1987

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

Dear Representative Grussendorf:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill that updates the geographic pay differentials provided under AS 39.27.020 to state employees whose pay is not established through the collective bargaining process.

Present law provides for geographic pay differentials that are no longer reflective of the cost of living in various areas of the state. Section 1 of the bill implements the same differentials as those in effect for members of the Alaska Public Employees Association's bargaining units, which were established by cost-of-living survey and arbitration. With the leveling of cost differentials in areas across the state, enactment of this legislation provides employees with fair compensation adjustments, but at a level that will ultimately lead to state savings.

Section 2 of the bill repeals and reenacts AS 39.27.030, providing a more realistic scope and schedule for future salary surveys. AS 39.27.030 presently requires an annual survey to address a multitude of considerations, many of which are not directly related to geographic cost differentials. This bill focuses the study on cost differentials, although the division of personnel would retain the authority to structure the study to address all relevant pay considerations.

Section 3 of this bill is a "grandfather" provision intended to ensure that current employees do not experience an actual reduction in pay upon enactment of updated geographic pay differentials. Under this provision, employees will receive their current pay until their salary would be increased through position changes or pay raises to a level above what they would be entitled to under the new geographic pay differential, or until they move to another geographic area.

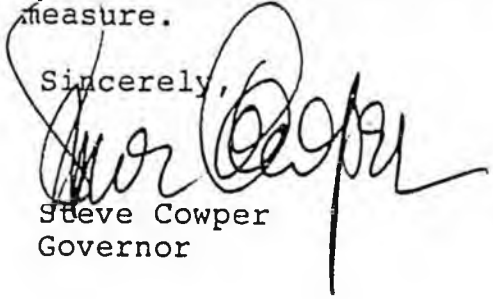
Hon. Ben Grussendorf

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The two statutes repealed by sec. 4 of the bill, AS 39.27.-035 and 39.27.040, generally relate to information that will be available in modified form through the survey conducted under sec. 2 of the bill.

I believe that this legislation affords state employees a geographic pay differential that properly reflects the varying costs of living in Alaska. I urge your prompt consideration and approval of this measure.

Sincerely,



Steve Cowper
Governor



Official Business

Alaska State Legislature

House

P.O. BOX V
State Capitol
Juneau, Alaska 99811

STATE AFFAIRS COMMITTEE

HOUSE BILL 187

FILE CONTENTS

1. HB 187: AN ACT RELATING TO GEOGRAPHIC PAY DIFFERENTIALS; AND PROVIDING FOR AN EFFECTIVE DATE
2. TRANSMITTAL LETTER FROM GOVERNOR COWPER

FISCAL NOTE

- A. ALL AGENCIES: -\$3,000

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTEBill Version: HB 187
Publish Date: HOUSE 3/18/87REQUEST Law Log 773-87-0077Revision Date: _____ Agency Affected: A11
Title: Relating to Geographic Pay BRU: _____
Differentials Effective Date _____
Sponsor: Governor Cowper Components: _____
Requestor: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
OPERATING						
PERSONAL SERVICES	0.0	(3.0)	(49.8)	(89.6)	(123.4)	(152.1)
TRAVEL	0.0	0.0	0.0	0.0	0.0	0.0
CONTRACTUAL	0.0	0.0	0.0	392.0	0.0	0.0
SUPPLIES	0.0	0.0	0.0	0.0	0.0	0.0
EQUIPMENT	0.0	0.0	0.0	0.0	0.0	0.0
LAND & STRUCTURES	0.0	0.0	0.0	0.0	0.0	0.0
GRANTS, CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0
MISCELLANEOUS	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	0.0	(3.0)	(49.8)	302.4	(123.4)	(152.1)
CAPITAL	0.0	0.0	0.0	0.0	0.0	0.0
REVENUE	0.0	0.0	0.0	0.0	0.0	0.0

FUNDING: (Thousands of Dollars)

GENERAL FUND	0.0	((49.8)	302.4	(123.4)	(152.1)
FEDERAL FUNDS	0.0	0.0	0.0	0.0	0.0	0.0
OTHER	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS:

FULL-TIME	0.0	0.0	0.0	0.0	0.0	0.0
PART-TIME	0.0	0.0	0.0	0.0	0.0	0.0
TEMPORARY	0.0	0.0	0.0	0.0	0.0	0.0

ANALYSIS: Attach a separate page if necessary See attached.

Prepared By: Diana DeSimone, Director
Division: Personnel

Phone: 465-4430

Date: 2/17/87Approved by Commissioner: Garrey Peska
Agency: Department of AdministrationDate: 3/11/87Distribution (by preparer):
Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)
Senate Secretary

FISCAL NOTE ANALYSIS

For Law Log _____

SUBJECT OF PROPOSED BILL:

Relating to geographic pay differentials; effective date.

SUMMARY/EXPLANATION OF INTENT:

Section 1 of this bill amends the geographic pay differentials paid to State employees under AS 39.27 to match those in effect for members of the Alaska Public Employees Association (APEA) bargaining units. Only employees in the partially exempt service and employees in the classified service not covered by a collective bargaining agreement are subject to the proposed changes. This fiscal note is further limited to currently filled, full-time positions. The bill has a similar effect on hourly employees in the partially exempt service.

The proposed change in geographic pay differentials does not affect employees in Ketchikan, Juneau or Anchorage (1961 Election Districts 1, 4 and 8). There is no geographic pay differential currently provided to these employees, and none will be provided under this bill. There are currently 77 full-time, filled positions in the balance of the state which are affected by this bill. The geographic pay differential for 15 of these positions will increase. The geographic pay differential for the remaining 62 will decrease.

Section 3 of the bill provides that the pay rate of current employees will not be reduced by enactment of the new differentials. Savings are realized upon turnover. The salary of current employees is frozen until other personnel actions would cause an employee's salary to exceed the frozen level (increases in the pay table, merit increases, promotions, etc.).

This analysis assumes:

- ° No general pay increases during the period covered by this fiscal note.
- ° The overall turnover rate of 15% applies equally to this group.
- ° Average benefits are 30%.

ESTIMATED FISCAL IMPACT:

The current annual Personal Services cost for the 77 positions is \$6,141.6 thousand. The added first year (FY 88) cost of the 15 employees whose differential will be increased is \$52.0 thousand. When all employees are on the new differential schedule, the annual Personal Services cost will be \$5,826.8 thousand. Each year, beginning with FY 88, the cost of these positions will be reduced by 15% of the remaining difference between the first year cost and the long-term costs. First year savings are \$55.0 thousand. Second year savings are an additional \$46.8 thousand. Third year savings are an additional \$39.8 thousand, etc. These costs and savings are summarized below:

CONTINUATION OF FISCAL NOTE ANALYSIS

For Law Log _____

Current Annual Personal Services Costs	\$6,141.6
Added Costs FY 88	<u>52.0</u>
	6,193.6
Less Ultimate Long-Range Annual Personal Services Costs	(5,826.8)
Ultimate Annual Savings	<u><u>\$ (366.8)</u></u>

	<u>Additional Savings (15% of Remaining Annual Savings)</u>	<u>Cost</u>	<u>Net Annual Savings</u>
FY 88 (First Year)	\$55.0	\$52.0	\$ 3.0
FY 89 (Second Year)	46.8		49.8
FY 90 (Third Year)	39.8		89.6
FY 91 (Fourth Year)	33.8		123.4
FY 92 (Fifth Year)	28.7		152.1
o			o
o			o
o			o
(Thirty-third Year)			366.8

Section 2 of the bill provides that studies of the geographic differentials be conducted at five-year intervals, subject to funding. The most recent study was conducted in FY 85. The fiscal note shows \$392.0 in Contractual Services in FY 90 for the next study, which was the actual cost of the FY 85 study.

Because the proposed effective date is July 16, 1987, there is no need for an appropriation adjustment to Personal Services. The changes will be incorporated in future budget submissions.