

**HB**

**195**

<TARGET><BILL>HB 195</BILL><SUBJECT>HB  
195</SUBJECT><COMM>HF IN28</COMM></TARGET>

# FISCAL NOTE

STATE OF ALASKA  
2013 LEGISLATIVE SESSION

Bill Version HB 195  
Fiscal Note Number 1  
(H) Publish Date 4/2/13

Identifier (file name) 0101-OOG-OMB-3-25-2013 Dept. Affected Executive Branch  
Title Compensation of Non-Covered Employees Appropriation Various  
Allocation Various  
Sponsor Rules by Request of the Governor  
Requester Governor OMB Component Number \_\_\_\_\_

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

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

	FY14 Appropriation Requested	Included in Governor's FY14 Request	Out-Year Cost Estimates					
			FY14	FY15	FY16	FY17	FY18	FY19
<b>OPERATING EXPENDITURES</b>								
Personal Services	8,085.9		4,645.6	10,253.2				
Travel								
Services	86.0		176.2	390.8				
Commodities								
Capital Outlay								
Grants, Benefits								
Miscellaneous								
<b>TOTAL OPERATING</b>	<b>8,171.9</b>	<b>0.0</b>	<b>4,821.8</b>	<b>10,644.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>FUND SOURCE</b>		(Thousands of Dollars)						
1002	Federal Receipts	745.4		310.1	687.9			
1003	GF Match	48.1		26.4	58.7			
1004	GF	4,623.5		2,220.0	4,873.1			
1005	GF/Prgm (DGF)	106.7		65.4	144.5			
1037	GF/MH (UGF)	48.8		63.0	139.9			
1178	temp code (UGF)	2,599.4		2,136.9	4,739.9			
<b>TOTAL</b>		<b>8,171.9</b>	<b>0.0</b>	<b>4,821.8</b>	<b>10,644.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>POSITIONS</b>								
Full-time								
Part-time								
Temporary								

<b>CHANGE IN REVENUES</b>								

Estimated SUPPLEMENTAL (FY13) operating costs \_\_\_\_\_ (separate supplemental appropriation required)  
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY14) costs \_\_\_\_\_ (separate capital appropriation required)  
(discuss reasons and fund source(s) in analysis section)

**ASSOCIATED REGULATIONS**

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? \_\_\_\_\_  
If yes, by what date are the regulations to be adopted, amended, or repealed? \_\_\_\_\_ Discuss details in analysis section.

**Why this fiscal note differs from previous version (if initial version, please note as such)**

Initial version.

Prepared by Lena Simmons, Operating Budget Coordinator  
Division Office of Management and Budget  
Approved by Karen Rehfeld, Director  
Office of Management and Budget

Phone (907) 465-2697  
Date/Time 3/25/13 9:30 AM  
Date 3/25/2013

## FISCAL NOTE ANALYSIS #1

STATE OF ALASKA  
2013 LEGISLATIVE SESSION

BILL NO. HB 195

### Analysis

This bill relates to the compensation, allowances, geographic differentials in pay, and leave of certain public officials, officers, and employees not covered by collective bargaining agreements, and relates to certain petroleum engineers and petroleum geologists employed by the Department of Natural Resources .

To determine the cost impacts of this bill, we first looked at the impact resulting from the Cost of Living adjustment that would take place for the Non-Covered Executive Branch employees for the years FY2014 through FY2016. Beginning in FY2014, salaries are increased by 1.0%; in FY2015 an additional 1.0%; and in FY2016 an additional 2.5%. This salary schedule matches the recently negotiated agreement that was reached between the state and the supervisory and the general government units.

We then looked at the cost of living geographical pay differential. A study of this was conducted for the state by the McDowell Group in late 2008 in accordance with AS 39.27.030. After the study was completed, the state engaged in collective bargaining with the unions representing state employees and reached agreements updating the geographic differential rates provided in collective bargaining agreements in order to bring them in line with current cost-of-living data obtained through the study. This bill seeks to amend AS 39.27.020 to provide geographic pay differentials for "non-covered" state employees in the classified and partially exempt services and legislative branch employees (excluding employees of the House and Senate) consistent with the rates negotiated for state employees in the majority of collective bargaining agreements.

Many of the geographic pay differential rates found in AS 39.27.020 are inaccurate and no longer reflect the true cost-of-living in many communities throughout the state. Amending the statute brings "non-covered" employees in line with the geographic pay differential rates of employees covered by collective bargaining agreements. In addition, the election districts listed in the current statute are no longer the best practice in terms of implementing geographic pay differential rates in that significant variation in the cost of living exists within election districts.

This bill also provides that any state employee who would otherwise have their geographic pay differential reduced based on the new geographic pay differentials established under AS 39.27.020 will instead have their current pay rate frozen for so long as the employee remains at the employee's current duty station or until salary increases or changes in the employee's position result in a higher salary than that received under the former geographic pay rate. This provision does not apply to employees who are demoted for cause or who accept a voluntary demotion. However, an employee who is demoted for cause or accepts a voluntary demotion will continue to receive the pay differential solely as a result of the location of the employee's duty station as of June 30, 2013 providing it remains unchanged.

The amounts provided are based on FY2014 salaries and includes the 1% COLA increase recently introduced. Note: Although employees in the exempt service are not subject to AS 39.27.011, and therefore AS 39.27.020, it is the pay plan from which many exempt employees are paid. This fiscal note includes the cost of implementation for the exempt service.

Section 5 removes language from AS 39.25.110(14) that makes an exception to exempt petroleum geologists employed by the Division of Geological and Geophysical Surveys (DGGs). The bill would permit DGGs to hire the Energy Resources section chief (Geologist V) at the same pay scale as its DNR counterparts, thus improving the ability to recruit for and retain an experienced senior geologist to perform critical resource evaluation work for the state at the required technical level.

FISCAL NOTE ANALYSIS #1

STATE OF ALASKA  
2013 LEGISLATIVE SESSION

BILL NO. HB 195

**Analysis Continued**

The State has attempted to recruit for this position but has been unable to attract and retain candidates with petroleum industry experience at current pay scales in this non-exempt classification.

The amounts shown in FY2015 and FY2016 include the incremental increases of the COLA.

For FY2014 the amounts include the COLA and the geographical cost differential. The amount breaks down as follows:

Cost of Living Adjustment:	\$2,333.3
Geographical Differential:	\$5,797.4
<u>Dept. of Natural Resources (Petroleum Engineers/Geologists):</u>	<u>\$41.2</u>
<b>Total:</b>	<b>\$8,171.9</b>

All of the electronic transactions have been transmitted to the Legislative Finance Division. A report showing amounts per department for FY2014 is attached.

**Operating Budget - UGF/DGF/Other/Fed Summary by Department**

LL 0101-OOG-OMB-3-25-2013

Scenario: FY2014 PS 0101-OOG-OMB (10636)

Department	UGF	DGF	Other	Federal	Total	PFT	PPT	NP Positions	Total
Department of Administration	1,425.2	40.1	134.0	1.2	1,600.5	0	0	0	0
Department of Commerce, Community, and Economic Development	99.1	162.6	124.1	0.7	386.5	0	0	0	0
Department of Corrections	55.9	0.0	0.0	0.0	55.9	0	0	0	0
Department of Education and Early Development	101.9	0.0	389.8	51.1	542.8	0	0	0	0
Department of Environmental Conservation	25.5	15.9	1.1	14.7	57.2	0	0	0	0
Department of Fish and Game	66.5	190.4	34.4	8.8	300.1	0	0	0	0
Office of the Governor	682.0	0.0	6.7	0.8	689.5	0	0	0	0
Department of Health and Social Services	132.3	5.2	72.5	50.6	260.6	0	0	0	0
Department of Labor and Workforce Development	46.7	18.3	26.5	35.0	126.5	0	0	0	0
Department of Law	1,442.3	9.0	358.6	1.1	1,811.0	0	0	0	0
Department of Military and Veterans Affairs	293.3	0.0	70.7	2.1	366.1	0	0	0	0
Department of Natural Resources	133.3	0.9	77.3	0.0	211.5	0	0	0	0
Department of Public Safety	42.3	7.5	2.6	0.0	52.4	0	0	0	0
Department of Revenue	123.3	12.1	785.1	588.1	1,508.6	0	0	0	0
Department of Transportation/Public Facilities	50.8	29.0	122.9	0.0	202.7	0	0	0	0
<b>Total:</b>	<b>4,720.4</b>	<b>491.0</b>	<b>2,206.3</b>	<b>754.2</b>	<b>8,171.9</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

# Fiscal Note

State of Alaska  
2013 Legislative Session

Bill Version: HB 195  
Fiscal Note Number: \_\_\_\_\_  
( ) Publish Date: \_\_\_\_\_

Identifier: HB195-LEG-LEG-04-01-13  
Title: STATE EMPLOYEE COMPENSATION AND BENEFITS  
Sponsor: RLS BY REQUEST OF THE GOVERNOR  
Requester: Governor

Department: Various  
Appropriation: Various  
Allocation: Legislative Branch  
OMB Component Number:

**Expenditures/Revenues**

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2014 Appropriation Requested	Included in Governor's FY2014 Request	Out-Year Cost Estimates					
			FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
<b>OPERATING EXPENDITURES</b>								
Personal Services	1,281.2		410.4	1,039.3				
Travel								
Services								
Commodities								
Capital Outlay								
Grants & Benefits								
Miscellaneous								
<b>Total Operating</b>	<b>1,281.2</b>	<b>0.0</b>	<b>410.4</b>	<b>1,039.3</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

**Fund Source (Operating Only)**

1004 Gen Fund	1,281.2		410.4	1,039.3				
<b>Total</b>	<b>1,281.2</b>	<b>0.0</b>	<b>410.4</b>	<b>1,039.3</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

**Positions**

Full-time								
Part-time								
Temporary								

<b>Change in Revenues</b>								
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Estimated SUPPLEMENTAL (FY2013) cost: 0.0

Estimated CAPITAL (FY2014) cost: 0.0

**ASSOCIATED REGULATIONS**

Does the bill direct, or will the bill result in, regulation changes adopted by your agency?  
If yes, by what date are the regulations to be adopted, amended or repealed?

**Why this fiscal note differs from previous version:**

Initial Version
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Prepared By:	<u>Skiff Lobaugh, Human Resources Manager</u>	Phone:	<u>(907)465-6629</u>
Division	<u>Legislative Affairs Agency</u>	Date:	<u>04/03/2013 04:00 PM</u>
Approved By:	<u>Pamela Varni, Executive Director</u>	Date:	<u>04/03/13</u>
	<u>Legislative Affairs Agency</u>		

## FISCAL NOTE ANALYSIS

STATE OF ALASKA  
2013 LEGISLATIVE SESSION

BILL NO. HB 195

### Analysis

HB 195 amends AS39.27 in two ways that will have fiscal impact for the Legislative Branch. The first being that the salary schedule in 39.27.011(a) is changed as follows: 1% increases in FY14 and FY15, and a 2.5% increase in FY16. The second is to the geographical differential set out in AS 39.27.020 (a). The geographical differential change will only affect FY14 and will then become part of the normal budgetary process in subsequent years. The overall impact for FY14 will be higher since it will include both the cost of living adjustment and the geographical adjustment as follows:

COLA FY14 = 405.3, Geo Dif FY14 = 875.9, Total for FY14 = 1,281.2

Each following fiscal year will only show the increase for COLA.

These increases do not apply to Legislators, as their salary is recommended by the State Officers Compensation Commission.

# Fiscal Note

State of Alaska  
2013 Legislative Session

Bill Version: HB 195  
Fiscal Note Number: \_\_\_\_\_  
( ) Publish Date: \_\_\_\_\_

Identifier: HB195-ACS-000-04-02-13  
Title: STATE EMPLOYEE COMPENSATION AND BENEFITS  
Sponsor: RLS BY REQUEST OF THE GOVERNOR  
Requester: Alaska Court System

Department: Various  
Appropriation: Various  
Allocation: Court System  
OMB Component Number:

**Expenditures/Revenues**

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2014 Appropriation Requested	Included in Governor's FY2014 Request	Out-Year Cost Estimates					
			FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
<b>OPERATING EXPENDITURES</b>								
Personal Services	741.9		749.1	1,890.9				
Travel								
Services								
Commodities								
Capital Outlay								
Grants & Benefits								
Miscellaneous								
<b>Total Operating</b>	<b>741.9</b>	<b>0.0</b>	<b>749.1</b>	<b>1,890.9</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

**Fund Source (Operating Only)**

1004 Gen Fund	741.9		749.1	1,890.9				
<b>Total</b>	<b>741.9</b>	<b>0.0</b>	<b>749.1</b>	<b>1,890.9</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

**Positions**

Full-time								
Part-time								
Temporary								

<b>Change in Revenues</b>								
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Estimated SUPPLEMENTAL (FY2013) cost: 0.0

Estimated CAPITAL (FY2014) cost: 0.0

**ASSOCIATED REGULATIONS**

Does the bill direct, or will the bill result in, regulation changes adopted by your agency?  
If yes, by what date are the regulations to be adopted, amended or repealed?

**Why this fiscal note differs from previous version:**

Initial version.

Prepared By: Doug Wooliver for Christine Johnson  
Division: Alaska Court System  
Approved By: Doug Wooliver for Christine Johnson  
Alaska Court System

Phone: (907)463-4750  
Date: 04/02/2013 11:30 AM  
Date: 04/02/13

FISCAL NOTE ANALYSIS

STATE OF ALASKA  
2013 LEGISLATIVE SESSION

BILL NO. HB 195 \_\_\_\_\_

Analysis

This bill relates to the compensation, allowances, geographic differentials in pay and leave of certain public officials, officers, and employees not covered by collective bargaining agreements. The salary increases apply to all employees and judges in the judicial branch. The fiscal note reflects the cost for a salary increase of 1% beginning in FY14; 1% for FY15; and 2.5% for FY16. This schedule of increases is comparable to increases negotiated for the supervisory and general government units.

Following is a breakdown of the fiscal impacts by RDU:

Budget Unit	FY14	FY15	FY16
Appellate Courts	57.3	57.9	146.1
Trial Courts	589.8	595.5	1,503.0
Administration	79.9	80.6	203.7
Therapeutic Courts	5.4	5.5	13.8
Subtotal Alaska Court System	732.4	739.5	1,866.6
Judicial Council	7.0	7.1	17.9
Judicial Conduct	2.5	2.5	6.4
Total Judicial Branch	741.9	749.1	1,890.9

Sectional Analysis

**HB 195 - STATE EMPLOYEE COMPENSATION AND BENEFITS**

An Act relating to the compensation, allowances, geographic differentials in pay, and leave of certain public officials, officers, and employees not covered by collective bargaining agreements; relating to certain petroleum engineers and petroleum geologists employed by the Department of Natural Resources; relating to increased pay for certain partially exempt employees of the state in specific circumstances; making conforming amendments; and providing for an effective date.

Section 1 amends AS 39.20.200(a) providing that the specified leave accrual rates apply to officers and employees of the state employed before July 1, 2013.

Section 2 amends AS 39.20.200 adding a new subsection which provides reduced leave accrual rates for employees hired on or after July 1, 2013.

Section 3 amends AS 39.20.225(c) increasing the mandatory leave usage in a 12-month period from 5 to 10 days.

Section 4 adds a new subsection to AS 39.20.225 placing a maximum accumulation limit of 1,000 hours of personal leave at the conclusion of each 12-month period. The personnel board may adopt regulations to allow for an exemption to this subsection if the department or agency head certifies in writing that the officer or employee was denied the opportunity to use personal leave and required to accumulate more than the 1,000 hour maximum. An exemption to the maximum accumulation limit is provided for officers and employees who, as of December 16, 2013, have a personal leave balance that exceeds 400 hours. Officers and employees who are exempt from the maximum accumulation limit are required to use at least 15 days of personal leave in each 12-month period.

Sections 1 through 4 apply to noncovered executive branch employees and employees of the legislative and judicial branches.

Section 5 amends AS 39.25.110(14). Currently AS 39.25.110(14) places petroleum engineers and petroleum geologists employed in the Department of Natural Resources (DNR) and by the Alaska Oil and Gas Conservation Commission, except for those employed in the Division of Geological and Geophysical Surveys in the Department of Natural Resources in the exempt service. This section removes the exclusion of the Division of Geological and Geophysical Surveys and places all petroleum engineers and petroleum geologists employed in the DNR in the exempt service.

Section 6 repeals and reenacts AS 39.27.011(a) revising the salary schedule to provide for a 1% increase effective July 1, 2013.

Section 7 amends AS 39.27.011(e) providing for a 1% increase to the amounts set out in AS 39.27.011(a) effective July 1, 2014.

Section 8 amends AS 39.27.011(f) providing for a 2.5% increase to the amounts set out in AS 39.27.011(a), as increased by AS 39.27.011(e), effective July 1, 2015.

Sections 6 through 8 apply to noncovered classified and partially exempt employees of the executive branch, employees of the legislature (see AS 24.10.200 and AS 24.100.210), and as a result of section 17, to the judicial branch. Although exempt employees of the executive branch are not subject to AS 39.27.011, it is the pay plan from which many are paid.

Section 9 amends AS 39.27.011(h) reducing the percentage rate between pay increments from 3.75% to 3.25%. Section 9 applies to noncovered classified and partially exempt employees and also applies to many exempt employees of the executive branch through policy. This section applies to the legislative branch only if a policy has been or is adopted (AS 39.27.011(j)).

Section 10 amends AS 39.27.011 by adding a new subsection providing authority to the governor or the governor's designee, on a case-by-case basis, to authorize a higher step than F to a partially exempt employee based upon a written determination that the action serves a critical governmental interest of the state, the employee possesses exceptional qualifications, recruitment difficulties exist, or the action is necessary due to competitive salaries in the relevant labor market.

Section 11 repeals and reenacts AS 39.27.020. Currently statute provides for pay step differentials that are assigned by election district. The proposed legislation assigns geographic differential rates by Geographic Differential Pool (GDP) as recommended in the 2008 study conducted by the McDowell Group. The proposed rates are consistent with those implemented through collective bargaining agreements and change the application from pay steps above the basic salary schedule to a percentage above base.

Section 11 also provides the commissioner of the Department of Administration with the authority to establish rates for locations not included in AS 39.27.020(a), and not in foreign countries, by regulation. The commissioner has the authority, without the adoption of a regulation, to set differentials for positions in foreign countries and to adjust them annually to maintain equitable relationships between salaries for positions in foreign countries and salaries for positions in the state.

Section 12 repeals and reenacts AS 39.27.030 removing reference to election districts and replacing "Seattle, Washington" with "other duty stations outside of the state."

Sections 11 and 12 apply to noncovered classified and partially exempt employees of the executive branch and those exempt employees who are paid from the pay plan (AS 39.27.011). Sections 11 and 12 also apply to the legislative branch with the exception of house and senate employees.

Section 13 amends AS 39.35.675(d) removing reference to "pay step differential" and replacing it with "geographic pay differential" to reflect the change in the application from pay steps above the basic salary schedule to a percentage above base. This section applies to the executive, legislative and judicial branches.

Section 14 amends AS 44.31.020 removing reference to "election districts" and replaces it with "locations."

Section 15 repeals AS 39.20.240 and AS 39.27.045. AS 39.20.240 allowed employees to carry over leave accrued during a 12-month period for use in the succeeding 12-month period. This would be contrary to a maximum accumulation limit (sec. 4). AS 39.27.045 defined "director" in AS 39.27.020 – 030. "Director" is no longer referenced in AS 39.27.020 and "of the division of personnel" is added in AS 39.27.030. Therefore, the definition is no longer necessary.

Sections 16 through 21 amend the uncodified law. Sections 16 and 17 provide that public officers and permanent and temporary employees in the executive branch, other than the governor and lieutenant governor, who are in the exempt service under AS 39.25.110, and permanent and temporary employees and magistrates in the judicial branch, other than justices and judges, are entitled to receive salary adjustments comparable to those received by classified and partially exempt employees of the executive branch under AS 39.27.011 (secs. 6 - 8). Justices and judges are entitled to receive salary adjustments provided for in sections 6 through 8 in accordance with referenced regulations.

Section 18 provides that employees of the University of Alaska who are not members of a collective bargaining unit are entitled to receive salary increases in accordance with the compensation policy of the Board of Regents.

Section 19 specifies that section 10 applies regarding whether a partially exempt employee was hired before, on, or after the effective date of this Act.

Section 20 addresses the salaries of employees that are lowered as a result of the repeal and reenactment of AS 39.27.020. The salary of these employees will continue at the same amount so long as the employee remains in the same job at the same duty station as the employee was employed on the effective date of the Act. Section 20 also provides salary protection for employees who are demoted for cause, voluntarily demote or are reclassified to a lower salary range.

Section 21 authorizes the commissioner of the Department of Administration or the personnel board to immediately adopt regulations necessary to implement changes made by this Act. These regulations are not subject to AS 44.62 (Administrative Procedures Act) and may not take effect before July 1, 2013.

Section 22 provides an effective date of December 16, 2013 for sections 3 and 4.

Section 23 provides an effective date of July 1, 2015 for section 9.

Section 24 provides for an immediate effective date for section 21.

Section 25 provides an effective date of July 1, 2013 for all sections except those addressed in sections 22 through 24.

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Governor Sean Parnell  
STATE OF ALASKA

March 29, 2013

The Honorable Mike Chenault  
Speaker of the House  
Alaska State Legislature  
State Capitol, Room 208  
Juneau, AK 99801-1182

Dear Speaker Chenault,

Under the authority of Article III, Section 18, of the Alaska Constitution, I am transmitting a bill relating to the compensation, allowances, geographic differentials in pay, and leave of certain public officials, officers, and employees not covered by collective bargaining agreements; relating to certain petroleum engineers and petroleum geologists employed by the Department of Natural Resources; relating to increased pay for certain partially exempt employees of the State in specific circumstances; and making conforming amendments.

The bill applies to State employees of the executive, legislative, and judicial branches who are not covered by collective bargaining agreements. The changes in the bill pertaining to wage compensation, leave adjustments, and geographic pay differentials are consistent with the State's parameters for negotiations with the labor unions that represent employees in collective bargaining units. Provisions brought forth in this bill pertain to non-covered public employee salary increases, authorization for higher step pay for partially exempt employees, placement of petroleum engineers and petroleum geologists in the exempt service, and geographic pay differentials for non-covered employees.

The bill would revise the salary schedule and offer cost of living adjustments for State employees who are not covered by collective bargaining agreements. Specifically, the bill would provide for one percent increases in fiscal years 2014 and 2015 and a 2.5 percent increase in fiscal year 2016. Additionally, it would change the percentage rate of employees' biannual pay increments from 3.75 to 3.25 percent.

To address the State's leave liability balances, the computation of personal leave for State employees who are not covered by collective bargaining agreements mirrors the terms agreed upon in the final bargaining agreements. Specifically, officers and employees of the State employed before July 1, 2013 would be entitled to personal leave with pay accruing at 2.00, 2.25, 2.50, and 3.00 days per month depending on length of service. Officers and employees of the State employed on or after July 1, 2013 would be entitled to personal leave with pay accruing at 1.75, 2.00, 2.25, 2.50, and 3.00 days per month depending on length of service.

The Honorable Mike Chenault

March 28, 2013

Page 2

To further reduce the State's leave liability balances, the bill would revise the framework for the use of personal leave for State employees who are not covered by collective bargaining agreements, again mirroring the terms of the final bargaining agreements. Specifically, the bill would change the minimum number of days of personal leave each employee is required to take each year from five to ten. The bill would provide for a maximum of 1,000 hours of personal leave an employee is allowed to accumulate for use in the succeeding year, unless certain exemptions apply. The bill also would provide that an employee must take a minimum of 15 days of personal leave per year if the employee has a leave balance exceeding 400 hours as of December 16, 2013.

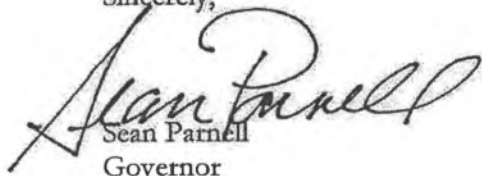
Under current law, all petroleum engineers and petroleum geologists employed by the Department of Natural Resources, except those employed by the Division of Geological and Geophysical Surveys, and all petroleum engineers and petroleum geologists employed by the Alaska Oil and Gas Conservation Commission, are exempt from the State Personnel Act. The bill would exempt the Division's petroleum engineers and petroleum geologists from the provisions of the State Personnel Act because the current law limits the Division's ability to attract and retain research engineers and geologists to accomplish its mission as set out in AS 41.08.020. If the bill is enacted, all petroleum engineers and petroleum geologists employed by the Department of Natural Resources and the Alaska Oil and Gas Conservation Commission would be exempt from the State Personnel Act.

The bill would authorize the Governor, or designee of the Governor, to award a higher pay to a partially exempt employee in the executive branch on a case-by-case basis if certain specified standards are met. The Department of Administration has received reports that certain positions critical to the State are difficult or impossible to fill due to a highly competitive marketplace, such as the oil and gas area. Allowing more competitive salaries for these unique positions will further critical governmental interests of the State.

Finally, the bill would revise the geographic pay differentials provided to State employees who are not covered by collective bargaining agreements and cover employees in the executive and legislative branches. These revisions are consistent with recent updated geographic pay differentials negotiated by the State with its union-represented employees in collective bargaining units and would bring non-covered employees in line with the geographic pay rates of employees covered in collective bargaining units.

I urge your prompt and favorable action on this measure.

Sincerely,



Sean Parnell  
Governor

Enclosure

ALASKA DEPARTMENT OF ADMINISTRATION  
**OVERVIEW OF HB 195 & SB 95**  
"STATE EMPLOYEE COMPENSATION AND BENEFITS"



**More Information:**

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Commissioner Becky Hultberg

Deputy Comm. Curtis Thayer

DOPLR Director Nicki Neal

DOPLR Deputy Dir. Kate Sheehan

DOPLR Deputy Dir. Nancy Sutch

Special Asst. Andy Mills

# WHAT ARE HB 195 AND SB 95 ABOUT?

- Consistency with cost of living, reduction of leave accrual, cap on leave amount and decreases in the pay increment
- Enhance ability to recruit and retain highly-skilled professionals
- Implementation of Geographical Pay Differential for last phase of remaining employees

# OVERVIEW OF THE BILL SECTIONS

- Section 1-4: Leave Accrual and Cap
- Section 5: Petroleum Engineers/Geologists
- Section 6-8: Cost of Living Increases
- Section 9: Pay Increments
- Section 10: Partially-Exempt Salaries
- Section 11-14: Geographic Pay Differentials

# NEW LEAVE ACCRUAL AND CAP

## Sections 1-4

### New - Leave Accrual Rates

Years of Service	Employees Hired Prior to 7/1/2013	Employees Hired on or after 7/1/2013
0 - 2 years of service	15 hours (2 days) per month	13.12 hours (1.75 days) per month
2 - 5 years of service	16.88 (2.25 days) per month	15 hours (2 days) per month
5 – 10 years of service	18.76 (2.5 days) per month	16.88 (2.25 days) per month
10 - 15 years of service	-	18.76 (2.5 days) per month
10+ years of service	22.5 (3 days) per month	-
15+ years of service	-	22.5 (3 days) per month

### NEW - Mandatory Leave Usage

Current Requirement	Balance of 400 Hours or Less as of 12/16/2013	Balance Over 400 Hours as of 12/16/2013
37.5 hours (5 days) per year	75 hours (10 days) per year	112.5 hours (15 days) per year

### NEW - Maximum Accrual Limit

	Current Limit	Limit as of 12/16/2013
Executive, Judicial and Legislative Branch Employees	None	1,000 hours

Employees with a balance that exceeds 400 hours as of 12/16/2013 are exempt from the maximum accrual limit until such time as his/her balance equals 400 hours or less.

# PETROLEUM ENGINEERS/GEOLOGISTS

## Section 5

- Removes exclusion of positions in Division of Geological & Geophysical Surveys (DGGS)
- Only 1 position – DGGS, Energy Section Manager (currently SU Geologist V) – vacant since March 17, 2012
  - Position requires complete understanding of petroleum systems analysis and exploration that is obtained primarily through industry experience
  - Industry salaries are approximately 50% higher than current authorized salary (data from Assoc of Petroleum Geologists 2011 Survey)
  - Two national searches failed – No qualified applicants after 45 days of recruitment and advertising in national trade publications
- Amendment applicable to DNR, DGGS only

# COST OF LIVING INCREASES

## Sections 6-8

- Effective 7/1/13 – 1%
- Effective 7/1/14 – 1%
- Effective 7/1/15 – 2.5%
- Consistent with terms of recently negotiated collective bargaining agreements
- Applies to noncovered classified and partially exempt (PX) and many exempt employees of the executive branch, employees of the legislature (AS 24.10.011 and AS 24.10.210), and the judicial branch

# PAY INCREMENTS

## Section 9

- Effective 7/1/15 the percentage between pay increments (J & above) will decrease from 3.75% to 3.25%
- Consistent with terms of recently negotiated collective bargaining agreements
- Applies to noncovered classified and PX employees – also applies to many exempt employees through policy.
- Applies to legislative branch if a policy has been adopted (AS 39.27.011(j))

# PARTIALLY-EXEMPT SALARIES

## Section 10

- Partially Exempt (PX) positions are subject to classification and pay plans which limits flexibility
- State often not competitive for top talent – need some flexibility for mission critical positions
- Governor or designee on case-by-case basis:
  - serves critical governmental interest of state
  - employee possesses exceptional qualifications
  - recruitment difficulties exist; or
  - necessary to compete with labor market
- Applies to executive branch Partially Exempt (PX) employees only

# GEOGRAPHICAL PAY DIFFERENTIALS

## Sections 11-14

**HISTORY:** Survey conducted by McDowell Group in Fall, 2008 – report completed in 2009

Communities	% above Base
Anchorage, Delta Junction/Tok Region, Glennallen Region, Kenai Peninsula Region, Ketchikan, Mat-su, Parks/Elliott/Steese Highway, SE Mid-Size Communities, SE Small Communities	0
Fairbanks	3
Juneau, Sitka	5
Cordova, Kodiak, Valdez	11
Dillingham, Nome, Roadless Interior	37
Barrow, Bethel, Aleutians (other than Unalaska/Dutch Harbor), SW Small Communities	50
Kotzebue, Unalaska/Dutch Harbor	60

### Executive Branch:

483 Increase  
122 No loss in pay (frozen)  
727 No change

### Legislative Branch:

145 Increase  
24 No loss in pay (frozen)  
204 No change



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