

**SB**

**125**

<TARGET><BILL>SB 125</BILL><SUBJECT>SB  
125</SUBJECT><COMM>SFIN28</COMM></TARGET>

## SENATE FINANCE COMMITTEE REPORT First Committee of Referral

DATE: 1/22/14

FURTHER:

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

DATE TURNED  
IN TO OFFICE: \_\_\_\_\_

**Finance Committee** considered SENATE BILL NO. 125

### SB 125-REJECT RECOMMENDATION OF COMP. COMMISSION

"An Act disapproving all recommendations of the State Officers Compensation Commission relating to the salaries of state officers; and providing for an effective date."

and recommends:

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

Dept Abbr.	
ADM	LWF
CED	LAW
COR	LEG
CRT	MVA
EED	DNR
DEC	DPS
DFG	REV
GOV	DOT
DHS	UA

NEW FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #
ADM			X	

PREVIOUS FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #

**APPROPRIATION - no fiscal note**

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
	Hoffman			✓	
Anna Fairclough	FAIRCLOUGH				✓
Click Bishop Chris Bishop	Bishop	✓			
	DUNLEAVY				✓
	OLSON	✓			
CO-CHAIR:	Kelly	✓			
CO-CHAIR:	Meyer	✓			

# Fiscal Note

State of Alaska  
2014 Legislative Session

Bill Version: SB 125  
Fiscal Note Number: \_\_\_\_\_  
( ) Publish Date: \_\_\_\_\_

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	
<b>OPERATING EXPENDITURES</b>								
Personal Services								
Travel								
Services								
Commodities								
Capital Outlay								
Grants & Benefits								
Miscellaneous								
<b>Total Operating</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

**Fund Source (Operating Only)**

None								
<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

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

**FISCAL NOTE ANALYSIS**

**STATE OF ALASKA  
2014 LEGISLATIVE SESSION**

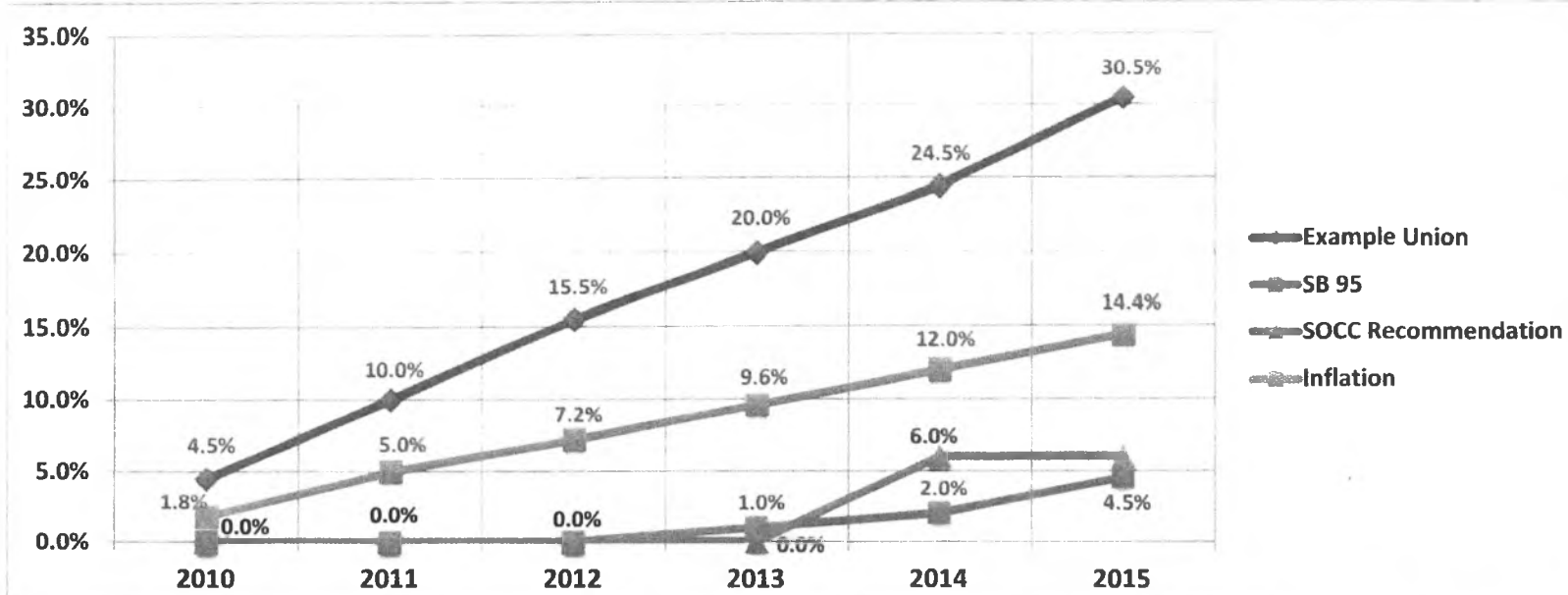
**BILL NO. SB 125** \_\_\_\_\_

**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%***
<b>Total</b>	<b>30.5%</b>	<b>4.5%</b>	<b>6%</b>			<b>14.4%</b>

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 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.

ALASKA STATE LEGISLATURE  
SENATE FINANCE COMMITTEE

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Sen.Kevin.Meyer@akleg.gov



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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**

**Preliminary Findings  
and  
Recommendations**

**November 6, 2013**

Commission Members:

Rick Halford, Chair  
Gordon S. Harrison  
Thomas J. McGrath  
Richard Knapp

## Alaska State Officers Compensation Commission

### **Preliminary Findings and Recommendations**

November 6, 2013

#### 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 decided to make recommendations that are described below. The commission will solicit public comment on these findings and recommendations before making a final submission to the governor and legislature by the tenth day of the legislative session beginning in January 2014.

#### Preliminary Findings and Recommendations

The commission proposes to increase the governor’s salary to \$150,872.79 per annum and the lieutenant governor’s salary to \$119,657.73. Also, the commission proposes to increase these salaries by 2.5% effective July 1, 2015.

The commission proposes to increase the salary of department heads to \$146,142.67 per annum which includes the 1% increase granted under secs. 11 and 20, ch. 47, SLA 2013 effective July 1, 2014. The commission also proposes to award geographic differential commensurate with other state employees in accordance with AS 39.27.020. Lastly, the commission proposes that the salary of a deputy commissioner who accepts the office of department head with the same department with no break in service and is 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 is proposing.

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

This report is available on the commission's website [www.doa.alaska.gov/dop/socc](http://www.doa.alaska.gov/dop/socc). Comments may be sent to the commission by email from this website. A Public Hearing is scheduled for December 4, 2013 at 11:00 a.m. in the East Hearing Room of the Regulatory Commission of Alaska, 701 W. 8<sup>th</sup> Ave., Suite 300, Anchorage, Alaska. The commission welcomes public input on these preliminary findings and recommendations.