

SB

72

Alaska State Legislature

Senator Paul A. Fischer
Senate District D
Box 784
Soldotna, Alaska 99669
(907) 262-9420 W
262-9269 H



While in Juneau
Pouch V
Juneau, Alaska 99811
(907) 465-3791

State Senate

January 30, 1987

To: Senator Mitch Abood, Chairman Senate State Affairs
From: Senator Paul Fischer *PF*
Subject: CS for SB 72; Employee Salary Limitation

Attached is a possible committee substitute that would correct a deficiency in the original bill.

The Alaska Railroad has brought it to my attention that some employees working for the railroad would not be affected by this salary limitation if it was ever evoked upon them. The proposed CS corrects this problem with a new section 9.

Attached find: a January 26 letter from the Alaska Railroad Corp. explaining this amendment, the proposed CS, and a revised fiscal note.

1 IN THE SENATE

2 CS FOR SENATE BILL NO. 72 ()

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act prohibiting salaries for certain employees
7 from exceeding the governor's salary; and providing
8 for an effective date."

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

10 * Section 1. AS 22.05.140(c) is amended to read:

11 (c) Except as provided in AS 39.20.095, in [IN] addition to
12 annual salary, each justice is entitled to receive a geographic cost-
13 of-living adjustment, based on the location of the justice's primary
14 office assignment, equal to 3.5 percent of the [HIS] annual salary
15 times the number of pay step increases provided under AS 39.27.020 for
16 a state employee working in the same election district in those dis-
17 tricts for which AS 39.27.020 specified zero-to-five pay step in-
18 creases. In an election district for which AS 39.27.020 specifies
19 more than five pay steps, the number of pay step increases under this
20 section is limited to five. Any retirement benefits to which a jus-
21 tice may be entitled shall be computed only on the annual salary.

22 * Sec. 2. AS 22.07.090(a) is amended to read:

23 (a) Except as provided in AS 39.20.095, the [THE] monthly salary
24 of a judge of the court of appeals is equal to Step E, Range 29 of the
25 salary schedule in AS 39.27.011(a) for Juneau, Alaska. The compensa-
26 tion of a judge may not be diminished during the term of office,
27 unless by general law applying to all salaried officers of the state.

28 * Sec. 3. AS 22.10.190(c) is amended to read:

29 (c) Except as provided in AS 39.20.095, in [IN] addition to

1 annual salary, a superior court judge is entitled to receive a geo-
2 graphic cost-of-living adjustment, based on the location of the
3 judge's primary office assignment, equal to 3.5 percent of the [HIS]
4 annual salary times the number of pay step increases provided under AS
5 39.27.020 for a state employee working in the same election district
6 in those districts for which AS 39.27.020 specifies zero-to-five pay
7 step increases. In an election district for which AS 39.27.020 spec-
8 ifies more than five pay steps, the number of pay step increases under
9 this section is limited to five. Any retirement benefits to which a
10 superior court judge may be entitled shall be computed only on the
11 annual salary.

12 * Sec. 4. AS 22.15.220(d) is amended to read:

13 (d) Except as provided in AS 39.20.095, in [IN] addition to
14 annual salary, a district court judge is entitled to receive a geo-
15 graphic cost-of-living adjustment, based on the location of the
16 judge's [HIS] primary office assignment, equal to 3.5 percent of the
17 [JUDGE'S] annual salary times the number of pay step increases pro-
18 vided under AS 39.27.020 for a state employee working in the same
19 election district in those districts for which AS 39.27.020 specifies
20 zero-to-five pay step increases. In an election district for which AS
21 39.27.020 specifies more than five pay steps, the number of pay step
22 increases under this section is limited to five. Any retirement bene-
23 fits to which a district court judge may be entitled shall be computed
24 only on the annual salary.

25 * Sec. 5. AS 37.05 is amended by adding a new section to read:

26 Sec. 37.05.335. LIMITATIONS ON CERTAIN GRANTS. (a) Notwith-
27 standing AS 37.05.318, a state agency may not grant state money to an
28 organization or entity to which this section applies unless the orga-
29 nization or entity agrees to comply with the salary limit established

1 in AS 39.20.095 during the term of the grant. If an organization or
2 entity violates an agreement to comply with AS 39.20.095, it shall
3 return any state money it has received for that year and shall be
4 ineligible to receive further funding under the grant.

5 (b) This section applies to grants to a person, organization, or
6 entity that received at least 50 percent of its annual budget from the
7 state treasury during the previous fiscal year or that projects that
8 it will receive at least 50 percent of its budget from the state
9 treasury during the current fiscal year.

10 (c) When an amount is appropriated or allocated as a grant under
11 AS 37.05.315, 37.05.316, or 37.05.317, the department responsible for
12 administering the grant shall notify the named grant recipient of the
13 requirements of this section. The department shall request the recip-
14 ient to file its agreement to comply with AS 39.20.095 if required
15 under (b) of this section. If the department is requesting proposals
16 from other qualified persons, organizations, or entities under AS 37.-
17 05.316 or 37.05.317, the department shall also notify them of the
18 requirements of this section. The department shall request them to
19 file an agreement to comply with AS 39.20.095 if required under (b) of
20 this section.

21 (d) In this section "state" has the meaning given in AS 39.20.-
22 095.

23 * Sec. 6. AS 39.20 is amended by adding a new section to read:

24 Sec. 39.20.095. SALARY LIMIT FOR CERTAIN PUBLIC EMPLOYEES. (a)
25 Notwithstanding the provisions of AS 23.40 (the Public Employment
26 Relations Act) and AS 14.20.550 - 14.20.610, the state may not pay an
27 officer or employee a basic salary that is greater than the salary of
28 the governor under AS 39.20.010.

29 (b) In this section

1 (1) "basic salary" is a person's salary including cost-of-
2 living adjustments, geographical differentials, length-of-service
3 increases, and adjustments in the nature of incentive, performance,
4 and year-end bonuses; "basic salary" does not include overtime compen-
5 sation, shift differentials, hazardous duty pay, travel per diem, or
6 travel allowances;

7 (2) "state" includes the executive, legislative, and judi-
8 cial branches of state government; the University of Alaska; school
9 districts; political subdivisions of the state, including municipal-
10 ities; and state instrumentalities, boards, commissions, and author-
11 ities if the instrumentality, board, commission, or authority receives
12 at least 50 percent of its annual budget from the state treasury.

13 * Sec. 7. AS 39.27 is amended by adding a new section to read:

14 Sec. 39.27.027. SALARY LIMIT. Notwithstanding AS 39.27.020 and
15 39.27.022, the state may not pay an officer or employee a salary that
16 exceeds the salary limit under AS 39.20.095.

17 * Sec. 8. AS 42.40.110 is amended by adding a new subsection to read:

18 (c) If the corporation receives at least 50 percent of its
19 yearly budget by direct appropriation or grant from the state trea-
20 sury, the board may not fix a basic salary for the chief executive
21 officer or approve basic salaries for other executive officers that
22 exceed the basic salary of the governor under AS 39.20.010. For
23 purposes of this subsection, "basic salary" has the meaning given in
24 AS 39.20.095.

25 * Sec. 9. AS 42.40 is amended by adding a new section to read:

26 Sec. 42.40.715. EMPLOYEE SALARY LIMIT. Notwithstanding other
27 provisions of this chapter, if the corporation receives at least 50
28 percent of its yearly budget by direct appropriation or grant from the
29 state treasury, the corporation may not pay an employee a basic salary

1 that is greater than the salary of the governor under AS 39.20.010.

2 In this section, "basic salary" has the meaning given in AS 39.20.095.

3 * Sec. 10. Nothing in this Act terminates or modifies a collective
4 bargaining agreement or other contract if the agreement or contract is in
5 effect on the effective date of this Act. However, an employer subject to
6 this Act may not renew or extend a contract after the effective date of
7 this Act unless the contract complies with this Act.

8 * Sec. 11. Nothing in this Act infringes on the independence of the
9 University of Alaska or the Alaska Railroad Corporation except the pro-
10 visions that impose a salary limit on employees.

11 * Sec. 12. This Act takes effect immediately under AS 01.10.070(c).
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ALASKA RAILROAD CORPORATION



P.O. Box 7-2111 • Anchorage, Alaska 99510-7069

January 26, 1987

Senator Paul A. Fischer, Chairman
Health, Education and Social Services Committee
Alaska State Legislature
P.O. Box V
Juneau, Alaska 99811

Re: SB No. 72, An Act Prohibiting Salaries for Certain
Employees from Exceeding the Governor's Salary

Dear Senator Fischer,

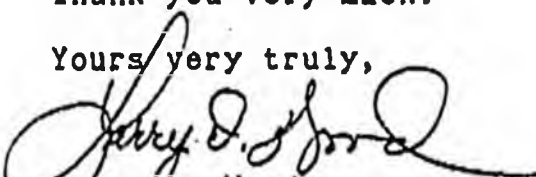
Thank you for inviting the Alaska Railroad Corporation ("ARRC") to comment upon proposed legislation which will limit salaries for certain employees. As you know, the limit will also apply to any person, organization, or entity which receives 50 per cent of its annual budget from the State.

As the enclosed position paper explains, we do not oppose the bill but suggest some amendments which will clarify the Act's application to all of ARRC's employees. We have also requested that the Corporation be mentioned in Section 10 which also recognizes the independence of the University of Alaska.

Unfortunately, Frank Turpin is out of town this week and is unable to send his personal greetings.

Thank you very much.

Yours very truly,


Larry D. Wood
General Counsel

cc: F.G. Turpin, President & CEO

Enclosure

3659L

SB No. 72: An Act Prohibiting Salaries for
Certain Employees from Exceeding the
Governor's Salary

January, 1987

I. INTRODUCTION

In addition to limiting State salaries generally, Senate Bill No. 72 seeks also to amend the Alaska Railroad Corporation Act ("ARCA"). The bill proposes that, should the Alaska Railroad Corporation ("ARRC") receive at least fifty percent of its annual budget by direct appropriation or grant from the State treasury, ARRC's board of directors may not fix a salary for the chief executive officer or approve salaries for the other executive officers that exceed the salary of the governor.

As explained in detail below, ARRC does not oppose such an amendment. With the passage of its enabling legislation, the public corporation received a mandate to operate the railroad as a self-sustaining business until the railroad's eventual transfer to the private sector. In the unlikely event that that mission becomes frustrated or fails, and ARRC receives half of its operating revenues from State sources, little justification may exist to treat ARRC differently than State agencies which are 100% funded by State appropriations. ARRC recommends, however, that certain amendments be made to SB 72 to ensure that, in the event that salaries must be limited, all ARRC salaries are limited. We also recommend an amendment which will recognize and renew the fundamentally independent nature of the railroad's operations.

II. ANALYSIS

In 1985, the state legislature endowed ARRC with the mission of operating the Alaska Railroad on an independent, self-sustaining basis without financial appropriations from the state treasury. Since that time, ARRC has heeded that mission and has carried out the business of running the Railroad based solely upon railroad revenues. Should the time come, however, that ARRC can no longer sustain its financial independence and receives at least 50% of its funding from appropriations or grants from the state treasury, the vision of a financially independent railroad most likely would have failed. At the least, ARRC may have become a de facto State agency. No reasonable justification may then exist to hold the public corporation and its employees immune from the salary limitation recommended by SB 72. Accordingly, ARRC does not oppose Senate Bill No. 72's proposed amendment of ARCA.

However, despite a major economic downturn, ARRC is not presently in danger of failing in its mission of financial autonomy, nor will ARRC become heavily dependent on State financial resources in the foreseeable future. Consequently, the bill's amendment of ARCA may be unnecessary at this time.

The salary limitation could be imposed if and when ARRC receives substantial State funding. Nonetheless, if ARRC is not to be presently deleted from the bill, SB 72 should be modified to insure that it applies to all corporate employees.

Senate Bill No. 72 will limit some, but not all, salaries of ARRC employees should ARRC receive 50% of its annual budget from the State treasury. At the present time, only the salaries of the chief executive officer and the other executive officers would be affected.

Although Section 9 will unquestionably apply to the salaries of some members of State collective bargaining units, that section would not reach ARRC's represented employees. This would have the incongruous effect of allowing ARRC's represented employees in some cases to enjoy a higher salary than executive officers and the governor.^{1/}

In addition to failing to reach ARRC's represented employees, the bill also fails to encompass non-represented employees below the executive officer level. A recommended amendment, shown below, insures that the bill will apply to all ARRC employees.

Finally, while recognizing in Section 10 the special independent nature of the University of Alaska, Senate Bill No. 72 overlooks ARRC's concomitant independent nature and its special direction to operate as a business separate and apart from the State. This managerial independence is a key ingredient, we believe, to the successful execution of the legislature's instruction that ARRC be self-sufficient. Accordingly, we ask that the peculiar aspects of railroad operations be acknowledged in SB 72's Section 10.

^{1/} Section 9 provides that the "state" may not renew or extend collective bargaining agreements unless the agreements comply with the Act. That section technically would not apply to ARRC since the bill generally and the definition of "state" specifically amend Title 39. Because corporation employees are not State employees, Title 39, including the State Personnel Act, does not apply to ARRC. See AS 42.40.710. Even if Section 9 were to be construed to reach ARRC's represented employees, it would still not achieve the State's desired result since ARRC is presently negotiating new contracts with its union and those contracts, when completed, will be "new" contracts, not "renewed" or "extended" contracts as stated in the proposed bill:

III. CONCLUSION

For the foregoing reasons, ARRC respectfully requests that Senate Bill No. 72 be amended in the following ways:

(1) A new Section 9 should be added to read as follows:

Sec. 9. AS 42.40 is amended by adding a new section to read:

Sec. 42.40.886. SALARY LIMIT. (a) Notwithstanding AS 42.40.710, if the corporation receives at least 50 percent of its yearly budget by direct appropriation or grant from the State treasury, the corporation may not pay an employee a basic salary that is greater than the salary of the governor under AS 39.20.010.

(b) Nothing in subsection (a) terminates or modifies a collective bargaining agreement or other contract which is in effect. However, the corporation may not renew, extend, or enter into a new contract or collective bargaining agreement unless the contract or agreement complies with subsection (a).

(2) Section 10 of Senate Bill No. 72 should be renumbered as Section 11 and amended to read as follows:

Sec. 11. Except as specifically provided herein, nothing in this Act infringes on the independence of the University of Alaska or the Alaska Railroad Corporation.

(3) Section 11 of Senate Bill No. 72 should be renumbered as Section 12.

3663L

ARRC

POSITION PAPER
(REVISED)
SB 72

SB 72 would limit basic salaries of all State employees to not more than the basic salary of the Governor.

The bill defines basic salary to include base pay, cost-of-living adjustments, geographic differentials, length-of-service increases (longevity increments), and adjustments in the nature of incentive, performance, and year-end bonuses. Excluded from the definition of basic salary are overtime compensation, shift differentials, hazardous duty pay, travel per diem, or travel allowances.

The salary limit proposed by SB 72 would apply to all political subdivisions, other instrumentalities, boards, commissions, and authorities that receive at least 50% of their annual budget from the State treasury; grant recipients that receive 50% of their annual budget from the State treasury; and the Alaska Railroad Corporation if it receives at least 50% of its budget by direct appropriation or grant from the State treasury. Sections 1 through 4 also apply the proposed salary limit to justices of the supreme court, judges of the appeals, superior and district courts.

This bill would have limited impact on the Executive Branch. There are currently only 17 employees whose base salary, as defined by SB 72, exceed the salary of the Governor. Five are employed by independent authorities; the attendant savings resulting from this bill are therefore minimal.

Another consideration is that this bill would reverse long-standing public policy in this state. Geographic differentials have been a matter of law since at least 1966. Longevity increments have been a matter of law since 1972. This bill would limit each of these when they operate to provide a salary greater than the Governor's salary.

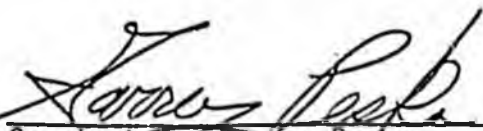
A final consideration that should be kept in mind is that the Governor's salary is set on a different basis than those subject to the State's classification and pay plans created under AS 39.250.150(a) and (b). Setting of the Governor's salary is essentially a political decision for a political office. In addition to the salary, the Governor receives housing through the budget for the Executive Mansion. The salary of jobs subject to the classification plan are based on a "fair and reasonable" compensation for services rendered and reflect the principle of like pay for like work expressed in AS 39.25.150(b).



Diana DeSimone, Director
Division of Personnel

1/29/87

Date



Commissioner Garrey Peska
Department of Administration

1/30/87

Date

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE (REVISED)

Bill version: SB 72
Publish Date: _____

REQUEST _____

Revision Date: 1/29/87 Agency Affected: A11
Title: An act prohibiting salaries for BRU: A11
certain employees from exceeding Gov.'s salary
Sponsor: Fischer Components: A11
Requestor: Senate State Affairs Committee

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
OPERATING						
PERSONAL SERVICES	(9.7)	(58.5)	(58.5)	(58.5)	(58.5)	(58.5)
TRAVEL	0.0	0.0	0.0	0.0	0.0	0.0
CONTRACTUAL	0.0	0.0	0.0	0.0	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	(9.7)	(58.5)	(58.5)	(58.5)	(58.5)	(58.5)
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	(9.7)	(58.5)	(58.5)	(58.5)	(58.5)	(58.5)
FEDERAL FUNDS						
OTHER						
TOTAL	(9.7)	(58.5)	(58.5)	(58.5)	(58.5)	(58.5)

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 continuation.

Prepared By: Diana DeSimone *Diana DeSimone* Phone: 465-4430
Division: Personnel Date: 1/29/87

Approved by Commissioner: Garrev Peska *Garrev Peska* Date: 1/30/87
Agency: Department of Administration

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

CONTINUATION OF FISCAL NOTE ANALYSIS
FOR SB 72

SB 72 would limit basic salaries of employees to not more than the salary of the Governor. The fiscal note assumes that the effective date will be May 1, 1987. It reflects 17 employees in the Executive Branch who are currently paid more than the Governor's base salary of \$81,648 per year. Five are employed by independent authorities. No assumptions are made for future years, so the amount is shown as a constant savings.

The full year savings are currently distributed as follows:

Department of Law	\$(15.5)
Department of Health and Social Services	(15.3)
Department of Natural Resources	(3.7)
Department of Transportation and Public Facilities	(10.3)
Department of Revenue (Alaska Permanent Fund Corporation)	(12.5)
Department of Commerce and Economic Development (Alaska Power Authority)	(1.2)
	<u>\$(58.5)</u>

Additional savings may be realized if those employees are included who would be earning more than the Governor except for their current reduced work weeks.

We note that there are no employees of the Legislature who would be affected by this bill. The effect on the Court System would not be realized until there are vacancies on the bench due to prohibitions on reducing the salary of judges during their tenure, unless the reduction is applied generally to all employees as provided by Article IV, Section 13, of the Alaska constitution. The salary of the Court Administrator is not protected by this section of the constitution.

We do not have information available to estimate the impact on other entities affected by the bill:

- University of Alaska
- Alaska Railroad
- Other quasi-public corporations that process their own payroll
- Grantees

STATE OF ALASKA
THE LEGISLATURE

LEGISLATIVE AFFAIRS AGENCY
LEGISLATIVE REFERENCE LIBRARY

POUCH Y - STATE CAPITOL
JUNEAU, ALASKA 99811
907.465.3800

May, 1988

Copies of minutes listed below were originally included in this file. The minutes are available on the STAIRS database CMPR. In order to save space copies of minutes have not been left in the files.

Mary Van Nimwegen

SENATE State Affairs
February 2, 1987

Alaska State Legislature

Senator Paul A. Fischer
Senate District D
Box 784
Soldotna, Alaska 99669
(907) 262-9420 W
262-9269 H



While in Juneau
Pouch V
Juneau, Alaska 99811
(907) 465-3791

State Senate

To: Senator Mitch Abood, Chairman
Members Senate State Affairs Committee

From: Senator Paul Fischer *PT*

Date: January 28, 1987

Subject: Summary of the effects of SB 72

If SB 72 becomes law, it will have these effects.

- (1) Makes no salary changes in present collective bargaining agreements or other contracts presently in effect.
- (2) Limits other public official's pay to the salary in effect for the Governor, which is now \$81,646.
- (3) Mandates that new, renewed or extended agreements and contracts must conform with the salary cap.
- (4) The ceiling effects any entity receiving at least 50% of its yearly budget from the state treasury.
- (5) This salary limit includes local municipalities, school boards and state grant money recipients, as well as, the University of Alaska, Alaska Railroad, and the AHFC, if they meet the 50% funding criterion.
- (6) The salary limit would take effect immediately.

This packet contains:

Sectional Analysis

Fiscal Note & Analysis

STATE OF ALASKA
THE LEGISLATURE

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

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

January 23, 1987

SUBJECT: Sectional Analysis of SB 72
(Prohibiting certain salaries from
exceeding the governor's)

TO: Senator Paul Fischer

FROM: Teresa B. Cramer *TBC*
Legislative Counsel

You have requested a sectional analysis of SB 72, prohibiting salaries for certain employees from exceeding the governor's salary. As a preliminary matter, note that a sectional analysis or summary of a bill should not be considered an authoritative interpretation of the bill and the bill itself is the best statement of its contents.

Sections 1 - 4 clarify that the salary limit set out in section 6 of the bill apply to justices and judges of the state court system.

Section 5 prohibits state agencies from granting state money to an entity unless the entity agrees to comply with the salary limit during the term of the grant. The prohibition applies to entities that received at least 50 percent of their annual budget from the state treasury during the previous fiscal year or that expect to receive that much during the current fiscal year.

Section 6 prohibits the state from paying an officer or employee a basic salary that is greater than the salary of the governor. Definitions for "basic salary" and "state" are contained in subsection (b).

Section 7 includes pay step differentials (commonly called geographical differentials) and longevity increments in the basic salary of an employee.

Section 8 applies the salary limit to the Alaska Railroad if it receives at least 50 percent of its yearly budget by direct appropriation or grant from the state treasury.

Senator Fischer
January 23, 1987
Page 2

Section 9 limits the application of the Act to preserve constitutionally-protected contract rights during the life of the contract but requires compliance with the Act if the contract is renewed or extended.

Section 10 clarifies that although the salary limit applies to the University of Alaska, the Act does not in other ways infringe on the independence of the University.

Section 11 is an immediate effective date clause.

If I may be of further assistance, please advise.

TC:mkr
m8/043

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

Bill Version: SB 72
Publish Date: _____

REQUEST _____

Revision Date: _____ Agency Affected: A11
 Title: An act prohibiting salaries for BRU: A11
certain employees from exceeding Gov.'s salary
 Sponsor: Fischer Components: A11
 Requestor: Senate State Affairs Committee

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES	(6.2)	(37.2)	(37.2)	(37.2)	(37.2)	(37.2)
TRAVEL	0.0	0.0	0.0	0.0	0.0	0.0
CONTRACTUAL	0.0	0.0	0.0	0.0	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	(6.2)	(37.2)	(37.2)	(37.2)	(37.2)	(37.2)
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	(6.2)	(37.2)	(37.2)	(37.2)	(37.2)	(37.2)
FEDERAL FUNDS						
OTHER						
TOTAL	(6.2)	(37.2)	(37.2)	(37.2)	(37.2)	(37.2)

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 continuation.

Prepared By: Diana DeSimone *Diana DeSimone* Phone: 465-4430
 Division: Personnel Date: 1/26/87

Approved by Commissioner: Garrey Peska Date: _____
 Agency: Department of Administration

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

CONTINUATION OF FISCAL NOTE ANALYSIS
FOR SB 72

SB 72 would limit basic salaries of employees to not more than the salary of the Governor. The fiscal note assumes that the effective date will be May 1, 1987. It reflects ten employees in the Executive Branch who are currently paid more than the Governor's base salary of \$81,648 per year. No assumptions are made for future years, so the amount is shown as a constant savings.

The full year savings are currently distributed as follows:

Department of Law	\$15.5
Department of Health and Social Services	7.7
Department of Natural Resources	3.7
Department of Transportation and Public Facilities	10.3
	<u>\$37.2</u>

Additional savings may be realized if those employees are included who would be earning more than the Governor except for their current reduced work weeks.

We note that there are no employees of the Legislature who would be affected by this bill. The effect on the Court System would not be realized until there are vacancies on the bench due to prohibitions on reducing the salary of judges during their tenure, unless the reduction is applied generally to all employees as provided by Article ~~X~~^{IV}, Section 13, of the Alaska constitution.

We do not have information available to estimate the impact on other entities affected by the bill:

University of Alaska
Alaska Railroad
Other quasi-public corporations that process their own payroll
Grantees

POSITION PAPER

SB 72

SB 72 would limit basic salaries of all State employees to not more than the basic salary of the Governor.

The bill defines basic salary to include base pay, cost-of-living adjustments, geographic differentials, length-of-service increases (longevity increments), and adjustments in the nature of incentive, performance, and year-end bonuses. Excluded from the definition of basic salary are overtime compensation, shift differentials, hazardous duty pay, travel per diem, or travel allowances.

The salary limit proposed by SB 72 would apply to all political subdivisions, other instrumentalities, boards, commissions, and authorities that receive at least 50% of their annual budget from the State treasury; grant recipients that receive 50% of their annual budget from the State treasury; and the Alaska Railroad Corporation if it receives at least 50% of its budget by direct appropriation or grant from the State treasury. Sections 1 through 4 also apply the proposed salary limit to justices of the supreme court, judges of the appeals, superior and district courts.

This bill would have limited impact on the Executive Branch. There are currently only ten employees whose base salary, as defined by SB 72, exceed the salary of the Governor. The attendant savings resulting from this bill are therefore minimal.

Another consideration is that this bill would reverse long-standing public policy in this state. Geographic differentials have been a matter of law since at least 1966. Longevity increments have been a matter of law since 1972. This bill would limit each of these when they operate to provide a salary greater than the Governor's salary.

A final consideration that should be kept in mind is that the Governor's salary is set on a different basis than those subject to the State's classification and pay plans created under AS 39.250.150(a) and (b). Setting of the Governor's salary is essentially a political decision for a political office. In addition to the salary, the Governor receives housing through the budget for the Executive Mansion. The salary of jobs subject to the classification plan are based on a "fair and reasonable" compensation for services rendered and reflect the principle of like pay for like work expressed in AS 39.25.150(b).

Diana DeSimone

Diana DeSimone, Director
Division of Personnel

1/26/87

Date

Commissioner Garrey Peska
Department of Administration

Date



Alaska Public
Employees Association **APEA**

State Headquarters: 340 N. Franklin, Juneau, AK 99801 (907) 586-2334

TO: Senator Mitch Abood
Chairman, State Affairs Committee

FROM: Cherie Shelley, Executive Director

SUBJECT: SB 72, "Limiting State Employees Salaries"

DATE: February 2, 1987

Senator Fischer has introduced SB 72, an act prohibiting salaries from exceeding the salary of the governor. The Alaska Public Employees Association strongly opposes one provision of this bill. That is the inclusion in proposed AS 39.20.095 (b)(1) of geographical differentials as part of the base salary.

Geographical differentials are included in AS 39.27.020, and in the various collective bargaining agreements to which the State is a party, as a recognition that the cost of living differs radically from city to city in Alaska, and that a salary of X dollars buys less in Cordova than it does in Anchorage, and far less in Bethel or Nome. The State's own differential study, done in April 1985 (and which APEA's study showed understates rural costs), found that the costs of living is 45% higher in Barrow and Kotzebue, and 39% higher in Bethel, than in Anchorage. Thus the Governor's current statutory salary of \$85,728 (equal to Range 30, Step F on the salary schedule of AS 39.27.011(a)) actually has a purchasing power of only \$61,675 in Bethel, or \$59,123 in Barrow or Kotzebue. A ceiling should be uniform throughout the State.

In addition, by including geographical differentials in base salaries, SB 72 would cap state salaries in certain rural locations at a far lower level than is appropriate. Given the differentials determined by arbitrator McCaffree in his recent decision, the cap would affect the salary of a mid-level supervisor (Range 21) at the end of the longevity scale in Barrow/Kotzebue (42% differential) or Bethel (38% differential).

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it would affect higher level supervisors (Range 23) in those locations even before they entered the longevity scale. In Nome, with a 34% differential, the cap would take effect for a Range 22 supervisor at the end of the longevity scale, or a Range 24 supervisor still in the merit steps.

In short, we believe that basic fairness to those State employees living in high-cost rural areas requires that geographical differential not be included in the proposed definition of basic salary in SB 72.