

HB

261

FISCAL NOTE

STATE OF ALASKA
1991 LEGISLATIVE SESSION

o. 2
Bill Version: HB 261
(H) Publish Date: 4/5/91

Revision Date: _____
Title: An act relating to geographic pay differentials

Department Affected: Administration
BRU: General Government
Component: Labor Relations

Sponsor: Rules
Requestor: Governor

COMPONENT SERIAL NO.

0	0	5	8
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Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
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
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REVENUE	0	0	0	0	0	0
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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

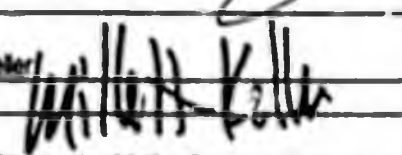
Estimate of current year impact: 0

ANALYSIS: (Attach a separate page if necessary.)

This bill would standardize geographic pay differentials in statute and provide for modification at 5-year intervals. Geographic differentials would be excluded from bargaining; therefore, there is not cost to this division.

Prepared by: Bruce Cummings 
Division: Labor Relations

Phone: 465-4104
Date: March 12, 1991

Approved by Commissioner: Millet Keller 
Agency: Administration

Date: 3/22/91

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB, & Impacted Agency(ies).

FISCAL NOTE

No. 1
 Bill Version: HB 261
 (H) Publish Date: 4/5/91

STATE OF ALASKA
 1991 LEGISLATIVE SESSION

Revisor: Date: _____
 Title: Geographic pay differentials, salary surveys,
pay plan, item not subject to collective bargaining.
 Sponsor: Rules by Request of Governor
 Requestor: Governor

Department Affected: AI
 BRU: AI
 Component: AI

COMPONENT SERIAL NO. A I I

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
PERSONAL SERVICES	16.2	(86.8)	(165.0)	(224.3)	(269.3)	(303.5)
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	16.2	(86.8)	(165.0)	(224.3)	(269.3)	(303.5)

CAPITAL	0	0	0	0	0	0
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REVENUE	0	0	0	0	0	0
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FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	16.2	(86.8)	(165.0)	(224.3)	(269.3)	(303.5)

POSITIONS:

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

Estimate of current year impact: \$0

ANALYSIS: (Attach a separate page if necessary.)

See Attached

Prepared by: David K. F. Otto *D.K.F.O.*
 Division: Personnel

Phone: 465-4430
 Date: 3/17/91

Approved by Commissioner: Millet Keller *Millet Keller*
 Agency: Administration

Date: 3/27/91

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB, & Impacted Agency(ies).

FISCAL NOTE

STATE OF ALASKA
1991 LEGISLATIVE SESSION

BILL NO. _____
Law Log 81-0059

ANALYSIS: (continued)

SUMMARY/EXPLANATION OF INTENT:

Section 2 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 general government and supervisory bargaining units which are closely matched by the confidential and public safety 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.

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 482 employees in this group.

There are currently 98 filled positions in the balance of the State which are affected by this bill. The geographic pay differential for 22 of these positions will increase. The geographic pay differential for the remaining 76 will decrease.

Section 4 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 24.1 percent applies equally to this group. (If turnover is higher, the savings will be realized sooner.)
- Average added benefits are 25 percent (to avoid effect of health insurance at a constant rate.)

ESTIMATED FISCAL IMPACT:

The current annual Personal Services cost for the 98 positions is \$7,560.7 thousand. The added first year (FY 92) cost of the 27 employees whose differential will be increased is \$74.8 thousand. When all employees are on the new differential schedule, the annual Personal Services cost will be \$7,149.5 thousand. Each year, beginning with FY 92, the cost of these positions will be reduced by 24.1 percent of the remaining difference between the first year cost and the long-term costs. However, the first year will only realize half a year's savings based on the assumption that turnover is spread evenly throughout the year. First year savings are \$58.6 thousand. Second year savings are an additional \$103.0 thousand. Third year savings are an additional \$78.2 thousand, etc. These costs and savings are summarized below:

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STATE OF ALASKA
1991 LEGISLATIVE SESSION

BILL NO. _____
Law Log 91-0059

Current Annual Personal Services Costs	\$7,560.7
Added Costs FY 92	<u>74.8</u>
	7,635.5
Less Ultimate Long-Range Annual Personal Services Costs	<u>(7,149.5)</u>
Ultimate Annual Savings	<u>\$ (486.0)</u>

	Additional Savings (24.1% of Remaining Annual Savings)	Cost	Net Annual Savings
FY 92 (First Year—Half Year)	\$58.6	74.8	\$ (16.2)
FY 93 (Second Year)	103.0		86.8
FY 94 (Third Year)	78.2		165.0
FY 95 (Fourth Year)	59.3		224.3
FY 96 (Fifth Year)	45.0		269.3
FY 97 (Sixth Year)	39.2		303.5
(Last Year)			486.0

To the extent that the appointing authorities of the exempt service not covered by a collective bargaining agreement follow the geographic pay differentials in AS 39.27.020, there will be additional savings.

Sections 1, 2, and 6 of this bill make the geographic pay differentials in AS 39.27.020 apply to future collective bargaining agreements. Any changes in personal services costs associated with new agreements will be reported under the Public Employment Relations Act procedures.

A small but unknown portion of the Personal Services will be other than General Fund.

Section 3 of the bill provides for the Director of Personnel to conduct surveys of geographic pay differentials at five-year intervals, subject to funding. The last survey was conducted in FY 85. This fiscal note makes no assumptions as to when the next survey will be conducted, nor its cost.

WALTER J. HICKEL
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

April 5, 1991

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

Dear Speaker Grussendorf:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating principally to geographic pay differentials.

Specifically, the bill would amend the geographic differentials applied to the state pay plan; remove the issue of geographic differentials from the bargaining table for state workers; alter the scope and frequency of the salary survey required to be conducted by the Department of Administration by AS 39.27.030; and, in conjunction with changes to the salary survey, repeal two statutes requiring preparation of an annual pay schedule and an annual university system salary survey.

The bill is based on the recommendations of the Office of Management and Budget's Report 01-75, "Improving State Use of Geographic Differentials to Adjust Program Costs" (January 1991). Among the reasons for the report's recommendation for the legislation is the lack of uniformity in geographic cost of living allowances among state employees in the same locale.

I believe the bill will contribute to a fairer and more rational system for compensating the state's employees for the differences in the cost of living among the state's communities, and I urge your prompt action on the measure.

Sincerely,

A handwritten signature in cursive script that reads "Walter J. Hickel".

Walter J. Hickel
Governor

MEMORANDUM

STATE OF ALASKA Department of Administration

To: Rep. Gene Kubina
Chair
House State Affairs Committee

Date: April 16, 1991

From: Millett Keller *Millett Keller*
Commissioner
Department of Administration

Phone: 465-2200

Subject: HB261 Geographic Pay Differentials

I would like to request HB261 to be placed on the committee calender for a hearing the week of April 22.

Thank you.

PUBLIC OPINION MESSAGE

DEAR: REPRESENTATIVE KUBINA

NAME: RUTH PARTLOW
TITLE:
ADDRESS: PHS HOSPITAL, BOX 3029
CITY: BETHEL, ALASKA
PHONE: 543-5957
ZIP: 99559
BILL NO: HB 261
SUBJECT: GEOGRAPHIC PAY DIFFERENTIALS
MESSAGE: I AM OPPOSED TO THE GOVERNOR WANTING TO REMOVE THE DIFFERENTIALS FROM THE BARGAINING TABLE. WE WOULD NOT BE ABLE TO AFFORD TO LIVE OUT HERE IN LETHE DUE TO THE HIGH COST OF LIVING IF THAT WAS THE CASE. THE COST OF GAS IS OVER \$2 A GALLON, EGGS ARE ALMOST \$2 A DOZ., MILK IS \$4.99 GALLON AND JUST TRAVELING R/T TO ANCHORAGE IS \$422. I DO NOT FEEL IT IS VERY REALISTIC TO EVEN CONSIDER REMOVING THE DIFFERENTIAL FROM THE PAY OUT HERE.

POHID: 05142452
DATE: 91/04/17
TIME: 14:24:52
LIONAME: BETHEL LIO

COPIES: REPRESENTATIVES SENATOR

IVAN
MOTER
CHOGUETTE
BRUCKMAN
BAKER
M.W.MILLER
GRUENBERG
HOFFMAN