

**SB**

**180**

SFIN

FILE

**SENATE FINANCE COMMITTEE REPORT**

REPORTED OUT  
MAR 14 2002  
SENATE FINANCE  
COMMITTEE

**RETURNED TO FINANCE:**

DATE: 3/13/02

FURTHER:

DATE TURNED IN TO OFFICE: 14 March 2002

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

Finance Committee considered **SENATE BILL NO. 180**  
**SB 180 STATE EMPLOYEE PAY DIFFERENTIALS**

"An Act implementing pay differentials based on geographic areas for certain state employees and for members of the Alaska State Defense Force; and providing for an effective date."

and recommends:

- be replaced with CS SB 180 (FIN)
- adopt previous CS forth coming = ( )
- attached amendment(s)
- adopt Letter of Intent by \_\_\_\_\_ Committee
- further referral to \_\_\_\_\_ Committee

- Senate Bill:**  
 same title  
 new title  
**House Bill:**  
 same title  
 technical title  
 new: SCR # \_\_\_\_\_

**NEW FISCAL NOTE(S):**

Department	Date	Fiscal	Zero	FN#
forth coming f/n's (2)				

**PREVIOUS FISCAL NOTE(S):**

Department	Date	Fiscal	Zero	FN#

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEND
<i>[Signature]</i>	✓			
<i>[Signature]</i>	✓			
<i>[Signature]</i>	✓			
<i>[Signature]</i>			✓	
<i>[Signature]</i>	✓			
<i>[Signature]</i>			✓	
COCHAIR: <i>[Signature]</i>	✓			
COCHAIR: <i>[Signature]</i>				

REPORTED OUT

MAR 14 2002

SENATE FINANCE  
COMMITTEE

BILL NO. CSSB 180 (FIN)

# FISCAL NOTE

STATE OF ALASKA  
2001 LEGISLATIVE SESSION

Revision Date 3/18/02 AMENDED Dept. Affected Alaska Court System  
 Title Pay differentials based on geographical areas BRU Alaska Court System  
 Component Trial Courts  
 Sponsor Senate Finance Committee  
 Requester Senate Finance Committee Component Serial No. 768

**Expenditures/Revenues** (Thousands of Dollars)

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services	(28.8)	(70.2)	(111.6)	(153.0)	(194.4)	(235.8)
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>(28.8)</b>	<b>(70.2)</b>	<b>(111.6)</b>	<b>(153.0)</b>	<b>(194.4)</b>	<b>(235.8)</b>

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES ( )</b>						
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	(28.8)	(70.2)	(111.6)	(153.0)	(194.4)	(235.8)
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
<b>TOTAL</b>	<b>(28.8)</b>	<b>(70.2)</b>	<b>(111.6)</b>	<b>(153.0)</b>	<b>(194.4)</b>	<b>(235.8)</b>

Estimate of any current year (FY02) cost: None

**POSITIONS**

Full-time						
Part-time						
Temporary						

**ANALYSIS:** (Attach a separate page if necessary)

See attached fiscal analysis.

Prepared by: C. S. Christensen III, Deputy Administrative Director Phone: 463-4736  
 Agency: Alaska Court System Date/Time: 3/18/02 12:07 PM  
 Approved by: Stephanie J. Cole, Administrative Director Date: 3/18/02  
 Agency: Alaska Court System

**Alaska Court System**  
**Fiscal Analysis**  
**CSSB 180 (FIN)**

	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>
Geographical Cost of Living Increases <i>(assumed rate of turnover 10% a year and that replacement employees have no prior 'state' employment) <sup>1</sup></i>	\$12,600	\$12,600	\$12,600	\$12,600	\$12,600	\$12,600
Geographical Cost of Living Decreases <i>(assumed rate of turnover 10%, but that approximately 25% of replacement employees have prior 'state' employment) <sup>2</sup></i>	(41,400)	(82,800)	(124,200)	(165,600)	(207,000)	(248,400)
Estimated Fiscal Impact	<u>(\$28,800)</u>	<u>(\$70,200)</u>	<u>(\$111,600)</u>	<u>(\$153,000)</u>	<u>(\$194,400)</u>	<u>(\$235,800)</u>

<sup>1</sup>The regions positively impacted by the changed geo-diff amounts are rural locations and have fewer state jobs. For example, employees in Barrow will likely come from the North Slope Borough employers rather than from another state agency.

<sup>2</sup>Areas facing a reduced geo-diff are primarily urban and the possibility of hiring staff with prior state service is greater.

MAR 14 2002

SENATE FINANCE COMMITTEE

# FISCAL NOTE

STATE OF ALASKA  
2002 LEGISLATIVE SESSION

Fiscal Note Number: \_\_\_\_\_  
Bill Version: CS SB 180(FIN)  
( ) Publish Date: \_\_\_\_\_

Revision Date/Time (Note if correction): ( ) \_\_\_\_\_ Dept. Affected: All  
Title "An Act implementing pay BRU All  
differentials based on geographic..." Component All  
Sponsor Senate Finance \_\_\_\_\_  
Requester Senate Finance \_\_\_\_\_ Component No. All

**Expenditures/Revenues** (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services	(26.1)	(55.2)	(70.9)	(91.8)	(112.8)	(133.7)
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>(26.1)</b>	<b>(55.2)</b>	<b>(70.9)</b>	<b>(91.8)</b>	<b>(112.8)</b>	<b>(133.7)</b>

<b>CAPITAL EXPENDITURES</b>						
-----------------------------	--	--	--	--	--	--

<b>CHANGE IN REVENUES ( )</b>						
-------------------------------	--	--	--	--	--	--

**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Miscellaneous)	(26.1)	(55.2)	(70.9)	(91.8)	(112.8)	(133.7)
<b>TOTAL</b>	<b>(26.1)</b>	<b>(55.2)</b>	<b>(70.9)</b>	<b>(91.8)</b>	<b>(112.8)</b>	<b>(133.7)</b>

Estimate of any current year (FY2002) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

**ANALYSIS:** (Attach a separate page if necessary)

There are approximately 958 employees in the executive branch partially exempt, exempt and classified services not in a bargaining unit. Out of these 958 employees, 26 current employees located in Kodiak, Bethel, Barrow and Kotzebue will experience inequity between their salaries and the salaries of newly hired employees.

Prepared by: David Stewart Phone 465-4431  
Division: Division of Personnel Date/Time 3/20/02  
Approved by: Jim Duncan, Commissioner Date 3/20/2002  
Agency: Department of Administration

STATE OF ALASKA  
2002 LEGISLATIVE SESSION

BILL NO. CSSB180(FIN)

ANALYSIS CONTINUATION

E.D.	EMPLOYEE COUNT	LOCATION	CURRENT % ABOVE BASE	SB 180 % ABOVE BASE	% CHANGE
1	8	Ketchikan	0%	0%	0%
3	1	Mt Edgecumbe	4%	0%	-4%
3	3	Sitka	3%	0%	-3%
4	365	Juneau	0%	0%	0%
7	15	Palmer	4%	0%	-4%
8	5	Anch Airport	0%	0%	0%
8	442	Anchorage	0%	0%	0%
8	1	Camp Carroll	0%	0%	0%
8	9	Ft Richardson	0%	0%	0%
9	4	Seward	7%	0%	-7%
10	10	Kenai	7%	0%	-7%
11	8	Kodiak	7%	9%	2%
13	2	Dillingham	27%	27%	0%
14	12	Bethel	31%	38%	7%
16	60	Fairbanks	15%	4%	-11%
17	3	Barrow	36%	42%	6%
17	3	Kotzebue	36%	42%	6%
18	7	Nome	36%	34%	-2%

Adopted

WORK DRAFT

WORK DRAFT

WORK DRAFT

22-LS0324.O  
Craver  
3/5/02

**CS FOR SENATE BILL NO. 180( )**

**IN THE LEGISLATURE OF THE STATE OF ALASKA  
TWENTY-SECOND LEGISLATURE - SECOND SESSION**

**BY**

**Offered:  
Referred:**

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

**A BILL**

**FOR AN ACT ENTITLED**

1 "An Act implementing pay differentials based on geographic areas for certain state  
2 employees and for members of the Alaska State Defense Force; relating to cost-of-living  
3 differentials for state aid to municipalities; and providing for an effective date."

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

5 \* **Section 1.** AS 26.05.260(i) is amended to read:

6 (i) When active state service is authorized by the governor or by the adjutant  
7 general as the governor's designee, members of the Alaska State Defense Force are  
8 entitled to receive, for each day of active service under AS 26.05.070, pay and  
9 allowances as provided in this subsection. Pay is equal to that provided under  
10 AS 39.27.011 - 39.27.021 [AS 39.27.011 - 39.27.020] for equivalent assignments of  
11 state officials or employees, including adjustments under AS 39.27.025, if applicable.  
12 Allowances shall be paid to the same extent, in the same manner, and under the same  
13 conditions as provided for state officials and employees under AS 39.20.110 -  
14 39.20.170. However, pay or allowances are not authorized for training or community

1 service activities of members of the Alaska State Defense Force.

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

3 (a) Payments to a municipality or other eligible recipient under AS 29.60.110  
4 - 29.60.130 shall reflect area cost-of-living differentials. Payments shall be based on  
5 the sum of per capita, per mile, and per bed or facility grants due each municipality or  
6 other recipient multiplied by the appropriate area cost-of-living differential. The area  
7 cost-of-living differential for each recipient shall be determined annually by election  
8 district under the provisions of AS 39.27.020 and 39.27.030 [AS 39.27.030].  
9 Application of the area cost-of-living differential may not result in distribution of an  
10 amount less than the amount of the payment determined without reference to  
11 application of this section.

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

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

21 \* **Sec. 4.** AS 39.27.020 is amended by adding a new subsection to read:

22 (d) The pay step differentials in this section apply to a person who has been  
23 employed by the state at any time through June 30, 2002, whenever that person is  
24 employed by the state. A person who begins state employment for the first time on or  
25 after July 1, 2002, is subject to AS 39.27.021 whenever that person is employed by the  
26 state.

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

28 **Sec. 39.27.021. Pay differentials by election district and in other states**  
29 **and countries.** (a) The following pay differentials apply only to state employees  
30 beginning state employment for the first time on or after July 1, 2002, and are  
31 approved as an amendment to the basic salary schedules provided in AS 39.27.011:

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

(b) The basic salary schedule set out in AS 39.27.011 is amended for positions in other states to provide that those positions shall be compensated using a pay step differential of minus six pay steps.

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

\* Sec. 6. AS 39.27.030 is amended to read:

**Sec. 39.27.030. Cost-of-living survey.** Subject to an appropriation for this purpose, the director shall conduct a survey, at least every five years, to review the pay differentials established in AS 39.27.020 and 39.27.021. The survey may address factors, as determined by the director, that are also relevant in review of salary

1 schedules, entitlement for beneficiaries of state programs, and payments for state  
2 service providers. The survey must reflect the costs of living in various election  
3 districts of the state, and Seattle, Washington, by using the cost of living in Anchorage  
4 as a base. [IN THIS SECTION, "ELECTION DISTRICT" HAS THE MEANING  
5 GIVEN IN AS 39.27.020(b).]

6 \* Sec. 7. AS 39.27.045 is amended to read:

7 **Sec. 39.27.045. Definitions [DEFINITION].** In AS 39.27.020 - 39.27.030,

8 (1) "director" means the director of the division of personnel;

9 (2) "election district" means an election district designated in the  
10 governor's proclamation of reapportionment and redistricting of December 7,  
11 1961.

12 \* Sec. 8. AS 39.35.675(d) is amended to read:

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

17 \* Sec. 9. AS 44.31.020 is amended to read:

18 **Sec. 44.31.020. Duties of department.** The Department of Labor and  
19 Workforce Development shall

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

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

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

26 (4) gather data reflecting the cost of living in the various election  
27 districts of the state upon request of the director of personnel under AS 39.27.030; in  
28 this paragraph, "election district" has the meaning given in AS 39.27.045  
29 [AS 39.27.020(b)];

30 (5) operate the federally funded employment and training programs  
31 under 29 U.S.C. 1501 - 1792b (Job Training Partnership Act); and

1  
2

(6) administer the state's program of adult basic education.

\* Sec. 10. This Act takes effect July 1, 2002.



Official Business

# Alaska State Senate

## Senate Finance Committee

### Sponsor Statement

### Committee Substitute for Senate Bill 180

Mail Stop 3100  
State Capitol  
Juneau, Alaska 99801-1182

**“An act implementing pay differentials based on geographic areas for certain employees and for members of the Alaska State Defense Force....”**

Committee Substitute for Senate Bill 180 changes the manner in which geographic differential payments for cost-of-living differences are determined for state employees who are not union members. This legislation adopts the most current geographic differential report. The current statutory formula has not been updated since June 1976 and unfairly discriminates against some state employees while unfairly benefiting others. All union state employees are already under the new formula. A similar bill was passed by the legislature in 2000 but was vetoed by the governor. This bill does not contain the provisions the governor cited as the reason for his veto of the 2000 bill.

The geographic differential calculation utilizes a percentage above a specific measurement baseline. In Alaska, Anchorage is the only federal measurement of the cost-of-living. Therefore, Anchorage is used as the baseline measurement for determining the cost-of-living in the various Alaska election districts and “out of state” locations. This legislation will affect employees in the executive branch of government in partially exempt service or not covered by union contract, and members of the Alaska State Defense Force whenever they are called to active service.

Committee Substitute for Senate Bill 180 effects employees hired on or after the new effective date. Current employees will remain under AS 39.27.020, even if they leave and return to state employment after AS 39.27.021 goes into effect. The fiscal impact is contingent upon future savings generated by this new legislation.

Committee Substitute for Senate Bill 180 purposely holds harmless other programs that use these statutory sections for calculation of revenue sharing cost-of-living adjustments. It also makes no change to the current differential applicable to state employees who work in another state.

Committee Substitute for Senate Bill 180 will ensure all state employees receive fair pay adjustments based on a new fairer cost-of-living analysis.

This legislation goes into effect July 1, 2002.

DD/mjw

# LEGAL SERVICES

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

(907) 465-3867 or 465-2450  
FAX (907) 465-2029  
Mail Stop 3101

State Capitol  
Juneau, Alaska 99801-1182  
Deliveries to: 129 6th St., Rm. 329

## MEMORANDUM

March 12, 2002

**SUBJECT:** Sectional summary (Work Order No. 22-LS0324\P)  
(Compensation for state employees and for members of  
the Alaska State Defense Force)

**TO:** Senator Dave Donley

**FROM:** Barbara R. Craver *BRC*  
Legislative Counsel

You have requested a sectional summary of the above-described bill. As a preliminary matter, note that a sectional summary of a bill should not be considered an authoritative interpretation of the bill and the bill itself is the best statement of its contents.

**Section 1** amends AS 26.05.260(i) to provide that pay for members of the Alaska State Defense Force when on active state service is to be figured using the "new" geographic differential schedule set out in AS 39.27.021, enacted by bill sec. 5.

**Secs. 2 and 3** provide that state aid to municipalities will be figured using the "old" geographic pay differential schedule in AS 39.27.020.

**Sec. 4** adds a new subsection to AS 39.27.020 to provide that the "old" schedule continues to apply to past or current state employees, even if they return to state employment at some time after AS 39.27.021 goes into effect. The "new" schedule only applies to a person who first begins to work for the state on or after July 1, 2002.

**Sec. 5** enacts a new section setting out another schedule of geographic pay differentials. Instead of providing that the pay differentials will be based on pay steps on the salary schedule (as the current AS 39.27.020 does), the new statute provides for percentage increases, except in the case of employees based outside the state. Positions in other states are to be paid at minus six pay steps. Pay differentials for positions in foreign countries are to be established by the director of personnel.

**Sec. 6** contains technical amendments, reflecting the enactment of AS 39.27.021 (the new pay differential schedule) and AS 39.27.045(2), defining "election district."

**Sec. 7** moves the definition of "election district" from AS 39.27.020(b) into the definition section of AS 39.27.045.

Senator Dave Donley  
March 12, 2002  
Page 2

**Secs. 8 and 9** are technical corrections to references changed by this bill.

**Sec. 10** repeals AS 39.27.020(b), the definition of election district is moved in section 7.

**Sec. 11** states that the Act takes effect July 1, 2002.

BRC:med  
02-208.med

SB 180-STATE EMPLOYEE PAY DIFFERENTIALS  
SENATE FINANCE COMMITTEE

SIGN-IN

NAME: Roxanne Stewart Subject/Bill No: SB 180  
Co./Dept./Title: Legislative Liaison Phone: 465-1176  
Address: Dept. of Administration Zip: \_\_\_\_\_  
Do you wish to testify? \_\_\_ Yes \_\_\_ No  Respond To Questions

NAME: \_\_\_\_\_ Subject/Bill No: \_\_\_\_\_  
Co./Dept./Title: \_\_\_\_\_ Phone: \_\_\_\_\_  
Address: \_\_\_\_\_ Zip: \_\_\_\_\_  
Do you wish to testify? \_\_\_ Yes \_\_\_ No \_\_\_ Respond To Questions

NAME: \_\_\_\_\_ Subject/Bill No: \_\_\_\_\_  
Co./Dept./Title: \_\_\_\_\_ Phone: \_\_\_\_\_  
Address: \_\_\_\_\_ Zip: \_\_\_\_\_  
Do you wish to testify? \_\_\_ Yes \_\_\_ No \_\_\_ Respond To Questions

NAME: \_\_\_\_\_ Subject/Bill No: \_\_\_\_\_  
Co./Dept./Title: \_\_\_\_\_ Phone: \_\_\_\_\_  
Address: \_\_\_\_\_ Zip: \_\_\_\_\_  
Do you wish to testify? \_\_\_ Yes \_\_\_ No \_\_\_ Respond To Questions

SITE: FAIRBANKS LIO

SUBJECT OF MEETING:

SB 180

COMMITTEE:

Senate Finance

DATE: 3/14/2002

UPDATE #: 1



## PLEASE SIGN IN

DO YOU WANT

P R I N T YOUR NAME

ADDRESS (MAILING & ZIP)

REPRESENTING

TO TESTIFY?

Y or N

P R I N T YOUR NAME	ADDRESS (MAILING & ZIP)	REPRESENTING	TO TESTIFY? Y or N
<b>Paul Lyle</b>			<b>Y</b>
Email address:			
<b>Pam Hartnell</b>			<b>Y</b>
Email address:			
<b>John Athens</b>			<b>Y</b>
Email address:			
Email address:			
Email address:			
Email address:			

**SITE: FAIRBANKS LIO**

**SUBJECT OF MEETING:**

**SB 180**

**COMMITTEE:**

Senate Finance

**DATE: 3/14/2002**

**UPDATE #: 1**



# PLEASE SIGN IN

**P R I N T YOUR NAME**

**DO YOU WANT**

**ADDRESS (MAILING & ZIP)**

**REPRESENTING**

**TO TESTIFY?**

**Y or N**

<b>P R I N T YOUR NAME</b>	<b>DO YOU WANT ADDRESS (MAILING &amp; ZIP)</b>	<b>REPRESENTING</b>	<b>TO TESTIFY? Y or N</b>
<b>Joni Athens</b>			<b>Y</b>
Email address:			
			<b>Y</b>
Email address:			
			<b>Y</b>
Email address:			
Email address:			
Email address:			
Email address:			

# SENATE FINANCE COMMITTEE REPORT

REPORTED OUT

APR 17 2001

SENATE FINANCE  
COMMITTEE

DATE: April 9, 2001

FURTHER:

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

DATE TURNED  
IN TO OFFICE: 17 April 01

Finance Committee considered SENATE BILL NO. 180

### STATE EMPLOYEE PAY DIFFERENTIALS

"An Act implementing pay differentials based on geographic areas for certain state employees and for members of the Alaska State Defense Force; and providing for an effective date."

and recommends:

- be replaced with \_\_\_\_\_ CS \_\_\_\_\_ (\_\_\_\_\_)
- adopt previous \_\_\_\_\_ CS \_\_\_\_\_ (\_\_\_\_\_)
- attached amendment(s)
- adopt Letter of Intent by \_\_\_\_\_ Committee
- further referral to \_\_\_\_\_ Committee

- Senate Bill:**  
 same title  
 new title
- House Bill:**  
 same title  
 technical title  
 new: SCR # \_\_\_\_\_

**NEW FISCAL NOTE(S):**

Department	Date	Fiscal	Zero	FN#
Court	4/17/01	94.3		
All (Admin)	4/17/01	(1080)		

**PREVIOUS FISCAL NOTE(S):**

Department	Date	Fiscal	Zero	FN#

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEND
<i>[Signature]</i>	✓			
<i>[Signature]</i>			✓	
<i>[Signature]</i>			X	
<i>[Signature]</i>			X	
<i>[Signature]</i>	✓			
COCHAIR: <i>[Signature]</i>	✓		✓	
COCHAIR: <i>[Signature]</i>				

APR 17 2001

SENATE FINANCE  
COMMITTEE

# FISCAL NOTE

STATE OF ALASKA  
2001 LEGISLATIVE SESSION

Fiscal Note Number:

Bill Version:

SB 180

() Publish Date:

Revision Date/Time (Note if correction):

Dept. Affected:

All

Title: "An act implementing pay differentials  
based on geographic areas..."

BRU:

All

Component:

Sponsor: Senate Finance

Requester: Senate Finance

Component Number:

## Expenditures/Revenues

(Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Personal Services	(108.0)	(208.8)	(270.2)	(329.7)	(390.4)	(446.4)
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>(108.0)</b>	<b>(208.8)</b>	<b>(270.2)</b>	<b>(329.7)</b>	<b>(390.4)</b>	<b>(446.4)</b>

## CAPITAL EXPENDITURES

## CHANGE IN REVENUES ( )

## FUND SOURCE

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Misc)	(108.0)	(208.8)	(270.2)	(329.7)	(390.4)	(446.4)
<b>TOTAL</b>	<b>(108.0)</b>	<b>(208.8)</b>	<b>(270.2)</b>	<b>(329.7)</b>	<b>(390.4)</b>	<b>(446.4)</b>

Estimate of any current year (FY2001) cost: 0.0

## POSITIONS

Full-time						
Part-time						
Temporary						

## ANALYSIS: (Attach a separate page if necessary)

There are 562 positions in the executive branch partially exempt service (PX) or in the classified service not in a bargaining unit (EE). Approximately 103 of those positions will be affected by the bill. Personal services expenditures are reduced by the amount of salary reduction for PX employees in Fairbanks, Nome, Palmer, Kenai, Seward, and Dillingham. Personal services are increased by the geographic differential in Kodiak, Barrow, Bethel, and Kotzebue. All other PX employees salaries are unaffected.

Fiscal note is amount of salary reduction in FY02 and 03, offset by salary schedule rate increases in FY 02 and FY 03 of 2% and 3%.

Prepared by: David Stewart

Phone 465-4431

Division: Division of Personnel

Date/Time April 17, 2001

Approved by: [Signature]  
Agency: Department of Administration

Date 4/17/01

For distribution information, call the Governor's Legislative Office

# FISCAL NOTE

STATE OF ALASKA  
2001 LEGISLATIVE SESSION

BILL NO. SB 180

Revision Date <u>4/17/01</u>	Dept. Affected <u>Alaska Court System</u>
Title <u>Pay differentials based on geographical areas</u>	BRU <u>Alaska Court System</u>
Sponsor <u>Senate Finance Committee</u>	Component <u>Trial Courts</u>
Requester <u>Senate Finance Committee</u>	Component Serial No. <u>768</u>

**Expenditures/Revenues** (Thousands of Dollars)

OPERATING EXPENDITURES	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Personal Services	94.3	43.1	(8.1)	(59.3)	(110.5)	(161.7)
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>94.3</b>	<b>43.1</b>	<b>(8.1)</b>	<b>(59.3)</b>	<b>(110.5)</b>	<b>(161.7)</b>

CAPITAL EXPENDITURES						
CHANGE IN REVENUES ( )						

**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	94.3	43.1	(8.1)	(59.3)	(110.5)	(161.7)
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
<b>TOTAL</b>	<b>94.3</b>	<b>43.1</b>	<b>(8.1)</b>	<b>(59.3)</b>	<b>(110.5)</b>	<b>(161.7)</b>

Estimate of any current year (FY01) cost: None

**POSITIONS**

Full-time						
Part-time						
Temporary						

ANALYSIS: *(Attach a separate page if necessary)*

See attached fiscal analysis.

REPORTED OUT

APR 17 2001

SENATE FINANCE  
COMMITTEE

Prepared by C. S. Christensen III, Deputy Administrative Director  
Agency Alaska Court System

Approved by Stephanie J. Cole, Administrative Director  
Agency Alaska Court System

Phone 463-4736  
Date/Time 4/17/01 8:39 AM  
Date 4/17/01

**Alaska Court System**

**Fiscal Analysis**

**SB 180**

	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Geographical Cost of Living Increases	\$145,500	\$145,500	\$145,500	\$145,500	\$145,500	\$145,500
Geographical Cost of Living Decreases <i>(assumed rate of turnover 10% a year)</i>	<u>(51,200)</u>	<u>(102,400)</u>	<u>(153,600)</u>	<u>(204,800)</u>	<u>(256,000)</u>	<u>(307,200)</u>
Estimated Fiscal Impact	<u>\$94,300</u>	<u>\$43,100</u>	<u>(\$8,100)</u>	<u>(\$59,300)</u>	<u>(\$110,500)</u>	<u>(\$161,700)</u>



Official Business

# Alaska State Senate

## Senate Finance Committee

Mail Stop 3100  
State Capitol  
Juneau, Alaska 99801-1152

### Sponsor Statement

#### SB 180

**"An act implementing pay differentials based on geographic areas for certain employees and for members of the Alaska State Defense Force...."**

Senate Bill 180 changes the manner in which geographic differential payments for cost-of-living differences are determined for certain state employees. This legislation adopts the most current geographic differential report. The current statutory formula has not been updated since June 1976 and unfairly discriminates against some state employees while unfairly benefiting others. A similar bill was passed by the legislature in 2000 but was vetoed by the governor. This bill does not contain the provisions the governor cited as the reason for his veto of the 2000 bill.

Under this legislation current employees' are protected from a decrease in cost-of-living salary adjustment benefits as long as they remain in the same geographic area. However, these employees total pay will not increase until their total pay, including future salary adjustments, exceeds the amount the employee was receiving the day before the cost-of-living adjustment took effect, June 30, 2001.

The geographic differential calculation utilizes a percentage above a specific measurement baseline. In Alaska, Anchorage is the only federal measurement of the cost-of-living. Therefore, Anchorage is used as the baseline measurement for determining the cost-of-living in the various Alaska election districts and "out of state" locations. Previous legislation indicated these measures affect 316 employees in the executive branch of government not covered by union contract. Although there is a small cost in its first year, this legislation can save the State of Alaska an average of approximately \$183,333 per year for the next six years and \$312,000 each year thereafter. The adjustment also affects the compensation paid to members of the Alaska State Defense Force whenever they are called to active state service.

SB 180 purposely holds harmless other programs that use these statutory sections for calculation of revenue sharing cost-of-living adjustments. It also makes no change to the current differential applicable to state employees who work in another state.

Fiscal responsibility continues to be a top priority of the legislative majorities this session. These changes simply implement fair pay adjustments based on a new cost-of-living analysis. Some employees will actually see an increase in cost-of-living adjustments.

DD/bc



Official Business

# Alaska State Senate

## Senate Finance Committee

Mail Stop 3100  
State Capitol  
Juneau, Alaska 99801-1182

### Sectional Analysis

#### Senate Bill 180

**Section 1** amends AS 26.05.260(I) to provide that pay for members of the Alaska State Defense Force when on active state service is to be figured using the new geographic differential schedule set out in AS 39.27.021, enacted by bill, section 4.

*Rational: This section must be tied to the current enabling statute for calculation of the geographic pay differential.*

**Sections 2 and 3** ensure that state aid to municipalities will continue to be figured using the geographic pay differential statute in effect before this act. (Section 9 of the bill repeals the existing geographic pay differential statute, AS 39.27.020.)

*Rational: It is not the intent of this legislation to change the calculation methodology of revenue sharing cost-of-living adjustments.*

**Section 4** enacts a new section setting out pay differentials. Instead of providing that the pay differentials will be based on pay steps on the salary schedule (as the current AS 39.27.020 does), the new statute provides for percentage increases (or a decrease, in the case of employees based in the Seattle-Tacoma area).

*Rational: The current statutory formula has not been updated since June 1976. This change reflects the equalization of cost-of-living changes throughout the State of Alaska and provides for a simplified method of calculation.*

**Section 5** contains technical amendments reflecting the repeal of AS 39.27.020 and the enactment of AS 39.27.021 (the new pay differential schedule) and AS 39.27.045(2), defining "election district."

*Rational: Self-explanatory.*

**Section 6** moves the definition of "election district" from the repealed AS 39.27.021 into the definition section.

*Rational: House keeping to move definition to the appropriate section.*

**Sections 7 and 8** are technical corrections to provide reference to the pay differential statutes.

*Rational: This is needed any time a statute refers to the geographic pay differential statutes.*

**Section 9** repeals AS 39.27.020.

*Rational: Self-explanatory.*

**Section 10** provides a salary maintenance guarantee for employees whose salaries would be reduced because the pay differential to which they are entitled under AS 39.27.021, enacted by this bill, is less than the pay differential to which they are entitled under AS 39.27.020. The salary of an employee may not be reduced because of the change so long as the employee remains in the same geographic area under AS 39.27.021.

*Rational: By freezing an employee's salary at their current level the financial impact to the employee is lessened. Impact to the employer is reduced through lower employee turnover and lawsuits over diminishment of benefits are prevented.*

**Section 11** states that the Act takes effect July 1, 2001.

*Rational: Self-explanatory.*

DD/bc



Official Business

# Alaska State Senate

## Senate Finance Committee

Mail Stop 3100  
State Capitol  
Juneau, Alaska 99801-1182

### Talking Points

#### SB 180

**“An act implementing pay differentials based on geographic areas for certain employees and for members of the Alaska State Defense Force....”**

- State employees in many communities receive a cost-of-living adjustment.
- These adjustments are necessary since the cost of living in communities around the state varies so widely.
- The current statutory geographic differential formula has not been updated since June 1976 and unfairly discriminates against some state employees while unfairly benefiting others based on the most current report.
- The geographic differential calculation utilizes a percentage above a specific measurement baseline. In Alaska, Anchorage is the only federal measurement of the cost-of-living. Therefore, Anchorage is used as the baseline measurement for determining the cost-of-living in the various Alaska election districts and “out of state” locations.
- Previous legislation indicated this measure affects 316 employees in the executive branch of government not covered by union contract and can save the State of Alaska approximately \$1.1 million over the next six years.
- While most employees’ geographic differential cost-of-living adjustment will decrease, some employees will actually see an increase in cost-of-living adjustments.
- The legislation protects employee’s whose salaries would be reduced as a result of this change. By freezing an employee’s salary at their current level the financial impact to the employee is lessened. Impact to the state is reduced through lower employee turnover and lawsuits over diminishment of benefits are prevented. The salary of an employee may not be reduced because of the change so long as the employee remains in the same geographic area under AS 39.27.021.
- The adjustment also affects the compensation paid to members of the Alaska State Defense Force whenever they are called to active state service.
- The legislation purposely holds harmless other programs that use these statutory sections for calculation of revenue sharing cost-of-living adjustments. These include programs such as the state aid provided to municipalities for roads, hospitals and health facilities and to volunteer fire departments registered with the state fire marshal.
- The legislation makes no change to the current differential applicable to state employees who work in another state.

## Additional Information on SB 180

**“An act implementing pay differentials based on geographic areas for certain employees and for members of the Alaska State Defense Force....”**

### Statutes of existing salary and cost-of-living differential schedules

#### AS 39.27.011. Salary Schedule.

(a) The following monthly basic salary schedule is approved as the pay plan for classified and partially exempt employees in the executive branch of the state government who are not members of a collective bargaining unit established under the authority of the Public Employment Relations Act and employees of the legislature under AS 24.10 and AS 24.20:

Rge	Step	Step	Step	Step	Step	Step
No.	A	B	C	D	E	F
05	1504	1546	1591	1635	1683	1728
06	1591	1635	1683	1728	1778	1830
07	1683	1728	1778	1830	1887	1945
08	1778	1830	1887	1945	2001	2064
09	1887	1945	2001	2064	2131	2191
10	2001	2064	2131	2191	2258	2327
11	2131	2191	2258	2327	2405	2480
12	2258	2327	2405	2480	2565	2652
13	2405	2480	2565	2652	2745	2845
14	2565	2652	2745	2845	2945	3057
15	2745	2845	2945	3057	3156	3276
16	2945	3057	3156	3276	3394	3516
17	3156	3276	3394	3516	3637	3762
18	3394	3516	3637	3762	3885	4032
19	3637	3762	3885	4032	4155	4310
20	3885	4032	4155	4310	4442	4605

21 4155 4310 4442 4605 4750 4921

22 4442 4605 4750 4921 5084 5270

23 4750 4921 5084 5270 5446 5650

24 5084 5270 5446 5650 5841 6039

25 5446 5650 5841 6039 6262 6497

26 5650 5841 6039 6262 6497 6731

27 5841 6039 6262 6497 6731 6987

28 6039 6262 6497 6731 6987 7230

29 6262 6497 6731 6987 7230 7485

30 6497 6731 6987 7230 7485 7749

(b) [Repealed, Sec. 38 ch 3 SLA 1980].

(c) If a state officer or employee is appointed a deputy department head or a division director and, at the time of appointment, the officer or employee is receiving a salary higher than that set for the position to which appointment has been made, the officer or employee is entitled to continue receiving the higher salary. This subsection does not apply to the salary of a person appointed to a position other than a deputy department head or a division director.

(d) The commissioner of administration shall adopt the regulations required under AS 22.05.140(d), AS 22.07.090(c), AS 22.10.190(d), and AS 22.15.220(e). The regulations relate to the internal management of state agencies and their adoption is not subject to AS 44.62 (Administrative Procedure Act). The regulations shall be published in the Alaska Administrative Register and Code for informational purposes.

(e) Effective July 1, 1996, the amounts set out in the salary schedule contained in (a) of this section are increased by the lesser of

(1) 1.5 percent; or

(2) one-half of the percentage increase in the United States Department of Labor, Bureau of Labor Statistics, consumer price index for all urban consumers for Anchorage, Alaska, from the second half of 1994 to the second half of 1995.

(f) Effective July 1, 1997, the amounts set out in the salary schedule contained in (a) of this section, as increased under (e) of this section, are increased by the lesser of

(1) 1.5 percent; or

(2) one-half of the percentage increase in the United States Department of Labor, Bureau of Labor Statistics, consumer price index for all urban consumers for Anchorage, Alaska, from the second half of 1995 to the second half of 1996.

(g) Effective July 1, 1998, the amounts set out in the salary schedule contained in (a) of this section, as increased under (e) and (f) of this section, are increased by the lesser of

(1) 1.5 percent; or

(2) one-half of the percentage increase in the United States Department of Labor, Bureau of Labor Statistics, consumer price index for all urban consumers for Anchorage, Alaska, from the second half of 1996 to the second half of 1997.

**AS 39.27.012. Temporary Salary Schedules.**

The director of the division of personnel may establish salary schedules providing lesser amounts than those in the basic salary schedule in order to meet salary limit requirements for receipt and expenditure of federal funds. Salary rates established under authority of this section do not affect the salaries of employees provided for by a collective bargaining agreement negotiated under the authority of AS 23.40.070 - 23.40.260 (Public Employment Relations Act).

**AS 39.27.015. Cost-of-Living Adjustments. [Repealed, Sec. 12 Ch 80 SLA 1978].**

Repealed or Renumbered

**AS 39.27.020. Pay Step Differentials By Election District and in Other States.**

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

Election District Pay Steps Above Basic Salary Schedule

1 - 0

2 - 1

3 - 1

4 - 0

5 - 2

6a (excluding Valdez Duty Station) - 4

6b (Valdez Duty Station) - 5

7 - 1

8 - 0

9 - 2

10 - 2

11 - 2

12 - 7

13 - 7

14 - 8

15a (excluding Nenana Duty Station) - 9

15b (Nenana Duty Station) - 8

16a (south of Arctic Circle) - 4

16b (north of Arctic Circle) - 9

17 - 9

18 - 9

19 - 8

In other states minus 6

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

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



# Bill History/Action Display



BILL: SB 180                      SHORT TITLE: STATE EMPLOYEE PAY DIFFERENTIALS  
 BILL VERSION:  
 SPONSOR(S): FINANCE  
 CURRENT STATUS: (S) FIN STATUS DATE: 04/09/01

TITLE: "An Act implementing pay differentials based on geographic areas for certain state employees and for members of the Alaska State Defense Force; and providing for an effective date."

No Fiscal Notes Available

Jrn-Date	Jrn-Page	Action
04/09/01		(S) READ THE FIRST TIME - REFERRALS
04/09/01		(S) FIN
04/09/01		(S) REFERRED TO FINANCE

Similar Subject Match or Exact Subject Match

EXECUTIVE BRANCH

JUDGES

LEGISLATURE

MILITARY

PUBLIC EMPLOYEES

SALARIES & ALLOWANCES

WAGES

Bill Root:

BASIS HAS BEEN RE-PROGRAMMED THIS YEAR



TO REPORT PROBLEMS WITH BASIS INQUIRY

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