

HB

199

HOUSE COMMITTEE REPORT

(7)

Date Referred to Committee: April 15, 1999

FURTHER REFERRALS:

Finance

Date of Committee Action: 4/22/99

The STATE AFFAIRS Committee considered:

HB 199

HOUSE BILL NO. 199

STATE EMPLOYEE COMPENSATION

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

recommends it be replaced with the following committee substitute CS HB 199(STA) the same title a new title

additional referral to _____ Committee
 attached amendment(s)

ADOPTS: _____ Letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept)

APPROVES PREVIOUS: (Dept/Date)

fiscal note(s) GOV

fiscal note(s) _____

zero fiscal note(s) _____

zero fiscal note(s) _____

SIGNING WITH RECOMMENDATIONS	DP	DNP	NR	AM
<i>Janette James</i>			<input checked="" type="checkbox"/>	
<i>Hal Smucker</i>		<input checked="" type="checkbox"/>		
<i>Ben Barber</i>		<input checked="" type="checkbox"/>		
<i>Bill Hulse</i>		<input checked="" type="checkbox"/>		
<i>M.A. Hulse</i>			<input checked="" type="checkbox"/>	
<i>Scott Orr</i>	<input checked="" type="checkbox"/>			
<i>John Giffell</i>	<input checked="" type="checkbox"/>			

CHAIR'S SIGNATURE

Janette James

Subject: life in the gristmill

Date: Fri, 23 Apr 1999 11:52:25 -0800

From: Eddie Grasser <Eddie_Grasser@legis.state.ak.us>

Organization: Alaska State Legislature

To: Paula Terrel <Paula_Terrel@legis.state.ak.us>

hey this looks somewhat like the intent behind hb 199!

Updated 04-20-99: Early Retirement Policy for all current

>employees.....

>

>As a result of the reduction of money budgeted for department

>areas, we are forced to cut down on our number of personnel.

>Under this plan, older employees will be asked to go on early

>retirement, thus permitting the retention of the younger people

>who represent our future. Therefore, a program to phase out

>older personnel by the end of the current fiscal year,

>via retirement, will be placed into effect immediately.

>

>This program will be known as SLAP (Sever Late-Aged Personnel).

>Employees who are SLAPped will be given the opportunity to look

>for jobs outside the company. SLAPped employees can request

>a review of their employment records before actual retirement

>takes place. This phase of the program is called SCREW (Survey

>of Capabilities of Retired Early Workers). All employees who

>have been SLAPped or SCREWed may file an appeal with the upper

>management.

>

>This is called SHAFT (Study by Higher Authority Following Termination).

>

>Under the terms of the new policy, an employee may be SLAPped

>once, SCREWed twice, but may be SHAFTed as many times as the

>company deems appropriate.

>

>If an employee follows the above procedures, he/she will be

>entitled to get HERPES (Half Earnings for Retired Personnel's

>Early Severance) or CLAP (Combined Lump sum Assistance Payment.)

>unless he/she already has AIDS (Additional Income From Dependents or Spouse). As HERPES and CLAP are

>considered benefit plans, any employee who has received HERPES

life in the gristmill

>or CLAP will no longer be SLAPped or SCREWed by the
company.

Alaska State House of Representatives
STATE AFFAIRS COMMITTEE
Representative Jeannette James, Chair



Rm 102, Capitol Building, Juneau

Phone 465-3743, Fax 465-2381

Members:
Rep. John Coghill, Vice-Chair
Rep. Bill Hudson
Rep. Beth Kerttula
Rep. Scott Ogan
Rep. Harold Smalley
Rep. Jim Whitaker

April 21, 1999

Notes attached CS

Attached is a proposed CS (DRAFT H) for HB 199.

It makes the following changes to draft G.

1. It deletes all of Section 15, putting S.B.S. participation back into its current status.
2. It deletes from line 19, page ~~30~~⁷, the words [until July 1, 2001], thus "grandfathering in" all existing geographic differentials.

1-LS0823\H
Cramer✓
4/21/99

CS FOR HOUSE BILL NO. 199(STA)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FIRST LEGISLATURE - FIRST SESSION

BY THE HOUSE STATE AFFAIRS COMMITTEE

Offered:
Referred:

Sponsor(s): **HOUSE FINANCE COMMITTEE**

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to compensation for certain state employees; and providing for
2 an effective date."

3 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

4 * **Section 1.** AS 14.20.470 is amended to read:

5 (a) The commission may

6 (1) study proposals developed by regular committees of any existing
7 professional organization whose members are within the teaching profession;

8 (2) subpoena witnesses, place them under oath, and maintain written
9 records;

10 (3) warn or reprimand members of the teaching profession, if in the
11 judgment of the commission such action is warranted;

12 (4) suspend or revoke the certificate of a member of the teaching
13 profession for one of the reasons set out in AS 14.20.030 except that in the case of an
14 administrator, the commissioner must concur;

1 (5) make any recommendation to the board or to school boards that will
2 promote an improvement in the teaching profession;

3 (6) request assistance through any of the investigative processes of any
4 existing professional teaching organizations when analyzing charges of breach of
5 ethical or professional teaching practices;

6 (7) appoint an executive secretary, delegate those ministerial functions
7 to the executive secretary as the commission may decide and set the executive
8 secretary's compensation with a starting salary not exceeding Step A, Range [RANGE]
9 26, [STEP B] of the pay plan for state employees in AS 39.27.011(a).

10 * Sec. 2. AS 22.05.140(d) is amended to read:

11 (d) Beginning July 1, 1999 [JANUARY 1, 1991], if the monthly basic salary
12 for Step C [STEP E], Range 28, of the salary schedule set out in AS 39.27.011
13 increases, the monthly base salary of the chief justice and the other justices shall
14 increase by the same percentage. The increase takes effect when the salary increase
15 under AS 39.27.011 takes effect and may be retroactive if consistent with the change
16 in AS 39.27.011. The commissioner of administration shall, by regulation, establish
17 the percentage at which the salary is increased and the increased salary amount.

18 * Sec. 3. AS 22.07.090(c) is amended to read:

19 (c) Beginning July 1, 1999 [JANUARY 1, 1991], if the monthly basic salary
20 for Step C [STEP E], Range 28, of the salary schedule set out in AS 39.27.011
21 increases, the monthly base salary of the judges of the court of appeals shall increase
22 by the same percentage. The increase takes effect when the salary increase under
23 AS 39.27.011 takes effect and may be retroactive if consistent with the change to
24 AS 39.27.011. The commissioner of administration shall, by regulation, establish the
25 percentage at which the salary is increased and the increased salary amount.

26 * Sec. 4. AS 22.10.190(d) is amended to read:

27 (d) Beginning July 1, 1999 [JANUARY 1, 1991], if the monthly basic salary
28 for Step C [STEP E], Range 28, of the salary schedule set out in AS 39.27.011
29 increases, the monthly base salary of the judges of the superior court shall increase by
30 the same percentage. The increase takes effect when the salary increase under
31 AS 39.27.011 takes effect and may be retroactive if consistent with the change to

1 AS 39.27.011. The commissioner of administration shall, by regulation, establish the
2 percentage at which the salary is increased and the increased salary amount.

3 * Sec. 5. AS 22.15.220(e) is amended to read:

4 (e) Beginning July 1, 1999 [JANUARY 1, 1991], if the monthly basic salary
5 for Step C [STEP E], range 28, of the salary schedule set out in AS 39.27.011
6 increases, the monthly base salary of the judges of the district court shall increase by
7 the same percentage. The increase takes effect when the salary increase under
8 AS 39.27.011 takes effect and may be retroactive if consistent with the change to
9 AS 39.27.011. The commissioner of administration shall, by regulation, establish the
10 percentage at which the salary is increased and the increased salary amount.

11 * Sec. 6. AS 23.40.075 is amended by adding a new subsection to read:

12 (b) An agreement concerning the wages of state employees may not establish
13 a geographic differential or other cost-of-living allowance that is greater than the
14 differential set out in AS 39.27.021.

15 * Sec. 7. AS 23.40.215 is amended by adding a new subsection to read:

16 (d) If an agreement that applies to state employees contains a term that
17 authorizes a longevity pay increment or service bonus based on length of state
18 employment and the increment or bonus is based on service that is greater than seven
19 years, the commissioner of administration shall specifically report the term authorizing
20 the longevity pay increment or service bonus to the legislature, and the term may not
21 take effect unless it is approved by the legislature under (a) of this section.

22 * Sec. 8. AS 39.20.080(a) is amended to read:

23 (a) The monthly salary of the head of each principal executive department of
24 the state is equal to Step C [STEP E], Range 28, of the salary schedule in
25 AS 39.27.011(a) for Juneau, Alaska.

26 * Sec. 9. AS 39.27.011(a) is repealed and reenacted to read:

27 (a) The following monthly basic salary schedule is approved as the pay plan
28 for classified and partially exempt employees in the executive branch of the state
29 government whose salaries are not determined under a valid collective bargaining
30 agreement adopted under the authority of AS 23.40.070 - 23.40.260 (Public
31 Employment Relations Act) and for employees of the legislature under AS 24.10 and

1 AS 24.20:

2	Range No.	Step	Step	Step
3		A	C	F
4	5	1,557	1,647	1,789
5	6	1,647	1,743	1,895
6	7	1,743	1,841	2,014
7	8	1,841	1,954	2,137
8	9	1,954	2,071	2,269
9	10	2,071	2,206	2,409
10	11	2,206	2,338	2,568
11	12	2,338	2,491	2,745
12	13	2,491	2,656	2,946
13	14	2,656	2,842	3,165
14	15	2,842	3,049	3,392
15	16	3,049	3,267	3,640
16	17	3,267	3,515	3,895
17	18	3,515	3,765	4,174
18	19	3,765	4,022	4,463
19	20	4,022	4,302	4,767
20	21	4,302	4,599	5,095
21	22	4,599	4,918	5,457
22	23	4,918	5,263	5,850
23	24	5,263	5,639	6,253
24	25	5,639	6,048	6,727
25	26	5,850	6,253	6,969
26	27	6,048	6,484	7,234
27	28	6,253	6,727	7,486
28	29	6,484	6,969	7,750
29	30	6,727	7,234	8,023

30 * Sec. 10. AS 39.27.011 is amended by adding a new subsection to read:

31 (h) An employee who is compensated under the salary schedule set out in (a)

1 of this section qualifies for the next step in the salary schedule only by completing
 2 three years of continuous service that is evaluated as being of progressively greater
 3 value to the state.

4 * Sec. 11. AS 39.27 is amended by adding a new section to read:

5 **Sec. 39.27.021. Pay differentials by election district and in other states.**

6 (a) The following pay differentials are approved as an amendment to the basic salary
 7 schedules provided in AS 39.27.011:

	Percentage Pay Differential	Geographic Areas (Election Districts)
10	0	1, 2, 3, 4, 7, 8, 9, and 10
11	4	16a (Fairbanks South of the Arctic Circle except the duty stations of Tok and Delta Junction)
13	5	5
14	9	11
15	11	6
16	16	16b (the duty stations of Tok and Delta Junction)
17	20	15b (the duty station of Nenana)
18	27	12 and 13
19	30	15a (Yukon-Kuskokwim except the duty station of Nenana) and 19
21	34	18
22	38	14
23	42	16c (Fort-Yukon - North of the Arctic Circle) and 17
25	-13	Seattle-Tacoma

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

29 (c) The director of the division of personnel shall establish salary differentials
 30 for positions in other states or foreign countries. The differentials shall be adjusted
 31 annually, effective July 1, to maintain equitable relationships between salaries for

1 positions in other states or foreign countries and salaries for positions in Alaska.

2 * Sec. 12. AS 39.27.030 is amended to read:

3 **Sec. 39.27.030. Cost-of-living survey.** Subject to an appropriation for this
4 purpose, the director shall conduct a survey, at least every five years, to review the pay
5 differentials established in AS 39.27.021 [AS 39.27.020]. The survey may address
6 factors, as determined by the director, that are also relevant in review of state salary
7 schedules, entitlement for beneficiaries of state programs, and payments for state
8 service providers. The survey must reflect the costs of living in various election
9 districts of the state, and Seattle, Washington, by using the cost of living in Anchorage
10 as a base.

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

12 **Sec. 39.27.036. Salaries paid by agencies not subject to AS 39.27.011.** (a)
13 A state agency or other entity in the executive, legislative, or judicial branch of state
14 government that has chosen to adopt the state salary schedule set out in
15 AS 39.27.011(a) as the basis for paying its employees shall adopt the revisions to the
16 salary schedule as amended on July 1, 1999.

17 (b) A state agency that employs employees in the exempt service who are not
18 subject to AS 39.27.011 and that offers its employees a longevity pay increment or
19 service bonus based on the length of state employment may not offer a longevity pay
20 increment or service bonus based on service that is greater than seven years unless the
21 legislature makes a specific appropriation to fund the longevity pay increment or
22 service bonus. An appropriation for personal services shall not be considered to
23 include authorization to use the appropriation for the longevity pay increment or
24 service bonus unless it so states.

25 * Sec. 14. AS 39.27.045 is amended to read:

26 **Sec. 39.27.045. Definition.** In AS 39.27.021 - 39.27.045 [AS 39.27.020 -
27 39.27.030], "director" means the director of the division of personnel.

28 * Sec. 15. AS 39.35.675(d) is amended to read:

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

1 under AS 39.27.021.

2 * Sec. 16. AS 39.27.020 and 39.27.022 are repealed.

3 * Sec. 17. LIMITATION ON SALARY REDUCTION FOR GEOGRAPHIC
4 DIFFERENTIALS. (a) The salary that an employee is receiving on June 30, 1999, may not
5 be reduced by application of a provision of sec. 11 of this Act so long as the employee
6 remains in the same geographic area as set out in AS 39.27.021, enacted by sec. 11 of this
7 Act. If an employee moves to another geographic area on or after July 1, 1999, the pay
8 differential in AS 39.27.021, enacted by sec. 11 of this Act, applies to the employee's salary
9 on the effective date of the move.

10 (b) If, on July 1, 1999, an employee's salary would have been reduced but for the
11 provisions of (a) of this section, that employee's salary may not be increased by application
12 of an adjustment to the salary schedules in AS 39.27.011 or a step increase until the
13 application of the adjustment or increase to the reduced salary the employee would otherwise
14 have been receiving as of July 1, 1999, results in an amount that meets or exceeds the salary
15 that the employee was receiving on June 30, 1999.

16 * Sec. 18. SALARY SCHEDULE TRANSITION. (a) An employee who, on June 30,
17 1999, is compensated in Step A or B of the salary schedule set out in AS 39.27.011(a) shall
18 remain in that step until the employee qualifies for Step C by completing three years of
19 continuous service that is evaluated as being of progressively greater value to the state from
20 the date of the employee's appointment to Step A. If the employee was directly appointed
21 to Step B, the three years shall be counted from the date of the employee's initial
22 appointment.

23 (b) An employee who, on June 30, 1999, is compensated in Step C, D, or E of the
24 salary schedule set out in AS 39.27.011(a) shall remain in that step until the employee
25 qualifies for Step F by completing three years of continuous service that is evaluated as being
26 of progressively greater value to the state from the date that the employee was appointed to
27 Step C. If the employee was appointed directly to Step D or E, the years of continuous
28 service shall be counted from the date of the employee's initial appointment.

29 (c) Notwithstanding the repeal of AS 39.27.022 made by sec. 16 of this Act, an
30 employee who, on June 30, 1999, was compensated under the longevity steps based on pay
31 increments for longevity in service under AS 39.27.022 may continue to receive longevity pay

1 increments until July 1, 2001, if the employee would have been entitled to them but for the
2 repeal of AS 39.27.022. Beginning July 1, 2001, an employee may not be compensated at
3 greater than Step F of the salary schedule under AS 39.27.011(a), as amended by sec. 9 of this
4 Act.

5 * Sec. 19. COMMISSIONERS' SALARIES. Notwithstanding the amendments to
6 AS 39.20.080(a), made by sec. 8 of this Act, and to AS 39.27.011(a) made by sec. 9 of this
7 Act, the head of a principal executive department of the state who was serving in that capacity
8 on June 30, 1999, is entitled to receive a monthly salary in the amount of \$7,234 until the date
9 on which the next governor is sworn into office.

10 * Sec. 20. This Act takes effect July 1, 1999.

Bill History/Action Display



BILL: HB 199 SHORT TITLE: STATE EMPLOYEE COMPENSATION
BILL VERSION:
SPONSOR(S): FINANCE

CURRENT STATUS: (H) STA STATUS DATE: 4/15/99

TITLE: "An Act relating to compensation for certain state employees; and providing for an effective date."

Full Text No Fiscal Information for Bill/Resolution

Committee Action With Bill History

Jrn-Date	Jrn-Page	Action
4/15/99		(H) READ THE FIRST TIME - REFERRAL(S)
4/15/99		(H) STA, FJN

Similar Subject Match or Exact Subject Match

EXECUTIVE BRANCH

JUDGES

LEGISLATURE

PUBLIC EMPLOYEES

SALARIES & ALLOWANCES

WAGES

Bill Root: Display History/Action Clear Bill Root

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BASIS Last Updated 4/15/99 1:20 PM



Alaska State Legislature
HOUSE OF REPRESENTATIVES
Committee on Finance

Official Business

State Capitol
Juneau, Alaska 99801-1182

Sponsor Statement
House Bill 199

State Employee Compensation and Benefits

House Bill 199 will bring state employee compensation and benefits closer more in line with other public and private employees in Alaska.

HB 199 does three things:

1. Establishes a maximum geographical differential for all state employees. It reduces the differential for statutory employees by using the current differential found in the agreements with the general government unit. This schedule is based on a 1985 survey and is the first update of the differential in almost 20 years.
2. Ends longevity steps and reduces the steps in our wage scale for classified and partially exempt employees and other state employees who are compensated based on the state wage scale. It will not affect members of bargaining units with agreements with the state.
3. Eliminates the SBS (Supplemental Benefit System) for new employees after June 30, 1999.

12-1 94001 850

LEGISLATIVE BUDGET AND AUDIT COMMITTEE

Wage and Benefit Study

January 1999

- FINAL REPORT -

These survey results were prepared by

Kathleen A. Porterfield, Partner, KPMG LLP

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Conclusions

Compensation

KPMG believes that private survey of benchmark positions, supplemented with national survey data, is an adequate sample from which to draw certain conclusions.

- Total compensation for State of Alaska employees was calculated to be 120% of the market median and 125% of the market weighted average private survey data. This indicates that State employees are compensated more than employees performing similar work in other organizations within the State's defined labor market.
- Based upon an analysis of private salary survey results using the market median, a significant number of State benchmark jobs are above the market range as follows:
 - 30% of the benchmark jobs (25 out of 82) are considered above the market range
 - 68% of the benchmark jobs (55 out of 82) are considered within the market range
 - 2% of the benchmark jobs (2 out of 82) are considered below the market range
- Based upon an analysis of private salary survey results using the market weighted average, a significant number of State jobs are above market as follows:
 - 38% of the benchmark jobs (31 out of 82) are considered above the market range
 - 61% of the benchmark jobs (50 out of 82) are considered within the market range
 - 1% of the benchmark jobs (1 out of 82) are considered below the market range
- Based upon an analysis of published national data for certain positions for which private survey data is unavailable, 3 of 10 positions were compensated above the market range and 7 were compensated within the market range
- An analysis of the survey data by quartile, range 12 and below, ranges 13-18, ranges 19-22 and range 23 and above, reveals that the aggregate data by quartile is within market, with the exception of ranges 13-18, for which State salaries as a percentage of the survey market weighted average are 134%.

Conclusions (cont.)

Benefits

The cost of benefits offered to employees by the State of Alaska is substantially higher from those offered to employees by organizations included in the survey.

Source--Apper dix D

ORGANIZATION	EMPLOYEES	AVERAGE SALARY	TOTAL BENEFITS	TOTAL COMPENSATION	BENEFITS AS A PERCENT OF AVERAGE SALARY
WEIGHTED AVERAGE - STATE OF ALASKA	15,571	\$43,091	\$19,942	\$63,033	46%
MEDIAN - ALL SURVEY PARTICIPANTS (66)	417	\$38,437	\$15,094	\$53,531	39%
AVERAGE - ALL SURVEY PARTICIPANTS (66)	2,552	\$39,940	\$15,543	\$55,483	39%

The cost of certain specific benefits for the State are significantly higher than the costs reported by survey respondents as follows:

- **Medical Benefits.** State of Alaska contributions towards medical benefits through the flexible benefits plan are approximately 31% higher (\$1,310) than the average contribution for medical benefits for other employers.
- **Retirement Benefits.** State of Alaska average combined contributions to the Public Employees' Retirement System (PERS) and the Supplemental Benefits System Annuity Plan (SBS-AP) are 25% higher (\$1,430) than average for the overall survey participant respondents but nearly identical to those for other public employers in the survey. The greatest differences in the cost of retirement benefits between State of Alaska employees and other survey participants are in the comparisons to private sector employers (\$2,781 or 64% higher) and to Alaska survey participants (\$2,199 or 45% higher).
- **Retirement Benefits.** Paid time off benefits for State of Alaska employees, on a *weighted* average basis, are approximately \$2,524 per employee (about 48%) higher than the average for survey participants but only \$1,507 (24%) higher than the average of all public employers in the survey. The greatest differences in the cost of paid time off between State of Alaska employees and other survey participants are in the comparisons to private sector employers (\$3,482 or 81% higher) and Alaska survey participants (\$3,079 or 65% higher).

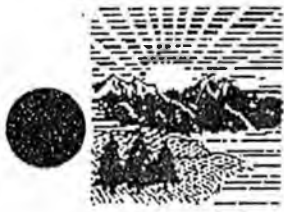
Salary Schedule Assignment

AS 39.27.020 sets out the pay step differential for employees by election district. The statute requires the use of the district apportionment in effect December 7, 1961.

The District and steps above base are listed below.

District	Steps Above	Salary Schedule	District Towns
1	0	AA	Ketchikan - Prince of Wales
2	1	BB	Wrangell - Petersburg
3	1	BB	Sitka
4	0	AA	Juneau
5	2	CC	Lynn Canal - Icy Straits
6a Exclude Valdez	4	EE	Cordova
6b Valdez	5	FF	Valdez only
7	1	BB	Palmer - Wasilla - Talkeetna
8	0	AA	Anchorage
9	2	CC	Seward
10	2	CC	Kenai - Cook Inlet
11	2	CC	Kodiak
12	7	HH	Aleutian Islands
13	7	HH	Bristol Bay
14	8	II	Bethel
15a exclude Nenana	9	JJ	Yukon - Kuskokwim
15b Nenana	8	II	Nenana only
16a S. of Ar. Circle	4	EE	Fairbanks - Fort Yukon
16b N. of Ar. Circle	9	JJ	
17	9	JJ	Barrow - Kobuk
18	9	JJ	Nome
19	8	II	Wade Hampton
Other States	-6		

The above information was taken from AS 39.27.020 in effect as of 11/4/93 and from the Alaska State Constitution Art. XIV as in effect on December 7, 1961.



QUESTIONS AND ANSWERS

About Your Alaska Supplemental Annuity Plan (SBS-AP)

[Introduction](#)

[Contributions](#)

[Investment Options](#)

[Administrative Fees](#)

[Account Vesting](#)

[Account Balance Information](#)

[The Release of Confidential Account Information](#)

[When You May Receive Payment of Your Account](#)

[Account Payment Procedures](#)

[Payment to Someone Other Than the Participant](#)

[Death Benefits](#)

[Account Reinstatement](#)

[Payment Options](#)

[Rollovers and Direct Transfers](#)

[Taxes and Penalties](#)

[Investment Changes and Transfers \(KeyTalk\)](#)

INTRODUCTION

Q1. Who is eligible to be in the plan?

Employees of the State of Alaska and 13 political subdivisions that have elected to be in the plan. If you work for an eligible employer, your employment status will determine whether you are required to contribute to this plan.

Q2. What type of plan is the Supplemental Annuity Plan?

The Alaska Supplemental Annuity Plan (SBS-AP) is a defined contribution plan governed by section 401(a) of the Internal Revenue Code. The Alaska Statutes related to the plan are under AS 39.30., Article 4; AS 39.30.150 - 180. Regulations are 02 AAC 37.125 - 190.

Your employer contributes a mandatory portion of your income before it is taxed. The amount set aside, plus any change in value (interest, gains and losses), is payable to you or your beneficiary at a future date. Your wages will be reduced by a certain amount (outlined below). This money, along with contributions from your employer, will then be placed into the plan.

Q3. Who is the Plan Administrator?

The Division of Retirement & Benefits at P.O. Box 110203, Juneau, Alaska 99811-0203, phone number 907-465-4460, is the "Plan Administrator." FAX 907-465-3086; TDD 907-465-2805.

Q4. How can I change my address?

If you are an active contributing employee of the State or one of its political subdivisions, you **MUST** change your address through your employer's human resources office. If you are no longer contributing and are no longer employed with the State or one of its political subdivisions, you **MUST WRITE** the Division of Retirement and Benefits, attn: SBS-AP, P.O. Box 110203, Juneau, AK, 99811-0203.

All correspondence sent to the SBS-AP **MUST** include your signature and social security number.

Q5. Why is there no prospectus?

None of the funds in the SBS-AP are mutual funds registered with the Securities and Exchange Commission or the National Association of Securities Dealers. Therefore, no prospectus is required. T. Rowe Price is registered as an investment adviser under the Investment Advisers Act of 1940. State Street Bank & Trust Company manages collective investment funds held in trust for the benefit of pension and profit sharing plans. State Street Bank & Trust Company is a bank as defined by the Investment Advisers Act of 1940 and is therefore exempt from registration under the Act.

CONTRIBUTIONS

Q6. How are contributions to the plan determined?

Your SBS-AP account is credited with a gross contribution that consists of a reduction to your wages of 6.13%, and a matching employer contribution of 6.13%. The total contribution is 12.26% of your payroll up to the current social security maximum wage base. This wage base changes yearly. Your personnel department or plan representative can tell you the current wage base in effect.

Q7. Can I contribute additional amounts?

No. You cannot contribute additional money.

INVESTMENT OPTIONS

Q8. How is the money in my SBS-AP account invested?

The SBS-AP is a participant-directed plan effective February 1, 1996. This means that you can choose from the investment options offered by the plan. There are presently eight (8) investment options. They are described in more detail later in this booklet, please see pages 14-21.

The providers of these investment options were selected by the Alaska State Pension Investment Board. For more information, you can write to them at ASPIB, Alaska Department of Revenue, Treasury Division, P.O. Box 110405, Juneau, AK 99811-0405, or you may call them at (907) 465-2350.

Q9. How are "earnings" or the "Change-in-Value" determined and applied to my SBS-AP account?

All investment options in the plan are variable options. They are affected by a combination of dividends, interest, and realized and unrealized gains and losses. Therefore, the rate of return you receive may increase or decrease as the market fluctuates. Investment returns are not guaranteed by the plan or the State of Alaska. Negative returns can result depending on market conditions.

ADMINISTRATIVE FEES

Q10. What are the administrative fees associated with this plan?

Administration fees cover the cost of plan administration, record keeping, production and mailing of statements, newsletters and educational material, legal costs, accounting, financial reporting and all other costs related directly and indirectly to plan operations.

Your plan administrative fees are currently a fixed portion of \$35.00 per calendar year only if you are actively contributing; plus a variable portion which is 0.09% (.0009 x Account Balance) of your account balance. This variable fee is charged on a monthly basis at 1/12 the annual rate. The \$35 fixed portion will be deducted from existing participants' accounts with the January contribution of a plan year. For State of Alaska employees, this will be in January. For political subdivision employees, this will be in February. New entrants will be assessed the \$35 charge in the first month of entry - even if it takes the entire amount - until the yearly fee is paid.

If you are not currently contributing because you are a former employee but you still have your account with the plan, the fees are 0.09% of your account balance annually. This fee is charged on a monthly basis at 1/12 the annual rate. You will not be charged the \$35 fixed fee.

ACCOUNT VESTING

Q11. When does my SBS-AP account vest?

Both the employer and employee contributions and the Change-in-Value applied to the account are 100% vested when they are placed in the account. This means that you are eligible to be paid the total value of your account balance when you withdraw your account.

ACCOUNT BALANCE INFORMATION

Q12. How can I determine my current SBS-AP account balance?

Your account balance, as well as all your account activity, is included in your quarterly statement.

For more up-to-date information between quarterly statements, you can call KeyTalk, a toll-free number maintained by the servicing agent, at 1-800-701-TALK (8255), or you can call the Division of Retirement and Benefits at 907-465-4460.

THE RELEASE OF CONFIDENTIAL ACCOUNT INFORMATION

Q13. Who can obtain information on my SBS-AP account?

Your account balance and any information related to your account is available to you with proper identification.

Administrative regulations do not allow the release of information regarding personal or financial data to anyone other than you without your prior written authorization, unless the inquiring party has a subpoena or a court order to secure the information. Information may, however, be released to your employer, your former employer, if they are a plan member, or any authorized state agency.

Q14. How can I obtain the same information for my spouse's account?

Your spouse or legal counsel is not entitled to information about your account without a properly executed release; or a court subpoena if no release is available.

WHEN YOU MAY RECEIVE PAYMENT OF YOUR ACCOUNT

Q15. When can I receive payment of my SBS-AP account?

You are eligible to receive payment of your account 90 days after you have been terminated from employment. If you are re-hired before the 90-day period has passed, the withdrawal request will be canceled and a new 90-day period will begin at the next termination.

This 90-day period is established in the Plan Document that governs plan operations. There are no exceptions allowed. The plan administrator and the state HAVE NO authority to allow earlier distribution.

Q16. Can I receive payment of my SBS-AP account if I am laid off?

No, you may not. Layoff is not termination for the purposes of receiving payment from the plan. You must be fully terminated, not in a layoff status, from employment.

Q17. Can I receive a hardship withdrawal of my SBS-AP account prior to termination?

No. There are no provisions that allow early withdrawal for a hardship or otherwise. The plan administrator or any other individual or board does not have the authority to grant payment earlier than 90 days after termination from employment.

Q18. Can I take a loan on my SBS-AP account?

No. Loans or borrowing of any kind are not permitted.

Q19. Can I assign or pledge my SBS-AP account?

No. The plan does not recognize any voluntary or involuntary attempt by you to assign, pledge, sell, transfer or encumber your account. Any attempt to do so is void.

ACCOUNT PAYMENT PROCEDURES

Q20. How do I initiate benefit payments of my SBS-AP account?

First, you must fulfill the requirements stated in the answer to question 15 (above). Then, you must submit an application for payment. The application form is called the ³Annuity Benefit Election² form or ABE. On the form, you can choose to be paid currently or to defer payment to a future date.

The date of payment depends on when the ABE is received. Generally, lump-sum payments are paid within 95 to 110 days after termination. Continuing annuity payments usually begin on the first day of the month following the month in which your 90-day eligibility period ends.

Q21. Do I have to submit an Annuity Benefit Election (ABE) form if I do not desire to be paid currently?

No. However, you need to submit the form at a later date when you wish to be paid.

You also may defer payments by selecting a date on which you would like to begin receiving payments. This date must be before your 70th birthday. Or, you may elect not to fill out an Annuity Benefit Election form. You are not required to do so, and no payment will take place. This has the same effect as a deferral.

You are able to change any deferral date you select for your payments. However, the deferral date must be before your 70th birthday.

Q22. How much of the Annuity Benefit Election form needs to be completed in order to receive payment?

You should complete all sections of the form applicable to you. Each section serves a specific purpose and helps to determine if all requirements for payment have been met. If a section does not apply, cross the section out.

Q23. Why does my spouse have to submit a waiver when I request payment of my SBS-AP account?

Amounts in the SBS-AP are marital property subject to equitable division. This has been reinforced by Alaska domestic relations law and upheld by the Alaska Supreme Court (*Mann v. Mann*, 778 P.2d 590 (Alaska 1989)). Therefore, amounts contributed and the earnings accumulated during a marriage are one-half the property of your spouse.

If you are married, and your account balance is greater than \$3,500, and you choose any option other than a 50% or 100% joint and survivor annuity with your spouse as a survivor, your spouse must consent to this choice by signing an Annuity Benefit Election Waiver form. For example, if you want to roll your money into your IRA, your spouse must submit a waiver if all or part of the money was contributed while you were married. Your spouse's signature must be witnessed by a notary public or a plan representative.

Q24. If I have been involved in a divorce, dissolution or legal separation, do I have to submit proof of these circumstances before I can receive payment of my SBS-AP account?

Before payment can be made, you must inform us of any special distribution requirements that instruct payments to be made directly to another individual, such as an ex-spouse. Usually, this involves a Qualified Domestic Relations Order (QDRO).

If a participant has been released through a divorce or dissolution, such terms are contained in the property settlement sections of the appropriate court documents.

You must provide a court certified copy of the appropriate divorce, dissolution, or QDRO. Because of the very detailed and specialized nature of this type of situation, you should contact us at the earliest possible time so that you know what specific information we need.

You should be aware that making any false or fraudulent statement for the purpose of obtaining benefits or to avoid making payments due to others is a criminal offense punishable by law.

Q25. What additional types of documentation might be required before payments can begin?

Depending on the payout form you select, you may be required to provide proof of birth date for yourself as well as your designated survivor.

A birth certificate, baptismal record, military discharge or a passport are acceptable forms of proof of birth date. In unusual circumstances, other forms of proof may be accepted.

PAYMENT TO SOMEONE OTHER THAN THE

PARTICIPANT

Q26. Under what circumstances can my SBS-AP account be paid directly to someone other than myself?

There are three recognized exceptions that allow access to your benefits by another person or agency:

- An IRS Lien for unpaid taxes
- A Qualified Domestic Relations Order (QDRO) issued by a court of law
- An Order to Withhold and Deliver Property issued by the Child Support Enforcement Division (CSED)

QDROs must be approved and accepted by the plan before your account can be paid to another person - the alternate payee. You must arrange with the court to have a certified copy of the court order sent to us. The courts do not automatically send documents to us. Payments to an alternate payee under a QDRO may begin when you become eligible to receive payment from the plan, regardless of whether or not you request payment. For example, the alternate payee cannot receive payment until you have been terminated for at least 90 days.

The plan must honor a properly executed IRS Lien, QDRO, or CSED Order. If you believe the issuing agency has incorrectly applied an order to your account, you must get the IRS, CSED or the courts to issue a corrected order.

There are no provisions for early withdrawal - hardship or otherwise - that apply to an IRS Lien, QDRO or CSED order. Payments under these orders cannot begin until you are eligible to receive payment.

DEATH BENEFITS

Q27. What if I die before my SBS-AP account is paid?

If you die before you receive payment of your account, your beneficiary immediately becomes eligible to receive payment of your account. However, your beneficiary must submit an application before payments can begin.

If you die without designating a beneficiary, or if all the designated beneficiaries are also deceased, the benefits will be paid to the first survivor(s) in the following order: spouse, children, parents, the participant's estate.

Also, your will cannot override or change the beneficiaries to whom the benefits are paid based upon beneficiary forms we have on file. It is imperative that you keep your beneficiary forms up-to-date.

ACCOUNT REINSTATEMENT

Q28. Can I "pay back" money previously paid out from my SBS-AP account?

No. Money previously withdrawn can not be re-deposited into your account. Once the 90-day³Benefit Commencement Date² period has passed, you have requested payment of the account and the payment has

been issued, the account cannot be reinstated.

PAYMENT OPTIONS

Q29. What options are available to me when I am entitled to payment of my SBS-AP account?

You may choose from the following options:

Lump sum - A single payment of the entire balance of your account.

Five-year period certain annuity - Equal monthly payments for five years (60 months). If you die before receiving payments, your beneficiary will receive the balance of the benefit payments.

Ten-year period certain annuity - Similar to the five-year period certain, but payments last for ten years.

Fifteen-year period certain annuity - Similar to the five-year period certain, but payments last for fifteen years.

Single life annuity - Monthly payments for your lifetime. No payments are made to your beneficiary at your death.

Single life annuity with ten-year period certain - Monthly payments for the rest of your life. If you die before 120 payments have been made, your beneficiary will receive the balance of the payments.

Single life annuity with fifteen-year period certain - Similar to the single life with ten-year period certain, but with a fifteen-year payment period.

50% joint and survivor annuity - Monthly payments for your lifetime. After your death, your survivor will receive one-half of the monthly amount you were receiving for his or her lifetime.

100% joint and survivor annuity - Similar to the 50% joint and survivor, but your survivor will receive the same benefit amount after your death.

ROLLOVERS AND DIRECT TRANSFERS

Q30. Are lump-sum payments eligible for Direct Transfer to an Individual Retirement Arrangement (called an IRA) or for rollover to an IRA?

Yes. Lump sum payments to participants, former spouse alternate payees, and spouse beneficiaries are eligible for Direct Transfer or rollover. A payment from the plan that is eligible for "rollover" can be taken in two ways: you can have your payment paid in a direct rollover or paid to you. A rollover is a payment of your plan benefits to your individual retirement account (IRA) or to another employer plan. This choice will affect the tax you owe.

If you choose a direct transfer:

- Your payment will not be taxed in the current year and no income tax will be withheld.

- Your payment will be made directly to your IRA or, if you choose, to another employer plan that accepts your rollover.
- Your payment will be taxed later when you take it out of the IRA or the employer plan.

If you choose to have your plan benefits paid to you:

You will receive only 80% of the payment, because the Plan Administrator is required to withhold 20% of the payment and send it to the IRS as income tax withholding to be credited against your taxes.

Your payment will be taxed in the current year unless you roll it over. You may be able to use special tax rules that could reduce the tax you owe. However, if you receive the payment before age 59 1/2, you also may have to pay an additional 10 to 15 percent tax penalty. See question 31 for other exceptions to the penalty provisions that may be available to you.

You can roll over the payment by paying it to your IRA or to another employer plan that accepts your rollover within 60 days of receiving payment. The amount rolled over will not be taxed until you take it out of the IRA or employer plan.

If you want to roll over 100% of the payment to an IRA or an employer plan, you must find other money to replace the 20% that was withheld. If you roll over only the 80% that you received, you will be taxed on the 20% that was withheld and that is not rolled over.

TAXES AND PENALTIES

Q31. What are the taxes and penalties on an SBS-AP refund?

In general, distributions you receive will be subject to income taxes. In addition, your distribution will be subject to an additional penalty if you receive your distribution before you reach age 59 1/2. The penalty is 10% of distribution amounts up to \$150,000 and 15% of distribution amounts greater than \$150,000. The penalty generally does not apply if:

- you are at least age 55 in the year you terminated employment,
- distributions are paid at your death,
- you suffer permanent and total disability,
- you must comply with a Qualified Domestic Relations Order (for that portion to be distributed to the alternate payee), or
- you have selected certain lifetime distribution options.

The State of Alaska and the SBS-AP do not give tax advice. You are solely responsible for determining how federal tax law affects your particular situation. You should contact the Internal Revenue Service or your tax advisor as necessary.

Q32. What tax withholding occurs on SBS-AP refunds?

The plan is required by Federal tax law to withhold 20% on all lump-sum payments that are not sent as a Direct Transfer to an IRA. The law applies to monthly continuing annuity payments on a five-year certain annuity and certain other distributions.

The 20% withholding rule applies only to amounts paid to you. It does not apply if payments are transferred directly from the plan to another IRA or other qualified employer plan, or for a continuing annuity that is at least 10 years in length.

It is important to understand that the 20% withholding is not a penalty or an additional tax. Participants are required to pay income taxes eventually on all distributions. These rules simply require withholding at the time of payment. Depending on the amount you receive, and any other tax circumstances at the time, you may be eligible for a refund when you file your tax return. Again, each participant's tax situation is unique and should be carefully evaluated.

INVESTMENT CHANGES AND TRANSFERS (KEYTALK)

Q33. May I transfer between the different investment options?

Yes. You may transfer all or a portion of your existing account balance among investment options once a calendar month.

See questions 40 and 41 for limitations and timing.

Q34. May I reallocate my money among the investment options?

Yes. You may reallocate all or a portion of your existing account balance among investment options once a calendar month.

See questions 40 and 41 for limitations and timing.

Q35. What is the best means for me to obtain SBS-AP account information, make transfers between options or reach a service representative?

KeyTalk is a toll-free touch-tone service that allows you access 7 days a week, 24 hours a day (except between 10:00 PM and 10:00 AM Alaska time on Sundays) to:

- Obtain your current account balance
- Obtain daily fund values and current interest rates
- Transfer funds from one investment option to another without submitting forms.
Written confirmation of all transfers will be sent.
- Change allocations of future deposits without submitting forms
Written confirmation of all changes will be sent.

The KeyTalk phone number is 1-800-701-TALK (1-800-701-8255).

Q36. How can I access KeyTalk?

To access KeyTalk, you will need a Personal Identification Number (PIN). This will be assigned to you when your account is set up. After accessing KeyTalk for the first time, you can customize your PIN to a

number that is easy for you to remember by choosing the appropriate option from the KeyTalk menu.

Q37. What if I don't have access to a touch-tone phone?

If you do not have access to a touch-tone phone and want to make changes or obtain any of the information listed above, call the KeyTalk number above, remain on the line, and you will be transferred to a Client Service representative. Client Service representatives are available to assist you Monday - Friday, 6:00 AM to 5:30 PM Alaska time. You may also call DRB in Juneau at 907-465-4460 with any questions about the SBS-AP.

Also, for hearing-impaired participants, a special toll-free TDD (Telecommunication Device for the Deaf) number is available which allows participants to communicate with the Client Service representatives. The TDD line is available Monday - Friday, 6:00 AM to 5:30 PM Alaska time. This number is 1-800-766-4952.

Q38. What transactions must be conducted through the Juneau DRB office?

The following transactions must be conducted through the Juneau DRB office:

- Arranging for payout of your funds, making a deferral, or any related matters
- Changing your name, address, phone number, etc.

Q39. Is there any charge for transfers?

No. (Please see question 40 for transfer limitations.)

Q40. Is there any limit to the number of transfers and reallocations I may make?

Transfers and reallocations between investment options may only occur once a calendar month. Amounts transferred must be in whole percentages only. For example, 33%, not 33.333%.

Q41. If I request a transfer, when is it made?

Written requests placed with Juneau DRB by 9:00 AM Alaska time are processed on the date received, and the written request sent so that it is received by FASCorp at its administrative headquarters in Englewood, Colorado, by 12:00 noon Alaska time. The 12:00 noon Alaska time deadline also applies to calls placed with FASCorp Client Service representatives. Otherwise, the transfer will be processed on the next business day.

When transferring funds between investment options, the timing of the transfer is determined by two factors:

RECEIVED DATE:

- Transfer requests, either through KeyTalk or on paper, received by FASCorp before 12:00 PM Alaska time on a business day are considered to be received on that day.

- Transfer requests received after 12:00 PM Alaska Time or requests received on a non-business day are considered to be received the following business day.

TRANSACTION SETTLEMENT TIME:

In general, there is a one business day transaction settlement time between the received date and the day that the transfer is initiated. However, this time is determined by whether or not the money remains within the same family of funds. For example:

- When transferring money **WITHIN** the T. Rowe Price-managed family of funds (Alaska Balanced, 2000, 2005, 2010, and 2015), OR the State Street-managed family of funds (S&P 500 Stock Index, Daily Govt./Corp. Bond, and the Short-Term Investment), on the business day following the received date, the funds will be withdrawn from the first fund(s), and deposited to the second fund(s) on the same business day. Therefore, there is a **ONE** day transaction settlement time when transferring **WITHIN** the T. Rowe Price family of funds **OR** the State Street-managed family of funds.
- When transferring money **BETWEEN** T. Rowe Price and State Street funds, on the business day following the received date, the funds will be withdrawn from the first fund(s), and then deposited to the second fund(s) on the following business day. Therefore, there is a **TWO** day transaction settlement time when transferring **BETWEEN** T. Rowe Price funds and State Street funds.



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[[retirement & benefits](#) - [department of administration](#) - [state](#) - [r&b webmaster](#)]
Claudette_Kreuzenstein@admin.state.ak.us

Aneida A. Alexander
3321 Monticello Ct.
Anchorage AK 99503

4/19/99

Dear Representative James:

I am very upset and unhappy by the way the Legislature of Alaska apparently thinks of, portrays, and treats the people who are in State employment. I would like for you to be able to pass on to your colleagues some of my thoughts and those of other State employees.

I work for DOT&PF as an Accounting Clerk II (Range 10). I will have worked for the State for 10 years as of May 1. I take great pride in what I do and have put forth a lot of effort to do a good job. I resent being told that I am over-compensated for what I do. I resent the Legislature trying to curry favor with "the people" by demeaning my work. I am one of "the people", too.

I resent the ostensibly short-sighted view of the Legislature which seems to say, if we make changes that look like we are saving money then never mind that these changes will cause problems in the future. For example, in DOT&PF we are finding it almost impossible to hire good engineers since the private sector's pay and benefits are so much better. Recently I heard a manager who was trying to hire an engineer go through the top three candidates, hearing each of them turn down the offer for the same reason: better pay and benefits in the private sector. Another example was the announcement by Maintenance and Operations that some roads would not be plowed in the spring accompanied by a cry of outrage from members of the public. Cut costs but plow the roads. Repair potholes and other road problems but do it without adequate funding. Funding gets cut, something can't be done, one of your constituents calls and complains, and DOT&PF is told to do the job anyway. While I would love to tell you of a recent event involving a Legislator and DOT&PF, however I think naming names would not be very tactful. Suffice to say that DOT&PF was told in no uncertain terms: stay within your budget or else. However, just prior to that the Legislator was demanding to have something done for a constituent. Shame.

I resent the maneuvering of numbers to say that the costs associated with construction projects managed by the private sector, by consultants, is comparable with State-managed project costs. I am the person who knows this is not true since I am the person who handles these funds. One can make numbers say anything that favors one's pet opinion. By the way, how does the Legislature decide that my family is less deserving of the income than my next-door neighbor? I work for the State, the neighbor works for a consultant. The neighbor makes more than I, has better benefits, and gets a bonus at the end of the season. Quite frankly I am looking forward to the day that a consultant fails to attend to all the FHWA requirements and FHWA refuses to pay for the project. I hope it's a huge project that can't be hidden by number games. This is going to happen - mark my words. Without competent engineers to oversee the consultant, this will happen. Why should there be an engineer to oversee the consultant? Because the State is responsible to the FHWA, of course. This would be the same engineer who'd run the project except for the fact that people have been made to think this is a better way of doing things. Further, I note that SB33 will make it easier for this to happen.

Since over-time is not authorized for my position, there have been times when, to get the job done, I have worked without pay. I suppose I could have taken this to the union or refused to stay and work, but as with most of my co-workers, we want to see a good job done. How disheartening to then be portrayed by the Legislature as over-compensated.

I recently read in the Letters to the Editor that one letter-writer thought it outrageous that the highest cost to the State is the cost of personnel. Amazing. I would love to know what this person knows of management costs in any business. This is the person whose vote is being sought by this Legislature. I'd be ashamed to have this person vote for me if he is this ignorant of basic management concepts. As I

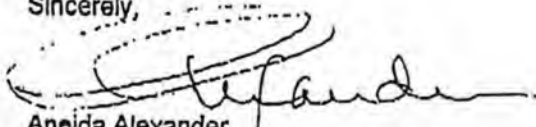
am sure you know, personnel costs are the largest share of costs in almost any business, and always in a service business such as government.

I see now that the Legislature is moving to eliminate SBS Retirement and effectively delete merit raises and longevity steps with SB152 and HB199. With no retirement and no raises, why would anyone want to work for the State? Oh, right, a few shekels will be tossed out just to see us squabble in the dust over them. By the way, in 1980 the State opted out of Social Security in order to save money. SBS replaces Social Security.

By the way, I vote in all elections.

I appreciate being able to tell you of my resentment and frustration.

Sincerely,



Aneida Alexander

RANDY M. OLSEN

1209 Skyline Drive

Fairbanks, Alaska 99712

(907) 457-8939

e-mail: the-olsens@pci.net

Re: HB 199
SB 152A

I am a staff attorney with the Department of Law. This is to identify me, and I make it clear I am not speaking on behalf of the department. If the above bills become law my family and I will be personally hurt. I believe there are some things you do not understand, or these bills would not be in their current form. I will try to present my thoughts as summaries and hope the points are compelling without additional commentary.

1. The business of the state is the administration of laws. Other "programs" (public television, child support collection, consumer protection, communication and even roadway infra-structures) may be nice for the government to engage in, but they are not at the core of government purpose. The core function should not be sabotaged.

2. Various states have taken different approaches to the staffing of their attorney offices. Some choose to pay very little, and regularly re-staff their offices with inexperienced law school graduates. They stay for a couple of years, gain experience, and then move on. A long time ago the state chose the avenue of paying reasonably so as to retain experience and not suffer the risks inherent in trusting its legal work to inexperienced rookies. If you want to go with the revolving-door way of staffing you can do so, but need to know that that is what you are doing. The news coverage of recent comparisons of state worker wages to other workers in the Western states revealed that the Department of Law attorneys are already underpaid. Rolling back salaries even more will damage morale and drive away the experienced workers.

3. I defend state officers and agencies from suit. I am vastly underpaid compared to the attorneys I deal with. I handled a case in which the state and City of Fairbanks were jointly sued for actions by state troopers and city police officers. The city hired a private attorney to defend its interests. When the case was over and we had won, the state's costs were \$25,000 (as set out in a motion for attorney fees), while the city's private attorney for the same work was \$75,000 (set out in his motion)..

I handled a case in Anchorage where the state prevailed against an Anchorage public entity. The public record showed the opposing attorneys billed over \$500,000, while my costs were \$50,000.

I successfully represented the state in a suit brought by Lloyd's of London for \$20,000,000. Some hearings were attended by 4 attorneys for the plaintiff, while I defended the state alone. I later learned from one of their expert witnesses that they spent \$3.1 million on the case before trial, and budgeted \$500,000 for the trial. My total costs were \$300,000.

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Dept.		Phone #	
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I am defending the state fire marshal's office in a suit where the plaintiff's claim reimbursement of \$21,000,000. I recently attended a deposition where the plaintiffs sent an attorney from Seattle and another attorney from Portland, Oregon. These attorneys are \$250-\$300/hour attorneys, and they are throwing a lot of money in staff and consultants into this case. I still expect to beat them, but I certainly do not expect anyone in state government to think I am over-paid for the work I do.

4. The fire marshal suit underscores another problem with legislation to take away my pay and benefits. The suit involves allegations of negligence in 1986 and thereafter until 1996. Seven state employees figure prominently in the suit. Unfortunately, not one of these individuals are still employed by the state. None of them cares what happens in this law suit. Who does? I do, and I like to represent the state. But the proposed legislation is hostile to me, one of your soldiers in the trenches who have to do battle every day on behalf of the state. Why would the Legislature take an action which would undermine the morale of the only people who do care?

5. You may choose if you do not want to fund a television station or a consumer protection office or a labor wage and hour office. You then choose to fund fewer services. However, you do not get to choose not to defend yourself when a suit is filed against the state.

6. When the state cut out sick leave for partially-exempt employees we were specifically told that we were responsible to budget for sick leave from our personal leave. We were told specifically that we needed to maintain a leave balance sufficient to cover any sick leave because we did not have a separate account.

I find myself nearly 50 years old, with 22 years of service to the state, with no clientele developed if I wanted a private attorney's practice. The wage roll-back and pay differential change will reduce my wages by approximately 20%. Economic decisions and commitments were made a long time ago based on an income certification to banks and lenders which under the proposed legislation would be illusory. I have not been eligible for a merit raise for years, and don't have any hope for one in the future. But rolling back that pay, now, is simply unfair. Fair would be to create new rules for people hired after the effective date of legislation, so that a new person would enter state employment with eyes open, knowing the limits. Unilaterally rolling back pay and benefits when your own study says we are underpaid is an incredible breach of trust. There is an impression in the proposed legislation that the Legislature does not merely wish to elect fewer services and less government, but an impression that services thus far have been over-compensated. The legislation reeks of hostility and lack of appreciation. Create a new tier of terms of employment, if that is the direction you want to go, but leave the old terms in place for those currently employed.



Karol Alderman
P.O. Box 73921
Fairbanks, AK 99707
April 20, 1999

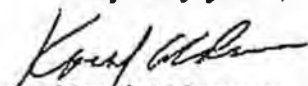
Rep. Jeannette James

I strongly disagree with the premise of HB 199 (and SB 152). This "solution" to the state's budget problems is shortsighted and will hurt the state in the long run. As a citizen of the State of Alaska, I want the services I receive to be administered by the most qualified people reasonably possible. I will not get that from the proposals in HB 199. There will always be people who will work for less money and/or benefits than are currently provided by the state. However, good employees will not stay nor will they return to state employment after leaving to improve their skills.

As a 26-year state employee, I am disheartened that once again I am expected to shoulder the burden of the budget shortfall. Under HB 199 I will keep my SBS if I am still employed on June 30, 1999, but I will work with the knowledge that at any time the state needs additional money, I could be laid off and be forced to lose my SBS upon my return. Is this a good long-term planning? I have worked a long time to earn the benefits I enjoy. I am at the highest or next to the highest longevity pay step for my range. This is because I have been at my job for a long time but it is also because I have developed skills and experience that benefit the office. I am performing the duties of an associate attorney but I am a paralegal II. There is no associate attorney position in my office. Although I am not being fully compensated for my additional responsibility, my longevity step helps. That is, I believe, is the intent of the longevity statute - to fairly compensate long-term employees who are valuable to the state.

In this budget crisis, don't circle the wagons and begin shooting into the circle at your own people. It is time to look at solutions outside the circle. We need to look at new sources of revenue. How did Alaskans pay for government before oil revenues? We paid taxes. The state cannot continue to feed off its employees. The law of diminishing returns it about to kick in. Please vote **no** on HB199.

Very truly yours,


Karol Alderman

ANGELA ROSE ADVENTURES
ANGELA & PATRICK PAQUET
2108 LAKEVIEW TERRACE
FAIRBANKS, ALASKA 99701
(907) 479-8479

Dear Representative James:

I disagree in the strongest terms with HB 199 and SB 152. I have worked for the State of Alaska for 17 years and I am not in one of the high paying positions that get media attention. I am a worker that works hard for my money and I must add for my benefits. I am very disappointed in the people that we as a state have elected. Any time money is needed, state employees seem to be the ones who are expected to work more for less and then have parts of that smaller amount taken away. If the elected officials are not careful, the state is going to start "getting what they pay for." In other words, if an employee is being paid no benefits, then why work for the government? Start out there but the minute the employee has any skills or any specialized skills, they are out of there! Sure the private sector gains in the short run. But who suffers? The person who needs assistance at DMV, or the single mother who gets no child support and now has an over-worked underpaid CSED counselor who doesn't have the time to help or really any incentive because the private sector is offering more money, or the elderly person who needs food stamp assistance, or even a person trying to start a business. It is not just the employees that are going to be hurt in the long run, but the people who live in Alaska.

My husband and I have always planned on retiring in Alaska. But without SBS there won't be enough money for us to live here. Or if we do it will be in poverty. Not exactly what I had dreamed of. The businesses that we support now will be the ones who suffer. And I know that I am not alone in the fear that you and your constituents have put in me. I have been made to feel that because I have chosen to make working for the State of Alaska my career, I am either some kind of idiot or the punching bag/cash cow/target to be used and tossed whenever the elected officials in Juneau need someone to kick or someone to throw to the wolves of the media.

I do hope that you come to your senses and vote against passage of HB 199 and SB152.

Sincerely,


Angela Paquet



21st Alaska State Legislature

First Session, 1999

Re-hear

HB 199

Saturday!

John Athens -
Dept of Law -

Compliments of
Printing Trade Company

04/20/99
08:34:24

LEGISLATIVE TELECONFERENCE NETWORK SYSTEM
PARTICIPANT LIST (TESTIFIERS ONLY)
SCHEDULED FOR: 04/20/99 08:00 TO 10:00
PUBLIC HEARING HOUSE STATE AFFAIRS

LTN1150
BY: JNU
FOR: ALL

TCN: 90604

LOCATION: ANCHORAGE

HB 199	CHUCK	O'CONNELL ✓	GA Rep ✓	SB 33	TESTIFY
HB 16	SHELBY	LARSON	Union Rep ✓		TESTIFY
HB 16	FRAN	PURDY			TESTIFY
HB 16	SUE	SAMET			TESTIFY
HB 16	LESLEE	OREBAUGH			TESTIFY

LOCATION: FAIRBANKS

HB 199	MR. PAUL	LYLE ✓	"Self" ✓		TESTIFY
HB 199	MR. JOHN	ATHENS ✓	Dept of Law ✓		TESTIFY
HB 199	MR. CAMERON	LEONARD ✓	AA's office ✓		TESTIFY

04/20/99 08:34:28 LEGISLATIVE TELECONFERENCE NETWORK SYSTEM LTN1120
MESSAGE FROM: LIOCJEN IN ANCHORAGE JNU

RE TCN: 90604 SCHEDULED FOR: 04/20/99 08:00 TO 10:00
SPONSOR: HOUSE STATE AFFAIRS PURPOSE: PUBLIC HEARING

MESSAGE TEXT: PEOPLE JUST KEEP DRIFTING IN.

FOR YOU

Jim Beck ✓

A M E N D M E N T

OFFERED IN THE HOUSE

TO: CSHB 199(), Draft Version "G"

1 Page 6, line 29, through page 7, line 11:

2 Delete all material and insert:

3 "Sec. 39.30.165. Limitation on participation by state employees. A state
4 employee first hired on or after the effective date of this section is not entitled to
5 participate in the supplemental benefits program under AS 39.30.150 - 39.50.180."

AMENDMENT

OFFERED IN THE HOUSE
TO: HB 199

BY REPRESENTATIVE WHITTAKER

- 1 Page 3, lines 11 - 14:
- 2 Delete all material.

- 3 Renumber the following bill sections accordingly.

- 4 Page 3, line 22, through page 4, line 9:
- 5 Delete all material.

- 6 Renumber the following bill sections accordingly.

- 7 Page 5, line 23, through page 7, line 1:
- 8 Delete all material.

- 9 Renumber the following bill sections accordingly.

- 10 Page 7, line 17, through page 8, line 24:
- 11 Delete all material and insert:
- 12 " * Sec. 11. AS 39.27.022 is repealed."

- 13 Renumber the following bill sections accordingly.

- 14 Page 8, line 26:
- 15 Delete "sec. 10"
- 16 Insert "sec. 7"
- 17 Delete "sec. 11"

1

Insert "sec. 8"



Alaska State Legislature

HOUSE OF REPRESENTATIVES

Committee on Finance

Official Business

State Capitol
Juneau, Alaska 99801-1182

Sectional analysis for House Bill 199

Sections 1 – 5 make conforming changes in other sections of law affecting the Professional Teaching Practice Commission (PTPC) and the Judiciary. Judges salaries will be tied to increases to Step C, Range 28. The secretary of the PTPC will be fixed at Step A, Range 26 for a starting salary.

Sec. 6 effectively takes geographic differential out of collective bargaining. The vast bulk of unionized state employees are on the geographic differential pay schedule set out in this bill.

Sec. 7 makes all collectively bargained longevity programs subject to specific reporting and legislative approval. Unlike geographical differential, it is not taken out of bargaining. It can be bargained but must be reported to and receive Legislative approval.

Sec. 8 reduces the pay of the principal head of an executive department from Step E to Step C at Range 28. Those currently in office are grandfathered in Section 21.

Sec. 9 establishes new salary schedule by eliminating Steps B, D, and E of the current schedule. Section 11 also has housekeeping language that a wage or salary scheme different from the statutory schedule may be established by a collective bargaining agreement.

Sec. 10 amends AS 39.27.011 by adding (h). This amendment sets out the means by which a statutory employee progresses from step to step. The amendment changes the

7.

step progression from each year to a three-year cycle. The "progressively greater value" language is the language developed by arbitrators over the years as the standard by which step increases may be awarded or denied

Sec. 11 places all statutory employees under the same geographic differential plan that applies to the bulk of unionized employees. This plan is taken from the current agreements governing the general government and supervisory units. Subsection (c) of this section gives the director of personnel the authority to set differentials in other states, that office already has the authority to set differentials in foreign countries.

Sec. 12 is merely housekeeping to correct statutory references.

Sec. 13 (a) imposes the salary schedule in Section 9 of this bill on all state agencies who have adopted 39.27.011 (a) as their salary schedule. Unlike geographical differential, it is not mandated, but it requires specific action if the agency is using 39.27.011 as their schedule

Sec. 13 (b) makes all non-collectively bargained longevity programs subject to specific reporting and legislative approval. Agencies can develop longevity programs, but they must be reported to and receive legislative approval.

Sec. 14 is merely housekeeping to correct statutory references.

Sec. 15 ends state participation in the SBS system for all employees hired after July 1, 1999. It grandfathers all employees who participated in the system in the pay period ending June 30, 1999, so long as they remain continuously employed.

Sec. 16 is housekeeping to correct statutory references.

Sec. 17 repeals the former geographic differential and longevity schemes.

Sec. 18 freezes the pay of employees subject to the former statutory geographic differential pay schedule for two years so long as they remain in the same location and range.

Sec. 19 (a) and (b) freezes the pay of employees in former steps B, D, and E until they qualify under the new plan for steps C or F. The language in (c) freezes the pay of employees in longevity for two years if they were receiving longevity pay on June 30, 1999.

Sec. 20 freezes the pay of commissioners serving on June 30, 1999, until the next governor takes office.

Sec. 21 sets the effective date of July 1, 1999.

HB 199 testimony
Paul R. Lyle
665 Aspen Heights Drive
Fairbanks, AK 99712

I am here as a partially exempt state employee working Fairbanks. This statement is my own. I do not speak for the administration on this issue.

HB 199 is a punitive bill. It takes 20% of my pay away from me effective July 1, 2001.

Geographic differential

The geographic differential is a vital part of the compensation package in Fairbanks.

**IT IS NOT A COLA.
IT IS NOT LEFT OVER FROM THE GIDDY DAYS OF THE PIPELINE.**

The geo diff has been in place since 1966. It is an incentive payment to attract high quality professionals to work in the less hospitable areas of the state.

FAIRNESS should be the touchstone of how you treat those professionals whose only sin in remaining employed with the state in Fairbanks has been their reliance upon the promises that past legislatures have made and kept for over 30 years.

FAIRNESS dictates that those presently receiving the geo diff be grandfathered into the old system if it is changed. That is how UAF professors were treated when they lost their differential in 1994.

There are many good reasons why the pay structure for professionals should be different than the pay structure for secretaries. Professionals have far more education and shoulder responsibility for millions of dollars in litigation. However, if you have to treat professionals like secretaries were treated, then you will not cut my pay. When GGU secretaries lost their COLA they did not get a pay cut.

THE 2001 Step decreases and the repeal of longevity increases should be rejected as UNFAIR.

HB 199 takes the most money away from those professionals who have devoted the most service to the state and who, as a result of their age, can not easily change careers.

HB 199 will cause an unprecedented brain drain, a serious loss of institutional memory, and the loss of irreplaceable skills and experience.

TAX

HB 199 is a disguised income tax. It takes about 20% of my income for the sole purpose of funding general government. Isn't that what an income tax does? The only difference is that this income tax falls on a few state employees who don't have any collective bargaining agreement or union to protect them while all other citizens of the state (including other state workers) get a free ride. Is that fair?

FAIRNESS dictates that all citizens should be subject to an income tax, not just a few.

CONCLUSION

You do not write on a clean slate. Many years ago, the State of Alaska decided to build and maintain a career force of professionals who would devote their entire careers to state service, some in the less hospitable areas. You need to keep faith with those who responded to the State's call.

It is easy to support draconian cuts in our salaries, despite the promises made to us over many years, when you do not know who we are, the quality of work we perform, or the honesty and integrity we bring to the interaction of the government with its citizens.

State professionals in my department acquire the property you need to build capital projects in your districts. They advise agencies to ensure that the civil rights of Alaska citizens are left untrammelled. They file lawsuits to vindicate the policy decisions made by the legislature. They protect children under laws you pass, enforce the familial obligations of parents under the laws you design, protect cities and villages from those who commit crimes, and preserve the public fisc against unwarranted and unsupported claims.

For their dedication, professionals working for the State of Alaska deserve to be treated fairly for their service rather than being made a target for personal political gain.

WE ARE NOT NUMBERS ON YOUR BALANCE SHEET. WE ARE PEOPLE WHO DESERVE TO BE TREATED FAIRLY. FAIRNESS DICTATES THAT CAREER PROFESSIONALS BE GRANDFATHERED INTO BOTH THE PRESENT GEO DIFF AND THE PRESENT MERIT AND LONGEVITY PAY STRUCTURE.

I hope this committee will summons the courage to KILL HB 199, a mean-spirited, vindictive and ultimately unproductive approach to the state's budget shortfall.

119 N. Cushman St.
Fairbanks, AK 99701
Phone: 452-4448
Fax: 456-3346

**Legislative
Information Office**

Fax

To: House State Affairs Committee
Representative Jeannette James, Chair
From: Fairbanks Legislative Information Office

Fax: **Date:** April 21, 1999

Phone: **Pages:** 4

Re: Written Testimony for HB 199: **CC:**

Teleconferenced on 04\20\99

Urgent **For Review** **Please Comment** **Please Reply** **Please Recycle**

•Comments: The originals will be mailed to Representative James's office. Thank you.

F:n/Fbx LIO



ALASKA STATE LEGISLATURE

Please enter into the record my testimony to the STATE AFFAIRS COMMITTEE
 Committee on CSHB 199 / HB 199 Committee Name Dated APRIL 21, 1999
Bill / Subject

HB 199 AND THE COMMITTEE SUBSTITUTE WILL ULTIMATELY RESULT IN THE LOSS OF ITS BEST ATTORNEYS, THOSE WITH THE MOST EXPERIENCE AND INSTITUTIONAL KNOWLEDGE, THE BILL WILL RESULT IN THE ATTORNEY GENERAL'S OFFICE BECOMING AN ATTORNEY MILL. ATTORNEYS FRESH OUT OF LAW SCHOOL WILL WORK FOR THE STATE FOR SEVERAL YEARS TO GAIN EXPERIENCE BEFORE TRANSITIONING INTO MORE LUCRATIVE PRIVATE EMPLOYMENT. IN THE LEAST, THE BENEFITS OF CURRENT EMPLOYEES SHOULD SIMPLY BE FROZEN - NOT SET BACK. STATE EMPLOYEES HAVE MADE LIFE CHOICES BASED ON SALARIES AND BENEFITS. TO CHANGE THOSE SALARIES AND BENEFITS MIDSTREAM IS AN UNFAIR BALANCING OF THE BUDGET ON THE BACKS OF ITS MOST DEVOTED EMPLOYEES.

SIGNED:

Mary Lundquist
Testifier

self
Representing

215 Slater Street Fairbanks
Address / Phone Number

April 20, 1999

Written testimony of John Athens, 1955 Raven Dr., Fairbanks, AK 99709.

I am a career Department of Law attorney. I have been an Assistant Attorney General for almost 20 years. I am supervisor of the four attorney Transportation Section in the Fairbanks Office of the Attorney General. The following testimony represents my personal views, and may not coincide with the views of the Administration or the Attorney General.

House Bill 199

This bill is a mean message to those PX employees who have devoted their professional careers to state service. It is a slap in the face to them, and a public message of rebuke from the legislature that their long-term service is not appreciated and is not valued. My "reward" for almost 20 years of work for the state, which includes a lot of unpaid evening and weekend work, is approximately a \$20,000 cut in pay as the result of HB 199.

The main problems with this bill are 1) it unfairly targets career PX employees with long term service to the state with extremely large pay cuts, 2) it suddenly makes very unattractive long term career service to the state without providing a safety net to those who now have long term careers with the state and little ability at this stage of their life to move to a different job elsewhere. The HB 199 salary cuts result from a greatly reduced geographic differential for Fairbanks PX employees, and elimination of pay steps past step F for all PX employees.

1. Reducing the Geographic Differential

The bill seems to assume that the geographic differential which PX employees now receive is the same thing as a cost of living increment. This is also what the person from the Department of Administration assumed. This assumption is incorrect. The historical basis of the present geographic differential is to provide an incentive to professionals to live and work in remote areas, and in areas with an extreme climate, such as Fairbanks. Cutting the geographic differential is also very unfair to the current employees who now receive it. Many of us are career employees who have held our jobs for many years. We never understood the geographic differential to be tied to cost of living, which could fluctuate.

The effect of cutting the geographic differential in the Fairbanks area will be to make it less attractive to qualified professionals for jobs with the state. HB 199 will make it harder to recruit professionals for Fairbanks jobs, and the ones now employed by the state in Fairbanks will gradually drift away as they find more attractive employment elsewhere. The better and more experienced professionals will not be working for the state.

The person from the Department stated that PX employees should be treated like the union secretaries they work with. While I believe that there are significant differences, this testimony does highlight a significant fact. The union employees did not receive a pay cut when they gave up most of their geographic differential as a result of collective bargaining. This is also true of the University professors in Fairbanks when they gave up their geographic differential as the result of collective bargaining a few years ago. With respect to the University professors, when the geographic differential was eliminated, they received a pay raise equal the value of the differential. The point is that in the two instances that the geographic differential has been terminated, the affected employees did not have their pay cut. The PX employees should be treated the same. It is a question of fairness.

2. Reducing salaries and longevity to Step F

By deleting longevity increases past step F and by limiting the maximum salary to step F, HB 199 is a major move in the direction of changing professional PX jobs from long term career employment jobs into training jobs for new professionals who will plan to leave the jobs after a few years of experience. I really

think there needs to be some discussion of the direction the state wants to move with respect to PX employment. I definitely get the feeling that the thought process in developing HB 199 is no deeper than how the state can save some money, and that it is politically expedient to let some PX employees (especially those in Fairbanks who will lose most of the geographic differential) bear the brunt of the pain. I think this is a short-term view, which may have very expensive long-term consequences.

There are many cases handled by the Civil Division of the Department of Law where the State needs lawyers with a lot of experience. If these cases had to be referred to private counsel, the state would get eaten alive by the fees charged to the state. And our experience is that generally private counsel does not do as good a job in the type of cases in which the Department of Law specializes. You don't need to take my word for this. I suggest you talk to Brad Thompson in the Risk Management Office. On a daily basis he monitors tort defense cases handled by state attorneys and private counsel. He sees the bills (and results) of both.

The point is that the more the legislature cuts pay and benefits of PX employees, the more the legislature is going to convert these jobs into starter jobs for young professionals just out of law school. They are only going to stay in the jobs a few years, and then move on. Of necessity, the state will have to refer to private counsel the more difficult cases, or else just not do them. In the end there will be a much greater cost to the state than the money it saves by cutting the geographic differential and limiting salaries to step F.

Rolling back salaries to step F is extremely unfair. For those of us who have devoted almost our entire professional career to state service, this represents a huge salary cut. In fact, the longer one has worked for the state, the greater the penalty exacted by HB 199. If the legislature in its wisdom decides that it no longer wants experienced attorneys to work for the Department of Law, that is certainly a judgment the legislature is entitled to make. However, it is really unfair to exact this judgment on present career PX employees. HB is like a bill of attainder in this respect. Those of us who have spent our career working for the state should not be punished for making such a career decision. The state has had the benefit of our long term employment and experience.

On the basis of our salaries we have incurred long-term indebtedness which is not easily accommodated by a sudden salary cut. I have house payments to make, and I have the very large financial burden of two children in college. These obligations don't change even if my salary changes.

3. Demoralizing effect of HB 199

You should recognize the demoralizing effect of HB 199 on the PX employees who will receive a large salary cut as a result of this bill. This legislation is perceived as a public vote of no confidence by the legislature. And for what reason? Our pay over the last 10 years has slipped well below that of our federal counterparts. I don't think there can be a question about the quality or quantity of our work. If there is, ask us. Maybe there is something you don't understand about what we do. In any case, please realize that the proposed legislation deeply affects the morale of the employees. For this reason alone, HB 199 should be modified to apply only to new employees, if the legislature insists on proceeding with this bill. It really is not in the interest of the state for the legislators to be putting forth bills for consideration which takes money out of the pockets of state employees. Taking away hard earned merit increases is depressing and discouraging for PX employees who have devoted most of their professional career to state service.

CONCLUSION

If the legislature insists on passing HB 199, then I believe the salary cut provisions should be modified to apply only to new employees. Although there have been changes in compensation packages over the years, I am not aware of any instance in which the legislature has ever actually taken money out of the pocket of state employees. If the legislature insists on HB 199, then I think fairness demands a hold harmless or grandfather clause as to the compensation employees presently receive. A giant pay cut which would wipe out the merit step increases I have received for the last 12 years would not only be unfair, but would also be mean. Those of us who are career state employees have little ability to move elsewhere because of family and financial obligations. I have committed almost my entire professional career to state service. I have

relied on the salary I have received for almost 20 years. The state has had the benefit of my years of experience and uninterrupted employment. I think fairness demands that my "reward" for almost 20 years of dedicated service to the state not be a large cut in my salary.

Public Opinion Message

Re: SB 152
HB 199

I oppose HB 199 because it will encourage mediocrity in state government. Its passage would weaken the state's ability to attract qualified applicants to state jobs who will ardently defend state interests. Cuts to state government affect the newer, younger, and often more educated employees, who are first in line for layoffs. If the state does not provide competitive salaries and benefits, Alaska will lose in the long run. Don't make state government a short-term employer for people "in between jobs" until they find something better. Doing so is short sighted and is not in the best interest of the state.

Judy Chapman
P.O. Box 89, Ester, AK 99725

To: Jeanelle James
John Coghill
Scott Ogan
Jim Whitaker
John Davies



ALASKA STATE LEGISLATURE

Please enter into the record my testimony to the House State Affairs
 Committee on HB 199 Committee Name Dated 20 April 1999
Bill / Subject

I am an Assistant Attorney General, having worked in the Fairbanks office for 12 years. I am disturbed by two aspects of this bill: eliminating the longevity program (sections 17-19), and reducing the statutory geographical differential (section 11). While I appreciate the 2-year grace period, after those 2 years my salary would go down dramatically under this bill. Like many people, I have made career decisions and financial commitments based on my compensation. Please consider using a "grandfather" approach so that the new salary schedule and geo-differential only apply prospectively, to new hires. Or please consider using a "freeze" approach, that would hold our salaries at current levels. ~~that~~ A substantial reduction in salary would be difficult for many of us who have devoted our professional careers to state service. Thank you.

SIGNED:

 Cameron M. Leonard
 Testifier

self (as long-time state employee)
 Representing

562 Dalton Trail, Fairbanks AK 99709
 Address / Phone Number

Thanks for contacting me...I am also concerned about this bill and held it over in State Affairs for further discussion. It is being heard again tomorrow at our 8:00am meeting if you care to testify. You may call your nearest LIO for instructions on how you may testify on teleconference. If you are in the Capitol city, you may come to our committee room to testify in person.

Thank you,
Jeannette

Derek & Debby Hansen wrote:

Dear Sir or Madam:

After reading today's edition of our local newspaper entitled, 'Bill takes aim at State Worker's benefits'; I was compelled to write to you.

It's unfortunate our state has to make drastic cuts in order to balance the budget. I understand there's a need to proceed with a plan to cut our budget even if it's not going to be popular with the constituency. However, the problem I see with the proposal that you've outlined in the newspaper is that you have presumed many things.

First, the cuts are primarily being made to the state workers because the presumption is that state workers are paid more than the general public in the state. This may seem true on the surface because you only have 'clerical' workers and 'office' workers in which to draw this conclusion. I have worked in the oil industry, with a fertilizer plant, and with attorney firms and I can tell you from first hand experience that state workers ARE NOT OVERPAID as compared to the 'private sector'. But you have to compare apples to apples and oranges to oranges. The oilfield workers are so well paid.

You are planning to punish any 'future' state workers or any workers who have left state employment and then returned. Although this seems like a wise thing to do to cut the budget, have you thought about the potential problem for 'future hiring'? On the surface, it seems you are doing a service to the public but in the long run, what kind of employees are you going to attract? What is the major problem with our schools in Alaska for 'future outlooks'? It is being unable to hire 'qualified' teachers because the wage and benefit package won't attract them to the positions in our state. The state, like the oilfield, has always hired from the cream of the crop. Will this be possible if the benefits are not very attractive to a potential state worker?

Have you addressed the issue of your own pay, your per diem, and your retirement benefits? Can you honestly say it's ok to ask your neighbor to sacrifice for the stability of our state if you are not also willing to do the same?

Thank you for your time and attention to this matter.

Sincerely- Debra M. Hansen

Re: State Employment

Subject: Re: State Employment

Date: Wed, 21 Apr 1999 13:28:22 -0800

From: Representative Jeannette James <Representative_Jeannette_James@legis.state.ak.us>

Organization: Alaska State Legislature

To: Tomasek@alaska.net

Thank you for your message regarding state employee benefits. First, I am very uncomfortable with HB 199 and its Senate companion. State Affairs heard the HB 199 on Tuesday and it was held over for further discussion on Thursday. It does not have much committee support. We also heard SB 33, which was held over and will be heard again on Thursday.

Thanks for writing....
Jeannette

Susan Tomasek wrote:

> I am currently a state employee and have been for the last 15 1/2
> years. As I read this morning's paper I again find myself wondering if
> I'm going to have a job. It states that if the reserve limit isn't
> raised then the State will be issuing pink slips for the majority of
> State employees. Then this would mean if the additional funding did not
> occur then we would basically be out of work for 6 weeks, or the end of
> the fiscal year. Why do you all find it so necessary to make State
> employees such political pawns? You always say you are working for your
> constituents, but don't you realize that we are those too?
>
> I also note in Senate Bill 33 that this would allow contracting out
> state jobs without having the State show a savings. How in this time of
> "fiscal" crisis does that show responsibility?
>
> I urge you to consider funding the additional fiscal year funds needed
> and not to support Senate Bill 33, because in this time of "fiscal"
> crisis we all need to show a monetary savings. Why should only one side
> give?
>
> Thank you for your time.
>
> Susan Tomasek
> Anchorage, Alaska

Thanks for the message. I also have problems with this bill.

Jeannette James

Ron Woods wrote:

Dear Legislator,

In re: House Bill No. 199 and Senate Bill No. 152

I am writing as a concerned Alaskan citizen and State of Alaska employee and manager. My concern, and fear, is that the Legislature may go too far in passing legislation that adversely affects state agencies and their employees in trying to cut state spending. As an employee and manager for the State of Alaska, I feel I am uniquely qualified to speak to the reality facing our state agencies and employees.

First of all, we must treat the present and future state employees who strive every day to serve all Alaskans, fairly and with respect. I observe loyal, hard-working, and highly motivated state employees everyday who work proudly for the State of Alaska in serving Alaskans. I note that many of these employees put in many hours beyond the bare minimum required of their jobs on their own initiative to get their jobs performed well.

Having worked for the State for almost eight years, I know for a fact that state employees are not overpaid by any means. Moreover, state employees' benefits and compensation have steadily eroded to the point that the State is not competitive in the job market in many Alaskan communities. Cost of living increases for state employees are non-existent and merit increases to recognize performance are very limited. Despite these facts, state employees continue to absorb more and more workload with the same amount of employees or less with little or no complaints.

I truly love my job and my state service, which is the reason I am writing to plea with you to be compassionate, understanding, and supportive in viewing legislation affecting our state employees. If you have to cut state agency spending, please do not target employees salaries and benefits and thereby demoralize our employees and limit our ability to retain and recruit good people. Further, do not unfairly target employees not protected by a union and send the message to our employees that they cannot trust the Legislature to be respectful of them and fair.

In review of the above referenced bills, I believe both bills may be devastating to state agencies if enacted. Citizens of Alaska deserve high quality services from state agencies. State agencies cannot provide high quality services if they are lacking good employees to deliver those services. Good employees need to be compensated and treated fairly. If you must enact any Legislation affected state employees, please do not enact it in a manner that will be devastating to our existing employees and operations.

Current state employees accepted their positions in good faith and have worked hard for the State of Alaska and their families. I strongly believe that any reduction of salary and benefits should not affect existing employees. Again, these employees are not overpaid my any

means and cutting their salary and benefits will result be devastating to their morale, our existing operations, and will cost more in lost productivity and turnover than the little bit of money that would be "saved." If anything must be enacted to reduce salary and benefits, it should not apply to existing employees. If, as proposed in the above Bills, geographic differentials are reduced and this applies to existing employees, any such change should be phased in over several years, as proposed in the House Bill.

Please take the pride that I believe you should in our present state agencies and treat their employees fairly and with respect. If we are to maintain our high level of performance to our fellow Alaskans, we must not cripple our state agencies' most precious resource, their people.

Ron Woods

Thank you again for your message. I also have problems with this bill....as do the other members of State Affairs.

Jeannette

Paul and Ruth Lyle wrote:

Dear Representative James:

I am sorry to bother you again so soon. However, I understand that the House Finance committee recently introduced HB 199, which is scheduled for a hearing before the House State Affairs committee on 4/20/99. HB 199 would

-- cut the pay of partially exempt employees in Fairbanks by 10% by reducing the current geographical differential,

-- cut all pay above Step F as of July 1, 2001

-- deny longevity increases in the future, thus ensuring that state employees at step F never see another raise for as long as they work for the state

-- deny SBS to future state employees or those with a break in service after June 1999.

These proposals reflect an unfortunately mean-spirited and vindictive attitude toward state employees among some in the legislature. Casting about for ways to cut the budget, some law makers apparently have little idea how their proposals will affect the people who will have to live with them. These proposals, if passed, would require me to take a 22% cut in pay as of July 1, 2001. On that date, I will be earning about the same amount of salary I was earning in 1986. On July 1, 2001, I will be taking a 15 year cut in pay.

I doubt that any legislator who supports these draconian cuts would be willing to live in 2001 on the same amount of money they were making in 1986. I doubt that any legislator would be willing to give up every merit increase and every promotion they have ever received. If you would not wish to be treated as some in the legislature now propose to treat PX state employees, most of whom are career professionals, then you should vote against these cuts.

I offer the following specific reasons for rejecting these draconian proposals:

1. GEOGRAPHIC DIFFERENTIAL

This bill is not new. The change to the geo diff was proposed three or four years ago. It was rejected then because the legislature recognized that it was unfair to expect some employees to contribute a disproportionate share of their salaries to balance to state budget. It is still unfair.

The differential is not a benefit left over from the pipeline days. It was first established by the legislature in 1966, well before the influx of oil wealth. The geographic differential has recently been confused with a cost of living adjustment. The geographic differential is NOT a COLA. It is an incentive payment to attract top quality professionals to work in the more inhospitable and inconvenient areas of the State. We have a very hard time attracting high quality professionals from Anchorage or Juneau to my

department's Fairbanks office because of the cold weather, long period of winter darkness and the isolated location. It is no mistake that the differential of AS 39.27.020 rises higher the further north you travel.

Cutting the differential is unfair for the following reasons:

a. A small number of PX employees are being asked to contribute a disproportionate amount of their salaries toward making up the budget shortfall by taking a substantial pay cut. It is unfair to require 40 or 50 employees in Fairbanks plus a few in rural areas to take an additional pay cut on top of the devastating cut proposed when all PX employees salaries are reduced to Step F. If salary cuts are necessary, every state employee should share in them, rather than just a few.

The change in the geo. diff. is also unfair because some PX employees are actually going to receive an INCREASE in their differential under HB 199. It appears that election districts 16c and 17 will receive a 10% INCREASE while the Fairbanks differential is reduced 10%. That appears to be a cynical attempt to gain legislative support for a cut in the geo diff rather than a rational

b. The cut in the differential would affect most severely those long-term employees who have made career decisions on the basis of the differential. My department long ago undertook a policy to attract professionals who would devote their careers to State service. Long term employees accepted their positions with the understanding that they would receive the differential along with merit and longevity increases if job performance merited them.

The legislature has likewise encouraged career professionals to work in the inconvenient areas and inclement areas of the since 1966. We made career decisions based on the program promised to all career professionals in outlying areas of the state since 1966. Taking the geo diff away is a break in faith by the legislature.

c. The cut in the differential DISCRIMINATES against older, more experienced professionals, although that may not be the intention. Having hired people under that policy, the State needs to keep faith with professionals who are now in their 40's and 50's and who have families entering their most expensive years. These career professionals are in no position to easily change careers in mid-stream.

d. Each person is affected differently by a 10% cut in pay. In my case, my department is very loath to hand out promotions to its professionals because of budget pressures. I received my first promotion since 1984 this past December. A 10% pay cut will not only eliminate the pay increase that came with that promotion but will also eliminate some of my previous merit increases as well. A cut in pay of this magnitude is unwarranted in light of the experience and skill I have acquired and used for the State's benefit over the past 15 years. Others in my department who have not been recently promoted may lose every pay increase they have received for the last 10 years.

e. Cutting the differential by cutting my pay treats me differently than either union employees working in Fairbanks or University professionals were treated when their COLAs were eliminated. When COLAs were cut for union employees their pay was NOT cut. Rather, their pay was frozen for the 4 to 5 years it took Anchorage and Fairbanks pay to equalize.

Freezing PX pay would certainly be better than cutting it. However, in

the case of Fairbanks PX employees, a freeze would likely last 15-20 years because they can not negotiate increases in pay through collective bargaining. It is unreasonable to expect PX employees to forego all salary increases for that period of time.

I understand that University professors lost their differential in 1994. However, I am advised that they were given offsetting step increases to make up the difference and they continue to participate in general pay rate increases and merit and longevity increases. There is no valid reason to treat PX professionals who work for Executive branch agencies in Fairbanks differently than UAF professors were treated. In fact, as you are aware, the legislature has recently proposed funding salary increases for professors.

FAIR SOLUTION

The geo diff. has succeeded in attracting high quality professionals to state service in the areas that, to most professionals, are more inhospitable and inconvenient in which to live. It should not be cut.

If the differential is cut, then the State should keep faith with the promises made many years ago to its career professionals. The only fair way to do that is to hold harmless from the cut those career professionals who are presently receiving the differential and permit them to continue participating in all pay increases. This is how professionals at UAF were treated. The professionals working for the Executive branch should be treated in the same manner. New employees could then be hired at a lower rate of pay and can make their employment and long-term career decisions on the new pay schedule. Thus, the State will enjoy a savings in salary and benefits over time, while present PX employees in Fairbanks are not asked to make a completely unwarranted and disproportionate contribution to resolution of the budget shortfall.

2. THE 2001 STEP F DECREASE

It appears that some in the legislature think there should be no pay increases for PX employees who do not steadily advance by promotion every few years. This attitude reflects a discouraging lack of knowledge about how the Executive branch agencies operate. In my department, most PX employees are placed in the highest range available after five or so years in the department, even if they have outstanding performance ratings. Very few individuals are promoted beyond that range unless they are made supervisors. There are very few supervisory positions available. Lack of promotion does NOT reflect deficient or mediocre performance. It reflects the fact that, after a few years, there is simply no promotion available.

Longevity increases, which some in the legislature incorrectly believe are automatic and unrelated to good performance, are absolutely essential if high quality professionals are to be retained in state service.

3. DELETION OF SBS FOR FUTURE EMPLOYEES

The change to SBS does not affect me personally, However, I suggest that, if the legislature believes it will not have to pay social security taxes for PX employees if SBS is denied to future employees, it better have the Social Security Administration's written concurrence in that conclusion BEFORE it acts. Otherwise, you may find yourselves making a major change in the attractiveness of state employment with absolutely no financial savings to the state.

As a Republican, I find it ironic that the Republican-lead legislature would take the risk of making people dependent on social security. SBS, which is a self-directed investment in lieu of the payment of social security taxes, provides people with a retirement benefit that erases dependence on the government for retirement. Why is it that the Republican legislature thinks it is a good idea to make Alaskans more dependent on the federal government by repealing SBS for future employees? Why would a Republican legislature want to tell future state employees that they should not be able to shape their own financial futures but rather follow the dictates of the social security system. This proposal flies in the face of the very changes in social security that many Republicans in Congress believe are necessary.

CONCLUSION

I have worked hard for the State of Alaska over many years and have achieved high quality results in cases worth hundreds of thousands of dollars and sometimes millions of dollars. I have received outstanding evaluations as a result of the outstanding results I have achieved for the State.

I was not given my promotions. I was not given my pay increases. I earned them. The same can be said for the PX employees with whom I have had the pleasure to serve over the last 15 years. In light of the excellent work I have done for the state, the legislature has no right to destroy with the stroke of a pen what I have worked 15 years to achieve.

Apparently, some in the legislature, in their zeal to cut government, have decided that career professionals working for the state are the "enemy." It is easy and popular among some legislators to rail against state professionals as lazy, overpaid bureaucrats who would be working in the private sector if they had an ounce of talent. It is easy to support draconian cuts in their salaries, despite the promises made to them over many years, when you do not know who they are, the quality of work they perform, or the honesty and integrity they bring to the interaction of the government with its citizens.

Professionals who work for the state without the benefit of union protection are an easy target. However, the facts do not support treating the state's career professionals like dirt. State professionals design the bridges and roads you drive on and the safe and efficient airports you use. State professionals in my department acquire the property you need to build capital projects in your districts. They advise agencies to ensure that the civil rights of Alaska citizens are left untrammelled. They file lawsuits to vindicate the policy decisions made by the legislature. They protect children, enforce the familial obligations of parents under the laws you design, protect cities and villages from those who commit crimes, and preserve the public fisc against unwarranted and unsupported claims.

For their dedication, professionals working for the State of Alaska deserve a measure of respect from the legislature. They deserve to be treated fairly for their service rather than being taken advantage of as an easy target for personal political gain or political popularity.

I hope that you will vote against HB 199, a mean-spirited, vindictive and ultimately unproductive approach to the state's budget shortfall.

State time and equipment was not used in composing or sending this e-mail message. The views stated in this e-mail are my own. They do not represent the views of the Department of Law, the Attorney General or the Governor.

Paul Lyle

I also have problems with HB 199 and appreciate hearing your thoughts about it.

Jeannette

Gary Miller wrote:

I find HB 199 a vicious attack against state employees. It sounds to me that a faithful state employee who is laid off would have a further injury by losing the SBS if they hired back with the State. A person who came down with cancer and went into leave without pay would lose their SBS also, on top of the cancer and lost pay. State employees who work in areas with a higher cost of living would be foolish not to transfer out of the area. This whole bill is vicious.

I have worked for the State for almost 24 years. Being in longevity means I don't even keep up with inflation. I just received my first longevity increase in five years. Not funding my longevity would be insulting. I hope you vote against this attack on me and other state employees.

Gary Miller.

I also have problems with this bill and appreciate your comments.

Jeannette

Gary Schultz wrote:

Dear Representative James,

I would like to urge you to vote NO on House Bill 199.

I have been working for the State for the past 18 years. My wages are 50% to 60% of my counterparts who work for industry. Staffing levels have been reduced so many times since 1986 that there are no opportunities for promotions. Without occasional merit increases, my wages would be even farther behind those of my private-sector counterparts. One of the main reasons I continue to work here (other than the fact that I like my job and my co-workers) is that we have a fairly good retirement program. If the legislature eliminates the SBS program, the retirement program will be pathetic. Workers should be rewarded for many years of hard work. It is unfair to future workers to take these benefits away from them. The State retirement programs have already been reduced twice. Please do not cut them again. Thanks.

Gary Schultz
1070 Molly Road
PO Box 81481
Fairbanks, Alaska 99708
(907)455-6909 ph/fax
<gschultz@alaska.net>

I understand...I also have problems with this bill.

Jeannette

Derek & Debby Hansen wrote:

Dear Sir or Madam:

After reading today's edition of our local newspaper entitled, 'Bill takes aim at State Worker's benefits'; I was compelled to write to you.

It's unfortunate our state has to make drastic cuts in order to balance the budget. I understand there's a need to proceed with a plan to cut our budget even if it's not going to be popular with the constituency. However, the problem I see with the proposal that you've outlined in the newspaper is that you have presumed many things.

First, the cuts are primarily being made to the state workers because the presumption is that state workers are paid more than the general public in the state. This may seem true on the surface because you only have 'clerical' workers and 'office' workers in which to draw this conclusion. I have worked in the oil industry, with a fertilizer plant,

and with attorney firms and I can tell you from first hand experience that state workers ARE NOT OVERPAID as compared to the 'private sector'.

But you have to compare apples to apples and oranges to oranges. The oilfield workers are so well paid.

You are planning to punish any 'future' state workers or any workers who

have left state employment and then returned. Although this seems like a wise thing to do to cut the budget, have you thought about the potential problem for 'future hiring'? On the surface, it seems you are

doing a service to the public but in the long run, what kind of employees are you going to attract? What is the major problem with our schools in Alaska for 'future outlooks'? It is being unable to hire 'qualified' teachers because the wage and benefit package won't attract them to the positions in our state. The state, like the oilfield, has always hired from the cream of the crop. Will this be possible if the benefits are not very attractive to a potential state worker?

Have you addressed the issue of your own pay, your per diem, and your retirement benefits? Can you honestly say it's ok to ask your neighbor to sacrifice for the stability of our state if you are not also willing to do the same?

Thank you for your time and attention to this matter.

Sincerely- Debra M. Hansen

Thanks for the message, and let me add that I appreciated your testimony on Tuesday.

Jeannette James

athensj wrote:

Dear Representative James: I plan to testify tomorrow at the teleconference hearing on this bill. Sometimes it is hard to say everything you want to say at a hearing. So I hope you will consider the following comments on HB 199. I feel it is really a mean piece of legislation: the more time a PX employee has devoted to state service, the more that employee is penalized. This is because all longevity and step increases past step F are eliminated. My "reward" for almost 20 years of service to the state should not be an almost \$30,000 cut in pay. I don't really think there is a motive to hurt PX employees. But I do feel that some of the legislators do not understand how we are hurt by such legislation as HB 199. And they don't understand that it will have the effect of ending career state service, and the loss of experienced professionals to deal with the many complex problems that the state must deal with on a daily basis. House Bill 199

This bill is a mean message to those PX employees who have devoted their professional careers to state service. It is a slap in the face to them, and a public message of rebuke from the legislature that their long-term service is not appreciated and is not valued. My "reward" for almost 20 years of work for the state, which includes a lot of unpaid evening and weekend work, is approximately a \$30,000 cut in pay as the result of HB 199. HB

The main problems with this bill are 1) it unfairly targets career PX employees with long term service to the state with extremely large pay cuts, 2) it suddenly makes very unattractive long term career service to the state without providing a safety net to those who now have long term careers with the state and little ability at this stage of their life to move to a different job elsewhere. The HB 199 salary cuts result from a greatly reduced geographic differential for Fairbanks PX employees, and elimination of pay steps past step F for all PX employees.

The bill seems to assume that the geographic differential which PX employees now receive is the same thing as a cost of living increment. This is incorrect. The historical basis of the present geographic differential is to provide an incentive to professionals to live and work in remote areas, and in areas with an extreme climate, such as Fairbanks. The effect of cutting the geographic differential in the Fairbanks area will be to make it less attractive to qualified professionals for jobs with the state. SB 152 will make it harder to recruit professionals for Fairbanks jobs, and the ones now employed by the state in Fairbanks will gradually drift away as they find more attractive employment elsewhere. The better and more experienced professionals will not be working for the state.

By deleting longevity increases past step F and by limiting the maximum salary to step F, HB 199 is a major move in the direction of changing professional PX jobs from long term career employment jobs into training jobs for new professionals who will plan to leave the jobs after a few years of experience. I really think there needs to be some discussion of the direction the state wants to move with respect to PX employment. I definitely get the feeling that the thought process in developing HB 199 is no deeper than how the state can save some money, and that it is politically expedient to let some PX employees (especially those in Fairbanks who will lose most of the geographic differential) bear the brunt of the pain. I think this is a short-term view, which may have very expensive long-term consequences.

There are many cases handled by the Civil Division of the Department of Law where the State needs lawyers with a lot of experience. If these cases had to be referred to private counsel, the state would get eaten alive by the fees charged to the state. And our experience is that generally private counsel does not do as good a job in the type of cases in which the Department of Law specializes. You don't need to take my word for this. I suggest you talk to Brad Thompson in the Risk Management Office. On a daily basis he monitors tort defense cases handled by state attorneys and private counsel. He sees the bills (and results) of both.

The point is that the more the legislature cuts pay and benefits of PX employees, the more the legislature is going to convert these jobs into starter jobs for young professionals just out of law school. They are only going to stay in the jobs a few years, and then move on. Of necessity, the state will have to refer to private counsel the more difficult cases, or else just not do them. In the end there will be a much greater cost to the state than the money it saves by cutting the geographic differential and limiting salaries to step F.

Cutting the geographic differential is also very unfair to the current employees who now receive it. Many of us are career employees who have held our jobs for many years. We never understood the geographic differential to be

ted to cost of living, which could fluctuate.

Rolling back salaries to step F is even more unfair. For those of us who have devoted almost our entire professional career to state service, this represents a huge salary cut. In fact, the longer one has worked for the state, the greater the penalty exacted by HB 199. If the legislature in its wisdom decides that it no longer wants experienced attorneys to work for the Department of Law, that is certainly a judgment the legislature is entitled to make. However, it is really unfair to exact this judgment on present career PX employees. HB is like a bill of attainder in this respect. Those of us who have spent our career working for the state should not be punished for making such a career decision. The state has had the benefit of our long term employment and experience.

On the basis of our salaries we have incurred long-term indebtedness which is not easily accommodated by a sudden salary cut. I have house payments to make, and I have the very large financial burden of two children in college. These obligations don't change even if my salary changes.

If the legislature insists on passing HB 199, then I believe it should be modified to apply only to new employees. Those of us who are career state employees have little ability to move elsewhere because of family and financial obligations. I have committed almost my entire professional career to state service. I have relied on the salary I have received for almost 20 years. The state has had the benefit of my years of experience and uninterrupted employment. I think fairness demands that my "reward" for almost 20 years of dedicated service to the state not be a large cut in my salary.

We should be treated no differently than the University professionals in Fairbanks. As the result of collective bargaining two years ago, they lost their geographic differential as to future employees. However, the current employees maintained the differential. (As I understand it, the geographic differential was eliminated, but the current professionals received a pay increase equal to the differential.) State employee professionals are in no different position than the University professionals. In fairness, we should be treated the same.

You should recognize the demoralizing effect of HB 199 on the PX employees who will receive a large salary cut as a result of this bill. This legislation is perceived as a public vote of no confidence by the legislature. And for what reason? Our pay over the last 10 years has slipped well below that of our federal counterparts. I don't think there can be a question about the quality or quantity of our work. If there is, ask us. Maybe there is something you don't understand about what we do. In any case, please realize that the proposed legislation deeply affects the morale of the employees. For this reason alone, HB 199 should be modified to apply only to new employees, if the legislature insists on proceeding with this bill.

John Athens

1955 Raven Dr.

Fairbanks, AK 99709

Thanks --- I'll be watching for your written testimony.

Jeannette

Paul and Ruth Lyle wrote:

Dear Representative James:

I have put my testimony from today's hearing in written form and will drop it off to LIO on the way back from lunch today.

I would like to respond briefly to some of the testimony and discussion I heard today:

First, as to work hours, I want you to know that our office is officially open from 8:00 am to 5:00 pm and has been so since Gov. Cowper was in office. Unofficially, our office is often open well past 5:00 pm.

Second, we work the hours necessary to get the job done. When I am getting ready for trial or am on short deadline, I work more than 8 hours a day and so do others in my office. Having said that, I have no objection to being required to put in 8 hours minimum/day rather than 7.5. Some in my office would love to be told that they only had to work 8 hours/day.

Third, I appreciated the concern that you and others showed for future employees of the state who would be denied access to SBS under this bill. The change in SBS is a very bad idea. However, please don't let the plight of future employees cloud the plight of present employees who would receive massive cuts to their pay if they are not grandfathered into the geo. diff and merit/longevity pay structure.

According to the administration's representative at the hearing, the administration is leaving the issue of grandfathering up to the legislature. They certainly do not appear to be against grandfathering. If HB 199 can not be rejected by the house, then employees need a true grandfather clause.

Fourth, I was told, but have been unable to verify, that the changes to the geo diff actually will save the state very little money. Apparently, all the bill really does is redistribute the money to different areas of the state. It really is a disgrace to propose cutting the pay of a few people so you can raise the pay of others. At your next hearing, I request that you ask Mr. DeWitt or other representative of the house finance committee exactly whose pay is being cut and whose pay is being increased under this reprehensible bill.

Finally, I request that the next hearing on HB 199 (which I believe is scheduled for Thursday) be teleconferenced so that we can testify concerning any changes to the bill.

Thank you for your consideration.

Paul Lyle

Thanks for the message....I have problems with these bills too, and there is little support for it in my committee (State Affairs). I appreciate you taking the time to contact me.

Jeannette

Tom and Cheri Mize wrote:

Dear Legislator,

In re: House Bill No. 199 and Senate Bill No. 152

I write to you today as a concerned Alaskan citizen and State of Alaska employee. I am worried that the legislature in an effort to balance the budget may go too far in passing legislation that adversely affect agencies, employees, and services. As an employee of the State of Alaska and having to face the consequences of legislative decisions daily I feel comfortable in addressing certain issues.

I do not agree with conclusions drawn by some people that Alaskans come to work for the state only for benefits and salary. The state can no longer claim to be a place of security so that too is incorrect. Most State employees I know are dedicated, hard working, and unselfish. They spend many hours on their own getting the job done. As our legislators work into the late evening hours I wonder if they ever take time to stop and think about the countless number of dedicated state employee also working after the day is done. Employees not there for the overtime pay, not there because they were ordered by their supervisor, and not there for the recognition but there at no cost to the state and there because of a personal obligation. Their heart is in the State of Alaska and the fact that their job, no matter what it is, is important enough to take pride in.

I came to work for the State of Alaska because of one reason. I saw the people, I saw how energized they were, I saw their creativity, I saw their talents, and I knew I wanted to be a part of this. Money and benefits were not my motive; I left the federal government taking a pay cut to come work for the State. I left an organization that had a budget sufficient to support the mission. I came to an organization that was under staffed and under budgeted. I saw furniture and equipment that should have been taken to the trash pile years ago. I saw buildings that when spring thaw came leaked profusely. I saw mushrooms growing out of the carpeting inside a building where state employees work. I suppose I could ask why didn't they complain? But, I already know the answer, they are professionals taking pride in their jobs and what some people see as a problem they see as a challenge. They know the quality of their work is not determined by a run down building.

Most of my time is spent in rural Alaska so I will speak from that experience. Please believe me when I say state employees are not overpaid. In some areas working for the state is a job you take to either get training to move to a high paying job outside of state employment or it's a job to hold you over until something better comes along. For some of the rural communities I see state offices where turnover is high. They have difficulty in competing with the local economy to attract quality employees. I suppose the law of supply and demand takes over. In order to attract quality you must first be able to compete for it.

I hope I have been able to paint a picture of the character of the state employee I work with. I say this because I believe it is important to know what you have in order to appreciate it. I also wish to say that you have an obligation to the state employee to do the right thing. House Bill 199 and Senate Bill 152 may ripple throughout the structure of state agencies and harshly impact everyone. I urge you to consider the consequences of enacting these two bills. If you do decide to cut salary and benefits please consider the contributions made to the State by those employees who are already serving. Our existing employees have put their faith and trust in you. I strongly believe that any reductions should not affect them regardless of bargaining unit status. As for future employees if we can not attract quality people then a deterioration of services is inevitable but that's a problem you must face when the time comes.

State employees are Alaskans. We live in and support our communities, many of us buy homes, put down roots and consider ourselves long term residents. As for myself I buy local as much as possible.

I'm afraid that the impact this legislation may have will strongly curbe the spending power of state employees. Possibly forcing many to forego local purchases and find the most inexpensive price for their goods such as catalog or Internet shopping.

This is the first time I've done something like this but my love for my job and the people I work with will not allow me to be silent. State employees are not overpaid. I don't know how to stress this enough. I do not know what you did in the past to attract such a gathering of fine people but don't jeopardize it. All of us know government is not the highest paying employer and if money is what we want we can go elsewhere. Most of us have the talents, skills, and credentials to move into the corporate world but we choose not to. We are people who want to make a difference, we are people that believe in this state and are committed to it's potential. We hope our contributions will help make this a better place to live and raise families.

I conclude by saying that I realize difficult decision must be made. My plea is that you be fair to us. Employees are the State's most valuable resource. They are a renewable resource and the only resource that provides a return. I agree there may still be places to cut but why not try a new approach? How about spending some time talking to the first line supervisors. The employees working the offices that must serve the public. See what their thoughts are, ask their opinion on how to reduce costs. You may find out they're pretty smart. Give the employee freedom to make suggestions. Allow the employee to become part of the solution instead of always being the target. Imagine the possibilities if the legislators and state employees became partners in maintaining the budget. Why stop there though it's only a beginning.

May I also suggest that a good place to start be in rural Alaska working inward to urban Alaska?

Thanks for your time.

Tom Mize

Thank you for your message.. Believe me, I have problems with this legislation too. I have a CS to introduce that make it more palitable to the members of the State Affairs Committee and to me. There is very little, if any support for HB 199 in State Affairs.

Warm regards,
Jeannette

Leone Hatch wrote:

Dear Representative James,

I have valued your support of State employees in the interior in prior years, and hope that you will continue to find it in your heart to speak up for us despite short-sighted partisan opposition.

I am deeply concerned about the effect of HB199 (and SB152). I would appreciate your consideration of my concerns as you address the subject of the compensation of non-union partially exempt career public employees. This budget cut takes not a pound of flesh, but a pound of bone and muscle. It is not in Alaska's long-term interest.

HB199 (and SB152) sharply curtail the pay scale, benefits and opportunities of professional, non-union State employees. They send a pointed, mean, and denigrating message to current employees who have devoted their professional lives to the State, and discourage the application or retention of more experienced attorneys or gifted graduates.

Perhaps the effect of this choice is not clear to legislators who are not attorneys, or who have not effectively worked with attorneys. The practice of law is a complex undertaking. As attorneys gain experience, they tend to specialize, and to hone their chosen expertise. Even the most eager and qualified recent law school graduate does not have the wealth of expertise, instinct, and common sense that only time can bring to a more seasoned attorney.

Some areas of expertise relating to governmental issues are difficult if not impossible to obtain anywhere but public employment. If the State treats its employees as seasonal targets or game pieces rather than as the steadily appreciating resources that they are, there is no reason to assume that professional employees will maintain any commitment to governmental service once their expertise, and corresponding market value, have matured.

Alaska will then have to pay a premium to hire private consultants for complex matters beyond the ability of its employees, or suffer the consequences of being under-gunned in both advice and litigation.

I serve the State as a partially exempt, non-union, professional employee. Specifically, I serve as an Assistant Attorney General assigned to the Department of Transportation. (My position is partially funded by federal reimbursement.) I started my career as an intern with the Municipality of Anchorage. I also served the State for two years as a law clerk to the Superior Court in Sitka. I began my current service as an AAG in Fairbanks in 1990 in the dead of winter. I have devoted myself to developing an expertise in governmental issues relating to eminent domain, land use and title, construction contracts, and environmental contamination. As an employee that expertise is dedicated solely to the State of Alaska and is available on short notice.

I recently obtained a 1.6 million dollar (plus interest) settlement in

Alaska's favor. I have saved Alaska money in countless less obvious efforts to expeditiously end litigation or litigious situations amicably when possible, and to avoid needless exposure with accurate, but pragmatic, advice. When I do litigate on the State's behalf, it is my responsibility to defend the public fisc and set precedent which reflect sound and prudent policy. These are not simple matters with which I am entrusted. I take my responsibilities to the State of Alaska and its inhabitants seriously. I frequently choose freely to work outside business hours to provide the best possible counsel. I am not paid overtime, nor do I expect overtime for these efforts. Surely there is no misconception that the State would not pay a contract attorney for each and every minute. It may sound corny, but I am dedicated to my career as a government attorney. For reasonable compensation and security, Alaska gets a big bang for its buck out of its career, employee attorneys.

These bills will reduce the Department of Law's employment package below market, and reconstruct it primarily as a revolving door for recent law school graduates seeking experience, or as a rest stop for those who are not competitive in the private marketplace. The Department will no longer attract the level of expertise or commitment that it currently enjoys in its attorneys and other professionals. Attrition and loss of institutional memory will be inevitable. This will be particularly true in areas, like Fairbanks, where the geographical differential is being sharply reduced or eliminated. Most of the more desirable attorneys in the job market are not searching for employment in extreme climates or remote locations.

Let me simplify. I have almost 15 years of experience as an attorney, most of which was in public service. I am a semi-automatic rifle and a bullet-proof vest, at the disposal of my governmental client. When I graduated from law school, my clients got the service of a water pistol and a rubber coat. I'd like to think I rated as a "super-soaker," but I am sure you get my drift. It is not in Alaska's long term interest to exchange its kevlar vests for rubber while it trades its bullets for dribbles of water.

Fairbanks is my home now. I met and married my husband here, go to church here, patronize local businesses here, and contribute to the community as the opportunity arises. I am not only a public servant, I am an Alaskan citizen and a constituent of this legislature. I deserve, and the people of Alaska deserve, better and wiser treatment than that dealt out by these bills. HB199 and SB152 threaten to bleed Alaska of its professional strength. Please reject this demoralizing and irresponsible temptation in a short-term budgetary band-aid.

I regret the length of this letter, and do appreciate your time in reviewing it.

Sincerely,

Leone Hatch
PO Box 70292
Fairbanks, Alaska 99707
(907) 451-7670

Thanks for your comments -- I agree with you. I have problems with HB 199 too.

Jeannette.

Betsy Brennan wrote:

Please vote no on HB 199. As a resident of Nome, for 11+ years and a state employee for 5+, I feel this bill is unfair to current and future state employees. It takes away benefits and pay that employees deserve. A gallon of milk in Nome cost almost \$5. A gallon of gasoline is \$2.05. Geographic differentials are needed in rural communities where groceries are at least 35% more expensive than Anchorage. Thank you for your consideration.

Betsy Brennan
PO Box 1623
Nome AK 99762
443-5470

Thank you for your comments. I will keep your comments in mind as we further debate these pieces of legislation, in committee and on the House floor.

Jeannette

carol compton wrote:

I respectfully request that this bill be left to die on the table.

It places a limit of 450 hours of personal leave in a 12-month period for those employees under the personal leave program. I sincerely believe this should be an item negotiated in the collective bargaining processes of the different unions.

I would doubt that a whole lot of employees are in the situation very often but also I have seen where sometimes it becomes difficult for individuals to take their leave because they have jobs that are difficult to get away from or to take a whole lot of leave at one time. There are some dedicated employees working for the state that give of their time, and who often just do not take the leave until they run in to a 'use it or lose it' situation. Many agencies I believe operate on a constant public demand situation where employees just feel they cannot take leave to keep up with the demands on their particular job and/or they just like what they do well enough they want to be able to get what is needed to help the public. I am not kidding! I would bet it is more likely a situation like this that causes accumulations of leave rather than someone who specifically saves it to get back at management! Not for real!

I can see where it might also be bad from a management standpoint as they could see employees needing to take a month and a-half off which could greatly impact an office situation.

I would think this would be something management would rather have input in with a particular bargaining group, depending on management needs rather than having a mandate through a statute.

Thanks for listening!

Sincerely,
Carol Compton
HC 31 Box 5175-V
Wasilla, AK 99654

I also have a problem with HB 199 and appreciate your comments. There is not much committee support for this bill as it is now.

Jeannette

"Bigham, Thomas" wrote:

Honorable Ms. James -

I am a 25 year Alaskan employee and 22 year employee of the Department of Natural Resources. I am a Cartographer with the Division on Land. Please vote against moving HB 199 out of committee. I don't understand why state employees are being targeting in the battle of the budget. We have families, work hard, pay bills and want a decent life. The people of the State of Alaska get their monies worth out of their state employees. Please support us

Elaine Thomas
box 1372
Eagle River, AK 99577
907 694-3387

Thanks for the message. This is no joke, and I also have problems with this legislation. It will be heard a second time in State Affairs tomorrow morning @ 8:00am (April 22). If you wish to testify call your nearest LIO for instructions.

Jeannette

Lord of Ruin wrote:

I have been made aware of this situation and I just want to ask, is this a joke? If it is it is a very poor one and if it isn't I want you to know that I don't support this nor will I support anyone supporting this issue. Over all I would appreciate knowing what your opinion is so a response would be greatly appreciated.

The Alaska State Senate and the House of Representatives has introduced a bill to take away the Supplemental Benefits System (SBS) from state employees hired or rehired after July 1, 1999. ASEA is opposed to the legislative majority's attempts to balance the Budget on the backs of future state employees. A satisfactory retirement benefit is necessary to attract and retain quality employees in state service.

Senate Bill 152 and House Bill 199 amend Alaska Statute 39.30.165 to require that: A state employee may participate in the SBS only if 1) the employee was in pay status, on approved leave or on seasonal leave without pay on June 30, 1999, 2) the state made a contribution to SBS for the employee and 3) the employee remains continuously employed by the state after June 30, 1999. "Continuously Employed" is defined to mean that the employee is a) in pay status, b) on approved leave of absence or c) on seasonal leave without pay.

SB 152 would prohibit anyone who leaves state service from ever participating in SBS if they choice to return to work after July 1, 1999. If an ASEA member is not continuously employed by the state, they would lose the SBS benefit. SB 152 also places restrictions on merit salary increases and geographic pay differential. Merit increases could only be granted by the department commissioner based on the employee's exceptional performance during the year. (emphasis added.) Geographic pay differential payments will be limited to the amounts set in SB 152 and could not be increased without a change in statute.

HB 199 also places restrictions on longevity salary increases and geographic pay differential. Longevity increases could only be paid to the employee if the legislature approves the cost thereof. Payment of longevity would become a monetary term each year of the Collective Bargaining Agreement and would be subject to legislative funding approval. Geographic pay differential payments will be limited to the amounts set in HB 199 and could not be increased without a change in statute.

Thanks for your comments....I have problems with this legislation (modifying the conditions of employment of state employees) and hope to get it changed in State Affairs before it reaches the floor for a vote. I appreciate hearing from you.

Warm Regards,

Jeannette

Charles Davis II wrote:

Dear Members of the Majority;

It has come to my attention that you are considering unilaterally modifying the conditions of employment of state employees - including wage reductions, cost of living adjustment elimination, benefit reductions, etc. The rumor is that these changes are being considered first for non-union employees.

Please let me express my concern about these apparent proposals. If you wish to drive all employees to collective bargaining, this is the perfect way. If you wish to enrich the legal community, this is the perfect way. If you wish to demoralize the employees, many of whom work significant extra hours to accomplish their work, this is the perfect way.

If you must pursue these options, please limit them to new employees who can make informed decisions about employment conditions before committing to state employment. Be fair. The proposal to eliminate SBS should be evaluated to be sure that Social Security will not be reimposed since SBS was a substitute for that program. If Social Security is reimposed, there will be little savings to the state.

Remember. State employees contribute substantially to the economic health of Alaska. Reductions in compensation will result in employee flight; harm to the real estate market, community organizations, and local businesses; and increased social disfunction resulting from the stress of adjusting to this compensation.

Changes must be gradual. Utilize the Permanent Fund. Institute an income tax. I am a 36 year resident of this state. I was here when there was a state income tax - the last time I could express indignation as a "tax payer". Alaska is no longer the nation's leader in per capita income. Alaska is last in General Fund expenditure per square mile. We are adjusting and falling behind.

Please focus on a long term vision of Alaska - a vision of Alaska that values education, culture, and economic stability. State agencies and their employees contribute value to the citizens of Alaska. Now is the time to utilize the revenue tools at our disposal to control the decline of Alaska. Treat our employees well and fairly.

Thankyou for your time.

Charles W. Davis II

By all means, please send your written testimony to us so we can have it for the record. We will be hearing HB 199 again tomorrow morning (April 22), and we will have an amendment. There was very little committee support for the the bill, and I do not believe it will pass out without some important changes. You can be sure that your testimony will be very seriously considered.

Thanks,
Jeannette.

athensj wrote:

Dear Representative James: Thank you for allowing me to testify today regarding HB 199. Since the time limitation prevented me from finishing my testimony, I will FAX to you and your committee the remaining part of my testimony in written form. I will send the FAX first thing tomorrow morning, and I hop that the committee will consider it. If at all possible, can you have the committee meeting you have scheduled for this Thursday teleconferenced? A number of us in Fairbanks are vitally interested in the bill, and we would very much appreciate it if we could attend the meeting by teleconference. If the legislature is going to proceed with HB 199, or something of a similar nature, I really think there needs to be some kind of grandfather clause to protect present employees. We have relied on the geographic differential and we have relied on our merit and longevity step increases. It is very dispiriting for career PX employees like myself, to have the legislature trying to take away what I and other employees have earned over many years. In the end even should HB 199 be enacted, I doubt that very much money would really be saved by the state, and the price to be paid will be a lot of ill will, and employees will be demoralized. John Athens 1955 Raven Dr. Fairbanks, AK 99709

119 N. Cushman St.
Fairbanks, AK 99701
Phone: 452-4448
Fax: 456-3346

**Legislative
Information Office**

Fax

To: House State Affairs Committee **From:** Fairbanks Legislative Information Office
Representative Jeannette James, Chair

Fax: _____ **Date:** April 20, 1999

Phone: _____ **Pages:** 5

Re: Written Testimony for HB 199: **CC:**
HB 16: SB 33:
Teleconferenced on 04\20\99

Urgent **For Review** **Please Comment** **Please Reply** **Please Recycle**

•**Comments:** The originals will be mailed to Representative James's office. Thank you.

Fran/Fbx LIO

HB 199 testimony
Paul R. Lyle
665 Aspen Heights Drive
Fairbanks, AK 99712

I am here as a partially exempt state employee working Fairbanks. This statement is my own. I do not speak for the administration on this issue.

HB 199 is a punitive bill. It takes 20% of my pay away from me effective July 1, 2001.

Geographic differential

The geographic differential is a vital part of the compensation package in Fairbanks.

IT IS NOT A COLA.

IT IS NOT LEFT OVER FROM THE GIDDY DAYS OF THE PIPELINE.

The geo diff has been in place since 1966. It is an incentive payment to attract high quality professionals to work in the less hospitable areas of the state.

FAIRNESS should be the touchstone of how you treat those professionals whose only sin in remaining employed with the state in Fairbanks has been their reliance upon the promises that past legislatures have made and kept for over 30 years.

FAIRNESS dictates that those presently receiving the geo diff be grandfathered into the old system if it is changed. That is how UAF professors were treated when they lost their differential in 1994.

There are many good reasons why the pay structure for professionals should be different than the pay structure for secretaries. Professionals have far more education and shoulder responsibility for millions of dollars in litigation. However, if you have to treat professionals like secretaries were treated, then you will not cut my pay. When GGU secretaries lost their COLA they did not get a pay cut.

THE 2001 Step decreases and the repeal of longevity increases should be rejected as UNFAIR.

HB 199 takes the most money away from those professionals who have devoted the most service to the state and who, as a result of their age, can not easily change careers.

HB 199 will cause an unprecedented brain drain, a serious loss of institutional memory, and the loss of irreplaceable skills and experience.

TAX

HB 199 is a disguised income tax. It takes about 20% of my income for the sole purpose of funding general government. Isn't that what an income tax does? The only difference is that this income tax falls on a few state employees who don't have any collective bargaining agreement or union to protect them while all other citizens of the state (including other state workers) get a free ride. Is that fair?

FAIRNESS dictates that all citizens should be subject to an income tax, not just a few.

CONCLUSION

You do not write on a clean slate. Many years ago, the State of Alaska decided to build and maintain a career force of professionals who would devote their entire careers to state service, some in the less hospitable areas. You need to keep faith with those who responded to the State's call.

It is easy to support draconian cuts in our salaries, despite the promises made to us over many years, when you do not know who we are, the quality of work we perform, or the honesty and integrity we bring to the interaction of the government with its citizens.

State professionals in my department acquire the property you need to build capital projects in your districts. They advise agencies to ensure that the civil rights of Alaska citizens are left untrammelled. They file lawsuits to vindicate the policy decisions made by the legislature. They protect children under laws you pass, enforce the familial obligations of parents under the laws you design, protect cities and villages from those who commit crimes, and preserve the public fisc against unwarranted and unsupported claims.

For their dedication, professionals working for the State of Alaska deserve to be treated fairly for their service rather than being made a target for personal political gain.

WE ARE NOT NUMBERS ON YOUR BALANCE SHEET. WE ARE PEOPLE WHO DESERVE TO BE TREATED FAIRLY. FAIRNESS DICTATES THAT CAREER PROFESSIONALS BE GRANDFATHERED INTO BOTH THE PRESENT GEO DIFF AND THE PRESENT MERIT AND LONGEVITY PAY STRUCTURE.

I hope this committee will summons the courage to KILL HB 199, a mean-spirited, vindictive and ultimately unproductive approach to the state's budget shortfall.



ALASKA STATE LEGISLATURE

Please enter into the record my testimony to the House State Affairs
 Committee on HB 199 Committee Name
Dated 20 April 1999
 Bill / Subject

I am an Assistant Attorney General, having worked in the Fairbanks office for 12 years. I am disturbed by two aspects of this bill: eliminating the longevity program (sections 17-19), and reducing the statutory geographical differential (section 11). While I appreciate the 2-year grace period, after those 2 years my salary would go down dramatically under this bill. Like many people, I have made career decisions and financial commitments based on my compensation. Please consider using a "grandfather" approach so that the new salary schedule and geo-differential only apply prospectively, to new hires. Or please consider using a "freeze" approach, that would hold our salaries at current levels. ~~with~~ A substantial reduction in salary would be difficult for many of us who have devoted our professional careers to state service. Thank you.

SIGNED:  Cameron M. Leonard
 Testifier

self (as long-time state employee)
 Representing

562 Dalton Trail, Fairbanks AK 99709
 Address / Phone Number

ALASKA STATE LEGISLATURE

Please enter into the record my testimony to the House State Affairs

Committee on HB 16

Committee Name
Dated April 20, 1999

Bill / Subject

The Alzheimer's Association Alaska Chapter would like to support House Bill 16. The Association feels it is a conflict of interest to have the Division of Senior Services license the Pioneer Homes and the Division of Alaska Longevity Services operate and budget the Homes as well as other assisted living homes.

Assisted Living is the caregiving environment of choice for those suffering with Alzheimer's Disease and related dementia's, and no longer able to live in their own home environment. We feel there will be a growing need for these types of homes with an increased need for good and consistent licensing and standards of care.

SIGNED:

Mary H. Weymiller, Board Member
Testifier

Representing the Alzheimer's Association
Alaska Chapter
240 E. Tudor Road
Suite 110
Anchorage, AK. 99503
907-561-3313

April 16, 1999

Attention: House State Affairs Committee

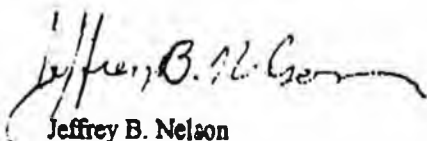
Senate Bill 33 is a short-sided attempt to make some Alaskans rich at the expense of others. Doesn't Jerry Ward understand that if you cut wages or do away with state government the economy will slump? State dollars go right back into our local economy. Any privatization attempts would funnel money out of the state, even if only 10-15% left the state - that's a lot of cash.

Who do they think they are kidding? Privatization won't save the state money, the contractor will bid the job low at first and then the price will go up and the amount of service will go down. History has proven that. Many times in the past I've talked to private contractors and some not all, can't wait to get a state contract so they can, (and I quote) "get over on the State". If you want to do a study on privatization why don't you see how many law suits the State has lost and how many times some nit-picky contractor has held up a project on a stupid little change order. Most of the time the State just pays because it is cheaper in the long run, if this happens now just think of how it will be if privatization occurs.

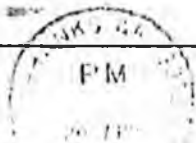
State agencies are in place for a reason with out them kickbacks and backroom deals will run unchecked resulting in a lower standard of living for our children.

I am a State employee and proud of it. My future, my families and the state's is on the line, "WAKE UP!" we need a sales tax with a cap on it so everyone pays their way.

I urge you to vote "NO" on Senate Bill 33!



Jeffrey B. Nelson
2012 Central Ave
Fairbanks, Alaska 99709



**REPRESENTATIVE JEANETTE JAMES
STATE CAPITOL ROOM 102
JUNEAU, AK 99801-1182**



Dear Representative James:

I strongly urge you to vote against HB 199. There are better alternatives to balancing the state budget than balancing it on the backs of State of Alaska employees. For too many years, the state employee has been the whipping boy of the House and Senate. It is easy to say that the state employee is over-paid. Don't continue to cut their benefits or the people of the State will start to get what you are paying for - underqualified employees who work for the state only until they acquire the skills needed to go to work for the private sector, leaving state business poorly managed if managed at all. People will not be able to retire in the state or if they do, the money they spend now will be gone - local businesses will suffer.

SIGNATURE:

Mary Jane Fortune

NAME:

MARY JANE FORTUNE

ADDRESS:

Box 1 72596

TOWN ZIP:

FAIRBANKS, AK 99707



**REPRESENTATIVE JEANETTE JAMES
STATE CAPITOL ROOM 102
JUNEAU, AK 99801-1182**



Dear Representative James:

I strongly urge you to vote against HB 199. There are better alternatives to balancing the state budget than balancing it on the backs of State of Alaska employees. For too many years, the state employee has been the whipping boy of the House and Senate. It is easy to say that the state employee is over-paid. Don't continue to cut their benefits or the people of the State will start to get what you are paying for - underqualified employees who work for the state only until they acquire the skills needed to go to work for the private sector, leaving state business poorly managed if managed at all. People will not be able to retire in the state or if they do, the money they spend now will be gone - local businesses will suffer.

SIGNATURE: _____

NAME: _____

ADDRESS: _____

TOWN ZIP: _____

April 20, 1999

We have receive 64 POMS to date opposing HB 199.

The main complaint is that the legislature is trying to balance the budget on the backs of state employees and this is not right or fair.

MEM
/

119 N. Cushman St.
Fairbanks, AK 99701
Phone: 452-4448
Fax: 456-3346

**Legislative
Information Office**

Fax

To: House State Affairs Committee **From:** Fairbanks Legislative Information Office
Representative Jeannette James, Chair

Fax: _____ **Date:** April 21, 1999

Phone: _____ **Pages:** 4

Re: Written Testimony for HB 139; **CC:**

Teleconferenced on 04\20\99

Urgent **For Review** **Please Comment** **Please Reply** **Please Recycle**

•**Comments:** The originals will be mailed to Representative James's office. Thank you.

Fran/Fbx LIO



ALASKA STATE LEGISLATURE

Please enter into the record my testimony to the STATE AFFAIRS COMMITTEE
Committee on CS HB 199 / HB 199 Committee Name Dated APRIL 21, 1999
Bill / Subject

HB 199 AND THE COMMITTEE SUBSTITUTE WILL ULTIMATELY RESULT IN THE LOSS OF ITS BEST ATTORNEYS, THOSE WITH THE MOST EXPERIENCE AND INSTITUTIONAL KNOWLEDGE, THE BILL WILL RESULT IN THE ATTORNEY GENERAL'S OFFICE BECOMING AN ATTORNEY MILL. ATTORNEYS FRESH OUT OF LAW SCHOOL WILL WORK FOR THE STATE FOR SEVERAL YEARS TO GAIN EXPERIENCE BEFORE TRANSITIONING INTO MORE LUCRATIVE PRIVATE EMPLOYMENT. IN THE LEAST, THE BENEFITS OF CURRENT EMPLOYEES SHOULD SIMPLY BE FROZEN - NOT SET BACK. STATE EMPLOYEES HAVE MADE LIFE CHOICES BASED ON SALARIES AND BENEFITS. TO CHANGE THOSE SALARIES AND BENEFITS MIDSTREAM IS AN UNFAIR BALANCING OF THE BUDGET ON THE BACKS OF ITS MOST DEVOTED EMPLOYEES.

SIGNED: Mary Lundquist
Testifier
self
Representing
215 Slater Street Fairbanks
Address / Phone Number

April 20, 1999

Written testimony of John Athens, 1955 Raven Dr., Fairbanks, AK 99709.

I am a career Department of Law attorney. I have been an Assistant Attorney General for almost 20 years. I am supervisor of the four attorney Transportation Section in the Fairbanks Office of the Attorney General. The following testimony represents my personal views, and may not coincide with the views of the Administration or the Attorney General.

House Bill 199

This bill is a mean message to those PX employees who have devoted their professional careers to state service. It is a slap in the face to them, and a public message of rebuke from the legislature that their long-term service is not appreciated and is not valued. My "reward" for almost 20 years of work for the state, which includes a lot of unpaid evening and weekend work, is approximately a \$20,000 cut in pay as the result of HB 199.

The main problems with this bill are 1) it unfairly targets career PX employees with long term service to the state with extremely large pay cuts, 2) it suddenly makes very unattractive long term career service to the state without providing a safety net to those who now have long term careers with the state and little ability at this stage of their life to move to a different job elsewhere. The HB 199 salary cuts result from a greatly reduced geographic differential for Fairbanks PX employees, and elimination of pay steps past step F for all PX employees.

1. Reducing the Geographic Differential

The bill seems to assume that the geographic differential which PX employees now receive is the same thing as a cost of living increment. This is also what the person from the Department of Administration assumed. This assumption is incorrect. The historical basis of the present geographic differential is to provide an incentive to professionals to live and work in remote areas, and in areas with an extreme climate, such as Fairbanks. Cutting the geographic differential is also very unfair to the current employees who now receive it. Many of us are career employees who have held our jobs for many years. We never understood the geographic differential to be tied to cost of living, which could fluctuate.

The effect of cutting the geographic differential in the Fairbanks area will be to make it less attractive to qualified professionals for jobs with the state. HB 199 will make it harder to recruit professionals for Fairbanks jobs, and the ones now employed by the state in Fairbanks will gradually drift away as they find more attractive employment elsewhere. The better and more experienced professionals will not be working for the state.

The person from the Department stated that PX employees should be treated like the union secretaries they work with. While I believe that there are significant differences, this testimony does highlight a significant fact. The union employees did not receive a pay cut when they gave up most of their geographic differential as a result of collective bargaining. This is also true of the University professors in Fairbanks when they gave up their geographic differential as the result of collective bargaining a few years ago. With respect to the University professors, when the geographic differential was eliminated, they received a pay raise equal the value of the differential. The point is that in the two instances that the geographic differential has been terminated, the affected employees did not have their pay cut. The PX employees should be treated the same. It is a question of fairness.

2. Reducing salaries and longevity to Step F

By deleting longevity increases past step F and by limiting the maximum salary to step F, HB 199 is a major move in the direction of changing professional PX jobs from long term career employment jobs into training jobs for new professionals who will plan to leave the jobs after a few years of experience. I really

think there needs to be some discussion of the direction the state wants to move with respect to PX employment. I definitely get the feeling that the thought process in developing HB 199 is no deeper than how the state can save some money, and that it is politically expedient to let some PX employees (especially those in Fairbanks who will lose most of the geographic differential) bear the brunt of the pain. I think this is a short-term view, which may have very expensive long-term consequences.

There are many cases handled by the Civil Division of the Department of Law where the State needs lawyers with a lot of experience. If these cases had to be referred to private counsel, the state would get eaten alive by the fees charged to the state. And our experience is that generally private counsel does not do as good a job in the type of cases in which the Department of Law specializes. You don't need to take my word for this. I suggest you talk to Brad Thompson in the Risk Management Office. On a daily basis he monitors tort defense cases handled by state attorneys and private counsel. He sees the bills (and results) of both.

The point is that the more the legislature cuts pay and benefits of PX employees, the more the legislature is going to convert these jobs into starter jobs for young professionals just out of law school. They are only going to stay in the jobs a few years, and then move on. Of necessity, the state will have to refer to private counsel the more difficult cases, or else just not do them. In the end there will be a much greater cost to the state than the money it saves by cutting the geographic differential and limiting salaries to step F.

Rolling back salaries to step F is extremely unfair. For those of us who have devoted almost our entire professional career to state service, this represents a huge salary cut. In fact, the longer one has worked for the state, the greater the penalty exacted by HB 199. If the legislature in its wisdom decides that it no longer wants experienced attorneys to work for the Department of Law, that is certainly a judgment the legislature is entitled to make. However, it is really unfair to exact this judgment on present career PX employees. HB is like a bill of attainder in this respect. Those of us who have spent our career working for the state should not be punished for making such a career decision. The state has had the benefit of our long term employment and experience.

On the basis of our salaries we have incurred long-term indebtedness which is not easily accommodated by a sudden salary cut. I have house payments to make, and I have the very large financial burden of two children in college. These obligations don't change even if my salary changes.

3. Demoralizing effect of HB 199

You should recognize the demoralizing effect of HB 199 on the PX employees who will receive a large salary cut as a result of this bill. This legislation is perceived as a public vote of no confidence by the legislature. And for what reason? Our pay over the last 10 years has slipped well below that of our federal counterparts. I don't think there can be a question about the quality or quantity of our work. If there is, ask us. Maybe there is something you don't understand about what we do. In any case, please realize that the proposed legislation deeply affects the morale of the employees. For this reason alone, HB 199 should be modified to apply only to new employees, if the legislature insists on proceeding with this bill. It really is not in the interest of the state for the legislators to be putting forth bills for consideration which takes money out of the pockets of state employees. Taking away hard earned merit increases is depressing and discouraging for PX employees who have devoted most of their professional career to state service.

CONCLUSION

If the legislature insists on passing HB 199, then I believe the salary cut provisions should be modified to apply only to new employees. Although there have been changes in compensation packages over the years, I am not aware of any instance in which the legislature has ever actually taken money out of the pocket of state employees. If the legislature insists on HB 199, then I think fairness demands a hold harmless or grandfather clause as to the compensation employees presently receive. A giant pay cut which would wipe out the merit step increases I have received for the last 12 years would not only be unfair, but would also be mean. Those of us who are career state employees have little ability to move elsewhere because of family and financial obligations. I have committed almost my entire professional career to state service. I have

relied on the salary I have received for almost 20 years. The state has had the benefit of my years of experience and uninterrupted employment. I think fairness demands that my "reward" for almost 20 years of dedicated service to the state not be a large cut in my salary.

FISCAL NOTE

STATE OF ALASKA
1999 LEGISLATIVE SESSION

BILL NO. CSHB199(STA)

Work Draft 4/21/99, Version H

Revision Date/Time (Note if correction) _____	Dept. Affected <u>All</u>
Title <u>An Act relating to compensation for certain</u>	BRU <u>All</u>
<u>State employees; and providing for an effective date.</u>	Component <u>All</u>
Sponsor <u>House Finance Comm.</u>	Component Serial No. _____
Requester <u>House State Affairs Comm.</u>	

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Personal Services	(679.7)	(1,157.0)	(2,438.1)	(2,463.3)	(2,662.6)	(2,711.2)
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	(679.7)	(1,157.0)	(2,438.1)	(2,463.3)	(2,662.6)	(2,711.2)

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

CHANGE IN REVENUES ()						
-------------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	(441.8)	(752.1)	(1,584.8)	(1,601.1)	(1,730.7)	(1,762.3)
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)	(237.9)	(405.0)	(853.3)	(862.2)	(931.9)	(948.9)
TOTAL	(679.7)	(1,157.0)	(2,438.1)	(2,463.3)	(2,662.6)	(2,711.2)

Estimate of any current year (FY99) cost: 0.0

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

CSHB 199(SA) covers several topics that will have a fiscal impact. Those covered by this fiscal note are as follows:

- Sec. 6, 11, 16, and 17 - Geographic Pay Differentials
- Sec. 7, 16, and 18(c) - Longevity Increments to pay
- Sec 8, and 19 - Commissioners' pay
- Sec 9, and 18(a), (b) - Statutory salary schedule
- Sec 10 - duration for step advancement

The combined fiscal impact is summarized on page 2 Attachments A through E provide details to the calculations.

Prepared by <u>Daivd Koivuniemi</u>	Phone <u>465-5669</u>
Division <u>Personnel</u>	Date/Time _____
Approved by Commissioner <u><i>[Signature]</i></u>	Date <u>4/21/99</u>
Agency <u>Administration</u>	

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FISCAL NOTE, CONT.

STATE OF ALASKA
1999 LEGISLATIVE SESSION

BILL NO. CSHB 199(STA)
Work Draft 4/21/99, version H

As detailed in Attachments A through E, following are the fiscal impacts of the various topics in CSHB 199(SA):

	FY 2000	FY 2001	FY2002	FY2003	FY2004	FY2005
Geo. Pay Diff.	\$ 95.4	\$ 16.0	-\$ 53.2	-\$ 111.9	-\$ 163.6	-\$ 212.2
Long. Inc.	-\$ 64.5	-\$188.1	-\$1,075.1	-\$1,075.1	-\$1,075.1	-\$1,075.1
Comm. Pay	0.0	0.0	0.0	-\$ 66.5	-\$ 114.1	-\$ 114.1
Salary sched.	-\$687.6	-\$961.9	-\$1,286.8	-\$1,286.8	-\$1,286.8	-\$1,286.8
Step duration	-\$ 23.0	-\$ 23.0	-\$ 23.0	-\$ 23.0	-\$ 23.0	-\$ 23.0
Total	-\$ 679.7	-\$1,157.0	-\$2,438.1	-\$2,463.3	-\$2,662.6	-\$2,711.2

The following assumptions are used for this analysis:

Turnover rate is 12% per year.

The cost of variable benefits (all except health insurance) is 25%.

Personal Services expenses are distributed 65% to General Funds and 35% to all other sources.

Additional assumptions specific to Attachments A through E are listed in the attachments.

No attempt has been made to isolate the impacts of multiple provisions on the same employee. For example, employees who are receiving both longevity increment pay and a geographic pay differential are analyzed based on the change in each provision separately. The combined impact will be less than the sum of the separate impacts. To that extent, the totals are overstated.

Attachment F is a brief sectional statement of provisions not covered by this Fiscal Note.

FISCAL NOTE CSHB 199(STA)
ATTACHMENT A
GEOGRAPHIC PAY DIFFERENTIALS

There are 316 employees in the executive branch partially exempt service (PX) or classified service not in a bargaining unit (EE) whose geographic pay differential will be affected by Sec. 11 and 18 of this bill. The geographic pay differential for 222 employees will go up on the effective date. The geographic pay differential of 139 employees will go down. Some of the changes in each direction are only fractions of a percent.

Costs of employees going to higher geographic pay differentials will be due immediately. Savings from employees going to lower geographic pay differentials will result from turnover.

Assumptions:

- Part-time (hourly) employees work half time.
- Emergency Guards work 10% of full time.

The annual cost of employees going to higher geographic pay differentials is \$93.5 thousand. First year savings from employees going to lower geographic pay differentials (due to turnover) is \$37.1 thousand. Second year savings is \$108.1. Savings increase to Net costs and savings are:

	FY '00	FY '01	FY '02	FY '03	FY '04	FY '05
Costs	\$ 93.5	\$ 93.5	\$ 93.5	\$ 93.5	\$ 93.5	\$ 93.5
Savings	-\$ 37.1	-\$ 108.1	-\$ 169.9	-\$ 222.4	-\$ 268.7	-\$ 312.0
Total	\$ 56.4	-\$ 14.6	-\$ 76.4	-\$ 128.9	-\$ 175.2	-\$ 218.5

Governor Knowles remains committed to providing the same changes to geographic pay differentials to employees in the exempt service of the executive branch as is provided to employees in the partially exempt service by statute. Governor Knowles is committed to making the changes in Sec. 11 of CSHB 199(SA) by Administrative Order. The Administrative Order would cover 29 employees, 12 in locations going to a higher geographic pay differential, and 17 in locations going to a lower geographic pay differential. The costs and savings from these employees, using the same method as above, will be:

	FY '00	FY '01	FY '02	FY '03	FY '04	FY '05
Costs	\$ 43.4	\$ 43.4	\$ 43.4	\$ 43.4	\$ 43.4	\$ 43.4
Savings	-\$ 4.4	-\$ 12.8	-\$ 20.2	-\$ 26.4	-\$ 31.9	-\$ 37.1
Total	\$ 39.0	\$ 30.6	\$ 23.2	\$ 17.0	\$ 11.5	\$ 6.3

These totals are included in the totals on the Fiscal Note.

FISCAL NOTE CSHB 199(STA)
ATTACHMENT B
LONGEVITY INCREMENTS TO PAY

Currently, there are 152 employees in the partially exempt service (PX) and in the classified service but not in a bargaining unit (EE) who are paid at a longevity increment. Salaries for the group will be reduced as turnover occurs, and when the current employees are no longer "frozen" as provided in Sec. 19(c) of the bill.

Ultimate savings will be \$1,075.1 per year, to be realized in FY 2002 when the freeze is removed. In FY 2000, based on turnover, savings will be \$64.5. In FY 2001, savings will be \$188.1.

FISCAL NOTE CSHB 199(STA)
ATTACHMENT C
COMMISSIONERS' PAY

Sec. 8 of the bill will reduce the pay of departmental commissioners from Step E to Step C of the statutory pay schedule as amended in Sec. 9. However, Sec. 19 would delay the impact until the date the next governor is sworn into office. Absent a succession to the office before the next date a governor is scheduled to take office, the first Monday in December, 2002, there will be no impact until FY 2003. In that year, the lower rates will apply for seven months. For the following years, the full impact will apply.

Assumptions:

The number of Commissioners remains at 15.

FY 2003 reduction will be \$66.5 thousand. Reductions in later years will be \$114.1 thousand.

FISCAL NOTE CSHB 199(STA)
ATTACHMENT D
STATUTORY PAY SCHEDULE

Sec. 9 repeals the existing statutory salary schedule and enacts a new one. The new schedule consists only of steps A, C, and F of the existing schedule. Sec. 10 provides that advancement between steps requires three years of service. Sec. 18(a) and (b) provide a transition between the two schedules. Basically, time at former Steps A and B count toward the three years required to be eligible for consideration for new Step C, and time at former Steps C, D, and E count toward the three years required to be eligible for consideration for new Step F.

These sections will directly affect 480 employees in the executive branch in the classified service not in a bargaining unit (EE) and in the partially exempt (PX) service. Savings will result in the first two years as employees are not advanced one or two steps. The full savings will be realized in the third fiscal year.

Assumptions:

All savings will result from former steps not earned.

First year savings will be \$687.6 thousand. Second year savings will be \$961.9 thousand. Savings in the third year and beyond will be \$1,286.8 thousand.

FISCAL NOTE CSHB 199(STA)
ATTACHMENT E
DURATION FOR STEP ADVANCEMENT

In addition to the changes made by the repeal and reenactment of the statutory salary schedule discussed in Attachment D, 81 employees in the executive branch partially exempt service (PX) and the classified service not covered by collective bargaining (EE) are at Ranges 5-13, Step A. Advancement from Step A to Step B would normally occur after six months of satisfactory service. Attachment D analyzed the data based on a full year at each step. That analysis understates the savings for the employees described here. The savings will be an additional \$23.0 thousand per year.

FISCAL NOTE CSHB 199(STA)
ATTACHMENT F
SECTIONS NOT COVERED BY THIS FISCAL NOTE

Sec. 1 reduces the starting pay cap of the Exec. Sec. Of the Professional Teaching Practice Commission to conform to the new statutory pay schedule enacted in Sec. 9.

Sec. 2 - 5 conform the provisions for escalating the salaries of the judiciary to the new statutory pay schedule enacted in Sec. 9.

Sec. 6 adds a paragraph to the Public Employment Relations Act (PERA) to prohibit a geographic pay differential from being greater than the statutory provisions enacted in Sec. 11.

Sec. 7 adds a paragraph to PERA to make contractual provisions for a longevity or service bonus after seven years of service a reportable term of an agreement.

Sec. 12, 14, and 15 are conforming amendments to statutes referencing the geographic pay differential section being repealed.

Sec. 13 would require any state agency or entity in any branch of government that has chosen to adopt the statutory salary schedule to make revisions consistent with this bill. Since those agencies and entities have the authority to adopt other salary systems we are unable to project the fiscal impact on decisions that have not yet been made.

~~EMBACH~~

I AM WORKING ON A ^{DRAFT} C.S.
See Attached Memo.

I AM WORKING WITH Leg FINANCE TO
GET GOOD #'S ON SAVINGS. WE ARE
HAVING A HARD TIME GETTING EST ON
Geo Dif. SBS SHOULD BE IN THE RANGE
OF 1.5 MILLION. CHANGING STEPS AND ELIMINATING
LONGEVITY IS DIFFICULT TO GUESS BECAUSE IT IS
MOSTLY OUT YEARS FOR LONGEVITY AND I EXPECT
WE WILL CUT OUT ABOUT 30% OF MERIT. FOR ABOUT
\$1. MILLION.

Call me if you need more

Denny

2647

Subject: fiscal notes

Date: Thu, 15 Apr 1999 14:17:03 -0800

From: Barbara Cotting <Barbara_Cotting@legis.state.ak.us>

Organization: Alaska State Legislature

To: Shari Kochman <shari_kochman@gov.state.ak.us>

Hi Shari,

For some reason I'm not getting the fiscal notes delivered to my office. I prepare the bill packets without the fiscal notes then discover the bill sponsor has had one for quite awhile. Could you make sure they are delivered to me too? Thanks.

I need new fiscal notes on the following bills which I have scheduled (or rescheduled) for April 20:

HB 199, State Employee Compensation, Admin
HB 195, Pledge of Allegiance in Public Schools, DOE
HB 179, APOC Repeal, Elections

Thanks again.

Barbara