

SB

125

<TARGET><BILL>SB 125</BILL><SUBJECT>SB
125</SUBJECT><COMM>HFIN28</COMM></TARGET>

Fiscal Note

State of Alaska
2014 Legislative Session

Bill Version: SB 125
Fiscal Note Number: 1
(S) Publish Date: 1/31/14

Identifier: SB125-DOA-DOP-01-24-14
Title: REJECT RECOMMENDATION OF COMP.
COMMISSION
Sponsor: FINANCE
Requester: Senate Finance

Department: Department of Administration
Appropriation: Centralized Administrative Services
Allocation: Personnel
OMB Component Number: 56

Expenditures/Revenues

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

	FY2015 Appropriation Requested	Included in Governor's FY2015 Request	Out-Year Cost Estimates					
			FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	
OPERATING EXPENDITURES								
Personal Services								
Travel								
Services								
Commodities								
Capital Outlay								
Grants & Benefits								
Miscellaneous								
Total Operating	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Fund Source (Operating Only)

None								
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Positions

Full-time								
Part-time								
Temporary								

Change in Revenues								
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Estimated SUPPLEMENTAL (FY2014) cost: 0.0

Estimated CAPITAL (FY2015) cost: 0.0

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? No
If yes, by what date are the regulations to be adopted, amended or repealed?

Why this fiscal note differs from previous version:

Not applicable, initial version

Prepared By: <u>Nicki Neal, Director</u>	Phone: <u>(907)465-4429</u>
Division: <u>Personnel and Labor Relations</u>	Date: <u>01/24/2014 05:15 PM</u>
Approved By: <u>Curtis Thayer, Commissioner</u>	Date: <u>01/24/14</u>
Agency: <u>Department of Administration</u>	

FISCAL NOTE ANALYSIS #1

STATE OF ALASKA
2014 LEGISLATIVE SESSION

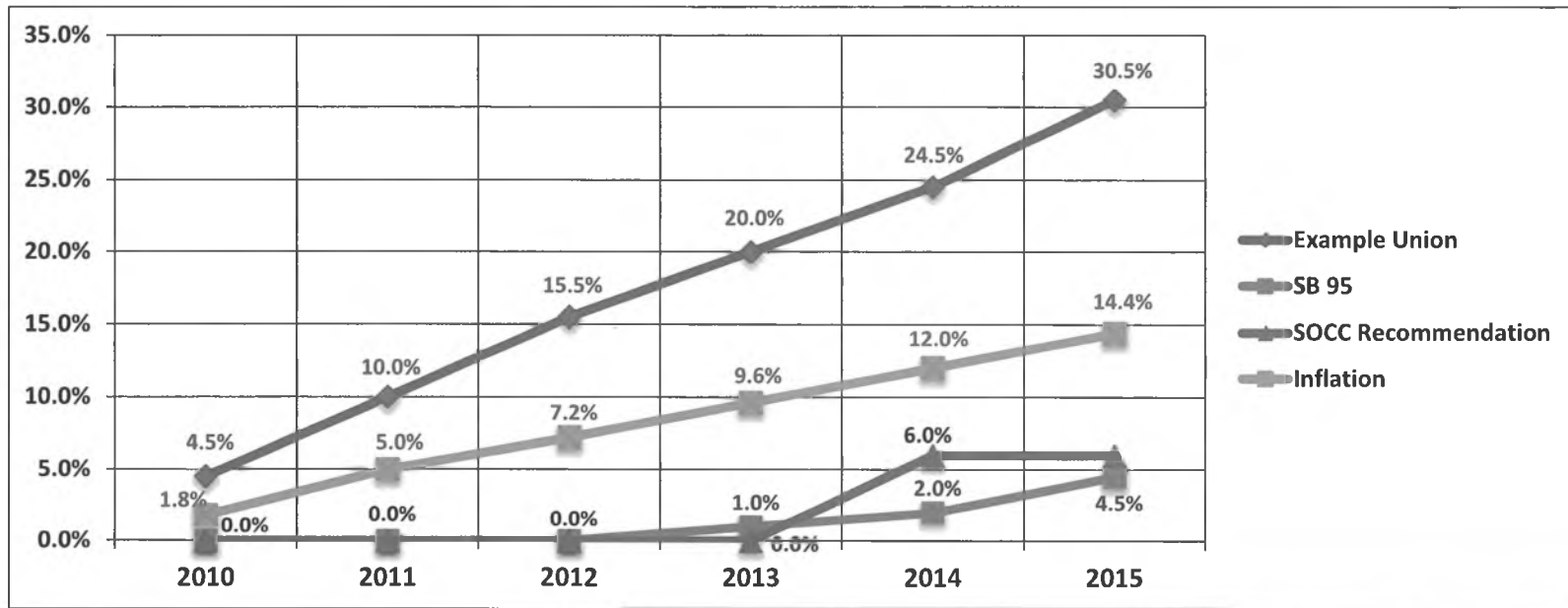
BILL NO. SB 125

Analysis

This legislation disapproves the recommendations of the State Officers Compensation Commission relating to the salaries of the governor, lieutenant governor and principal executive department heads.

Therefore, the Division of Personnel submits a zero fiscal note.

Salary Increase Comparators - Commissioners



Year	Example Union Employee (COLA and Merit Increases)*	Statutory Increases Applied	SOCC Recommendations	Salary Based on SOCC Recommendations	Salary if SOCC Recommendations Disapproved	CPI Increases
2010	4.5%	0.0%	0.0%	\$135,000.00	\$135,000.00	1.8%
2011	5.5%	0.0%	0.0%	\$135,000.00	\$135,000.00	3.2%
2012	5.5%	0.0%	0.0%	\$135,000.00	\$135,000.00	2.2%
2013	4.5%	1.0%	0.0%	\$136,350.00	\$136,350.00	2.4%***
2014	4.5%	1.0%	6.0%	\$146,142.67	\$137,713.50	2.4%***
2015	6.0%	2.5%	0.0%	\$149,796.24**	\$141,156.34**	2.4%***
Total	30.5%	4.5%	6%			14.4%

Effective July 1, 2009 the salary of commissioner was established at \$135,000 based on the SOCC's recommendation.

With the 1% COLA granted through SB 95 the current salary of commissioner is \$136,350.

* Assumed new hire

** 2.5% COLA granted through SB 95

*** Estimate based on average of previous 3 years

ALASKA STATE LEGISLATURE
SENATE FINANCE COMMITTEE

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SPONSOR STATEMENT

SB 125: Reject Recommendation of Compensation Commission

The Alaska State Officers Compensation Commission's, "*Preliminary Findings and Recommendations*" proposed pay increases to the Governor, Lt. Governor and salary department heads.

According to AS 39.23.540(d), once a final report with recommendations from the State Officers Compensation Commission has been received, the legislature has 60 days to reject or accept their recommendations. Unless a bill disapproving the recommendations is enacted, these recommended increases become effective on the first day of the following fiscal year.

SB 125 would reject the State Officers Compensation Commission's recommendations as outlined in their preliminary report.



Alaska State Officers Compensation Commission

Findings and Recommendations

January 27, 2014

Commission Members:

Rick Halford, Chair

Gordon S. Harrison

Thomas J. McGrath

Kathy Hosford

Alaska State Officers Compensation Commission

Findings and Recommendations

January 27, 2014

Introduction

The Alaska State Officers Compensation Commission is directed by law to “review the salaries, benefits, and allowances of members of the legislature, the governor, the lieutenant governor, and each principal executive department head and prepare a report on its findings at least once every two years, but not more frequently than every year.” [AS 39.23.540(a)] The commission is to prepare preliminary recommendations by November 15, and, after soliciting public comment, submit final recommendations to the governor and legislature by the tenth day of the next legislative session.

On January 10, 2009, the commission recommended salary adjustments for legislators and department heads and on January 26, 2011, the commission recommended salary adjustments for the governor and lieutenant governor. These salary increases were not rejected by the legislature, and they became law according to AS 39.23.540(d).

On October 15, 2013 and November 6, 2013 the commission met in Anchorage to consider recommendations for 2014. With regard to legislative salaries, the commission decided not to make any recommendations. With regard to executive salaries, the commission adopted preliminary findings and recommendations at their November 6, 2013 meeting. A report was issued on November 14, 2013. The commission held a public hearing on December 4, 2013. At the close of the public hearing the commission convened a meeting and adopted the following final findings and recommendations.

Recommendations

- The governor’s salary shall be \$150,872.79 per annum effective July 1, 2014 with an additional increase of 2.5% effective July 1, 2015.
- The lieutenant governor’s salary shall be \$119,657.73 per annum effective July 1, 2014 with an additional increase of 2.5% effective July 1, 2015.
- The salary of department heads shall be \$146,142.67 per annum which includes the 1% increase granted under secs. 11 and 20, ch. 47, SLA 2013 effective July 1, 2014.
- Department heads shall receive geographic pay differentials commensurate with other state employees in accordance with AS 39.27.020.
- The salary of a deputy commissioner who accepts the office of department head with the same department with no break in service, if paid a salary higher than the salary authorized for the department head, shall retain his or her current salary with subsequent statutory increases, while holding the position of department head.

Discussion

The commission finds that a pay increase is warranted for the offices of governor and lieutenant governor. Currently the salaries for these positions are \$145,000 and \$115,000 respectively. Since the salary of these positions were last adjusted, the statutory salary schedule (AS 39.27.011) has increased by 3% and will increase by another 1% effective July 1, 2014 and 2.5% effective July 1, 2015. The table below illustrates the application of the statutory increases to the governor's and lieutenant governor's current salary and represents the methodology used to arrive at the salary the commission determined appropriate.

Application of AS 39.27 Salary Increases			
Fiscal Year	Governor	Lt. Governor	AS 39.27 Salary Increases
2011	\$145,000.00	\$115,000.00	
2012	\$147,900.00	\$117,300.00	2.0%
2013	\$149,379.00	\$118,473.00	1.0%
2014	\$150,872.79	\$119,657.73	1.0%
2015	\$154,644.61	\$122,649.17	2.5%

The commission also finds that a pay increase is warranted for principal executive department heads. Currently the salary of department heads is \$136,350.00. The commission increased the salary of department heads to \$135,000 effective July 1, 2009 and through legislation, the salary of this office was increased by 1% effective July 1, 2013, and is scheduled to increase by another 1% on July 1, 2014 and 2.5% on July 1, 2015. The commission's recommended salary for department heads includes the 1% increase effective July 1, 2014. As above, the table below illustrates the application of the statutory increases to the salary of department heads since the commission's last recommended adjustment and represents the methodology used to arrive at the salary the commission determined appropriate.

Application of AS 39.27 Salary Increases		
Fiscal Year	Department Heads	AS 39.27 Salary Increases
2009	\$135,000.00	
2010	\$137,700.00	2.0%

2011	\$140,454.00	2.0%
2012	\$143,263.08	2.0%
2013	\$144,695.71	1.0%
2014	\$146,142.67	1.0%
2015	\$149,796.24	2.5%

Under the commission's recommendations, commissioners will receive geographic differential commensurate with the majority of state employees and in accordance with AS 39.27.020. At this time, this represents a 5% differential for the four commissioners located in Juneau.

Today 13 of 23 deputy commissioners are receiving salaries higher than the department head and the salary of seven of these deputy commissioners exceeds the commission's proposed salary for department heads. To ensure salary does not deter a deputy commissioner from accepting the office of department head, the commission is recommending that the salary of a deputy commissioner who assumes the office of department head with the same department, with no break in service, retain his or her current salary while holding the position if his or her current salary exceeds the authorized salary for the department head. Subsequent statutory increases authorized for department heads will be granted.

The recommended increases are consistent with increases received by the majority of state employees, including those covered by collective bargaining agreements, for the applicable time period.

Fiscal Impact

The Office of Management and Budget calculates the additional cost of the commission's recommendations for salary increases for the governor, lieutenant governor and principal executive department heads to be \$227,515 for fiscal year 2015 and \$8,675 for fiscal year 2016.

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Alaska Senate rejects pay raises for top officials

By BECKY BOHRER

Associated Press February 10, 2014

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Sen. Kevin Meyer, R-Anchorage, speaks on the floor of the Alaska Senate on Monday, Feb. 10, 2014, in Juneau, Alaska. Meyer spoke in favor of a bill rejecting pay raises for top state officials, saying this is not the budget environment for raises. Also shown, seated, are Sens. Dennis Egan, D-Juneau, left, and Bert Stedman, R-Sitka, right.

BECKY BOHRER — AP Photo

JUNEAU, Alaska — The Alaska Senate passed legislation Monday rejecting pay raises for top state officials, with a Democrat saying the increases were not deserved.

"In the real world, you get paid for your performance," said Sen. Bill Wielechowski, D-Anchorage. "We had a \$17 billion surplus. The policies of this administration have left us with a \$2 billion deficit this year and \$2 (billion) to \$3 billion deficits into the foreseeable future."

The salaries were rejected on a vote of 19-0. The bill still must go to the House for consideration.

The increases would take effect July 1, unless a bill disapproving all the recommendations is enacted within 60 days after the recommendations are submitted, the director of the state Division of Personnel and Labor Relations has said. The final report was submitted late last month.

The State Officers Compensation Commission, created to review salaries, benefits and allowances for top office holders and legislators, proposed raising the salaries of the governor, lieutenant governor and department heads, mainly referred to as commissioners, to catch up with pay increases for other executive-branch employees.

It called for raising the governor's salary from \$145,000 a year to \$150,873, and the lieutenant governor's salary from \$115,000 to \$119,658. It proposed giving each another 2.5 percent increase beginning July 1, 2015.

The commission also called for raising the salaries of the main department heads from \$136,350 to \$146,143, with an increase of 2.5 percent beginning July 1, 2015.

In December, after the raises were first proposed, Gov. Sean Parnell said he would decline an increase for himself in light of budget issues, but said he believed an increase in pay for commissioners was warranted.

Sen. Kevin Meyer, who carried the bill on the floor, said he believed the recommendations had merit. "It's just that, in these times of tight budgets and deficit spending, we cannot afford these recommendations at this time," the Anchorage Republican said.

The state Revenue Department called lower-than-expected oil prices the "single-most influential contributor" to the lower-than-expected revenues projected in a report last fall. Alaska relies heavily on oil revenues to fund state government.

Other factors cited included lower oil production, residual effects of the former tax system, like closeout of credits, and higher-than-expected deductible lease expenditures. Unrestricted general fund revenues have been forecast at \$4.9 billion this year, down from \$6.9 billion last year. It is forecast at \$4.5 billion for fiscal year 2015.

Wielechowski is a critic of the new oil tax system, major provisions of which took effect Jan. 1. His reference to the surplus is money that had been put into savings.

According to the Legislative Finance Division, there is projected to be about \$15 billion in the constitutional and statutory budget reserve funds at the end of the current fiscal year.

The Parnell administration has said the state will need to be restrained in spending and use savings to help get by while oil prices are lower. Supporters of the new tax law have said they believe it will lead to more production, but critics question that.

Online:

SB125, bill rejecting the raises: <http://bit.ly/1jrkLjE>

Recommendations of State Officers Compensation Commission: <http://doa.alaska.gov/dop/soccl/>

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