

SB

128

SENATE COMMITTEE REPORT

FURTHER:

3/5/87

DATE TURNED INTO OFFICE _____

Mr. President:

FINANCE

Committee considered

SB 128

state employees; efd.

and recommended:

[] replace with CS FOR _____) [] same title
[] or adopt _____ CS FOR _____) [] new title

[] attached amendment(s) and

[] do pass

[] do not pass

[] no recommendation

[] individual recommendations

[] further referral to _____

[] letter of intent adopted _____

Committee [] attached or [] adopted fiscal note(s)

[] new [] updated or [] previous

[] zero [] fiscal impact

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

Chairman signature and recommendation

[] Committee Backup Attached

SENATE COMMITTEE REPORT

FIRST COMMITTEE OF REFERRAL

Date of 2-19-87 5-DAY NOTICE
IN ACCORDANCE WITH UNIFORM RULE 23

FURTHER: FINANCE

**FISCAL NOTE(S) ATTACHED **
IN ACCORDANCE WITH AS 24.08.035
(see below)
2/13/87

DATE TURNED INTO OFFICE _____

Mr. President:

LABOR & COMMERCE Committee considered SB 128

relating to state employees; efd.

and recommended:

replace with CS _____ same title
 attached amendment(s) and new title

do pass

do not pass

no recommendation

individual recommendations

further referral to _____

letter of intent adopted and attached

** Committee attached or adopted fiscal note(s)
 zero 2 fiscal impact
regular

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

2 *Tim Kelly*

3 *Mike Symonakis - Do not pass.*
3 *Lettye Johnson - Do not pass*
1 *Tim Kelly - No Rec*
1 *DeShara no rec*

Committee Backup Attached

Chairman signature and recommendation

Introduced: 2/13/87
Referred: Labor and Commerce
and Finance

5-0462A

1 IN THE SENATE

BY BINKLEY, FAIKS,
FISCHER AND HENSLEY

2 SENATE BILL NO. 128

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

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

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

9 * Section 1. AS 22.05.140(c) is repealed and reenacted to read:

10 (c) In addition to annual salary, each justice is entitled to
11 receive a geographic cost-of-living adjustment, based on the location
12 of the primary office assignment, equal to the amount established
13 under AS 39.27.020 for a state employee working in the same election
14 district. Retirement benefits to which a justice may be entitled
15 shall be computed only on the annual salary.

16 * Sec. 2. AS 22.10.190(c) is repealed and reenacted to read:

17 (c) In addition to annual salary, a superior court judge is
18 entitled to receive a geographic cost-of-living adjustment, based on
19 the location of the judge's primary office assignment, equal to the
20 amount established under AS 39.27.020 for a state employee working in
21 the same election district. Retirement benefits to which a superior
22 court judge may be entitled shall be computed only on the annual
23 salary.

24 * Sec. 3. AS 22.15.220(b) is amended to read:

25 (b) Each magistrate shall receive annual compensation to be
26 determined by the supreme court. Salary increases shall be determined
27 on the basis of percentage of pay increase the legislature provides
28 for state employees in the classified service. The base salary of a
29 magistrate shall be increased by an amount [A PERCENTAGE] equal to the
S

1 amount [THREE AND ONE-HALF PERCENT TIMES THE NUMBER OF STEP INCREASES]
2 provided under AS 39.27.020 that a state employee would receive work-
3 ing in the same election district. A magistrate's annual compensation
4 may be payable, at the option of the magistrate, either monthly in 12
5 equal installments or semi-monthly in 24 equal installments.

6 * Sec. 4. AS 22.15.220(d) is repealed and reenacted to read:

7 (d) In addition to annual salary, a district court judge is
8 entitled to receive a geographic cost-of-living adjustment, based on
9 the location of the judge's primary office assignment, equal to the
10 amount established under AS 39.27.020 for a state employee working in
11 the same election district. Retirement benefits to which a district
12 court judge may be entitled shall be computed only on the annual
13 salary.

14 * Sec. 5. AS 23.40.210 is amended to read:

15 Sec. 23.40.210. AGREEMENT. (a) Upon the completion of nego-
16 tiations between an organization and a public employer, if a settle-
17 ment is reached, the employer shall reduce it to writing in the form
18 of an agreement.

19 (b) The agreement may include a term for which it will remain in
20 effect, not to exceed three years.

21 (c) The agreement shall include
22 (1) a pay plan designed to provide for a cost-of-living
23 differential between the salaries paid employees residing in the state
24 and employees residing outside the state; the [. THE] plan shall
25 provide that the salaries paid, as of August 26, 1977, to employees
26 residing outside the state shall remain unchanged until the difference
27 between those salaries and the salaries paid employees residing in the
28 state reflects the difference between the cost of living in Alaska and
29 living in Seattle, Washington; and

1 (2) [. THE AGREEMENT SHALL INCLUDE] a grievance procedure
2 which shall have binding arbitration as its final step.

3 (d) An agreement between the state and a bargaining organization
4 representing state employees may not

5 (1) establish a work week of fewer than 40 hours;

6 (2) limit the state's right to contract for services if
7 contracting for the services will be more cost effective than assign-
8 ing state employees to perform the services;

9 (3) require the state to pay an employee a performance
10 incentive or other increase based on performance unless the employee's
11 performance has been outstanding; in any case, an employee's salary
12 may not increase because of performance more than one step in 12
13 months; or

14 (4) require increased pay based on the geographic area of
15 the state in which the position is located, except as provided in
16 AS 39.27.020.

17 (e) Either party to the agreement has a right of action to
18 enforce the agreement by petition to the labor relations agency.

19 * Sec. 6. AS 39.27.011 is amended by adding a new subsection to read:

20 (d) The state may not pay an employee an increased salary as a
21 performance incentive or other increase based on performance unless
22 the employee's performance has been outstanding. An employee's salary
23 may not increase because of performance more than one step in 12
24 months.

25 * Sec. 7. AS 39.27.020(a) is repealed and reenacted to read:

26 (a) State employees who are employed full-time and whose posi-
27 tions are located in the following geographic areas are entitled to
28 monthly pay differentials as indicated in the table in this subsec-
29 tion. A part-time employee is entitled to a proportionate pay

1 differential.

2 Pay	Geographic Areas
3 Differential	(Election districts)
4 \$ 0	1, 2, 3, 4, 7, 8, 9, and 10
5 117	that part of 16 south of the Arctic
6	Circle except the communities of
7	Tok and Delta Junction
8 147	5
9 264	11
10 323	6
11 469	the communities of Tok and Delta
12	Junction in 16
13 587	the community of Nenana in 15
14 792	12 and 13
15 880	15, except the community of Nenana,
16	and 19
17 997	18
18 1,115	14
19 1,232	that part of 16 north of the
20	Arctic Circle, and 17
21 -389	states other than Alaska

22 * Sec. 8. AS 39.27 is amended by adding a new section to read:

23 Sec. 39.27.024. WORK WEEK. The work week for state employees
24 who are not members of a collective bargaining unit under the Public
25 Employment Relations Act (AS 23.40) consists of 40 hours in work
26 status from 12:01 a.m. Sunday to 11:59 p.m. Saturday.

27 * Sec. 9. The amendments made by sec. 5 of this Act apply to work
28 performed on or after July 1, 1987.

29 * Sec. 10. Sections 5 and 9 of this Act take effect immediately under

1 AS 01.10.070(c).

2 * Sec. 11. Sections 1 - 4 and 6 - 8 of this Act take effect July 1,
3 1987.

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ALASKA COURT SYSTEM
Fiscal Analysis - SB 128

Geographic Pay Differential

This legislation provides fixed-amount-geographic pay differentials in contrast to present percentage-base differentials. The new pay differentials are based on the application of area cost-of-living indices to an annual salary amount of \$35,200. The pay differentials range from zero to \$1,232 per month. Fixed-amount differentials favor lower pay range employees. The \$1,232 amount provides lower pay employees with geographic differentials of up to 76% above base pay. Higher pay range employees receive differentials of less than 20% above base pay.

Presently, 261 court employees receive a geographic pay differential. The legislation will reduce the number of employees receiving differentials to 197. This legislation will increase pay for 82 employees and reduce pay for 179 employees. Pay increases range from under \$100 to over \$11,000 per year. Pay reductions range from under \$200 to nearly \$10,600 per year. This legislation primarily affects employees in Fairbanks and judges, presently receiving geographic differentials.

The legislation will reduce permanent position gross salaries (\$54,432) and overtime (\$9,000) by \$63,432 per year. The cost of supplemental (SBS) and variable benefits for permanent positions will increase \$11,533 per year. Non-permanent position salaries and benefits will decrease by \$623 per year. The net savings from this legislation is \$52,522 per year. Please refer to the attached financial summary.

The increase in benefit costs is due to the increase in pay for lower range employees. Lower-range employees are under the annual SBS limit and thus, pay increase translates into higher SBS costs. The pay increase for lower-range employees also results in higher variable benefit costs. Reductions in pay for higher-range employees do not reduce SBS costs because the salaries are above the SBS limit.

40 Hour Work Week

This legislation changes the work week to 40 hours from the present 37.5 hours. One-half hour will be added to the standard workday. It is estimated that \$9,000 of overtime pay costs will be saved annually. It is not anticipated the change will reduce staffing requirements. Professional and judicial staff generally work in excess of 40 hours per week. The additional half-hour per day will not affect this group. It is anticipated clerical staff will use the additional time to reduce caseload backlog.

ALASKA COURT SYSTEM
Summary of Fiscal Impact of SB 128

Category	Trial Courts			Appellate Courts			Net Change [Savings] Cost
	Current	SB 128	Difference	Current	SB 128	Difference	
Permanent Positions:							
Salaries-							
Full-time gross salaries	\$16,608,800	\$16,573,464	(\$35,136)	\$2,043,064	\$2,022,744	(\$21,120)	(\$56,258)
Part-time gross salaries	350,351	352,175	1,824	10,716	10,716	0	1,824
Overtime	27,000	18,000	(9,000)	0	0	0	(9,000)
Total	16,985,951	16,943,639	(42,312)	2,054,580	2,033,460	(21,120)	(63,432)
Benefits-							
Supplemental benefit system	982,806	990,941	8,135	112,282	111,581	(681)	7,454
Variable benefits	4,912,924	4,919,060	6,136	762,565	780,508	(2,057)	4,079
Health insurance	1,601,444	1,601,444	0	168,714	168,714	0	0
Total	7,497,174	7,511,445	14,271	1,043,541	1,040,803	(2,738)	11,533
Permanent Positions: Salary & benefits	0	0	0	145,932	145,309	(623)	(623)
Total salaries and benefits	\$24,483,125	\$24,455,084	(\$28,041)	\$3,244,053	\$3,219,572	(\$24,481)	(\$52,522)

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STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

Bill Version: SB 128
Publish Date: 3-5-87

REQUEST _____

Revision Date: _____
Title: An Act Relating to State Employees
Sponsor: Binkley
Requestor: Senate Labor and Commerce Committee

Agency Affected: All
BRU: All
Components: All

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
OPERATING						
PERSONAL SERVICES	0	(27,519.9)	(27,251.0)	(26,713.3)	(25,637.8)	(23,486.8)
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	(27,519.9)	(27,251.0)	(26,713.3)	(25,637.8)	(23,486.8)
CAPITAL	0	0	0	0	0	0
REVENUE	0	(27,519.9)	(27,251.0)	(26,713.3)	(25,637.8)	(23,486.8)

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	0	(27,519.9)	(27,251.0)	(26,713.3)	(25,637.8)	(23,486.8)

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS:

See attached.

Prepared By: Diana DeSimone *[Signature]*
Division: Personnel
Approved by Commissioner: Garrey Peska *[Signature]*
Agency: Department of Administration

Phone: 465-4430
Date: 2/25/87

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

FISCAL NOTE ANALYSIS CONTINUATION
SB 128

The fiscal note analysis for SB 128 deals with cost savings related to 1) changes in the geographic differential; 2) awarding merit pay increases for only outstanding employees; 3) establishing a 40-hour work week and 4) contracting services.

1. Geographic Differentials. Effective January 1, 1987, the geographic differentials paid to employees in the General Government, Supervisory and Confidential bargaining units were changed as the result of a 1985 geographic differential study conducted by the State and a subsequent arbitration decision. In implementing the new differentials, in areas where the differential went down, employees' salaries were frozen. This fiscal note assumes that in those same areas, employees' salaries would not be frozen for all affected bargaining units. It also assumes no change in the number of employees affected and no change to the current salary schedule for subsequent fiscal years.

Employees in General Government, Supervisory, Confidential and Public Safety Employees Association Bargaining Units, and Partially Exempt Service:

<u>Pay Differential</u>	<u>Monthly Savings</u>	<u>Monthly Cost</u>	<u>Total</u>
\$ 0	\$(122,230)		\$(122,230)
117	(438,586)		(414,155)
147	(1,629)		(1,629)
264	(6,664)		(6,664)
323	(20,092)		(20,092)
469	(405)	727	258
587	(1,868)		(1,868)
792	(2,077)	\$ 1,389	(688)
880	(6,282)		(6,282)
997	(4,519)	2,471	(2,048)
1,115	(163)	15,990	15,827
1,232	(893)	11,188	10,295
(389)	(585)	<u>468</u>	<u>(117)</u>
		Net Differential	\$(549,393)
		(549,393) Monthly	
		x 12	
		<u>\$ (6,592,716)</u>	Annual Savings

(NOTE: Figures reflect changes to current expenditures.)

Employees in Labor, Trades and Crafts Bargaining Unit:

<u>Pay Differential</u>	<u>Annual Savings</u>	<u>Annual Cost</u>
\$ 0	\$(322,877)	\$
117	(890,834)	
147	(6,673)	
264		5,417
323	(86,163)	
469		4,802
587	(13,268)	
792		103,725
880		130,130
997		58,659
1,115		81,728
1,232		545,545
(389)	(9,336)	
	<u>\$(1,329,151)</u>	<u>\$930,006</u>

Net Difference: \$(399,145)

(NOTE: Figures reflect difference between total subsistence paid in calendar year 1986 and proposed legislation.)

2. Limiting Merit Pay Increases to Outstanding Employees. This part of the fiscal note is based on two assumptions:

- An estimate of 5% of State employees rated outstanding each year currently.
- A substantial increase in the number of outstanding ratings given in each subsequent fiscal year. We assume the percentage will double with each year.

It is estimated that merit increases currently account for \$5,377,450 per year.

<u>Fiscal Year</u>	<u>Percentage of Outstandings</u>	<u>Amount</u>	<u>Cost Avoidance</u>
1988	5	\$ 268,873	\$5,108,577
1989	10	537,745	4,839,705
1990	20	1,075,490	4,301,960
1991	40	2,150,980	3,226,470
1992	80	4,301,960	1,075,490

3. Establishment of a 40-hour work week.

The numbers used in this section of the fiscal note are based on a January 1987 report from the Division of Finance which reports 12,027 executive branch employees on the payroll as of this date.

The monthly overtime report issued by the Division of Finance shows 42,279 overtime hours worked during January 1987. The figures used on this fiscal note assumes the number of employees and overtime hours worked will remain constant.

The figures also take into account two other factors:

- An estimated 1,000 employees already work a 40-hour work week thus reducing the amount of hours of overtime that could be saved per year.
- Most employees who work the overtime are institutional and construction type employees who cannot avoid the overtime. We therefore estimate that only 30% of the current overtime hours could actually be reduced.

<u>Total Employees</u>	<u>Increase in Hours per Employee</u>	<u>Increase in Hours per Year</u>	<u>Estimated Actual Increase in Hours</u>
12,027	130	1,563,510	1,433,510
<u>Total OT Hours</u>	<u>OT Cost</u>	<u>Actual Hours Saved</u>	<u>Actual Savings</u>
507,348*	\$12,592,044**	152,204.4	\$(3,777,613)

* Based on 42,279 OT hours for January 1987.

** Based on cost of \$1,049,337 OT for January 1987.

4. Contracting Out. This fiscal note is based on experience with the Local 71 contract, which currently has the most restrictive language concerning contracting out.

Experience in communities of less than 2,500 where Local 71 subcontracting has occurred without restrictions, shows 30% to 50% reductions in total personal services costs to the State.

Personal services cost budgeted for FY 88 for the LTC bargaining unit equals \$72,761.3 thousand.

This fiscal note assumes that 40% of work currently performed in this bargaining unit can be contracted. This assumption is made for demonstration purposes and has no supporting background.

If 30% to 50% can be saved on Local 71 work that is contracted, total savings in Local 71 personal services costs could vary between \$8,731.7 thousand and \$14,532.3 thousand for FY 88. Application of a 40% savings, or \$11,641.8, is used for the purposes of this fiscal note. The savings is assumed to be constant over subsequent fiscal years.

POSITION PAPER
SB 128

Senate Bill 128 makes three major changes concerning State employees: 1) it changes the manner in which geographic differentials are provided (including geographic differentials for judges and justices); 2) it statutorily limits the criteria for award of a performance incentive increase, and 3) it creates a statutory 40-hour work week. The Bill also amend the Public Employment Relations Act to restrict the State and a collective bargaining representative to the terms of the Bill concerning these three items and for contracting for services. The Department of Administration requests consideration of the following comments.

Geographic differentials. The geographic differential is currently paid as a percentage or number of steps above the basic salary schedule. Section 7 of the proposed legislation would pay geographic differentials as a fixed dollar amount as an addition to the basic salary. This change in methodology of payment, because of the requirements for overtime calculation imposed by the Federal Fair Labor Standards Act (FLSA), would require an individual calculation of the hourly rate each time overtime hours are worked. Under the FLSA, overtime must be calculated on the hourly rate of compensation. The hourly rate is derived by dividing the amount paid by the total hours worked each week. If the geographic differential is paid as a separate amount rather than a figure added to the base monthly salary, the hourly rate would vary each week based on the number of hours in a month.

We suggest that proposed geographic differential amounts be added to all steps in the basic salary. If this were done, the formula in 2 AAC 07.390, which provides a method for calculation of the hourly rate that does not change monthly, could be applied for overtime calculations.

For example, February has four equal work weeks. Assume: employee earns \$10.00 per hour plus \$117 geographic differential per month. The differential would be worth in additional \$.73 per hour if no overtime is worked in a work week ($\$117 \div 4 \text{ weeks} = \$29.25 \div 40 \text{ hours} = \$.73 \text{ per hour}$). If more than 40 hours are worked in a workweek, the hourly rate of the geographic differential changes for that workweek. These calculations would need to be prepared manually and would require a separate payroll document for each employee each pay period.

	<u>Hours Worked</u>		<u>Hourly Rate</u>
Week 1	= 40		\$10.00
		+	.73
			<u>\$10.73</u> hourly rate
Week 2	= 42		\$10.00
		+	.70
			<u>\$10.70</u> hourly rate

Week 3	=	41		\$10.00
			+	<u>.71</u>
				\$10.71 hourly rate
Week 4	=	45		\$10.00
			+	<u>.65</u>
				\$10.65 hourly rate

If on the other hand, the geographic differential were added to the employee's base salary, the hourly rate for this employee would remain constant. A one-time programming change would accommodate the changed payrate. No additional individual calculations or documents would be required.

\$10.00 per hour x 40 hours				
per week x 52 weeks	=			\$20,800
	+	\$117 x 12 =		<u>1,404</u>
				22,204
			÷	*2,080 hours in a
				year
			=	\$ 10.68 hourly rate

* 2080 = 40 hours per week x 52 weeks

Performance Incentives. Under the current performance evaluation system there are five possible overall performance ratings: unacceptable, low acceptable, mid-acceptable, high acceptable and outstanding. There are currently two criteria applied for determining whether an employee is awarded a performance incentive increase. The employee must have received an overall performance rating of acceptable or better and the employee must have demonstrated satisfactory service of a progressively greater value to the State. The proposed legislation would limit the award of a performance incentive increase only to those employees rated outstanding. The vast majority of employees currently receive overall performance ratings of mid or high acceptable. We estimate that less than 5% of State employees are currently rated outstanding. Performance incentives are awarded generally for mid acceptable or higher ratings. (Although under the first criteria for awarding performance incentive increases it is possible to receive one for low acceptable performance, the second criteria, "satisfactory service of a progressively greater value" makes this an unlikely occurrence.)

This performance evaluation system is consistent the theoretical basis for the State's pay plan, which is founded in the classic approach to public pay policy. Pay plans which provide for periodic increases for good employees have long been popular, especially for public employers. The classical approach to public pay policy is that the public employer should be neither a leader nor a follower. A new employee would be hired below the average pay, but not at the lowest pay, for the kind of work as paid by the "competition." A good employee could progress to pay above the average pay, but not at the highest pay, for the kind of work as paid by the competition.

In reality, if the award of a performance incentive increase were limited to those rated outstanding, we speculate that the percentage of employees being

rated "outstanding" would substantially increase in future fiscal years as supervisors sought a means to provide a monetary incentive for good employees. This will particularly be the case if there is no general increase to the salary schedule. Section 6, as proposed, also appears to impact the ability to promote an employee to a higher paying position based on good performance in a lower range position. We recommend insertion of the words "in a given range" after the word "salary" on page 3, line 22.

Forty-hour work week. The language in Section 8 of the Bill establishing a 40-hour week, as written, appears to preclude the use of part-time employees. Second, the inclusion of specific times--"12:01 a.m. Sunday to 11:59 p.m. Saturday"--within the definition impacts current flexibility to establish alternative workweeks such as the current 12-hour shifts; week on, week off arrangements at certain correctional institutions; and the week on, week off arrangement currently in effect on the Dalton Highway. These alternative workweeks allow arrangement of schedules to minimize overtime cost and accommodate shift work.

We recommend the following language for Section 8 of the Bill to allow continuation of our current flexibility.

WORK WEEK. The normal work week for full-time State employees who are not members of a collective bargaining unit under the Public Employment Relations Act (AS 23.40) consists of 40 hours in work status.


Amendments to Public Employment Relations Act. The proposed amendment to AS 23.40.210 would ensure that any collective bargaining agreement incorporate the three major changes discussed above. The fourth provision under the proposed amendment would prohibit an agreement from limiting the state's ability to contract for services if contracting out would be more cost effective than having State employees perform the services. The proposed prohibition would have a real impact on only one current collective bargaining agreement, that with the Public Employees Local 71 covering Labor, Trades and Crafts Unit employees. The Local 71 agreement currently requires a contractor or subcontractor to pay Local 71 wages plus an additional hourly "in lieu of benefits" amount. This requirement effectively limits the cost effectiveness of contracting services performed by that bargaining units employees.

Other agreements either have no provisions concerning contracting out or provide that contracting out of services can occur if it is shown to be more cost effective, an intent similar to the proposed legislation.

Finally, the Department of Administration requests that the effective dates in Section 10 and 11 be changed from July 1, to July 16 to coincide with the current pay periods.


Diana DeSimone, Director
Division of Personnel

2-24-87
Date


Commissioner Garrey Peska
Department of Administration

2/25/87
Date

ALASKA STATE LEGISLATURE

.15th.. Legislature1st. Session

SENATE ..BILL..... NO. .128..

By .BINKLEY,..FAIKS,..FISCHER,..
HENSLEY

"An Act relating to state employees; and providing for an effective date."

Introduced in the Senate 2/13...., 1987.

HISTORY IN THE SENATE

19	87	Read first time and referred to Committee on										
2	13	LABOR & COMMERCE & FINANCE										
3	5	Reported back with <i>Z+C</i> recommendation that <i>1 do pass, 2 do not pass, 2 no rec, two revenue impact notes, to Finance.</i> <i>Fitch</i>										
		Read second time and										
		Read third time and										
		<table border="0"> <tr> <td>PASS</td> <td>Effective Date</td> </tr> <tr> <td>Yeas</td> <td>Yeas</td> </tr> <tr> <td>Nays</td> <td>Nays</td> </tr> <tr> <td>Absent</td> <td>Absent</td> </tr> <tr> <td>Excused</td> <td>Excused</td> </tr> </table>	PASS	Effective Date	Yeas	Yeas	Nays	Nays	Absent	Absent	Excused	Excused
PASS	Effective Date											
Yeas	Yeas											
Nays	Nays											
Absent	Absent											
Excused	Excused											
		Reconsideration										
		<table border="0"> <tr> <td>PASS</td> <td>Effective Date</td> </tr> <tr> <td>Yeas</td> <td>Yeas</td> </tr> <tr> <td>Nays</td> <td>Nays</td> </tr> <tr> <td>Absent</td> <td>Absent</td> </tr> <tr> <td>Excused</td> <td>Excused</td> </tr> </table>	PASS	Effective Date	Yeas	Yeas	Nays	Nays	Absent	Absent	Excused	Excused
PASS	Effective Date											
Yeas	Yeas											
Nays	Nays											
Absent	Absent											
Excused	Excused											
		Reported correctly engrossed Signed by President Sent to House										

SECRETARY OF THE SENATE

HISTORY IN THE HOUSE

19	Read first time and referred to Committee on										
	Reported back with recommendation that										
	Read second time and										
	Read third time and										
	<table border="0"> <tr> <td>PASS</td> <td>Effective Date</td> </tr> <tr> <td>Yeas</td> <td>Yeas</td> </tr> <tr> <td>Nays</td> <td>Nays</td> </tr> <tr> <td>Absent</td> <td>Absent</td> </tr> <tr> <td>Excused</td> <td>Excused</td> </tr> </table>	PASS	Effective Date	Yeas	Yeas	Nays	Nays	Absent	Absent	Excused	Excused
PASS	Effective Date										
Yeas	Yeas										
Nays	Nays										
Absent	Absent										
Excused	Excused										
	Reconsideration										
	<table border="0"> <tr> <td>PASS</td> <td>Effective Date</td> </tr> <tr> <td>Yeas</td> <td>Yeas</td> </tr> <tr> <td>Nays</td> <td>Nays</td> </tr> <tr> <td>Absent</td> <td>Absent</td> </tr> <tr> <td>Excused</td> <td>Excused</td> </tr> </table>	PASS	Effective Date	Yeas	Yeas	Nays	Nays	Absent	Absent	Excused	Excused
PASS	Effective Date										
Yeas	Yeas										
Nays	Nays										
Absent	Absent										
Excused	Excused										
	Reported correctly engrossed Signed by Speaker Returned to Senate										

CHIEF CLERK OF THE HOUSE

HISTORY IN THE SENATE

19	Received from House
	To enrolling
	Reported correctly enrolled
	Sent to Governor
 by Governor
	Filed with Lt. Governor
	Chapter No.

Updated

1988

~~FN~~

DOA

FISCAL NOTE

REQUEST:

Revision Date: _____ Agency Affected: Department of Administration
 Title: An act relating to State BRU: Personnel
employees.
 Sponsor: Binkley Components: Centralized Administrative Services
 Requestor: Binkley

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES	0	0	0	0	0	0
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	0	0	0	0	0
CAPITAL	0	0	0	0	0	0
REVENUE	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS: (Attach a separate page if necessary)

This legislation will produce the following savings on a statewide basis:

FY 88 - 0 FY 90 (25,735.9) FY 92 (24,122.7)
 FY 89 (26,004.8) FY 91 (25,198.2) FY 93 (21,971.7)

The savings include the savings realized by the Division of Personnel.
 (See attached analysis)

Prepared By: Diana DeSimone *[Signature]* Phone: 465-4430
 Division: Personnel Date: 1-21-88

Approved by Commissioner: John M. Andrews Date: 1/25/88
 Agency: Department of Administration

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

[Stamp]
 JAN 27 1988

FISCAL NOTE ANALYSIS CONTINUATION
SB 128

The fiscal note analysis for SB 128 deals with cost savings related to 1) changes in the geographic differential; 2) awarding merit pay increases for only outstanding employees; 3) establishing a 40-hour work week and 4) contracting services.

1. Geographic Differentials. Effective January 1, 1987, the geographic differentials paid to employees in the General Government, Supervisory and Confidential bargaining units were changed as the result of a 1985 geographic differential study conducted by the State and a subsequent arbitration decision. In implementing the new differentials, in areas where the differential went down, employees' salaries were frozen. This fiscal note assumes that in those same areas, employees' salaries would not be frozen for all affected bargaining units. It also assumes no change in the number of employees affected and no change to the current salary schedule for subsequent fiscal years.

Employees in General Government, Supervisory, Confidential and Public Safety Employees Association Bargaining Units, and Partially Exempt Service:

<u>Pay Differential</u>	<u>Monthly Savings</u>	<u>Monthly Cost</u>	<u>Total</u>
\$ 0	\$(122,230)		\$(122,230)
117	(283,804)		(283,804)
147	(1,289)		(1,289)
264	(5,814)		(5,814)
323	(19,699)		(19,699)
469	(405)	\$ 661	256
587	(1,868)		(1,868)
792	(3,155)	1,325	(1,830)
880	(6,643)		(6,643)
997	(4,519)	2,471	(2,048)
1,115	(163)	15,990	15,827
1,232	(893)	7,429	6,536
(389)	(1,081)	468	(613)
		Net Differential	\$(423,219)
		(423,219) Monthly	
		x 12	
		\$(5,077,628) Annual Savings	

(NOTE: Figures reflect changes to current expenditures.)

Employees in Labor, Trades and Crafts Bargaining Unit:

<u>Pay Differential</u>	<u>Annual Savings</u>	<u>Annual Cost</u>
\$ 0	\$(322,877)	\$
117	(890,834)	
147	(6,673)	
264		5,417
323	(86,163)	
469		4,802
587	(13,268)	
792		103,725
880		130,130
997		58,659
1,115		81,728
1,232		545,545
(389)	(9,336)	
	<u>\$(1,329,151)</u>	<u>\$930,006</u>

Net Difference: \$(399,145)

(NOTE: Figures reflect difference between total subsistence paid in calendar year 1986 and proposed legislation.)

2. Limiting Merit Pay Increases to Outstanding Employees. This part of the fiscal note is based on two assumptions:

- An estimate of 5% of State employees rated outstanding each year currently.
- A substantial increase in the number of outstanding ratings given in each subsequent fiscal year. We assume the percentage will double with each year.

It is estimated that merit increases currently account for \$5,377,450 per year.

<u>Fiscal Year</u>	<u>Percentage of Outstandings</u>	<u>Amount</u>	<u>Cost Avoidance</u>
1989	5	\$ 268,873	\$5,108,577
1990	10	537,745	4,839,705
1991	20	1,075,490	4,301,960
1992	40	2,150,980	3,226,470
1993	80	4,301,960	1,075,490

3. Establishment of a 40-hour work week.

The numbers used in this section of the fiscal note are based on a January 1987 report from the Division of Finance which reports 12,027 executive branch employees on the payroll as of this date.

The monthly overtime report issued by the Division of Finance shows 42,279 overtime hours worked during January 1987. The figures used on this fiscal note assumes the number of employees and overtime hours worked will remain constant.

The figures also take into account two other factors:

- An estimated 1,000 employees already work a 40-hour work week thus reducing the amount of hours of overtime that could be saved per year.
- Most employees who work the overtime are institutional and construction type employees who cannot avoid the overtime. We therefore estimate that only 30% of the current overtime hours could actually be reduced.

<u>Total Employees</u>	<u>Increase in Hours per Employee</u>	<u>Increase in Hours per Year</u>	<u>Estimated Actual Increase in Hours</u>
12,027	130	1,563,510	1,433,510
<u>Total OT Hours</u>	<u>OT Cost</u>	<u>Actual Hours Saved</u>	<u>Actual Savings</u>
507,348*	\$12,592,044**	152,204.4	\$(3,777,613)

* Based on 42,279 OT hours for January 1987.

** Based on cost of \$1,049,337 OT for January 1987.

4. Contracting Out. This fiscal note is based on experience with the Local 71 contract, which currently has the most restrictive language concerning contracting out.

Experience in communities of less than 2,500 where Local 71 subcontracting has occurred without restrictions, shows 30% to 50% reductions in total personal services costs to the State.

Personal services cost budgeted for FY 88 for the LTC bargaining unit equals \$72,761.3 thousand.

This fiscal note assumes that 40% of work currently performed in this bargaining unit can be contracted. This assumption is made for demonstration purposes and has no supporting background.

If 30% to 50% can be saved on Local 71 work that is contracted, total savings in Local 71 personal services costs could vary between \$8,731.7 thousand and \$14,532.3 thousand for FY 88. Application of a 40% savings, or \$11,641.8, is used for the purposes of this fiscal note. The savings is assumed to be constant over subsequent fiscal years.

Updated

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

Bill Version: SB 128
Publish Date: _____

REQUEST _____

Revision Date: March 6, 1987
Title: An Act Relating to State Employees
Sponsor: Binkley
Requestor: Binkley

Agency Affected: A11
BRU: A11
Components: A11

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
OPERATING						
PERSONAL SERVICES	0	(26,004.8)	(25,735.9)	(25,198.2)	(24,122.7)	(21,971.7)
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	(26,004.8)	(25,735.9)	(25,198.2)	(24,122.7)	(21,971.7)
CAPITAL	0	0	0	0	0	0
REVENUE	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	0	(26,004.8)	(25,735.9)	(25,198.2)	(24,122.7)	(21,971.7)

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS: Attach a separate page if necessary

This revised Fiscal Note reflects corrections to calculations for the section of the legislation dealing with geographic differentials.

Prepared By: Diana DeSimone *Diana DeSimone* Phone: 465-4430
Division: Personnel Date: 03/06/87

Approved by Commissioner: Garrey Peska Date: 3/9/87
Agency: Department of Administration

Distribution (by preparer):
Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)
Senate Secretary

RECEIVED
MAR 10 1987

LEGISLATIVE FINANCE

FISCAL NOTE ANALYSIS CONTINUATION
SB 128

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