

HB

176

<TARGET><BILL>HB 176</BILL><SUBJECT>HB
176</SUBJECT><COMM>SFIN29</COMM></TARGET>

SENATE FINANCE COMMITTEE REPORT

DATE: 4/17/15

FURTHER:

DATE TURNED
IN TO OFFICE: _____

Finance Committee considered CS FOR HOUSE BILL NO. 176(FIN)

HB 176-REPEAL ST EMPL WAGE RAISE;LEGIS EMPL BENE

"An Act repealing state employee salary schedule increases; and providing for an effective date."

and recommends:

be replaced with SCS _____ (_____) Same Title Technical Title Change
 New Title/SCR No. _____

adopt previous SCS _____ (_____) Same Title Technical Title Change
 New Title/SCR No. _____

attached amendment(s)

adopt _____ Letter of Intent

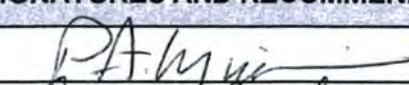
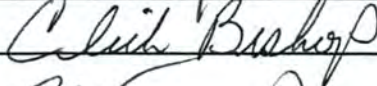
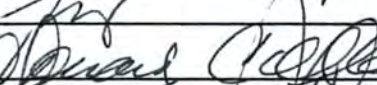

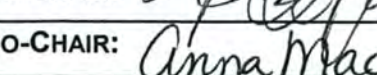

further referral to _____ Committee

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

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

PREVIOUS FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #
AJS	✓			1
GOV	✓			2
LEG	✓			3

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
	MICCHICHE			✓	
	BISHOP			✓	
	DUNLAP	✓			
	ORSON				✓
	Hoffman	✓			
CO-CHAIR: 	Kelly	✓			
CO-CHAIR: Anna Mackinnon	Mackinnon	✓			

Fiscal Note

State of Alaska
2015 Legislative Session

Bill Version:	CSHB 176(FIN)
Fiscal Note Number:	1
(H) Publish Date:	4/13/2015

Identifier: HB176
 Title: REPEAL ST EMPL WAGE RAISE;LEGIS EMPL
 BENE
 Sponsor: FINANCE
 Requester: House Finance Committee

Department: Various (for Fiscal Notes only)
 Appropriation: Various
 Allocation: Court System
 OMB Component Number: 0

Expenditures/Revenues

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

	FY2016 Appropriation Requested	Included in Governor's FY2016 Request	Out-Year Cost Estimates					
			FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
OPERATING EXPENDITURES								
Personal Services	(2,212.0)	2,212.0						
Travel								
Services	(85.3)	85.3						
Commodities								
Capital Outlay								
Grants & Benefits								
Miscellaneous								
Total Operating	(2,297.3)	2,297.3	0.0	0.0	0.0	0.0	0.0	0.0

Fund Source (Operating Only)

1004 Gen Fund	(2,189.3)	2,189.3						
1037 GF/MH	(108.0)	108.0						
Total	(2,297.3)	2,297.3	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 (FY2015) cost: 0.0 (separate supplemental appropriation required)
 (discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY2016) cost: 0.0 (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? No
 If yes, by what date are the regulations to be adopted, amended or repealed?

Why this fiscal note differs from previous version:

This version adds the funding information included in the FY16 Gov Request.

Prepared By: Doug Wooliver, Deputy Administrative Director
 Division: Alaska Court System
 Approved By: Judiciary
 Agency: Judiciary

Phone: (907)463-4750
 Date: 04/06/2015 05:00 PM
 Date: 04/06/15

REPORTED OUT OF
HFC 04/13/2015
 Control Code: zeYKH

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2015 LEGISLATIVE SESSION

Analysis

The 2.5% FY16 COLA reduction is included in the Senate version of HB72 for both covered and non-covered employees. This fiscal note needs to be modified if the Senate version of the operating bill (HB 72) is adopted. The conference committee on the operating budget will adjust the fiscal note as needed.

Division/Appropriation:

Trial Courts	(1,752.7)
Appellate Courts	(170.5)
Administration	<u>(242.4)</u>
Alaska Court System	(2,165.6)
Therapeutic Courts (GF/MH)	<u>(108.0)</u>
Total Alaska Court System	<u>(2,273.6)</u>
Alaska Judicial Council	(15.9)
Alaska Judicial Conduct	<u>(7.8)</u>
Total Judiciary	<u>(2,297.3)</u>

Fiscal Note

State of Alaska
2015 Legislative Session

Bill Version:	CSHB 176(FIN)
Fiscal Note Number:	2
(H) Publish Date:	4/13/2015

Identifier: HB176-OOG-OMB-4-6-15
 Title: REPEAL ST EMPL WAGE RAISE;LEGIS EMPL
 BENE
 Sponsor: FINANCE
 Requester: House Finance

Department: Various (for Fiscal Notes only)
 Appropriation: Various
 Allocation: Executive Branch
 OMB Component Number: 0

Expenditures/Revenues

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

	FY2016 Appropriation Requested	Included in Governor's FY2016 Request	Out-Year Cost Estimates				
			FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
OPERATING EXPENDITURES	FY 2016	FY 2016					
Personal Services	(5,827.5)	5,827.5					
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
Total Operating	(5,827.5)	5,827.5	0.0	0.0	0.0	0.0	0.0

Fund Source (Operating Only)

1002 Fed Rcpts	(441.7)	441.7					
1003 G/F Match	(32.8)	32.8					
1004 Gen Fund	(2,398.5)	2,398.5					
1005 GF/Prgm	(27.0)	27.0					
1037 GF/MH	(70.1)	70.1					
1178 temp code	(2,857.4)	2,857.4					
Total	(5,827.5)	5,827.5	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 (FY2015) cost: 0.0 (separate supplemental appropriation required)
 (discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY2016) cost: 0.0 (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? No
 If yes, by what date are the regulations to be adopted, amended or repealed? N/A

Why this fiscal note differs from previous version:

Not applicable. Initial version.

Prepared By: Arnold Liebelt, Policy Analyst
 Division: Office of Management and Budget
 Approved By: Pat Pitney, Director
 Agency: Office of Management and Budget

Phone: (907)465-4676
 Date: 04/06/2015 01:00 PM
 Date: 04/06/15

**REPORTED OUT OF
HFC 04/13/2015**
Control Code: vTNMW

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2015 LEGISLATIVE SESSION**Analysis**

This bill will do the following:

1. Exempts employees of the Alaska Legislature from receiving a geographic pay differential.
2. Repeals AS 39.27.011(f). This action will repeal the 2.5% Cost of Living Adjustment (COLA) that is scheduled to go into effect July 1, 2015 for classified and partially exempt employees in the executive branch that are not members of a collective bargaining unit.

The fiscal impact shown here only applies to the executive branch. It is based on the amount that is included in the FY 2016 Governor's budget for non-covered employees cost of living adjustment. This impact does not take into consideration the reduction in positions from the House and the Senate in HB 72. Thus the decrement shown here may be overstated based on the reduction of certain positions.

The 2.5% FY16 COLA reduction is included in the Senate version of HB72 for both covered and non-covered employees. This fiscal note needs to be modified if the Senate version of the operating bill (HB 72) is adopted. The conference committee on the operating budget will adjust the fiscal note as needed.

Fund Source 1178 (Temp Code) represents more than 50 other funding sources that together, add up to the \$2,857.4. The list of these funding sources is attached.

Subcategory: Sal - Non-covered**Statewide Fund Code Summary (1571)**

Scenario: FY2016 PS Base Rates & COLA (11889)

Fund Code	Amount
1002 Federal Receipts (Federal)	441.7
1003 General Fund Match (UGF)	32.8
1004 General Fund Receipts (UGF)	2,398.5
1005 General Fund/Program Receipts (DGF)	27.0
1007 Interagency Receipts (Other)	787.3
1017 Benefits Systems Receipts (Other)	6.0
1018 Exxon Valdez Oil Spill Settlement (Other)	13.6
1024 Fish and Game Fund (Other)	1.1
1026 Highways/Equipment Working Capital Fund (Other)	2.0
1027 International Airport Revenue Fund (Other)	14.6
1029 Public Employees Retirement System Fund (Other)	9.4
1031 Second Injury Fund Reserve Account (DGF)	0.7
1032 Fishermen's Fund (DGF)	0.5
1034 Teachers Retirement System Fund (Other)	3.8
1036 Commercial Fishing Loan Fund (DGF)	2.2
1037 General Fund / Mental Health (UGF)	70.1
1040 Real Estate Surety Fund (DGF)	0.3
1045 National Guard & Naval Militia Retirement System (Other)	0.2
1046 Student Revolving Loan Fund (Other)	0.1
1050 Permanent Fund Dividend Fund (DGF)	3.5
1052 Oil/Hazardous Prevention/Response Fund (DGF)	5.0
1054 State Employment & Training Program (DGF)	2.2
1055 Interagency/Oil & Hazardous Waste (Other)	9.0
1061 Capital Improvement Project Receipts (Other)	191.3
1066 Public School Trust Fund (DGF)	0.7
1070 Fisheries Enhancement Revolving Loan Fund (DGF)	0.2
1076 Marine Highway System Fund (DGF)	16.6
1081 Information Services Fund (Other)	6.7
1092 Mental Health Trust Authority Authorized Receipts (Other)	58.7
1093 Clean Air Protection Fund (Other)	0.1
1094 Mental Health Trust Administration (Other)	50.0
1101 Alaska Aerospace Development Corporation Receipts (Other)	32.5
1102 Alaska Industrial Development & Export Authority Receipts (Other)	78.5
1103 Alaska Housing Finance Corporation Receipts (Other)	579.9
1104 Alaska Municipal Bond Bank Receipts (Other)	2.6
1105 Alaska Permanent Fund Corporation Receipts (Other)	188.1
1106 Alaska Student Loan Corporation Receipts (Other)	191.5
1108 Statutory Designated Program Receipts (Other)	129.9
1133 CSSD Administrative Cost Reimbursement (Federal)	10.1
1141 RCA Receipts (DGF)	62.4
1147 Public Building Fund (Other)	1.6
1151 Technical Vocational Education Program Account (DGF)	0.5
1156 Receipt Supported Services (DGF)	35.4
1157 Workers Safety and Compensation Administration Account (DGF)	13.9
1162 Alaska Oil & Gas Conservation Commission Rcpts (DGF)	104.6
1166 Commercial Passenger Vessel Environmental Compliance Fund (DGF)	0.5
1168 Tobacco Use Education and Cessation Fund (DGF)	3.0

Note: This report ignores included scenarios.

State of Alaska

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Office of Management and Budget

3-27-2015 12:43 pm

Subcategory: Sal - Non-covered**Statewide Fund Code Summary (1571)**

Scenario: FY2016 PS Base Rates & COLA (11889)

Fund Code	Amount
1169 PCE Endowment Fund (DGF)	0.8
1172 Building Safety Account (DGF)	1.0
1200 Vehicle Rental Tax Receipts (DGF)	0.7
1201 Commercial Fisheries Entry Commission Receipts (DGF)	82.5
1205 Berth Fees for the Ocean Ranger Program (DGF)	0.4
1220 Crime Victim Compensation Fund (Other)	3.1
1229 AK Gasline Development Corporation In-state Pipeline Fund (Other)	127.8
1230 Alaska Clean Water Administrative Fund (Other)	0.2
1231 Alaska Drinking Water Administrative Fund (Other)	0.2
1232 In-state Pipeline Fund Interagency (Other)	7.4
1235 Alaska Liquefied Natural Gas Project Fund (AGDC-LNG) (Other)	32.5
	5,827.5

Subcategory: Sal - UGF/DGF/Other/Fed Summary by Department Ignoring Included (1137)

Non-covered

Scenario: FY2016 PS Base Rates & COLA (11889)

Department	Unrestricted	Designated	Other	Federal	Total	PFT	PPT	NP	Total Positions
Department of Administration	504.1	108.2	99.4	2.7	714.4	0	0	0	0
Department of Commerce, Community, and Economic Development	24.4	96.5	495.3	1.2	617.4	0	0	0	0
Department of Corrections	77.7	0.0	0.0	0.0	77.7	0	0	0	0
Department of Education and Early Development	49.5	0.0	209.6	29.7	288.8	0	0	0	0
Department of Environmental Conservation	23.6	5.9	1.6	8.7	39.8	0	0	0	0
Department of Fish and Game	55.3	82.5	23.8	6.2	167.8	0	0	0	0
Office of the Governor	388.9	0.0	4.9	1.9	395.7	0	0	0	0
Department of Health and Social Services	127.5	3.8	135.4	58.0	324.7	0	0	0	0
Department of Labor and Workforce Development	34.5	18.8	23.1	10.7	87.1	0	0	0	0
Department of Law	667.7	18.6	306.5	2.7	995.5	0	0	0	0
Department of Military and Veterans Affairs	135.4	0.0	33.7	7.9	177.0	0	0	0	0
Department of Natural Resources	233.4	3.6	148.6	1.0	386.6	0	0	0	0
Department of Public Safety	39.9	4.5	2.1	1.1	47.6	0	0	0	0
Department of Revenue	96.6	5.0	916.9	320.0	1,338.5	0	0	0	0
Department of Transportation/Public Facilities	42.9	17.2	108.8	0.0	168.9	0	0	0	0
Total:	2,501.4	364.6	2,509.7	451.8	5,827.5	0	0	0	0

Fiscal Note

State of Alaska
2015 Legislative Session

Bill Version:	CSHB 176(FIN)
Fiscal Note Number:	3
(H) Publish Date:	4/13/2015

Identifier: HB176-LEG-LEG-04-06-15
 Title: REPEAL ST EMPL WAGE RAISE;LEGIS EMPL
 BENE
 Sponsor: FINANCE
 Requester: House Finance

Department: Various (for Fiscal Notes only)
 Appropriation: Various
 Allocation: Legislative Branch
 OMB Component Number: 0

Expenditures/Revenues

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

	FY2016 Appropriation Requested	Included in Governor's FY2016 Request	Out-Year Cost Estimates				
			FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
OPERATING EXPENDITURES	FY 2016	FY 2016					
Personal Services	(1,171.3)	1,171.3					
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
Total Operating	(1,171.3)	1,171.3	0.0	0.0	0.0	0.0	0.0

Fund Source (Operating Only)

1004 Gen Fund	(1,171.3)	1,171.3					
Total	(1,171.3)	1,171.3	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 (FY2015) cost: 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY2016) cost: 0.0 *(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?

Why this fiscal note differs from previous version:

Initial Version

Prepared By: Skiff Lobaugh, Human Resources Manager
 Division: Legislative Affairs Agency
 Approved By: Pamela Varni, Executive Director
 Agency: Legislative Affairs Agency

Phone: (907)465-6626
 Date: 04/06/2015 04:16 PM
 Date: 04/06/2015

**REPORTED OUT OF
HFC 04/13/2015**
Control Code: zKIDt

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2015 LEGISLATIVE SESSION

Analysis

The 2.5% FY16 COLA reduction is included in the Senate version of HB72 for both covered and non-covered employees. This fiscal note needs to be modified if the Senate version of the operating bill (HB 72) is adopted. The conference committee on the operating budget will adjust the fiscal note as needed.

The elimination of the 2.5% cost of living adjustment set for 7/1/2015 will total \$1,171.3 for FY16. Broken down as follows:

	2.5% COLA
Budget & Audit Committee RDU	
Audit Division	\$122.8
Finance Division	\$156.3
Committee Expenses	\$ 10.5
Total for RDU	\$289.6
Legislative Council RDU	
Salaries and Allowances	\$ 0.0
Administrative Services	\$234.9
Council & Subcommittees	\$ 20.3
Legal & Research Services	\$108.4
Ethics Committee	\$ 4.7
Office of Victims' Rights	\$ 21.3
Office of the Ombudsman	\$ 26.7
Total for RDU	\$416.3
Legislative Operating Budget RDU	
Legislative Operating Budget	\$294.4
Session Expenses	\$171.0
Total for RDU	\$465.4
Total for Legislative Branch	\$1,171.3

ALASKA STATE LEGISLATURE HOUSE FINANCE COMMITTEE

Representative Mark Neuman
Co-Chairman
(907) 465-2679
Rep.Mark.Neuman@akleg.gov

Alaska State Capitol Building, Rm 505



Representative Steve Thompson
Co-Chairman
(907) 465-3004
Rep.Steve.Thompson@akleg.gov

Alaska State Capitol Building, Rm 511

Sponsor Statement HB 176

"An Act repealing state employee salary schedule increases; and providing for an effective date."

As we have discussed, the State of Alaska is currently faced with a \$3.5 billion shortfall in revenue for the Fiscal Year 2016. House Bill 176 will allow the state some control; over the rising costs of payroll, as we find a sustainable fiscal path.

The Legislature has minimal control over salaries. Negotiated increases for state employees added about \$150 million dollars annually beginning in FY 05. HB 176 eliminates the Cost of Living Adjustment (COLA) of 2.5% that was scheduled to go into effect on July 1, 2015 for unclassified state employees.

The estimated savings to the state is approximately \$9,296,100 annually for all branches of government.

ALASKA STATE LEGISLATURE
HOUSE FINANCE COMMITTEE

Representative Mark Neuman
Co-Chairman
(907) 465-2679
Rep.Mark.Neuman@akleg.gov

Alaska State Capitol Building, Rm 505



Representative Steve Thompson
Co-Chairman
(907) 465-3004
Rep.Steve.Thompson@akleg.gov

Alaska State Capitol Building, Rm 511

Explanation of Changes HB 176 version H to version E

"An Act repealing state employee salary schedule increases; and providing for an effective date."

Section 1 eliminating the geographic pay differential was removed from version E of HB 176, due to a legal opinion relating that there may be equal protection and merit system legal arguments. Additionally, if a single plaintiff was successful the Agency would have to pay with interest, the geographical differential for all Agency employees.

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

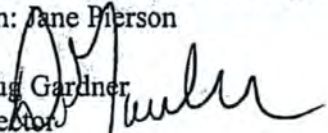
State Capitol
Juneau, Alaska 99801-1182
Deliveries to: 129 6th St., Rm. 329

MEMORANDUM

April 2, 2015

SUBJECT: Partial Repeal of Geographic Salary Differential
(Work Order No. 29-LS0796H)

TO: Representative Steve Thompson
Attn: Jane Pierson

FROM: Doug Gardner
Director 

As legal director I have reviewed Work Order No. 29-LS0796H to evaluate whether passage of the bill, and implementation of it, may expose the Legislative Affairs Agency (LAA) to liability in a potential lawsuit brought by legislative employees based on a claim that the bill violates the equal protection clause and the merit system clause of the Constitution of the State of Alaska. If the bill's provision eliminating geographic salary differentials for legislative employees is adopted and is implemented it will result in legislative employees in various geographic districts making much less money than similarly-situated non-union state employees that work in the same geographic district. As an example, an LIO employee that works in Unalaska and currently receive a 60 percent geographic salary differential, will receive a 60% pay cut if the bill passes while another non-union state employee working in the same community, perhaps in the office next door, would not. It is my advice that litigation is very probable if this bill passes, which may result in costly litigation and a damage award for back-pay and interest on lost wages.

EQUAL PROTECTION

AS 39.27.020, the current statute under which certain non-union employees in the executive and legislative branches receive a geographic salary differential, was adopted by the legislature, based in part on a study conducted under AS 39.27.030, because the legislature determined it was a desirable policy.¹ Sections 1 and 2 of the bill would eliminate the geographic differential for legislative employees and allow the non-union employees in the executive branch to continue receiving it. Permitting some non-union employees to receive the salary differential while denying it to others, for reasons other

¹ Magistrates and district court judges are also entitled to a geographic cost-of-living adjustment, under AS 22.15.220, depending on the location of their primary office.

than geographic location, may violate the constitutional equal protection clauses of the state and federal constitutions.

In *Malabed v. North Slope Borough*, 70 P.3d 416, 420 - 421 (Alaska 2003), the Court summarized the equal protection test as follows:

[T]he Alaska Constitution's equal protection clause affords greater protection to individual rights than the United States Constitution's Fourteenth Amendment. To implement Alaska's more stringent equal protection standard, we have adopted a three-step, sliding-scale test that places a progressively greater or lesser burden on the state, depending on the importance of the individual right affected by the disputed classification and the nature of the governmental interests at stake: first, we determine the weight of the individual interest impaired by the classification; second, we examine the importance of the purposes underlying the government's action; and third, we evaluate the means employed to further those goals to determine the closeness of the means-to-end fit. An appropriation that cannot be justified under this minimum standard would likely violate the equal protection clause of the Alaska Constitution.

As the importance of the individual rights affected increases, so does the burden on the state to show that the state's goal justifies the intrusion on the individual's interests in equal treatment and that the state's goal is rationally related to the means chosen to achieve the goal.

An individual's interest in receiving the geographic salary differential may be accorded a low level of protection under the state equal protection clause, because only an economic interest is implicated². Generally, saving money would qualify as a legitimate state purpose, but the means of accomplishing that purpose is important to the outcome of an equal protection challenge. A court could decide that the state's reason for applying the geographic salary differential in one way to some employees and another way to other employees who are *similarly situated* it is not sufficient if there are more reasonable ways to accomplish the purpose of the bill. The salary differential itself appears to be based only on geography and not on a difference between the two branches of government. If the LAA is sued, and the claimant argues that two similarly situated employees doing essentially the same work are being treated differently, it is my opinion that it will be very difficult to defend such a suit and argue that the state had a rational basis for creating such a disparity in pay.

² See *Underwood v. State*, 881 P.2d 322 (Alaska 1994).

Representative Steve Thompson

April 2, 2015

Page 3

MERIT SYSTEM

Article 12, sec. 6 of the Constitution of the State of Alaska says "The legislature shall establish a system under which the merit principle will govern the employment of persons by the State." A geographic salary differential gives a salary bump to some non-union employees and not to others, based on geography. This does not violate the merit system requirement because the two groups of non-union employees affected by this, although similarly situated in other ways, live and work in two types of geographic regions; one type has a higher cost-of-living than the other type. The state has determined as a matter of policy and statute that in order to maintain the state workforce it desires to have it needs to pay higher salaries in regions with a higher cost of living. However, the bill would result in certain non-union state employees being paid more than similarly situated non-union state employees for reasons other than geography; if those reasons are not related to merit then a court may find that the geographic salary differential payments, or the failure to make the payments to similarly situated legislative employees, violate the constitutional merit system protection.

Under either of these two constitutional analyses, a court may decide that the state could satisfy its need to reduce its geographic salary differential expenditures in other ways that would not create two classes of similarly situated non-union state employees: for example, the state could reduce or eliminate geographic salary differentials for all similarly situated employees, without regard for which agency they work for.

In conclusion, I note that if a single plaintiff is successful under either of the theories discussed in this memorandum, the likely result is that the Agency will have to re-pay, with interest, the "geo-diff" for all Agency employees that receive the "geo-diff."

If I can be of further assistance, please advise.

DDG:dla
15-250.dla

KENAI LEGISLATIVE INFORMATION OFFICE

Email: Kenai_LIO@akleg.gov

Phone: 907-283-2030 / Fax: 907-283-3075

WRITTEN TESTIMONY

NAME: Adam Weber
REPRESENTING: Self / Wildland Firefighter
BILL # or SUBJECT: HB 176
COMMITTEE: Senate Finance **DATE:** 4-15-15

I am a permanent, seasonal employee of the Division of Forestry. I work as a Wildland Firefighter. Our position pays roughly as much as a beginning public school teacher. Most of us have medical issues that persist the longer we stay in this career field. Due to the Affordable Care Act, we are forced to purchase our own health care during the winter months. Since most of us already need to work at another job during our layoff period, taking away a cost of living increase that was part of our union contract only makes it more difficult to keep experienced and qualified firefighters in this field.

Alaska deals with wildfires each and every summer. Combatting these fires takes well-trained, dedicated and experienced men and women. The harder it is to make a decent living at our job, the more rural Alaska suffers from inadequate fire suppression. Please reconsider renegeing on the cost of living increase that was promised in our union contract.

Doniece Gott

From: Sen. Anna MacKinnon
Sent: Friday, April 17, 2015 1:25 PM
To: Doniece Gott
Cc: Erin Shine
Subject: FW: HB 176 public testimony Senate Finance Comm

From: Andree McLeod [mailto:andree@andree.us]
Sent: Friday, April 17, 2015 12:55 PM
To: Sen. Click Bishop; Sen. Mike Dunleavy; Sen. Anna MacKinnon; Sen. Pete Kelly; Sen. Peter Micciche; Sen. Lyman Hoffman; Sen. Donny Olson; Sen. Kevin Meyer
Subject: HB 176 public testimony Senate Finance Comm

Please consider this support for HB 176 because it stems the rising tide of personnel costs at a time containment is needed.

Although media reports have only focused on the cost of living increase aspect of this bill, even with the cut in the COLA, non-covered employees will still pocket around \$9 -11 million dollars in merit increases, according to Legislative Finance.

People throughout the state who live in villages or urban areas are reassessing their budgets in light of harsh economic realities that impact our state. Private sector companies have already downsized and laid off some of their employees. So should the state.

This session began with letters exchanged between the governor and legislative leaders whereby both challenged the other to contain personnel costs. On the face of it, administration officials seemed sincere about the need to lower the cost of government.

But, the first red flag was when the Walker administration retained the governor's office administrative director who pockets a more than \$180,000. That should have given everyone pause. (Budget documents show he'll cost the state around \$190,000 this coming fiscal year, with a total cost of more than \$270,000 with benefits.)

In the meanwhile, responses to records requests shows that since December 1st, when the price of a barrel of oil hovered around \$50, the Walker/Mallott administration hired into exempt and partially exempt positions people who have received salary overrides and/or were hired and placed into higher steps within their ranges.

Documents incredibly show Walker appointees hired into positions at a higher salary rate than their predecessors in the Parnell administration, like the legislative director and press secretary. The newly-appointed OMB budget director, who, with much fanfare, publicly spoke about the need for everyone to pitch in to contain costs, received a salary override so she could pocket \$190,000 while at the same time costing the state more herself than the prior budget director who only cost the state around \$170,000 this fiscal year. (BTW: the OMB director's cost goes up to more than \$193,000 come July 1st when the next budget year begins with a projected total cost of more than \$277,000 with benefits.)

A quick check of a couple of deputy commissioner and special assistant appointments showed that they had also been hired from the get-go into higher steps that would take union covered employees years to reach.

All this flies in the face of campaign pledges made by the governor last year that relate to salary cost containment. How can newly hired non-covered employees who pocket more than their predecessors in the Parnell administration be considered salary cost containment? Salary overrides and being placed into higher steps might be a legal thing to do...but it's not the right thing to do during these hard economic times with the price of a barrel of oil as low as they are.

In all practicality, most of these newly hired non-covered partially exempt employees have already gotten their COLA's - as their COLA's are couched and embedded within the salary overrides and higher step salaries the Walker/Mallott administration signed off on.

Since the public can't depend on the this administration to keep its campaign promises to contain salary costs, it's now up to you.

Remember, most non-covered employees will still get raises when it's time for their merit increases. They just won't get their COLA's, like most Alaskans...except recently hired administration appointees who have had their COLA's cunningly factored into their salaries upon being appointed.

Do the right thing and pass this bill.

Andrée McLeod

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