

SB

152

SFIN

FILE

SENATE FINANCE COMMITTEE REPORT

DATE: 4/7/95

FURTHER:

Date of 5-Day Notice: _____
(in accordance with Uniform Rule 23)

DATE TURNED INTO OFFICE: 3/29/96

Finance Committee considered SB 152

Salaries of certain state employees who are not members of a collective bargaining unit; annual pay schedule; geographic differentials for state employee salaries; efd.

and recommends:

- be replaced with _____ CS SB 152 (Fix)
- adopt previous _____ CS _____
- attached amendment(s)
- adopt Letter of Intent by _____ Committee
- further referral to the _____ Committee

Senate Bill:
 same title
 new title

*CS (Fix)
Coming*

SIGNING <u>DO</u> PASS	DP	OTHER RECOMMENDATIONS	NR	DNP	AM
<i>Steve Pinn</i>	<input checked="" type="checkbox"/>	<i>2000 E. P. 100</i>	<input checked="" type="checkbox"/>		
<i>Don Meyer</i>	<input checked="" type="checkbox"/>	<i>Paul F. Stedoff</i>		<input checked="" type="checkbox"/>	
		<i>David Daulton</i>	<input checked="" type="checkbox"/>		
Co-Chair: <i>Steve Pinn</i>	<input checked="" type="checkbox"/>				
Co-Chair: <i>Richard Hallford</i>					

NEW FISCAL NOTE(S)

Department	Date	Zero	Fiscal
<i>Gov. - All</i>	<i>7-29-94</i>	<input checked="" type="checkbox"/>	

PREVIOUS FISCAL NOTE(S)*

Department	Date	Zero	Fiscal

APPROPRIATION -- no fiscal note

*include fiscal notes accompanying Governor's bill

FISCAL NOTE

No. 1
 Bill Version: SB152
 (S) Publish Date: 4/7/95

STATE OF ALASKA
 1995 LEGISLATIVE SESSION

Revision Date: _____
 Title: Geographic Pay Differential
 Sponsor: Rules by Request of Governor
 Requestor: _____

Department Affected: Administration
 BRU: Personnel
 Component: Personnel
 COMPONENT SERIAL NO. 56

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING EXPENDITURES	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL					400.0	
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	400.0	0.0

CAPITAL EXPENDITURES	0	0	0	0	0	0
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CHANGE IN REVENUES ()	0	0	0	0	0	0
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FUND SOURCE: (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF					400.0	
1005 GF/Program Receipts						
1006 GF/MTIA						
OTHER						
TOTAL	0.0	0.0	0.0	0.0	400.0	0.0

Estimate of any current year (FY 95) cost: \$ 0

POSITIONS:

FULL-TIME					0
PART-TIME					0
TEMPORARY					0

ANALYSIS: (Attach a separate page if necessary) Section 5 of this bill provides for the Director of Personnel to conduct studies of geographic pay differentials at intervals of not less than five years. Therefore, this fiscal note reflects a study would be undertaken in FY 00.

The scope of the study reflected in the fiscal note is the same as the geographic differential study conducted in FY 85. The actual cost may vary from this projection, depending upon inflation experienced in the interim.

Prepared by: Michael P. McMullen, Acting Director
 Division: Personnel

Phone: 465-4830
 Date: _____

Approved by Commissioner: Mark R. Johnson
 Agency: Department of Administration

Date: 4/3/95

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FISCAL NOTE

No. 2

Bill Version: SB 152

B (S) Publish Date: 4/7/95

STATE OF ALASKA
1995 LEGISLATIVE SESSION

Revision Date: _____ Dept. Affected: All Departments
 Title: An Act relating to geographic differentials... BRU: _____
 Component: _____
 Sponsor: Rules Committee by Request of the Governor
 Requester: _____ COMPONENT SERIAL NO. _____

Expenditures/Revenues (Thousands of Dollars)

OPERATING EXPENDITURES	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01
PERSONAL SERVICES	***	(1,218.2)	(1,218.2)	(1,218.2)	(1,218.2)	(1,218.2)
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	(1,218.2)	(1,218.2)	(1,218.2)	(1,218.2)	(1,218.2)

CAPITAL EXPENDITURES						
-----------------------------	--	--	--	--	--	--

CHANGE IN REVENUES I						
-----------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF		(821.1)	(821.1)	(821.1)	(821.1)	(821.1)
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other		(397.1)	(397.1)	(397.1)	(397.1)	(397.1)
TOTAL	0.0	(1,218.2)	(1,218.2)	(1,218.2)	(1,218.2)	(1,218.2)

Estimate of any current year (FY95) cost: \$ _____

POSITIONS

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

This legislation is expected to result in significant savings in personal services costs for exempt and partially exempt positions beginning in FY 97. Although most positions affected by this legislation will have a decrease in salary, a small number of positions will receive an increase beginning in FY 96. It is expected that those increases will be more than offset by freezing salaries of overcompensated positions, thus avoiding the cost increase that would have occurred as a result of normal step advancements.

Prepared by: Annalee McConnell, Director *Annalee McConnell* Phone: 465-4660
 Division: Office of Management and Budget Date: 3/2/95
 Approved by Commissioner: Jim Ayres, Chief of Staff Date: 3/2/95
 Agency: Office of the Governor

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FISCAL NOTE

STATE OF ALASKA
1996 LEGISLATIVE SESSION

BILL NO. SB 152 (FIN)

Revision Date: _____ Dept. Affected: All Departments
 Title: An Act relating to geographic differentials... BRU: _____
 Component: _____
 Sponsor: _____
 Requester: _____ COMPONENT SERIAL NO. _____

Expenditures/Revenues (Thousands of Dollars)

OPERATING EXPENDITURES	FY 97	FY 98	FY 99	FY 100	FY 01	FY 02
PERSONAL SERVICES			(962.1)	(962.1)	(962.1)	(962.1)
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	(962.1)	(962.1)	(962.1)	(962.1)

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF			(688.2)	(688.2)	(688.2)	(688.2)
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other			(273.9)	(273.9)	(273.9)	(273.9)
TOTAL	0.0	0.0	(962.1)	(962.1)	(962.1)	(962.1)

Estimate of any current year (FY96) cost: \$ _____

POSITIONS

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

This legislation is expected to result in significant savings in personal services costs for exempt and partially exempt positions. Although most positions affected by this legislation will have a decrease in salary, a small number of positions will receive an increase. This committee substitute reflects a base salary of \$50,000 for making differential calculations and a new effective date. Adjustments are also made to employees in Fairbanks and Seattle.

Prepared by: Annalee McConnell Director Nancy J. Blake for Phone: 465-4660
 Division: Office of Management and Budget Date: 3/28/96
 Approved by Commissioner: Jim Ayers, Chief of Staff P. Hansen Date: _____
 Agency: Office of the Governor

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WORK DRAFT

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9-GS0049F
Cramer
3/29/96

JFC 3/29/96
BS
mixed
Adopted
BS
mixed
R/O

See p. 3
Correction
(Approved by
Larry as
earlier adopted)

CS FOR SENATE BILL NO. 152(FIN,
IN THE LEGISLATURE OF THE STATE OF ALASKA
NINETEENTH LEGISLATURE - SECOND SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:
Referred:

Sponsor(s): SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR
A BILL

FOR AN ACT ENTITLED

1 "An Act relating to geographic differentials for the salaries of certain state
2 employees who are not members of a collective bargaining unit; relating to
3 periodic salary surveys and preparation of an annual pay schedule regarding
4 certain state employees; relating to certain state aid calculations based on
5 geographic differentials for state employee salaries; and providing for an effective
6 date."

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

8 * Section 1. AS 22.15.220(b) is amended to read:

9 (b) Each magistrate shall receive annual compensation to be determined by the
10 supreme court. Salary increases shall be determined on the basis of percentage of pay
11 increase the legislature provides for state employees in the classified service. The base
12 salary of a magistrate shall be increased by a percentage equal to three and one-half
13 percent times the number of step increases provided under former AS 39.27.020 that

1 a state employee would receive working in the same election district. A magistrate's
 2 annual compensation may be payable, at the option of the magistrate, either monthly
 3 in 12 equal installments or semi-monthly in 24 equal installments.

4 * Sec. 2. AS 29.60.160(a) is amended to read:

5 (a) Payments to a municipality or other eligible recipient under AS 29.60.110
 6 - 29.60.130 shall reflect area cost-of-living differentials. Payments shall be based on
 7 the sum of per capita, per mile, and per bed or facility grants of each municipality
 8 or other recipient multiplied by the appropriate area cost-of-living differential. The
 9 area cost-of-living differential for each recipient shall be determined [ANNUALLY BY
 10 ELECTION DISTRICT] under the provisions of former AS 39.27.020 and former
 11 AS 39.27.030. Application of the area cost-of-living differential may not result in
 12 distribution of an amount less than the amount of the payment determined without
 13 reference to application of this section.

14 * Sec. 3. AS 29.60.290(b) is amended to read:

15 (b) The area cost-of-living differential payable to each municipality under this
 16 section shall be determined [ANNUALLY BY ELECTION DISTRICT] under the
 17 provisions of former AS 39.27.020 and former AS 39.27.030. Except as provided
 18 in AS 29.60.300, application of the area cost-of-living differential may not result in a
 19 payment that is less than the minimum payment determined under (a) of this section.
 20 For purposes of this subsection, the election districts used are those designated by the
 21 proclamation of reapportionment and redistricting of December 7, 1961, and retained
 22 for the house of representatives by proclamation of the governor September 3, 1965.

23 * Sec. 4. AS 39.27 is amended by adding a new section to read:

24 Sec. 39.27.021. PAY DIFFERENTIALS. (a) The following pay differentials
 25 are approved as an amendment to the basic salary schedule in AS 39.27.011:

Geographic Area (Election Districts)	Percentage Above or Below Basic Salary Schedule
3, 4, and 7 - 28	0
1, 2, 5, 6, and 29 - 33	5
34, 35, and 36	10
37 - 40	20

3/29/96

(DD should be included. part of a prior amend.)

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Washington State
With the exception of Washington state, minus 20
(b) A pay differential authorized by (a) of this section applies only to that part of an employee's base salary that does not exceed \$50,000 annually, prorated by pay period.

(c) For purposes of determining the differential provided under (a) of this section, and notwithstanding (b) of this section, an appointing authority may increase the salary on which the geographic pay differential is computed by up to 20 percent of the employee's base salary set out in AS 39.27.011 if

(1) the duty station for the position or job class is located in election district 37, 38, 39, or 40;

(2) the position or job class requires the employee to hold a license to practice law under AS 08.08 or to practice medicine under AS 08.64; and

(3) the director certifies that recruitment or retention for the position or job class in that election district is so difficult that the increase is essential to recruitment or retention of employees in the position.

(d) The director may establish salary differentials for positions in foreign countries or in states other than the State of Washington. If the director establishes a salary differential under this subsection, the director shall adjust the differential as necessary to maintain equitable relationships between salaries for positions outside the state and in the state.

(e) For purposes of (a) of this section, "election district" means an election district designated in the governor's proclamation of reapportionment and redistricting applicable to the 1994 general election.

* Sec. 5. AS 39.27 is amended by adding a new section to read:

Sec. 39.27.031. COST-OF-LIVING SURVEY. Subject to an appropriation for this purpose, the director shall conduct a survey, at least every five years, to review the pay differentials established in AS 39.27.021. The survey may address factors, as determined by the director, that are also relevant in review of state salary schedules, entitlement for beneficiaries of state programs, and payments for state service providers. The survey must reflect the costs of living in various election districts of the state, and Seattle, Washington, by using the cost of living in Anchorage as a base.

1 * Sec. 6. AS 39.27.045 is amended to read:

2 Sec. 39.27.045. DEFINITION. In AS 39.27.021 - 39.27.031 [AS 39.27.030 -
3 39.27.040], "director" means the director of the division of personnel.

4 * Sec. 7. AS 39.35.675(d) is amended to read:

5 (d) In this section "cost-of-living differential" means an adjustment to salary
6 based on the cost of living in the geographic region where the employee works and
7 includes a pay step differential under former AS 39.27.020 or under AS 39.27.021.

8 * Sec. 8. AS 44.31.020 is amended to read:

9 Sec. 44.31.020. DUTIES OF DEPARTMENT. The Department of Labor shall

10 (1) enforce the laws, and adopt regulations under them concerning
11 employer-employee relationships, including the safety, hours of work, wages, and
12 conditions of workers, including children.

13 (2) accumulate, analyze, and report labor statistics;

14 (3) operate systems of workers' compensation and unemployment
15 insurance; and

16 (4) gather data reflecting the cost of living in the various election
17 districts of the state upon request of the director of personnel under AS 39.27.031
18 [AS 39.27.030 - 39.27.040].

19 * Sec. 9. AS 39.27.020, 39.27.030, 39.27.035, and 39.27.040 are repealed.

20 * Sec. 10. LIMITATION ON THE REDUCTION OF EMPLOYEE SALARIES. (a) So
21 long as the employee remains in the same geographic area, as defined in AS 39.27.021(a) and
22 (e), as enacted by sec. 4 of this Act,

23 (1) the salary that an employee is receiving on June 30, 1996, may not be
24 reduced by application of a provision of this Act until July 1, 1997;

25 (2) for the fiscal year beginning July 1, 1997, the salary that an employee is
26 receiving on June 30, 1997, may not be reduced by more than five percent as a result of the
27 application of a provision of this Act.

28 (b) If an employee moves to another geographic area after June 30, 1996, both the pay
29 differential in AS 39.27.021(a), as amended by sec. 4 of this Act, and the limitation on
30 applicable salary in AS 39.27.021(b), as amended by sec. 4 of this Act, apply to that
31 employee's salary on the effective date of the move.

1 (c) Nothing in this Act prohibits a reduction in an employee's salary as a result of a
2 voluntary or involuntary demotion.

3 * Sec. 11. Nothing in this Act modifies or terminates the terms of a collective bargaining
4 agreement in effect on July 1, 1996.

5 * Sec. 12. Section 10 of this Act is repealed July 1, 1998.

6 * Sec. 13. This Act takes effect July 1, 1996.

A FAX

Alaska State Legislature

Date: 3-28-96

To: Legal Services - Attn. Peggy

Fax #: 2029 Phone #: 2450

From: Kathy - Senate Finance

Phone #: 2618

Re: CSB 152 (Finance) Please prepare
a draft finance CS based on changes
on pages 2 and 3 of the bill and
incorporating Amendments 2 and 3
and return to Rm 520 as soon as
possible.

Following this page, please find 5 pages(s). If this does not reach you in full, please inform us ASAP.



THANK YOU.

1 a state employee would receive working in the same election district. A magistrate's
2 annual compensation may be payable, at the option of the magistrate, either monthly
3 in 12 equal installments or semi-monthly in 24 equal installments.

4 • Sec. 2. AS 29.60.160(a) is amended to read:

5 (a) Payments to a municipality or other eligible recipient under AS 29.60.110 -
6 29.60.130 shall reflect area cost-of-living differentials. Payments shall be based on the
7 sum of per capita, per mile, and per bed or facility grants due each municipality or
8 other recipient multiplied by the appropriate area cost-of-living differential. The area
9 cost-of-living differential for each recipient shall be determined [ANNUALLY BY
10 ELECTION DISTRICT] under the provisions of former AS 39.27.020 and former
11 AS 39.27.030. Application of the area cost-of-living differential may not result in
12 distribution of an amount less than the amount of the payment determined without
13 reference to application of this section.

14 • Sec. 3. AS 29.60.290(b) is amended to read:

15 (b) The area cost-of-living differential payable to each municipality under this
16 section shall be determined [ANNUALLY BY ELECTION DISTRICT] under the
17 provisions of former AS 39.27.020 and former AS 39.27.030. Except as provided
18 in AS 29.60.300, application of the area cost-of-living differential may not result in a
19 payment that is less than the minimum payment determined under (a) of this section.
20 For purposes of this subsection, the election districts used are those designated by the
21 proclamation of reapportionment and redistricting of December 7, 1961, and retained
22 for the house of representatives by proclamation of the governor September 3, 1965.

23 • Sec. 4. AS 39.27 is amended by adding a new section to read:

24 Sec. 39.27.021. PAY DIFFERENTIALS. (a) The following pay differentials
25 are approved as an amendment to the basic salary schedule in AS 39.27.011:

26

Geographic Area	Percentage Above
(Election Districts)	Basic Salary Schedule
3, 4, and 7 - ²⁸ 31	0
1, 2, 5, and 6, ^{and} 29 - 33	5
34, 35, and 36	10
37 - 40	20

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*3/27/94 group
Sen. Hallford
adopted*

SENATE BILL NO. 152

IN THE LEGISLATURE OF THE STATE OF ALASKA

NINETEENTH LEGISLATURE - FIRST SESSION

BY THE SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

Introduced: 4/7/95

Referred: Finance

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to geographic differentials for the salaries of certain state
2 employees who are not members of a collective bargaining unit; relating to
3 periodic salary surveys and preparation of an annual pay schedule regarding
4 certain state employees; relating to certain state aid calculations based on
5 geographic differentials for state employee salaries; and providing for an effective
6 date."

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

8 * Section 1. AS 22.15.220(b) is amended to read:

9 (b) Each magistrate shall receive annual compensation to be determined by the
10 supreme court. Salary increases shall be determined on the basis of percentage of pay
11 increase the legislature provides for state employees in the classified service. The base
12 salary of a magistrate shall be increased by a percentage equal to three and one-half
13 percent times the number of step increases provided under ~~former~~ AS 39.27.020 that

1 Washington State

12-20

3/23/96
Sen. Sharp
amended
adopted

2 (b) A pay differential authorized by (a) of this section applies only to that part
3 of an employee's gross salary that does not exceed ~~(\$30,000)~~ annually, prorated by pay
4 period. ^{delete}
_{→ \$50,000 insert}

5 (c) For purposes of (a) of this section, "election district" means an election
6 district designated in the governor's proclamation of reapportionment and redistricting
7 applicable to the 1994 general election.

8 (d) The director may establish salary differentials for positions in foreign
9 countries or in states other than the State of Washington, which must be adjusted as
10 necessary to maintain equitable relationships between salaries for positions outside
11 Alaska and in Alaska.

12 • Sec. 5. AS 39.27 is amended by adding a new section to read:

13 Sec. 39.27.031. COST-OF-LIVING SURVEY. Subject to an appropriation for
14 this purpose, the director shall conduct a survey, at least every five years, to review
15 the pay differentials established in AS 39.27.021. The survey may address factors, as
16 determined by the director, that are also relevant in review of state salary schedules,
17 entitlement for beneficiaries of state programs, and payments for state service
18 providers. The survey must reflect the costs of living in various election districts of
19 the state, and Seattle, Washington, by using the cost of living in Anchorage as a base.

20 • Sec. 6. AS 39.35.675(d) is amended to read:

21 (d) In this section "cost-of-living differential" means an adjustment to salary
22 based on the cost of living in the geographic region where the employee works and
23 includes a pay step differential under former AS 39.27.020 or under AS 39.27.021.

24 • Sec. 7. AS 39.27.020, 39.27.030, 39.27.035, and 39.27.040 are repealed.

25 • Sec. 8. LIMITATION ON THE REDUCTION OF EMPLOYEE SALARIES. (a) The
26 salary that an employee is receiving on July 1, 1995 may not be reduced by application of a
27 provision of this Act until July 1, 1996, so long as the employee remains in the same
28 geographic area, as defined in AS 39.27.021(a) and (c), as enacted by sec. 4 of this Act.

29 (b) If an employee moves to another geographic area after July 1, 1995, both the pay
30 differential in AS 39.27.021(a), enacted by sec. 4 of this Act, and the limitation on applicable
31 salary in AS 39.27.021(b), enacted by sec. 4 of this Act, apply to that employee's salary on

1 the effective date of the move.

2 (c) Nothing in this Act prohibits a reduction in an employee's salary as a result of a
3 voluntary or involuntary demotion.

4 • Sec. 9. Nothing in this Act modifies or terminates the terms of a collective bargaining
5 agreement in effect on July 1, 1995.

6 • Sec. 10. Section 8 of this Act is repealed July 1, 1996.

7 • Sec. 11. This Act takes effect July 1, 1995.

3/27/96
Amend # 2
moved by Sen. Sharp
adopted
with tech
change

PROPOSED AMENDMENT NO. _____ TO SB 152

By: _____

1. At Section 4, page 1, line 1, substitute the word "base" for the word "gross".

2. At Section 4, page 1, lines 5 and 8, number AS 19.27.021(c) as AS 19.27.021(d), and AS 19.27.021(d) as AS 19.257.021(e).

3. Insert at Section 4, page 1, between lines 11 and 12, a new subsection AS 19.27.021(c) to read:

(c) In addition to the differential provided under (a) of this section, and notwithstanding (b) of this section, an appointing authority may increase an employee's base salary by an amount up to 20 percent of the employee's base salary as set out in AS 19.27.011 1:

(1) the duty station for the position or job class is located in election district 37, 38, 39, or 40;

to practice law
or medicine
ally or physician

(2) the position or job class requires a license in order to lawfully practice a profession in this state; and

(3) the director certifies that recruitment or retention for the position or job class in that election district is so difficult that the increase is essential to recruitment or retention of employees in the position.

Reason for amendment:

The first amendment makes the language of the statute consistent with Fair Labor Standards Act terminology.

The second two changes address difficulty the state has had recruiting and retaining professionals in the areas included in election districts 37 - 40. It may be necessary to provide incentives in addition to the cost of living differential to recruit and retain qualified professionals for these positions. To insure that any incentive is justified and applied consistently, the director of the division of personnel must certify that the increase is essential to recruitment and retention for the position or job class.

#3
3/28/96

AMENDMENT

OFFERED IN THE SENATE

BY _____

TO: CSSB 152(PIN)

At page ____, line ____ through page ____, line ____

Delete all material and insert:

** Sec. 8. LIMITATIONS ON THE REDUCTION OF EMPLOYEE SALARIES. (a) So long as the employee remains in the same geographic area, as defined in AS 39.27.021(a) and (c), as enacted by sec. 4 of this Act,

(1) the salary that an employee is receiving on June 30, 1996, may not be reduced by application of a provision of this Act until July 1, 1997;

(2) for the fiscal year beginning July 1, 1997, the salary that an employee is receiving on June 30, 199⁷, may not be reduced by more than 5 percent as a result of the application of a provision of this Act;

~~(3) for the fiscal year beginning July 1, 1998, the salary that an employee is receiving on June 30, 1998, may not be reduced by more than 5 percent as a result of the application of a provision of this Act.~~

(b) If an employee moves to another geographic area after June 30, 1996, both the pay differential in AS 39.27.021(a), enacted by sec. 4 of this Act, and the limitation on applicable salary in AS 39.27.021(b), enacted by sec. 4 of this Act, apply to that employee's salary on the effective date of the move.

(c) Nothing in this Act prohibits a reduction in an employee's salary as a result of a voluntary or involuntary demotion."

Sec. 9

Page __, line __.

Delete "July 1, 1995"

Insert "July 1, 1996"

Sec. 10

Page __, line __:

Delete "July 1, 1996"

Insert "July 1, 1999"

98

Sec. 11

Page __, line __:

Delete "July 1, 1995"

Insert "July 1, 1996"

PROPOSED AMENDMENT NO. TO SB 152

By: _____

1. At Section 4, page 1, line 3, substitute the word "base" for the word "gross".

2. At Section 4, page 1, lines 5 and 8, number AS 19.27.021(c) as AS 19.27.021(d), and AS 19.27.021(d) as AS 19.257.021(e).

3. Insert at Section 4, page 1, between lines 11 and 12, a new subsection AS 19.27.021(c) to read:

(c) In addition to the differential provided under (a) of this section, and notwithstanding (b) of this section, an appointing authority may increase an employee's base salary by an amount up to 20 percent of the employee's base salary as set out in AS 19.27.011 if

(1) the duty station for the position or job class is located in election district 37, 38, 39, or 40;

(2) the position or job class requires a license in order to lawfully practice a profession in this state; and

(3) the director certifies that recruitment or retention for the position or job class in that election district is so difficult that the increase is essential to recruitment or retention of employees in the position.

Reason for amendment:

The first amendment makes the language of the statute consistent with Fair Labor Standards Act terminology.

The second two changes address difficulty the state has had recruiting and retaining professionals in the areas included in election districts 37 - 40. It may be necessary to provide incentives in addition to the cost of living differential to recruit and retain qualified professionals for these positions. To insure that any incentive is justified and applied consistently, the director of the division of personnel must certify that the increase is essential to recruitment and retention for the position or job class.

an Rieger moved adopted

3/26/96

Amendment #1

By Rieger

To: SB 152

Page 3, Line 1

Delete "0"

Insert "-10" -20

sen. Wolcott moved adopted (3/27/96)

Comparison of Geographic Differentials
HB304/SB152

House #	District name	1972 index	Union diff.	Runzheimer	Proposal	Change from 1972 index
1	Ketchikan	1.000	1.000	1.141	1.050	0.050
2	Sitka, Wrangell, Petersburg	1.035	1.000	1.094	1.050	0.015
3,4	Juneau	1.000	1.000	1.081	1.000	0.000
5	Icy Strait/Lynn Canal	1.071	1.050	0.992	1.050	-0.021
6	Kodiak	1.071	1.090	1.087	1.050	-0.021
7	Homer	1.071	1.000	0.969	1.000	-0.071
8	Sodotna/Seward	1.071	1.000	1.031	1.000	-0.071
9	Kenai	1.071	1.000	0.969	1.000	-0.071
10,25	Anchorage, Eagle River	1.000	1.000	1.000	1.000	0.000
26,28	Wasilla, Palmer	1.035	1.000	1.045	1.000	-0.035
29,33	Fairbanks, North Pole	1.148	1.040	1.025	1.000	-0.148
34	North Pole, rural Fbr. area	1.363	1.300	1.048	1.100	-0.263
35	Valdez, Cordova, Copper Center	1.148	1.110	1.093	1.100	-0.048
36	Tanana, interior villages	1.363	1.300	1.048	1.100	-0.263
37	Barrow, Kotzebue	1.363	1.420	1.110	1.200	-0.163
38	Nome	1.363	1.340	1.059	1.200	-0.163
39	Bethel, Dillingham	1.317	1.380	1.145	1.200	-0.117
40	Aleutian Islands	1.272	1.270	1.161	1.200	-0.072
	Seattle	0.791	0.870	1.000	1.000	0.209

The 1972 index and the union differential (contained in the ASEA contract) both utilize the House districts in effect as of Dec. 1961. The reflection of differentials based upon new House districts reflect the closest approximation possible to the old districts. However, some anomalies occur. For instance, Sitka was previously a House district separate from Petersburg and Wrangell. Both prior districts did, however, contain the same geographic differential. Some of the interior and rural House districts that existed in 1961 no longer exist, or have been substantially modified. For purposes of comparability, the areas of largest concentration of state employees have been used in reflecting the old 1972 index and the union differentials with the new House apportionment.

*from Allison Gustafson
Elger 11-02*

3/29/96
DOA

Comparison of Current and Proposed Geographic Differentials for Non-covered Employees - Fairbanks and Nome examples.

	Current Geo Diff	Proposed Geo Diff
Fairbanks	4 steps = 14.9%	5%
Nome	9 steps = 37.4%	20%

Example employee receives base pay of \$60,000/year and 3.5% in pay increases annually. Proposed geographic differential is paid on a maximum of \$50,000/year spread across the entire year.

Fairbanks Employee	Current Differential	New Differential	Max 5% Reduction
June 30, 1996	\$ 68,940.00	\$ 62,500.00	N/A
June 30, 1997		\$ 64,687.00	\$ 65,493.00
June 30, 1998		\$ 66,951.00	\$ 62,218.00
June 30, 1999		\$ 69,294.00	
Nome Employee	Current Differential	New Differential	Max 5% Reduction
June 30, 1996	\$ 82,440.00	\$ 70,000.00	N/A
June 30, 1997		\$ 72,450.00	\$ 78,318.00
June 30, 1998		\$ 74,985.00	\$ 74,402.00
June 30, 1999		\$ 77,610.00	

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

(907) 465-3887 or 465-2450
FAX (907) 465-2029
Mail Stop 3101

3/28/96
Redrafted
for 3/29/96
130 Seward Street, Suite 409
Juneau, Alaska 99801-2105

MEMORANDUM

March 28, 1996

SUBJECT: CSSB 152 (FIN) (Geographic pay differentials)

TO: Senator Steve Frank, Co-chair
Senate Finance Committee

FROM: Teresa B. Cramer *TBC*
Legislative Counsel

Enclosed is the draft Committee Substitute you requested, making changes to the geographic pay differential sections of SB 152. In addition to those changes, I have changed the sections of the bill that deal with state aid to municipalities. The approach to that program taken in SB 152 was to refer to "former AS 39.27.020" when setting the rate of state aid for municipalities. The result of this approach was to require the state and municipalities to continue to use AS 39.27.020 but to repeal the statute. Instead, I have enacted the contents of the current versions of AS 39.27.020 and AS 39.27.030 as new sections in AS 29.60. See bill section 3. Because of the continuing use of this salary-based system in the state aid to municipalities program, I have also continued to require the Department of Labor to gather information for use in determining the cost-of-living differentials. See bill section 9.

Please let me know if you have questions about this draft or if you have changes you would like made to it.

TC:klb
96-235.klb

Enclosure

9-GS0049C ✓
Cramer
3/28/96

CS FOR SENATE BILL NO. 152(FIN)
IN THE LEGISLATURE OF THE STATE OF ALASKA
NINETEENTH LEGISLATURE - SECOND SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:
Referred:

Sponsor(s): SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR
A BILL

FOR AN ACT ENTITLED

1 "An Act relating to geographic differentials for the salaries of certain state
2 employees who are not members of a collective bargaining unit; relating to
3 periodic salary surveys and preparation of an annual pay schedule regarding
4 certain state employees; relating to certain state aid calculations formerly based
5 on geographic differentials for state employee salaries; and providing for an
6 effective date."

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

8 * Section 1. AS 22.15.220(b) is amended to read:

9 (b) Each magistrate shall receive annual compensation to be determined by the
10 supreme court. Salary increases shall be determined on the basis of percentage of pay
11 increase the legislature provides for state employees in the classified service. The base
12 salary of a magistrate shall be increased by a percentage equal to three and one-half
13 percent times the number of step increases provided under AS 29.60.164 that apply

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to the election district in which the magistrate is based [AS 39.27.020 THAT A STATE EMPLOYEE WOULD RECEIVE WORKING IN THE SAME ELECTION DISTRICT]. A magistrate's annual compensation may be payable, at the option of the magistrate, either monthly in 12 equal installments or semi-monthly in 24 equal installments.

• Sec. 2. AS 29.60.160(a) is amended to read:

(a) Payments to a municipality or other eligible recipient under AS 29.60.110 - 29.60.130 shall reflect area cost-of-living differentials. Payments shall be based on the sum of per capita, per mile, and per bed or facility grants due each municipality or other recipient multiplied by the appropriate area cost-of-living differential. The area cost-of-living differential for each recipient shall be determined [ANNUALLY BY ELECTION DISTRICT] under the provisions of AS 29.60.164 and 29.60.165 [AS 39.27.030]. Application of the area cost-of-living differential may not result in distribution of an amount less than the amount of the payment determined without reference to application of this section.

• Sec. 3. AS 29.60 is amended by adding new sections to read:

Sec. 29.60.164. AREA COST-OF-LIVING DIFFERENTIALS. (a) The area cost-of-living differential multiplier shall be determined by multiplying the cost-of-living steps found in the table in this subsection by three and one-half percent. The following area cost-of-living steps apply:

Election District	Cost-of-Living Steps
1	0
2	1
3	1
4	0
5	2
6a (excluding Valdez Duty Station)	4
6b (Valdez Duty Station)	5
7	1
8	0
9	2

Review ↑

1	10	2
2	11	2
3	12	7
4	13	7
5	14	8
6	15a (excluding Nenana Duty Station)	9
7	15b (Nenana Duty Station)	8
8	16a (south of Arctic Circle)	4
9	16b (north of Arctic Circle)	9
10	17	9
11	18	9
12	19	8
13	In other states	minus 6.

*Change
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(b) For purposes of (a) of this section, "election district" means an election district designated in the governor's proclamation of reapportionment and redistricting of December 7, 1961.

Sec. 29.60.165. COST-OF-LIVING SURVEY. (a) The director of the division of personnel shall conduct an annual cost-of-living survey and make recommendations to the legislature concerning changes in the cost-of-living steps under AS 29.60.164. This survey shall reflect the

(1) costs of living in the various election districts of the state by using the cost of living in Seattle, Washington, as a base of 100;

(2) competitive position of the state by comparing
 (A) state salary levels with salary levels of comparable classes in private industry, in other governmental agencies throughout the state, and in other states constituting the prime recruiting areas, using "bench-mark" classes selected by the director of personnel, based on the principle of like pay for like work, from as many employment categories as is necessary to reflect correctly the competitive position of the state salary levels with those paid other employees under this subparagraph; and

(B) ing benefits in the state service with other governmental

agencies and major employers throughout the state.

(b) The director shall use United States Department of Labor statistics or other reliable statistical data in carrying out the provisions of (a)(1) of this section. If reliable statistics are not available, the director shall gather the data by field studies for the survey required by (a)(1) of this section.

(c) The director may use any reliable source of data in carrying out the provisions of (a)(2) of this section. When reliable statistics are not available, the director shall, by field studies, gather the data to carry out the provisions of (a)(2) of this section.

(d) In this section, "director" means the director of the division of personnel in the Department of Administration.

• Sec. 4. AS 29.60.290(b) is amended to read:

(b) The area cost-of-living differential payable to each municipality under this section shall be determined [ANNUALLY BY ELECTION DISTRICT] under the provisions of AS 29.60.164 and 29.60.165 [AS 39.27.030]. Except as provided in AS 29.60.300, application of the area cost-of-living differential may not result in a payment that is less than the minimum payment determined under (a) of this section. [FOR PURPOSES OF THIS SUBSECTION, THE ELECTION DISTRICTS USED ARE THOSE DESIGNATED BY THE PROCLAMATION OF REAPPORTIONMENT AND REDISTRICTING OF DECEMBER 7, 1961, AND RETAINED FOR THE HOUSE OF REPRESENTATIVES BY PROCLAMATION OF THE GOVERNOR SEPTEMBER 3, 1965.]

• Sec. 5. AS 39.27.020 is repealed and reenacted to read:

Sec. 39.27.020. PAY DIFFERENTIALS. (a) The following pay differentials are approved as an amendment to the basic salary schedule in AS 39.27.011:

Geographic Area (Election Districts)	Percentage Above (Below) Basic Salary Schedule
3, 4, and 7 - 28	0
1, 2, 5, 6, and 29 - 33	5
34, 35, and 36	10
37 - 40	20

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Washington State

~~8~~ (2810)

(b) A pay differential authorized by (a) of this section applies only to that part of an employee's base salary that does not exceed \$50,000 annually, prorated by pay period.

(c) For purposes of determining the differential provided under (a) of this section, and notwithstanding (b) of this section, an appointing authority may increase the salary on which the geographic pay differential is computed by up to 20 percent of the employee's base salary set out in AS 39.27.011 if

(1) the duty station for the position or job class is located in election district 37, 38, 39, or 40;

(2) the position or job class requires the employee to hold a license to practice law under AS 08.08 or to practice medicine under AS 08.64; and

(3) the director certifies that recruitment or retention for the position or job class in that election district is so difficult that the increase is essential to recruitment or retention of employees in the position.

(d) The director may establish salary differentials for positions in foreign countries or in states other than the State of Washington. If the director establishes a salary differential under this subsection, the director shall adjust the differential as necessary to maintain equitable relationships between salaries for positions outside the state and in the state.

(e) For purposes of (a) of this section, "election district" means an election district designated in the governor's proclamation of reapportionment and redistricting applicable to the 1994 general election.

• Sec. 6. AS 39.27.030 is repealed and reenacted to read:

Sec. 39.27.030. COST-OF-LIVING SURVEY. Subject to an appropriation for this purpose, the director shall conduct a survey, at least every five years, to review the pay differentials established in AS 39.27.020. The survey may address factors, as determined by the director, that are also relevant in review of state salary schedules, entitlement for beneficiaries of state programs, and payments for state service providers. The survey must reflect the costs of living in various election districts of the state, and Seattle, Washington, by using the cost of living in Anchorage as a base.

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• Sec. 7. AS 39.27.045 is amended to read:

Sec. 39.27.045. DEFINITION. In AS 39.27.020 - 39.27.030 [AS 39.27.030 - 39.27.040], "director" means the director of the division of personnel.

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• Sec. 8. AS 44.31.020 is amended to read:

Sec. 44.31.020. DUTIES OF DEPARTMENT. The Department of Labor shall

(1) enforce the laws, and adopt regulations under them concerning employer-employee relationships, including the safety, hours of work, wages, and conditions of workers, including children;

(2) accumulate, analyze, and report labor statistics;

(3) operate systems of workers' compensation and unemployment insurance; and

(4) gather data reflecting the cost of living in the various election districts of the state upon request of the director of personnel for determination of area cost-of-living differentials under AS 29.60.164 and 29.60.165 or under AS 39.27.030 [AS 39.27.030 - 39.27.040].

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• Sec. 9. AS 39.27.035 and 39.27.040 are repealed.

Office registers

• Sec. 10. LIMITATION ON THE REDUCTION OF EMPLOYEE SALARIES. (a) So long as the employee remains in the same geographic area, as defined in AS 39.27.020(a) and (c), as enacted by sec. 5 of this Act.

(1) the salary that an employee is receiving on June 30, 1996, may not be reduced by application of a provision of this Act until July 1, 1997;

(2) for the fiscal year beginning July 1, 1997, the salary that an employee is receiving on June 30, 1997, may not be reduced by more than five percent as a result of the application of a provision of this Act.

(b) If an employee moves to another geographic area after June 30, 1996, both the pay differential in AS 39.27.020(a), as amended by sec. 5 of this Act, and the limitation on applicable salary in AS 39.27.020(b), as amended by sec. 5 of this Act, apply to that employee's salary on the effective date of the move.

(c) Nothing in this Act prohibits a reduction in an employee's salary as a result of voluntary or involuntary demotion.

• Sec. 11. Nothing in this Act modifies or terminates the terms of a collective bargaining

- 1 agreement in effect on July 1, 1996.
- 2 • Sec. 12. Section 10 of this Act is repealed July 1, 1998.
- 3 • Sec. 13. This Act takes effect July 1, 1996.

Larry-

3/29/96

9-GS0049F

Final for CSSB 152
(Fin) with Donley
language at p. 3.
(paperclipped). Will
deliver a copy to
Sen. Donley for
approval. Please advise
if final appears
correct to you.

Kathy
2/18

4/1/96 10:45 am

Approved by Sen. Donley

BILL NO. 152(FIN)
OF THE STATE OF ALASKA
TURE - SECOND SESSION

REQUEST OF THE GOVERNOR
A BILL

FOR AN ACT ENTITLED

1 "An Act relating to geographic differentials for the salaries of certain state
2 employees who are not members of a collective bargaining unit; relating to
3 periodic salary surveys and preparation of an annual pay schedule regarding
4 certain state employees; relating to certain state aid calculations based on
5 geographic differentials for state employee salaries; and providing for an effective
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10 supreme court. Salary increases shall be determined on the basis of percentage of pay
11 increase the legislature provides for state employees in the classified service. The base
12 salary of a magistrate shall be increased by a percentage equal to three and one-half
13 percent times the number of step increases provided under former AS 39.27.020 that

3/27/96
Amend #3

Proposed amendment to SB152

Requested by the Department of Administration

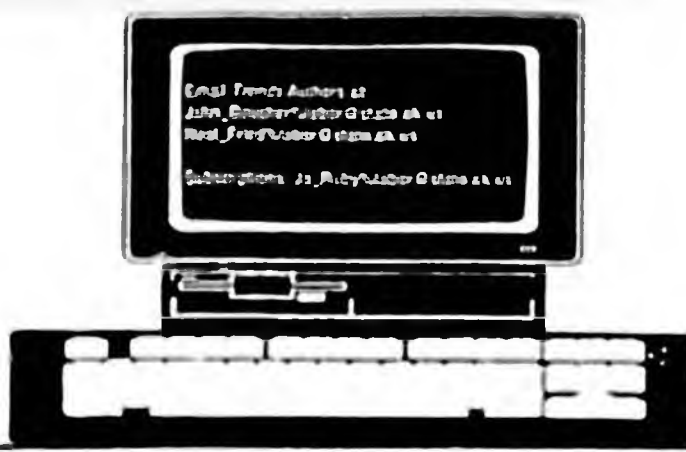
page 3, line 3

delete "gross"

insert "base"

from Allison
Elyse
4/25/95 11:00

ALASKA ECONOMIC TRENDS



Alaska Economic Trends is a monthly publication dealing with a variety of economic-related issues in the state.

Alaska Economic Trends is funded by the Employment Security Division and published by the Alaska Department of Labor, Research and Analysis Section, P.O. Box 75501, Juneau, Alaska 99802-5501.

Voice: (907) 465-4500 Fax: (907) 465-2101
Email: Francisga_Gaucher@labor.state.ak.us

Editor's Note: The views presented in guest articles in *Alaska Economic Trends* do not necessarily reflect the views of the Alaska Department of Labor.

Tony Knowles, Governor, State of Alaska

Tom Carlson, Commissioner, Department of Labor

John Williams, Director, Division of Administrative Services

Chuck Caldwell, Chief, Research and Analysis Section

J. Penelope Gafarth, Editor

June 1995
Volume 15
Number 6
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- 1 Measuring Alaska's Cost of Living
- 13 Alaska's Employment Scene
Economy Continues to Expand—Slowly

Employment Scene Tables

- 14 Nonagricultural Wage and Salary Employment—Alaska & Anchorage
- 14 Hours and Earnings for Selected Industries
- 15 Nonagricultural Wage and Salary Employment in Other Economic Regions
- 16 Unemployment Rates by Region and Census Area

Cover design by Jim Fowler

This publication, prepared by the Department of Labor's Employment Security Division and Research and Analysis Section, was produced at a cost of \$ 0.00 per copy.

Printed and distributed to all 11 regional training centers and employment programs.



Measuring Alaska's Cost of Living

by John Boucher

How expensive is it to live in Alaska? How much has Alaska's cost of living increased? These are two of the most frequently asked questions of the Alaska Department of Labor's Research and Analysis section. In answer to these questions, this article provides some of the latest cost of living measurements available for Alaska and explains the uses and limitations of these data.

A measure of inflation or cost differentials?

Two types of cost of living measurements are available for Alaska. If you are interested in how prices have changed in a particular place, commonly referred to as the inflation rate, you should use the Consumer Price Index (CPI). If you're interested in cost differences between two places—"Is it more expensive to live in Fairbanks than Seattle?"—then a cost-of-living measurement like the American Chamber of Commerce Researchers Association (ACCRA) index or the Kunzheimer International study would best suit your needs.

Be aware of the method and the market basket

Since it is too expensive to price every item available to purchase, cost-of-living surveys track prices of a sample of items from common expenditure categories (such as housing expenses, medical expenses, food expenses, etc.). This sample of items is called the survey's market basket. Most surveys gear their market baskets toward a "typical" consumer.

When using a cost-of-living survey, it's a good idea to know what the survey's market basket is, and whose buying habits the survey simulates. All surveys give a list of the items in the market basket and define the type of consumer: the market basket represents. For example, the Consumer Price

Index for All Urban Consumers (CPI-U) is designed to represent consumption patterns of 80% of all urban consumers in the nation. The other surveys in this article have a narrower focus.

The CPI—the nation's inflation measure

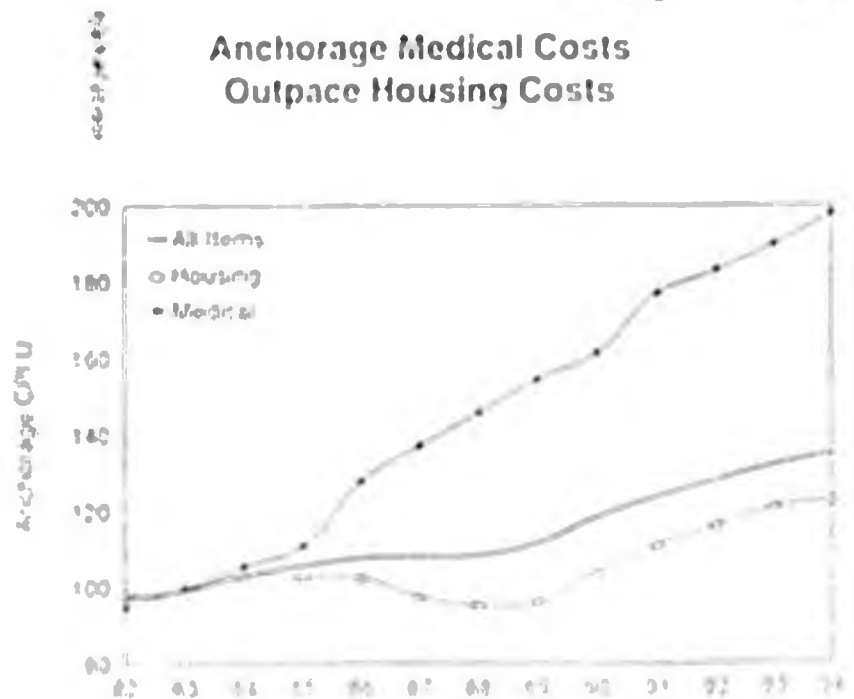
The majority of requests for Alaska's cost-of-living ask about the inflation rate. The Consumer Price Index (CPI) is a national survey designed to answer questions about price changes. CPI information is often used to adjust rents, wages or other monetary payments for the effects of inflation.

To produce the CPI, the U.S. Department of Labor's Bureau of Labor Statistics (BLS) gathers prices in 85 metropolitan areas throughout the country. Anchorage is the only city in Alaska surveyed, consequently, the Anchorage CPI is the only "Alaskan"

John Boucher is a labor economist with the Research & Analysis Section, Administrative Services Division, Alaska Department of Labor. He is located in Juneau.

Figure 1

Anchorage Medical Costs Outpace Housing Costs



Source: U.S. Department of Labor, Bureau of Labor Statistics

Table 1

Consumer Price Index—All Urban Consumers (CPI-U)
U.S. City Average—All Items & Anchorage,
Alaska—All Items Annual Averages, 1960-1994

Year	U.S. Average	Percent Change from Prev. Yr.	Anchorage Average	Percent Change from Prev. Yr.
1960	29.6		34.0	
1961	29.9	1.0	34.5	1.5
1962	30.2	1.0	34.7	0.6
1963	30.6	1.3	34.8	0.3
1964	31.0	1.3	35.0	0.6
1965	31.5	1.6	35.3	0.9
1966	32.4	2.9	36.3	2.8
1967	33.4	3.1	37.2	2.5
1968	34.4	4.2	38.1	2.4
1969	36.7	5.5	39.6	3.9
1970	38.8	5.7	41.1	3.5
1971	40.5	4.4	42.3	2.9
1972	41.5	3.2	43.4	2.6
1973	44.4	6.2	45.3	4.4
1974	49.3	11.0	50.2	10.8
1975	53.8	9.1	57.1	13.7
1976	56.9	5.8	61.5	7.7
1977	60.6	6.5	65.6	6.7
1978	65.2	7.6	70.2	7.0
1979	72.6	11.3	77.6	10.5
1980	82.4	13.5	85.5	10.2
1981	90.9	10.3	92.4	8.1
1982	96.5	6.2	97.4	5.4
1983	99.6	3.2	99.2	1.8
1984	103.9	4.3	103.3	4.1
1985	107.6	3.6	105.4	2.4
1986	109.6	1.9	107.8	1.9
1987	113.6	3.6	109.2	0.4
1988	118.3	4.1	108.6	0.6
1989	124.0	4.8	111.7	2.9
1990	130.7	5.4	119.6	6.2
1991	134.7	4.2	124.0	4.6
1992	140.3	3.0	124.2	3.4
1993	144.5	3.0	132.2	3.1
1994	148.2	2.6	135.0	2.1
2nd half '89	135.3	4.7	112.5	3.3
2nd half '90	132.4	5.8	120.4	7.0
2nd half '91	137.2	3.6	124.7	3.6
2nd half '92	141.4	3.1	129.1	3.5
2nd half '93	145.3	2.8	132.8	2.9
2nd half '94	149.3	2.8	135.4	2.1

Source: BLS, CPI-U, All-Item Annual Averages
 Source: U.S. Department of Labor, Bureau of Economic Analysis

inflation measure. Unfortunately, Anchorage's inflation rate may not reflect price changes in every area of the state. In general, however, Anchorage price trends reflect changes in the cost-of-living for most Alaskans. If the Anchorage CPI doesn't adequately measure inflation in your area, you can choose a different area to measure inflation. Some users prefer to use Seattle's CPI, for example. But as a matter of practice, most Alaskan users prefer to use the Anchorage CPI rather than another area's CPI.

From an official standpoint, the Bureau of Labor Statistics recommends using the national CPI-U (U.S. City average) to adjust for the effects of inflation. BLS recommends this because the smaller size of the local area samples make them more prone to measurement errors. When you compare the Anchorage and the U.S. City CPIs since 1960, inflation has been significantly lower in Anchorage during the last 30 years than it has been in the rest of the nation. (See Table 1.) This is predominantly due to the difference in the rate of inflation for housing costs in Anchorage compared to the other areas in the CPI survey.

Housing market key to Anchorage inflation rate

Analyzing inflation rates among expenditure categories can help clarify how different parts of the market basket affect the overall CPI. (See Table 2.) For example, since the early 1980s medical care costs have risen more rapidly than has the overall Anchorage CPI, while housing costs have tended to lag behind the overall rate of inflation. (See Figure 1.)

While medical care costs have shot up in recent years, overall inflation has not followed. That's because of the relative weight medical care expenditures are given in the consumer's overall budget. Each commodity group is given a weight—its contribution to the overall cost of living. Medical care costs, for example, accounted for 5.5% of the total cost of living in the December 1994 index. Housing costs, on the other hand, accounted for 19.4% of the Anchorage CPI during the same period. (See Figure 2.)

Selected Components of the CPI-U
U.S. City Average & Anchorage, Alaska—1983-1994 Annual Averages

ALL ITEMS LESS SHELTER

Year	U.S. Average	Pct. Chg. from Prev. Yr.	Anchorage Average	Pct. Chg. from Prev. Yr.
1983	99.8	3.7	99.9	3.7
1984	103.9	4.1	103.8	3.9
1985	107.0	3.0	107.5	3.6
1986	108.0	0.9	111.2	3.4
1987	111.6	3.3	115.1	3.5
1988	115.9	3.9	117.8	2.3
1989	121.6	4.9	122.3	3.8
1990	128.2	5.4	128.0	4.7
1991	133.5	4.1	131.9	3.0
1992	137.3	2.8	131.6	2.0
1993	141.4	3.0	137.9	2.5
1994	144.8	2.4	140.3	1.7

HOUSING

Year	U.S. Average	Pct. Chg. from Prev. Yr.	Anchorage Average	Pct. Chg. from Prev. Yr.
1983	99.5	2.7	99.0	0.8
1984	103.6	4.1	102.7	3.7
1985	107.7	4.0	103.0	0.3
1986	110.9	3.0	102.6	0.1
1987	114.2	3.0	97.5	-5.0
1988	118.5	3.8	95.4	-2.2
1989	123.0	3.8	96.3	0.9
1990	128.5	4.5	103.9	7.9
1991	133.6	4.0	111.2	7.0
1992	137.5	2.9	116.6	4.9
1993	141.2	2.7	121.1	3.9
1994	144.8	2.5	122.9	1.5

TRANSPORTATION

Year	U.S. Average	Pct. Chg. from Prev. Yr.	Anchorage Average	Pct. Chg. from Prev. Yr.
1983	99.3	2.4	98.5	1.6
1984	103.7	4.4	104.6	6.2
1985	106.4	2.6	108.2	3.4
1986	107.3	0.9	107.8	0.4
1987	109.4	3.0	111.3	3.2
1988	108.7	3.1	113.0	1.5
1989	114.1	5.0	116.7	3.3
1990	120.5	5.6	120.7	3.4
1991	123.8	2.7	121.7	0.8
1992	126.5	2.2	123.3	1.3
1993	130.4	3.1	128.8	4.5
1994	134.3	3.0	136.9	6.3

FOOD & BEVERAGES

Year	U.S. Average	Pct. Chg. from Prev. Yr.	Anchorage Average	Pct. Chg. from Prev. Yr.
1983	99.5	2.3	99.7	2.6
1984	103.2	3.7	103.2	3.5
1985	105.6	2.3	106.2	2.9
1986	109.1	3.3	110.8	4.3
1987	113.5	4.0	113.1	2.1
1988	118.2	4.1	113.8	0.6
1989	124.9	5.7	117.2	3.0
1990	132.1	5.8	123.7	5.5
1991	136.8	3.6	127.7	3.2
1992	139.7	1.8	103	2.0
1993	141.6	2.1	131.2	0.7
1994	144.9	2.3	131.9	0.5

MEDICAL CARE

Year	U.S. Average	Pct. Chg. from Prev. Yr.	Anchorage Average	Pct. Chg. from Prev. Yr.
1983	100.6	5.5	99.7	5.2
1984	106.4	6.2	105.5	5.9
1985	113.5	6.3	110.9	5.1
1986	122.0	7.5	127.8	15.2
1987	130.1	6.6	137.0	7.2
1988	138.6	6.5	145.8	6.1
1989	149.3	7.7	154.1	5.9
1990	162.4	9.0	161.7	4.4
1991	177.0	9.0	173.5	7.6
1992	190.1	7.4	183.0	5.5
1993	201.4	5.9	199.6	3.6
1994	211.8	5.2	197.9	4.3

APPAREL & UPKEEP

Year	U.S. Average	Pct. Chg. from Prev. Yr.	Anchorage Average	Pct. Chg. from Prev. Yr.
1983	100.2	7.5	101.6	5.2
1984	102.1	1.9	101.7	0.1
1985	105.0	2.9	105.8	4.0
1986	105.9	0.9	109.0	3.0
1987	110.6	4.4	116.6	7.0
1988	115.4	4.3	119.1	3.1
1989	118.6	2.8	125.0	5.0
1990	124.1	4.6	127.7	2.2
1991	128.7	3.7	126.6	0.9
1992	131.9	2.5	130.7	2.4
1993	133.7	1.4	131.2	0.5
1994	133.1	0.2	124.9	1.8

Table 3

Cost of Food for a Week in 19 Alaskan Communities—December 1994

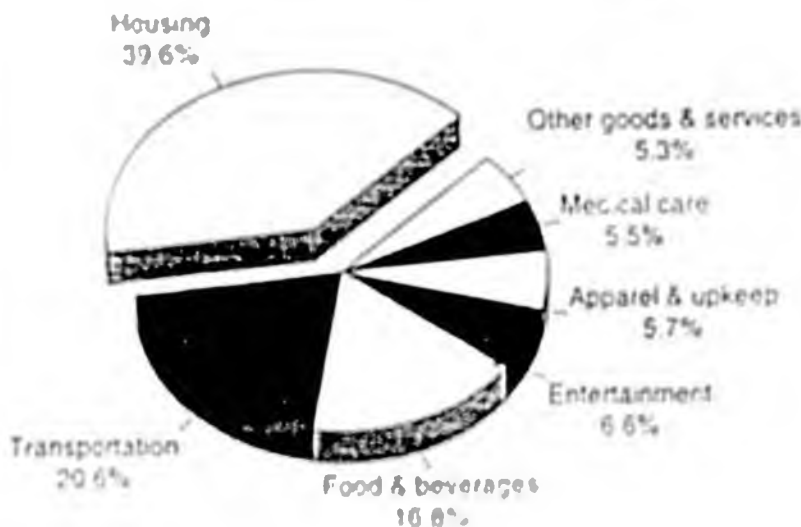
Community	Cost of Food, One Week	Pct. of Anchorage
Anchorage	\$91.01	100
Bethel	135.19	149
Cordova	125.93	138
Delta	117.12	129
Dillingham	154.31	170
Fairbanks	90.32	99
Galena	158.49	174
Homer	117.44	129
Juneau	103.56	114
Kenai	100.55	110
Ketchikan	99.45	109
MatSu	109.61	120
McGrath	110.43	121
Nome	146.57	161
Petersburg	107.09	118
Seward	120.09	132
Sitka	110.01	121
Tanana	187.20	206
Tok	130.49	143

Notes: Costs are for a family of four with elementary school children. Sales tax included in food cost.

Source: "Cost of Food at Home for a Week," December 1994, University of Alaska Cooperative Extension Service, U.S. Dept. of Agriculture and SEA Grant Cooperative.

Figure 2

Housing Nearly 40% of Anchorage CPI-U
Relative Importance of the Components of the Anchorage CPI-U, December 1994



Source: U.S. Department of Labor, Bureau of Labor Statistics.

The strong influence that housing costs have on the overall Anchorage CPI has been particularly noticeable the last ten years. From 1986 to 1988, falling housing costs offset increases in other components of the CPI, resulting in low inflation during these three years. The increase in inflation in Anchorage during the early 1990s was largely due to a tightening housing market. When the housing component jumped from a 0.9% increase in 1989 to a 7.9% increase in 1990, Anchorage inflation followed suit, going from a 2.9% to a 6.2% increase. From 1990 to 1993, a tighter housing market propelled Anchorage's inflation rate above the rest of the nation's. Recently, Anchorage's housing market has cooled off substantially and inflation has followed suit.

The housing component is unique in the CPI, especially in regard to homeownership costs. The CPI uses a method called *rental equivalence* which assumes that the consumer has just purchased or rented a home. To gauge housing expenditures, this method can have some shortcomings. In areas where housing prices and/or rents are changing rapidly the inflation rate for the housing portion of the CPI could be exaggerated for homeowners who have a long-term fixed-rate mortgage. This is because their monthly house payments tend not to fluctuate to the extent that house prices and rents do. For this reason, the overall CPI figures can understate inflation for homeowners during periods of rapidly declining house prices. The opposite is true during a period of rapidly increasing house prices and rents. To measure inflation without the housing component, BLS publishes a special index which excludes housing-related costs—the All Items Less Shelter Index. (See Table 2.) When comparing the national All Items Less Shelter Index to the Anchorage All Items Less Shelter Index, there is a much smaller difference in the rate of inflation for Anchorage consumers over the long term than is indicated by comparing the All-Items indexes.

CPI measures inflation—not costs between locations

CPI users should be aware of a common misinterpretation of the CPI index. It occurs when users compare CPI numbers among

Cost of Food at Home for a Week in Eight Alaskan Cities, 1978-1994

Month/Year	Anch.	Fbks.	Pct. of Anch.	Juneau	Pct. of Anch.	Bethel	Pct. of Anch.	Nome	Pct. of Anch.	Kodiak	Pct. of Anch.	Kenai	Pct. of Anch.	Tok	Pct. of Anch.
9/78	\$76.67	\$84.15	109.8	\$73.72	96.2	\$114.05	148.9	\$118.85	155.0			\$42.48	107.6		
9/79	82.18	89.39	108.8	74.85	91.1	129.16	157.2	129.67	156.6			109.41	122.2		
9/80	88.44	90.54	102.4	85.22	97.2	120.87	148.0	131.14	149.3	\$29.42	112.4	120.84	136.6	\$108.82	122.0
9/81	86.69	98.47	113.6	93.95	108.4	138.65	159.9	150.27	173.3					114.80	132.4
9/82	77.30	92.09	119.1	79.91	129.3	125.50	162.4	142.04	192.9						
9/83	81.64	83.79	102.6	88.62	108.5	129.30	157.1	130.14	159.4	104.94	128.5	86.95	106.3		
9/84	84.22	91.26	108.4	91.44	109.8	135.54	162.1	142.07	168.7	115.97	137.7	87.97	104.5	121.65	114.5
9/85	89.04	90.08	101.1	104.61	119.7	129.12	155.1	152.41	171.1	109.17	121.5	91.47	102.7	116.19	130.5
9/86	87.25	90.61	103.9	87.65	100.5	137.94	158.1	142.04	162.3	105.49	120.9	92.75	104.2	124.18	142.3
9/87	84.90	85.12	95.7	88.74	99.3	149.81	158.4	147.96	166.4	104.39	117.4	95.95	109.1	117.51	122.2
9/88	90.97	94.74	104.1	92.55	102.2	137.57	151.2	147.69	162.3	116.64	128.2	95.53	105.0	119.69	131.5
9/89	93.89	94.33	100.6	94.73	102.1	140.45	149.9			124.61	122.8	101.70	111.1	122.43	148.6
9/90	98.73	102.49	104.4	100.24	102.2	144.92	149.8	155.42	157.5	154.55	126.5	103.21	104.5	131.03	132.7
9/91	102.94	114.65	111.5	104.21	101.3	152.49	148.3	150.29	146.1	127.95	124.4	111.53	111.0	147.45	132.5
9/92	100.46	92.31	91.9	102.62	102.2	142.51	141.9	159.08	157.4	124.61	124.0	107.60	108.8	122.94	132.3
9/93	97.89	93.42	95.4	103.20	105.9	147.44	151.0	145.94	149.1	125.19	127.9	111.61	110.5	126.96	132.9
9/94	91.22	94.95	104.0	104.09	114.0	133.47	146.2	140.22	153.5	123.99	125.8	105.51	104.7	140.78	132.7

areas. For example, at 135.0 the annual average Anchorage CPI for 1994 is lower than the United States' average of 148.2. This does not mean that Anchorage has a lower cost-of-living than the rest of the United States. The CPI measures inflation, not costs. The lower Anchorage CPI for 1994 means that Anchorage prices have not risen as quickly as prices in the rest of the US since the early 1980s. (The base period, or when the two indexes equaled 100, is 1982-84.)

Some place-to-place comparisons—each with different results

There are different studies available to compare living costs between places. Due primarily to methodology differences, each survey shows a different result when you compare living costs between locations.

One available cost-of-living measurement is the University of Alaska's Cost of Food at Home Study. It measures the cost to feed various size families in different locations in Alaska. The food basket provides a minimum level of nutrition to an individual or family at the lowest possible cost. The report

also contains comparative information on some utility and fuel costs. One of its strengths is wide geographic coverage of Alaska over a relatively long period of time. For many years, the Cost of Food at Home Study has provided a comparative measure for Alaskan locations that no other cost survey covers. Its primary weakness is that it only measures food and some utility costs. Food and utility costs alone can't provide a complete cost-of-living differential measurement.

Comparing living costs between Alaskan communities is complicated by several factors. Some goods and services available in urban areas are not readily available in rural areas. The buying habits of urban residents can vary dramatically from rural residents, which can confuse cost-of-living comparisons. The contributions of subsistence to a household food budget can also complicate cost-of-living comparisons. The Cost of Food survey assumes that all foods are purchased in the local community—none is acquired through subsistence means or from merchants outside of the community.

Notes: Family of four with elementary school children.

Sales tax included in food prices.

September 1979 data for Nome not available. December 1979 data substituted.

(Data unavailable.)

Source: "Cost of Food at Home for a Week," September 1978 to September 1994. University of Alaska Cooperative Extension Service, U.S. Dept. of Agriculture and SFA Grant Cooperative.

Table • 5

ACCRA Cost of Living Index
20 Highest Cost Urban Areas—Third Quarter 1994

City	All Items Index	Grocery Items	Housing	Utilities	Transport- ation	Health Care	Misc. Goods & Services
Kodiak, AK	154.8	156.1	171.9	184.9	113.6	175.9	139.9
Juneau, AK	137.0	133.9	158.0	142.6	110.8	172.8	119.9
Boston, MA	136.9	113.8	173.8	177.2	111.8	145.8	110.4
Santa Rosa, CA	131.0	112.0	177.0	99.0	118.6	138.8	110.8
Philadelphia, PA	129.6	121.6	146.6	181.6	113.1	105.6	115.4
Anchorage, AK	128.5	120.9	142.9	162.1	112.2	164.7	124.1
Fairbanks, AK	128.1	128.7	129.2	132.5	108.0	178.9	122.1
Hartford, CT	125.0	117.7	144.6	111.6	119.3	140.3	114.0
San Diego, CA	124.8	110.6	170.9	72.4	131.5	122.6	103.9
Los Angeles-Long Beach, CA	121.1	110.3	147.9	91.0	106.8	145.5	110.4
Santa Fe, NM	120.9	99.9	161.1	111.5	111.1	114.4	102.8
Poughkeepsie, NY	120.5	112.3	138.9	137.3	98.5	126.7	109.8
Palm Springs, CA	117.8	111.3	122.4	113.1	106.2	147.3	116.0
Glenwood Springs, CO	115.2	101.4	139.1	107.6	103.6	105.3	108.5
Iowa City-Coralville, IO	114.8	99.7	148.7	110.0	105.4	97.4	100.3
Hilton Head Island, SC	113.8	99.4	144.7	86.2	97.3	97.1	108.7
Boulder, CO	113.2	102.9	148.9	93.3	98.4	106.4	98.1
Fresno, CA	112.2	109.7	115.9	101.9	117.1	124.4	109.3
Wilmington, DE	112.0	118.1	113.3	115.6	95.9	121.6	109.8
Rochester, NY	111.5	116.0	118.3	119.6	112.7	91.9	102.4

National Ranking of Alaska Cities by Category

Anchorage, AK	6	5	12	123	17	4	2
Fairbanks, AK	7	3	23	9	33	1	3
Juneau, AK	2	2	7	6	21	3	4
Kodiak, AK	1	1	3	1	11	2	1

Food costs are higher in rural Alaska

Table 3 shows the cost of food for a week for a family of four with elementary school children for 15 communities. The December 1994 figures show that Fairbanks had the lowest food costs of the areas surveyed. The survey has consistently shown that larger cities in Alaska have food costs which are fairly comparable to those in Anchorage.

Overall, food costs tend to have three tiers in Alaska. The largest urban areas have the lowest food costs. Smaller communities on a major distribution system like a road or the Alaska Marine Highway tend to have slightly higher costs than the urban areas. The Cost of Food at Home Study has consistently shown that the highest food costs are found

in isolated communities supplied primarily by air. In places such as Bethel and Nome, food costs are 50 to 75% higher than in Anchorage.

The urban/rural cost differential in the Cost of Food at Home Study presents an interesting contrast between Alaska and other areas of the United States. Other surveys show that in the Lower 48, large urban areas tend to have higher living costs, including food costs, than less populated areas. The opposite is true in Alaska. The cost of food and other basics such as fuel are higher in rural Alaskan communities than in the state's urban centers.

Another notable point about this survey is that the three-tier structure of food costs in

Source: American Chamber of
 Commerce Research and
 Analysis, Urban Area Cost
 Data, 3rd Quarter 1994 (201
 Urban Areas Surveyed)

ACCRA Cost of Living Index for Selected Cities—Third Quarter 1994

Region/City	All Items Index	Grocery Items	Housing	Utilities	Transportation	Health Care	Misc. Goods & Services
West							
Anchorage, AK	128.5	150.9	142.9	102.1	112.2	164.7	124.1
Fairbanks, AK	128.1	158.7	129.2	132.5	108.0	178.9	122.1
Juneau, AK	137.0	153.9	158.0	142.6	110.8	172.8	119.9
Kodiak, AK	154.8	156.1	171.9	184.9	113.6	175.9	139.9
Boise, ID	102.2	97.7	108.1	77.4	102.4	112.6	103.4
Las Vegas, NV	103.7	98.5	108.6	91.5	110.5	120.5	100.2
Portland, OR	107.9	100.0	124.9	72.7	109.9	124.2	102.4
San Diego, CA	124.8	110.6	170.9	72.4	131.5	122.6	103.9
Tacoma, WA	104.8	109.6	102.3	64.4	107.0	150.5	105.3
Southwest/Mountain							
Dallas, TX	102.0	98.1	93.5	124.0	103.2	113.8	103.0
Denver, CO	106.5	105.3	114.8	93.2	106.9	126.4	99.5
Phoenix, AZ	99.8	103.5	89.8	102.8	113.9	113.4	99.5
Provo-Orem, UT	99.1	95.0	111.4	81.3	106.9	99.4	92.9
Santa Fe, NM	120.9	99.9	161.6	111.5	111.1	114.4	102.8
Midwest							
Columbus, OH	102.7	102.5	93.3	130.7	110.8	85.9	104.4
Lafayette, IN	99.0	107.4	93.0	111.6	95.8	92.3	99.0
Oklahoma City, OK	92.5	93.0	79.2	105.4	95.3	98.3	98.6
Omaha, NE	92.2	94.4	86.7	96.2	109.5	86.4	91.3
Southeast							
Atlanta, GA	97.0	98.6	86.5	110.4	98.3	110.4	98.7
Baton Rouge, LA	101.5	97.8	96.8	127.3	102.9	93.5	102.0
Birmingham, AL	100.9	96.4	99.6	117.1	96.1	100.5	101.6
Miami, FL	105.8	98.0	106.1	122.7	114.5	127.2	101.9
Raleigh, NC	98.6	97.7	99.7	105.7	93.3	110.2	95.7
Atlantic/New England							
Hartford, CT	125.0	117.7	144.6	111.6	119.3	140.3	114.0
Manchester, NH	111.1	103.5	109.3	153.5	102.7	115.3	107.7
Philadelphia, PA	129.6	121.6	146.6	181.6	113.1	105.6	115.4
Virginia Peninsula, VA	94.2	94.9	84.5	111.7	99.3	103.0	95.0

Source: American Chamber of Commerce Executives Association. Urban Area Index Data: 3rd Quarter 1994 (201 Urban Areas surveyed)

Table 7

Average Price for Selected Goods & Services in Selected U.S. Cities

Region/City	1 lb. Ground Beef	1/2 gal. Whole Milk	1 doz. Grade A Lg. Eggs	1 lb. Coffee	2 HR Apt. Rent (Unfurn. ex. utils.)	House Purchase Price	Total Energy Cost	1 gal. Gas	Hospital Room	McDonald's Office Visit	McDonald's Quarter pounder w/cheese	Mens' Levi's 501/505
West												
Anchorage, AK	\$1.70	\$2.18	\$1.33	\$2.91	\$731	\$122,928	\$117	\$1.17	\$590	\$65.20	\$2.44	\$21.54
Fairbanks, AK	1.80	2.03	1.46	2.81	754	150,000	154	1.22	456	72.23	2.30	34.56
Juneau, AK	2.05	1.96	0.98	2.48	1,033	182,300	171	1.29	393	55.20	1.80	37.32
Kodiak, AK	1.54	2.42	1.52	4.21	925	205,000	219	1.58	518	61.50	2.29	33.15
Boise, ID	1.49	1.51	0.75	2.64	683	174,000	85	1.22	323	46.80	1.94	33.39
Las Vegas, NV	1.22	1.52	1.26	2.39	610	131,500	108	1.28	303	46.00	1.59	31.57
Portland, OR	1.65	1.30	0.84	3.21	700	150,000	75	1.24	470	49.44	1.76	28.57
San Diego, CA	1.47	1.66	1.44	2.80	658	209,100	83	1.26	571	44.47	1.94	28.59
Tacoma, WA	1.81	1.56	0.89	2.43	559	124,000	64	1.17	443	57.00	1.99	30.19
Southwest Mountain												
Dallas, TX	1.54	1.35	0.82	2.09	635	104,295	145	1.09	387	48.90	1.96	30.74
Denver, CO	1.76	1.67	0.89	2.99	652	142,005	103	1.22	444	51.20	2.00	34.64
Phoenix, AZ	1.57	1.59	0.55	2.72	574	102,850	117	1.14	418	49.50	1.93	31.97
Provo-Orem, UT	1.11	1.36	0.67	2.41	512	138,000	89	1.14	327	41.33	1.79	28.99
Santa Fe, NM	1.01	1.43	0.73	2.42	717	205,100	126	1.23	305	43.23	1.99	29.49
Midwest												
Columbus, OH	1.65	1.32	0.79	2.99	670	107,871	150	1.16	275	38.20	1.41	25.92
Lafayette, IN	1.42	1.50	0.67	2.26	697	113,002	171	1.04	380	41.50	1.70	33.29
Oklahoma City, OK	1.25	1.25	0.44	2.79	477	74,265	117	1.04	251	35.43	1.75	27.85
Omaha, NE	1.21	1.42	0.44	2.77	451	105,309	105	1.22	295	34.60	1.79	29.59
Southeast												
Atlanta, GA	1.48	1.65	0.75	2.45	512	103,750	123	0.98	311	45.50	2.02	29.39
Baton Rouge, LA	1.78	1.49	0.64	2.45	480	118,767	144	1.06	346	40.50	1.75	29.64
Birmingham, AL	1.29	1.45	0.71	2.25	504	122,700	128	1.07	422	29.93	1.79	35.15
Miami, FL	1.47	1.45	0.74	2.27	501	121,129	142	1.24	423	63.00	1.94	24.19
Raleigh, NC	1.48	1.33	0.83	2.50	515	121,800	119	1.07	298	53.71	1.84	29.14
Northeast Atlantic												
Hartford, CT	1.68	1.26	0.95	2.43	698	181,000	128	1.22	330	54.67	1.95	35.95
Manchester, NH	1.45	1.26	0.85	2.19	587	132,300	180	1.08	426	45.50	2.09	30.99
Philadelphia, PA	1.99	1.32	1.09	2.60	714	185,990	221	1.12	451	37.51	1.94	34.74
Virginia Peninsula, VA	1.40	1.34	0.70	2.47	649	104,224	124	1.03	327	44.80	1.53	29.73
ALL CITIES MEAN 1/	1.46	1.42	0.78	2.61	511	127,428	65	1.13	345	41.00	1.87	31.24

Notes: n/a - Not available

1/ All data mean the average mean price of all 301 cities in the 3rd quarter 1994 survey.

Source: American Chamber of Commerce Researchers Association, Cost of Living Index, Average Price Data (301 Urban Areas Surveyed) 3rd quarter 1994

Alaska has not changed much during the last 15 years. Table 4 shows the difference in the cost of food between Anchorage and other Alaskan communities. It also shows the changes in costs over time within several communities in the study. One point to note is that some areas which have recently experienced a substantial increase in retail capacity, Kenai for example, are currently experiencing a lower food cost differential than previously reported.

ACCRA places Alaskan cities among most expensive

Another cost-of-living measure is provided by the American Chamber of Commerce Researchers Association (ACCRA). The AC-

CRA cost-of-living study compares costs for roughly 300 cities in the United States, including several in Alaska. The ACCRA study is intended to replicate the consumption patterns of a mid-management executive's household.

In the ACCRA study, a standardized list of 59 items is priced during a fixed period of time. The average price data for every urban area are then converted into an index number for each expenditure category. Because of the limited number of items priced, percentage differences between areas should not be treated as exact measures. Small differences should not be construed as significant, or even as a correct indication of which area is more expensive. Aside from the limited number of items priced, the ACCRA

ACCRA points to a smaller difference in housing costs

Housing costs have always been thought of as exceptionally high in Alaska. Although they are high, the ACCRA housing index shows that some areas in the nation, particularly large urban areas, have comparable housing costs. Generally, the lowest rankings for Alaska's cities were in the ACCRA transportation index. The Anchorage utilities index was lower than one-third of the cities in the ACCRA study.

Comparative figures for Alaskan cities and other cities around the nation are presented in Tables 6 and 7. Table 6 shows the ACCRA cost-of-living indexes while Table 7 contains prices for some of the goods and services in the ACCRA study.

The ACCRA cost-of-living study is designed for spending patterns found in major American urban centers. The data collected in the survey attempt to match the items found in urban areas. This process tends to ignore spending patterns found in atypical areas. For example, the transportation costs in the ACCRA study include items such as bus fare, the price of a gallon of gasoline, and automobile wheel balancing. This is problematic for Alaskan communities because air transportation is a more common, and more expensive, mode of travel.

Runzheimer study shows smaller cost-of-living differential

A slightly different approach to calculating living cost differences between cities is taken in the Runzheimer Living Cost Standards survey. Runzheimer International, a private research firm contracted by the Alaska Department of Labor's Workers' Compensation Division (DOL), looked at the comparative income necessary to maintain a certain standard of living in different areas of the country. Runzheimer's approach takes into account certain elements left out of the ACCRA cost-of-living measure, such as an area's tax rates.

In the DOL Runzheimer study, a "base" family was created—two parents and two children. They own their home, a 1,500 square

foot single-family home with 3 bedrooms and 1.5 baths. They drive one automobile, a late model Ford Tempo, approximately 16,000 miles annually. This family has an income of \$32,000 in Standard City, a fictitious city which has costs close to the median of all the cities in the survey. The standard of living attainable in Standard City was then priced in each of the surveyed areas.

The DOL Runzheimer survey shows that Anchorage, Fairbanks and Juneau have a moderately higher cost-of-living than the other areas surveyed. The cost-of-living in these three Alaska locations ranges from 6.2% to 14.2% above Standard City. (See Table 8.) For comparison purposes, many of the cities which appear in the ACCRA data in Tables 6 and 7 are included in the Runzheimer data in Table 8.

Lower taxes contribute to lower living costs

The component indexes of the Alaskan cities in the Runzheimer study range from 10 to 20 percent above the average cost-of-living except the taxation component. The Runzheimer study indicates that the portion of income that goes to taxes in Alaska is about 12 to 13 percent below the average of the areas studied. This is the main reason why the Runzheimer index does not show Anchorage's, Fairbanks' and Juneau's living costs as high as the cost of purchasing goods and services would indicate. Another factor to remember is that Runzheimer does not take into account a program like Alaska's Permanent Fund Dividend. If every member of the fictitious Runzheimer family received an Alaska Permanent Fund check, that would add about \$3,700 to the household's pre-tax income. This amounts to a significant reduction in the overall tax burden on Alaskans.

1995 Runzheimer report indicates narrowing cost differences

In early 1995, under contract with the Alaska Department of Administration, Division of Personnel/Office of EEO (DOA), Runzheimer International performed a cost-of-living study for 12 locations in Alaska and Seattle. (See Table 9.) The study's purpose

Runzheimer International Living Cost Standards for 19 Alaskan Locations and Seattle January 1995

City	Total Costs	Pct. of Std. City	Taxation	Pct. of Std. City	Trans- portation	Pct. of Std. City	Housing	Pct. of Std. City	Misc. Goods & Services, Other	Pct. of Std. City
Anchorage	\$40,743	104.3	\$7,993	64.5	\$5,193	116.0	\$8,898	113.2	\$19,659	108.1
Bethel	46,665	119.5	9,057	95.7	5,555	124.1	12,528	159.4	19,525	113.2
Dillingham	44,959	115.1	7,703	81.4	5,528	123.5	11,900	151.4	19,828	114.9
Dutch Harbor/Unalaska	47,305	121.1	7,852	83.0	5,093	113.8	14,263	181.5	20,097	116.5
Fairbanks	41,755	106.9	7,987	84.1	5,187	115.9	9,643	122.7	18,939	109.8
Haines	40,401	103.5	8,104	65.6	5,143	114.9	7,549	96.1	19,605	113.6
Juneau	44,046	112.9	8,264	87.3	4,922	109.9	11,860	150.9	19,000	110.1
Kona	39,461	101.0	8,060	85.2	5,006	111.4	7,732	98.4	18,663	109.2
Ketchikan	46,502	119.1	8,620	91.1	5,173	115.5	13,646	173.7	19,063	110.5
Kodiak	44,289	113.4	7,962	84.3	5,150	115.7	12,109	154.1	19,018	110.2
Kotzebue	45,204	115.8	8,241	87.1	5,970	133.3	11,472	146.0	19,521	113.1
McGrath	42,702	109.3	6,899	72.9	5,446	130.6	10,410	132.5	19,547	113.3
Nome	43,145	110.5	8,039	84.9	5,709	127.5	10,177	129.5	19,220	111.4
Palmer	42,568	109.0	4,465	89.4	4,572	108.8	10,246	130.4	18,985	110.0
Petersburg	43,506	111.4	8,153	86.1	5,120	115.0	10,808	137.5	19,521	112.4
Seattle	40,740	104.3	8,779	92.8	5,374	120.0	9,346	118.9	17,241	99.9
Seward	42,010	107.0	8,059	85.2	5,073	113.3	10,090	128.4	18,788	109.9
Sitka	44,570	114.1	7,615	80.5	5,113	114.2	12,358	157.3	19,484	112.9
St. Mary's	46,719	119.6	7,550	79.8	6,104	136.3	12,908	164.3	20,157	116.8
Valdez	44,541	114.1	8,334	88.1	5,026	112.3	12,008	152.8	19,173	111.1
STANDARD CITY, USA	39,053		9,464		4,477		7,858		17,354	

Source: Runzheimer's Living Cost Index, January 1995.

was to update the basis for the geographic pay differential system paid to employees of the State of Alaska.

The DOA Runzheimer study differed from the DOL Runzheimer study in several aspects. First, the "base" families are different in the two studies. In the DOA's Runzheimer study the four-person family earns \$40,740, they own their home, which is a 1,000 square foot single-family home with 3 bedrooms and 1 bath. They are a two-car family, driving a 1991 Chevrolet Lumina 14,000 miles annually and a second car 6,000 miles a year.

One weakness in taking the Runzheimer approach in remote Alaskan locations is that residents of these locations may not typically consume goods and services in the same pattern that a typical household would. For example, a family owning two cars driven 20,000 miles annually is typical in most places in the country. In many Alaskan locations the lack of a road system prohibits that kind

of transportation consumption. An aircraft, boat or snowmachine might be a more typical way of getting from one place to another.

The DOA Runzheimer study results indicated that the cost-of-living in most Alaskan locations has changed substantially since the last time a geographic differential study was performed in 1985. The DOA Runzheimer results also pointed to a narrower range of cost-of-living differentials than other surveys have indicated. While a 1985 Geographic Differential Study performed by the McDowell Group showed a cost-of-living differential of more than 30% between Anchorage and some Alaskan locations, the 1995 Runzheimer study showed the greatest differences to be around 15%. It should be kept in mind that this comparison is somewhat of an "apples to oranges" situation. The 1985 report priced a larger number of items in a greater number of areas and customized the market basket for each area studied.

Construction costs somewhat follow other surveys

In April of 1995, the Alaska Department of Labor's Research & Analysis Section conducted a survey of a market basket of construction materials. The survey, conducted for the Alaska Housing Finance Corporation, was intended to measure the cost of constructing a single-family residence at various locations in Alaska. The materials list price includes approximately 30% of the total dollar value of a list of materials needed to construct a model single-family residence.

The cost of construction materials at eight Alaskan locations was measured with some of the same patterns evident in other surveys showing in the results. (See Figure 3.) Like the other surveys, rural locations tended to have the highest costs. One notable difference about this survey is that Juneau showed the lowest cost for construction materials. No other survey showed Juneau to have the lowest costs for any items priced.

Summary: No one answer to cost-of-living question

When looking at cost-of-living information, first decide what type of comparison needs to be made. Are you interested in how prices have changed over time, or how costs differ between places? The answer narrows the field of appropriate cost-of-living surveys.

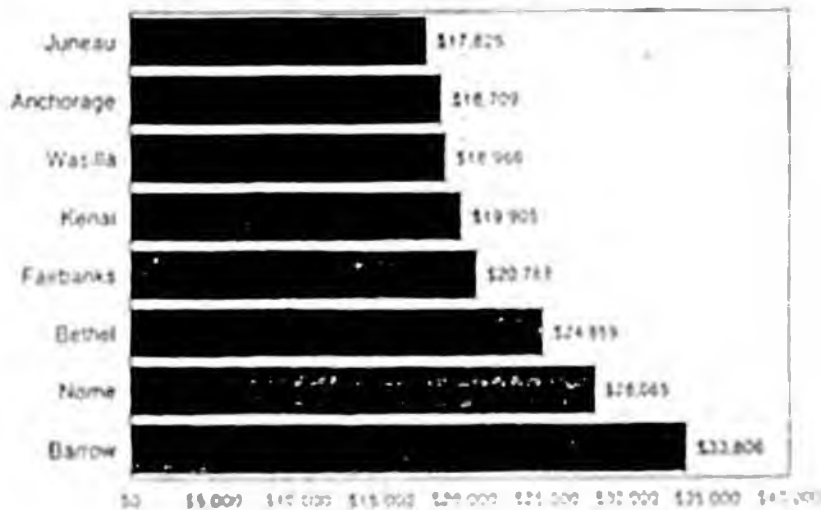
Next decide on the suitability of different surveys—some surveys look at subsets of the total cost-of-living package, such as the Cost of Food at Home survey or the AHFC construction cost survey. Some surveys might look at a population unlike the one being studied. The ACCRA survey's mid-management family does not reflect the cost-of-living for poverty income families.

In Alaska, particularly in smaller communities, survey choices are few. Only the Cost of Food at Home and the 1995 Runzheimer surveys include much more than the three largest Alaska cities. These surveys have their limitations in the scope or appropriateness of the goods priced. For this reason, users might be forced to use an index which only approximates cost-of-living differences.

Given their limitations, most cost-of-living indexes involve a compromise answer. Still, the indexes in this article provide baseline information to help answer these questions. When used with care, the information can help you compare how far your dollar will go

Figure 3

Construction Materials Costs More in Rural Alaska Selected Construction Materials Costs (Alaskan Suppliers), April 1995



Source: Alaska Housing Market Indicators (1st Quarter 1995). Alaska Housing Finance Corporation, Alaska Department of Labor, Research & Analysis Section.

THE FOLLOWING DOCUMENT HAS NOT
BEEN FILMED BUT IS AVAILABLE IN THE
ORIGINAL FILE.

STATE OF ALASKA

DEPARTMENT OF ADMINISTRATION

DIVISION OF PERSONNEL AND
OFFICE OF EQUAL EMPLOYMENT OPPORTUNITY

1994

SALARY SURVEY REPORT



4/20/95 DD motion to move bill
SF Hold for further review.

4/20/95
Amendment p. 3
Adjustment p. 2
9-GS0049.A
Adopted

SENATE BILL NO. 152

IN THE LEGISLATURE OF THE STATE OF ALASKA

NINETEENTH LEGISLATURE - FIRST SESSION

BY THE SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

Introduced: 4/7/95

Referred: Finance

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to geographic differentials for the salaries of certain state
2 employees who are not members of a collective bargaining unit; relating to
3 periodic salary surveys and preparation of an annual pay schedule regarding
4 certain state employees; relating to certain state aid calculations based on
5 geographic differentials for state employee salaries; and providing for an effective
6 date."

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

8 • Section 1. AS 22.15.220(b) is amended to read:

9 (b) Each magistrate shall receive annual compensation to be determined by the
10 supreme court. Salary increases shall be determined on the basis of percentage of pay
11 increase the legislature provides for state employees in the classified service. The base
12 salary of a magistrate shall be increased by a percentage equal to three and one-half
13 percent times the number of step increases provided under former AS 39.27.020 that

1 a state employee would receive working in the same election district. A magistrate's
2 annual compensation may be payable, at the option of the magistrate, either monthly
3 in 12 equal installments or semi-monthly in 24 equal installments.

4 • **Sec. 2.** AS 29.60.160(a) is amended to read:

5 (a) Payments to a municipality or other eligible recipient under AS 29.60.110 -
6 29.60.130 shall reflect area cost-of-living differentials. Payments shall be based on the
7 sum of per capita, per mile, and per bed or facility grants due each municipality or
8 other recipient multiplied by the appropriate area cost-of-living differential. The area
9 cost-of-living differential for each recipient shall be determined [ANNUALLY BY
10 ELECTION DISTRICT] under the provisions of former AS 39.27.020 and former
11 AS 39.27.030. Application of the area cost-of-living differential may not result in
12 distribution of an amount less than the amount of the payment determined without
13 reference to application of this section.

14 • **Sec. 3.** AS 29.60.290(b) is amended to read:

15 (b) The area cost-of-living differential payable to each municipality under this
16 section shall be determined [ANNUALLY BY ELECTION DISTRICT] under the
17 provisions of former AS 39.27.020 and former AS 39.27.030. Except as provided
18 in AS 29.60.300, application of the area cost-of-living differential may not result in a
19 payment that is less than the minimum payment determined under (a) of this section.
20 For purposes of this subsection, the election districts used are those designated by the
21 proclamation of reapportionment and redistricting of December 7, 1961, and retained
22 for the house of representatives by proclamation of the governor September 3, 1965.

23 • **Sec. 4.** AS 39.27 is amended by adding a new section to read:

24 Sec. 39.27.021. PAY DIFFERENTIALS. (a) The following pay differentials
25 are approved as an amendment to the basic salary schedule in AS 39.27.011:

26 Geographic Area	27 Percentage Above (or below)
28 (Election Districts)	29 Basic Salary Schedule
30 3, 4, and 7 - 33	31 0
1, 2, 5, and 6	5
34, 35, and 36	10
37 - 40	20

*4/20/05
SE
need.
adjusting
lang. by
drafter*

4/20/95
DD Amendment
Adopted

10-10.0

1 Washington State

2 (b) A pay differential authorized by (a) of this section applies only to that part
3 of an employee's gross salary that does not exceed \$30,000 annually, prorated by pay
4 period.

5 (c) For purposes of (a) of this section, "election district" means an election
6 district designated in the governor's proclamation of reapportionment and redistricting
7 applicable to the 1994 general election.

8 (d) The director may establish salary differentials for positions in foreign
9 countries or in states other than the State of Washington, which must be adjusted as
10 necessary to maintain equitable relationships between salaries for positions outside
11 Alaska and in Alaska.

12 • Sec. 5. AS 39.27 is amended by adding a new section to read:

13 Sec. 39.27.031. COST-OF-LIVING SURVEY. Subject to an appropriation for
14 this purpose, the director shall conduct a survey, at least every five years, to review
15 the pay differentials established in AS 39.27.021. The survey may address factors, as
16 determined by the director, that are also relevant in review of state salary schedules,
17 entitlement for beneficiaries of state programs, and payments for state service
18 providers. The survey must reflect the costs of living in various election districts of
19 the state, and Seattle, Washington, by using the cost of living in Anchorage as a base.

20 • Sec. 6. AS 39.35.675(d) is amended to read:

21 (d) In this section "cost-of-living differential" means an adjustment to salary
22 based on the cost of living in the geographic region where the employee works and
23 includes a pay step differential under former AS 39.27.020 or under AS 39.27.021.

24 • Sec. 7. AS 39.27.020, 39.27.030, 39.27.035, and 39.27.040 are repealed.

25 • Sec. 8. LIMITATION ON THE REDUCTION OF EMPLOYEE SALARIES. (a) The
26 salary that an employee is receiving on July 1, 1995 may not be reduced by application of a
27 provision of this Act until July 1, 1996, so long as the employee remains in the same
28 geographic area, as defined in AS 39.27.021(a) and (c), as enacted by sec. 4 of this Act.

29 (b) If an employee moves to another geographic area after July 1, 1995, both the pay
30 differential in AS 39.27.021(a), enacted by sec. 4 of this Act, and the limitation on applicable
31 salary in AS 39.27.021(b), enacted by sec. 4 of this Act, apply to that employee's salary on

1 the effective date of the move.

2 (c) Nothing in this Act prohibits a reduction in an employee's salary as a result of a
3 voluntary or involuntary demotion.

4 * Sec. 9. Nothing in this Act modifies or terminates the terms of a collective bargaining
5 agreement in effect on July 1, 1995.

6 * Sec. 10. Section 8 of this Act is repealed July 1, 1996.

7 * Sec. 11. This Act takes effect July 1, 1995.

4-26-95
A. Elger

Comparison of Geographic Differentials
HB304/SB152

House #	District name	1972 index	Union diff.	Runzheimer	Proposal	Change from 1972 index
1	Ketchikan	1.000	1.000	1.141	1.050	0.050
2	Sitka, Wrangell, Petersburg	1.035	1.000	1.094	1.050	0.015
3,4	Juneau	1.000	1.000	1.081	1.000	0.000
5	Icy Strait/Lynn Canal	1.071	1.050	0.992	1.050	-0.021
6	Kodiak	1.071	1.090	1.087	1.050	-0.021
7	Homer	1.071	1.000	0.969	1.000	-0.071
8	Sodotna/Seward	1.071	1.000	1.031	1.000	-0.071
9	Kenai	1.071	1.000	0.969	1.000	-0.071
10,25	Anchorage, Eagle River	1.000	1.000	1.000	1.000	0.000
26,28	Wasilla, Palmer	1.035	1.000	1.045	1.000	-0.035
29,33	Fairbanks, North Pole	1.148	1.040	1.025	1.000	-0.148
34	North Pole, rural Fbx. area	1.363	1.300	1.048	1.100	-0.263
35	Valdez, Cordova, Copper Center	1.148	1.110	1.093	1.100	-0.048
36	Tanana, interior villages	1.363	1.300	1.048	1.100	-0.263
37	Barrow, Kotzebue	1.363	1.420	1.110	1.200	-0.163
38	Nome	1.363	1.340	1.059	1.200	-0.163
39	Bethel, Dillingham	1.317	1.380	1.145	1.200	-0.117
40	Aleutian Islands	1.272	1.270	1.161	1.200	-0.072
	Seattle	0.791	0.870	1.000	1.000	0.209

The 1972 index and the union differential (contained in the ASEA contract) both utilize the House districts in effect as of Dec. 1961. The reflection of differentials based upon new House districts reflect the closest approximation possible to the old districts. However, some anomalies occur. For instance, Sitka was previously a House district separate from Petersburg and Wrangell. Both prior districts did, however, contain the same geographic differential. Some of the interior and rural House districts that existed in 1961 no longer exist, or have been substantially modified. For purposes of comparability, the areas of largest concentration of state employees have been used in reflecting the old 1972 index and the union differentials with the new House apportionment.

TONY KNOWLES, GOVERNOR

DEPARTMENT OF ADMINISTRATION

OFFICE OF THE COMMISSIONER

P.O. BOX 110200
JUNEAU ALASKA 99811-0200
PHONE (907) 465-2200
FAX (907) 465-2135

January 30, 1996

The Honorable Rick Halford, Co-Chair
Senate Finance Committee
Alaska State Legislature
State Capitol
Juneau, Alaska 99801-1182

Dear Mr. Chair:

I would request that you schedule a hearing on SB 152, "An act relating to geographic differentials for the salaries of certain state employees who are not members of a collective bargaining unit . . ." as soon as possible.

The Senate Finance Committee held one hearing on SB 152 during the closing days of last session. At that time, we reported that savings attributable to the non-covered employees was estimated to be approximately \$1,200.0, with additional savings potential as a result of a negotiated agreement with the General Government bargaining unit (ASEA) that would allow reopening for negotiation specifically of the geographic differential applicable to that bargaining unit. Subsequently, we have reached similar agreement with the Supervisors bargaining unit (APEA) and the Labor/Trades/Crafts bargaining unit (Local 71-AFL-CIO). The language in each contract is slightly different:

General Government unit contract:

"In the event AS 19.27.020, "Pay step differentials by election district and in other states" is amended, modified, or abolished, either party may give written notice of its desire to negotiate modifications to this section. Such notice shall be timely after the signature of the governor or the effective date of the legislation, whichever shall be first. The parties agree to meet within forty-five (45) days of receipt of such notice. Negotiations shall be conducted subject to AS 23.40 "The Public Employment Relations Act" except, in the event the parties have not reached tentative agreement within forty-five (45) days of the initial meeting, the parties agree that they shall be at impasse. Nothing shall prevent mutual agreement to extend these time frames."

Supervisors unit contract:

"In the event AS 19.27.020 "Pay step differentials by election district and in other states" is amended, modified, or abolished, the provisions of AS 19.27 regarding pay step differentials as so amended, modified or abolished shall replace Article 24.2 Geographic Differentials on the effective date of the changes with the following exceptions:

In those instances in which a geographic differential of a current Bargaining Unit member is lowered by incorporation of the provisions of AS 19.27 under this section, the salaries of affected Bargaining Unit members

Senator Rick Halford

-2-

January 30, 1996

(except in cases of demotion) shall be frozen for the life of the Agreement so long as they remain in their current geographic differential area, or until salary increases or changes in the bargaining Unit Member's position result in the Member receiving a higher salary than the frozen amount. In the case of a demotion the Member's geographic differential shall be frozen for the life of the Agreement at the rate in effect prior to the incorporation of the provisions of AS 39 27 into this Agreement"

LTC unit:

"In the event AS39 27 020 "Pay step differentials by election district and in other states" is amended, modified, or abolished in 1996, either party may give written notice of its desire to negotiate modifications to this section. Such notice shall be timely after the signature of the Governor or the effective date of the legislation, whichever shall be first. The parties agree to meet within 45 days of receipt of such note. Negotiations shall be conducted subject to AS23 40 "The Public Employment Relations Act" except, in the event the parties have not reached tentative agreement within 45 days of the initial meeting, the parties agree that they shall be at impasse. Nothing shall prevent mutual agreement to extend these time frames.

Application of the geographic differential pay scheme contained in SB 152 to these three employee groups is estimated to save in excess of \$6 million in addition to that saved by the non-covered employees once fully implemented for all employees in the units. However, immediate savings will begin to accrue with turnover of employees in positions impacted by the geographic differential changes. These savings are not incorporated into the FY 97 budget, due to the proposed one year freeze of salaries following the effective date of the legislation. However, passage this session would allow a full reflection of savings in the FY 98 budget.

SB152 needs some modification to reflect the delayed implementation necessary with a 1996 effective date as opposed to the 1995 effective date as introduced. We will be happy to work with you in developing the necessary amendments. If you have any questions or need additional information, please contact Alison Elgee at 465-5668.

Sincerely,



Mark Boyer
Commissioner

MB/nn

cc: Alison Elgee
Deputy Commissioner
Department of Administration

Pat Pouchot
Legislative Liaison
Office of the Governor

Annalee McConnell
Director
Office of Management and Budget

TONY KNOWLES
GOVERNOR



P.O. Box 110001
Juneau, Alaska 99811-0001
(907) 485-2500
Fax (907) 485-3537

STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

April 7, 1995

The Honorable Druce Pearce
President of the Senate
Alaska State Legislature
State Capitol
Juneau, AK 99801-1182

Dear President Pearce:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill that revises geographic pay differentials for executive branch partially exempt employees and classified service employees not covered by a collective bargaining agreement, and for employees of the legislature. Upon passage of this or similar legislation, I also will issue an administrative order making the same adjustments to executive branch exempt personnel. The bill also amends statutes that relate to certain state aid to municipalities and other eligible recipients that is calculated based on the geographic pay differentials, and changes or deletes statutory requirements regarding salary surveys.

In the mid-1980's, the state conducted a comprehensive cost-of-living study for the different areas of Alaska. That study showed that the geographic pay differentials contained in AS 39.27.020(a) did not accurately reflect the actual differences in the cost-of-living in cities and towns around the state. As a result of this study, the collective bargaining agreements between the state and the various unions representing state employees, which had differentials based on those in AS 39.27.020(a), were changed to reflect the actual differences. However, because AS 39.27.020(a) was not amended, state employees not covered by collective bargaining agreements continued to be paid using outdated differentials. Some were underpaid, but more were overpaid, costing the state several hundred thousand dollars each year. Since the mid-1980's, cost-of-living differences within Alaska have been reduced even further. This bill repeals AS 39.27.020 and sets out new provisions in a proposed AS 39.27.021, to make long overdue changes to the geographic pay differentials. The bill makes certain conforming technical amendments to statutes relating to magistrate salaries and to the Public Employees' Retirement System, to acknowledge the repeal and the new provisions.

The Honorable Dnie Pearce

April 7, 1995

Page 2

The bill also provides, as did the various collective bargaining agreements, that no employee will have his or her salary immediately reduced as a result of the new differentials. However, I am not proposing that incumbent employee salaries be frozen forever. Instead, the salary of an employee who remains working in an area where the differential is lowered would not be reduced until one year after the effective date of the bill.

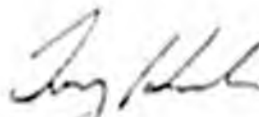
One significant difference between this bill and previous approaches to geographic pay differentials is that this bill limits, to \$50,000 per year, the amount of an employee's gross pay that would be subject to a differential adjustment. This acknowledges the basic purpose of geographic differentials: compensating for higher basic living expenses. This approach removes the aspect of raising overall pay levels through differentials.

Statutes relating to state aid to municipalities and other eligible recipients for roads, health facilities and hospitals, and volunteer fire departments, contain a provision increasing aid to areas with a higher cost of living, and tying the increases to the differentials in existing AS 39.27.020(a). Because many municipalities and other recipients have relied on the current differentials in their planning, this bill provides that the differentials in existing law will continue to apply for this purpose.

The bill also requires the director of the division of personnel to conduct a study every five years, starting in 1999, to review geographic differentials. This requirement replaces the current statutory requirement that an annual survey be done both of cost-of-living around the state and of the relationship between state salaries and salaries of other employers. In addition, the bill repeals the requirement that the director conduct an annual survey for purposes of making university employee salary recommendations to the Board of Regents of the University of Alaska. Because of budgetary constraints, none of these annual surveys have been done.

I urge your prompt consideration and passage of this bill.

Sincerely,



Tony Knowles
Governor

SB 152 -- Witnesses Before the Senate Finance Committee

Elgee, Alison	Dept. of Administration, Dep. Director	4/26/95
McDonald, Gregg	Public Safety Employee's Assn. (PSEA)	4/26/95

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

Mary Pagenkopf

JB 152 SFur 4/24/95 9:35am.