

HB

71

<TARGET><BILL>HB 71</BILL><SUBJECT>HB
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CS HB 71 Sectional Analysis

Section 1: AS 39.20.050 – Adds new subsection

(b) Allows the Governor to waive a portion of the annual salary to which the Governor is entitled

Section 2: AS 39.27.012 – Amended

Removes language that temporary salary schedules do not affect salaries of employees in a bargaining unit represented by a labor union established under the Public Employment Relations Act and adds the term “pay period” to the title.

Section 3: AS 39.27.012 – Adds a new subsection

(b) Allows the Director of the Division of Personnel to establish a two-week pay period for biweekly payment of a monthly salary. Sets forth the manner in which the Director shall determine the amount paid biweekly.

(c) Recognizes that this section does not apply to employees in a bargaining unit represented by a labor union established under the Public Employment Relations Act.

Section 4: Uncodified law of the State of Alaska – Adds a new section
Modifies laws applicable to the annual salary of the Governor.

Section 5: Uncodified law of the State of Alaska – Adds a new section
Provides that section 1 of the Act is retroactive to January 1, 2018.

Section 6: Sets the effective date of sections 1, 4 and 5 as immediate.

Section 7: Except as provided in section 6, the Act takes effect July 1, 2018.

30-GH1018\O
Wayne
2/28/18

CS FOR HOUSE BILL NO. 71()

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRTIETH LEGISLATURE - SECOND SESSION

BY

**Offered:
Referred:**

Sponsor(s): HOUSE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to the salary of the governor; establishing a two-week pay period for**
2 **state employees who are not covered by a collective bargaining agreement; and**
3 **providing for an effective date."**

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

5 *** Section 1.** AS 39.20.050 is amended by adding a new subsection to read:

6 (b) Notwithstanding (a) of this section, AS 39.20.010(a), and AS 39.23, a
7 governor may waive a portion of the annual salary to which that governor is entitled
8 under AS 39.20.010.

9 *** Sec. 2.** AS 39.27.012 is amended to read:

10 **Sec. 39.27.012. Temporary salary schedules; pay periods.** The director of
11 the division of personnel may establish salary schedules providing lesser amounts than
12 those in the basic salary schedule in order to meet salary limit requirements for receipt
13 and expenditure of federal funds. [SALARY RATES ESTABLISHED UNDER
14 AUTHORITY OF THIS SECTION DO NOT AFFECT THE SALARIES OF

1 EMPLOYEES PROVIDED FOR BY A COLLECTIVE BARGAINING
2 AGREEMENT NEGOTIATED UNDER THE AUTHORITY OF AS 23.40.070 -
3 23.40.260 (PUBLIC EMPLOYMENT RELATIONS ACT).]

4 * **Sec. 3.** AS 39.27.012 is amended by adding new subsections to read:

5 (b) The director of the division of personnel may establish a two-week pay
6 period for biweekly payment of a monthly salary under AS 39.27.011. The director
7 shall determine the amount paid biweekly based on

8 (1) an annual salary equal to the monthly salary multiplied by 12;

9 (2) a rate of hourly pay equal to the annual salary divided by 1,957.50,
10 for an employee subject to a normal work week of 37.5 hours, or the annual salary
11 divided by 2,088, for an employee subject to a normal work week of 40 hours;

12 (3) a rate of daily pay equal to the hourly pay multiplied by the number
13 of hours in the employee's normal work day;

14 (4) a rate of weekly pay equal to the hourly rate multiplied by 37.5, for
15 an employee subject to a normal work week of 37.5 hours, or the hourly rate
16 multiplied by 40, for an employee subject to a normal work week of 40 hours; and

17 (5) a rate of biweekly pay equal to the hourly rate multiplied by 75, for
18 an employee subject to a normal work week of 37.5 hours, or the hourly rate
19 multiplied by 80, for an employee subject to a normal work week of 40 hours.

20 (c) This section does not apply to an employee in a bargaining unit
21 represented by an organization under AS 23.40.070 - 23.40.260 (Public Employment
22 Relations Act).

23 * **Sec. 4.** The uncodified law of the State of Alaska is amended by adding a new section to
24 read:

25 PROVISIONS OF ACT MADE EXPRESSLY APPLICABLE. In consideration of the
26 requirement of AS 39.20.070, the enactment of AS 39.20.050(b) by sec. 1 of this Act
27 expressly modifies laws applicable to the annual salary of the governor.

28 * **Sec. 5.** The uncodified law of the State of Alaska is amended by adding a new section to
29 read:

30 RETROACTIVITY. AS 39.20.050(b), enacted by sec. 1 of this Act, is retroactive to
31 January 1, 2018.

- 1 * **Sec. 6.** Sections 1, 4, and 5 of this Act take effect immediately under AS 01.10.070(c).
- 2 * **Sec. 7.** Except as provided in sec. 6 of this Act, this Act takes effect July 1, 2018.



CS HB 71 Explanation of Changes

Section 1: Modified from original bill. This section maintains that the Governor may waive a portion of his annual salary but no longer restricts the waiver during the period of July 1, 2017 through June 30, 2019.

Section 2: New section. Removes language that temporary salary schedules do not affect salaries of employees in a bargaining unit represented by a labor union established under the Public Employment Relations Act and adds the term "pay period" to the title. Language that was removed is now found in section 3 of the bill.

Section 3: New section. Allows the Director of the Division of Personnel to establish a two-week pay period for biweekly payment of a monthly salary. It sets forth the manner in which the Director shall determine the amount paid biweekly. Recognizes that this section does not apply to employees in a bargaining unit represented by a labor union established under the Public Employment Relations Act.

Section 4: New section. Clarifies this legislation expressly modifies pay provisions applicable to the Governor.

Sections 5-7: Modified from original bill. Sets effective dates for the Act. The Governor's ability to waive his/her salary is retroactive to January 1, 2018. Sections 1, 4 and 5 are effective immediately. Sections 2 and 3 are effective July 1, 2018.

All sections related to the temporary elimination of salary increases for employees in the Executive branch, Legislative branch and University have been removed in the CS, as well as transition language.

Fiscal Note

State of Alaska
2017 Legislative Session

Bill Version:	HB 71
Fiscal Note Number:	1
(H) Publish Date:	1/20/2017

Identifier: OOG-OMB-01-05-17
 Title: NO ST. EMPLOYEE PAY INCREASE FOR 2 YRS
 Sponsor: RLS BY REQUEST OF THE GOVERNOR
 Requester: Governor

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)

	FY2018	Included in	Out-Year Cost Estimates				
	Appropriation Requested	Governor's FY2018 Request	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
OPERATING EXPENDITURES	FY 2018	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Personal Services	(451.6)	(1,817.9)	(1,896.1)				
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
Total Operating	(451.6)	(1,817.9)	(1,896.1)	0.0	0.0	0.0	0.0

Fund Source (Operating Only)

1002 Fed Rcpts (Fed)	(131.7)	(39.0)	(183.2)				
1003 G/F Match (UGF)		(5.4)	(15.9)				
1004 Gen Fund (UGF)	(49.9)	(975.3)	(744.4)				
1005 GF/Prgm (DGF)	(0.1)	(31.2)	(16.4)				
1007 I/A Rcpts (Other)	(0.2)	(380.9)	(370.0)				
1178 temp code (UGF)	(269.7)	(386.1)	(566.2)				
Total	(451.6)	(1,817.9)	(1,896.1)	0.0	0.0	0.0	0.0

Positions

Full-time							
Part-time							
Temporary							

Change in Revenues

None							
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Estimated SUPPLEMENTAL (FY2017) cost: 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY2018) 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/comments:

Not applicable; initial version.

Prepared By:	Colleen O'Sullivan, Chief Budget Analyst	Phone:	(907)465-4681
Division:	Office of Management and Budget	Date:	01/12/2017 05:00 PM
Approved By:	Pat Pitney, Director	Date:	01/12/17
Agency:	Office of Management and Budget		

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2017 LEGISLATIVE SESSION

Analysis

This fiscal note estimates the potential savings from freezing executive branch employee salaries for two years (FY2018-FY2019).

This hypothetical estimate recognizes that no funding currently exists in agency budgets to pay for merit and pay increment increases. Historically, the cost of merit and pay increment steps was assumed to be offset by the savings due to turnover – positions hired at lower salaries offsetting the merit and pay increment increases of retained employees. Otherwise reductions had to be found in other areas of the budget. Agencies with few employees and/or low turnover have had a greater challenge paying for these unfunded salary increases from their existing budget.

If exempt and partially exempt salaries are frozen, it is assumed the savings that would have been needed to pay for advancing merit steps/pay increments could be retained and the budget reduced. However, given significant budget reductions in recent years, and the fact that actual turnover and actual spending reductions an agency is able to achieve may not directly match the estimated cost of the avoided salary increases, there is a risk that some agencies will not be able to achieve the proposed budget reductions.

The following methodology was used:

1. Increases for exempt and partially exempt positions eligible for merit and pay increment steps were calculated and compared to the current base. Two increases were identified: a) costs of FY2017 increases incurred for 12 months in FY2018 (versus less months at the higher merit step in FY2017). These costs are unavoidable in FY2018 despite a statute change but are used as the estimated avoided cost increase for the second merit step in FY2019. b) Costs of new increases that would have been paid in FY2018. Positions in merit steps were considered separately than those in pay increments.
2. Positions of certain corporations, such as Alaska Housing Finance Corporation and Alaska Permanent Fund Corporation, and positions that appeared to be outside of the "normal" salary rules (Commissioners and positions that have had no pay increases for a number of years) were excluded from the calculation in #1 above. Agencies provided the estimated savings for the positions outside of "normal" salary schedule.

The estimated savings that may be realized is \$4,165.6 over two fiscal years for the executive branch. Estimates for the Alaska Permanent Fund Corporation, the University, and the Legislative and Judicial Branches are not included in this fiscal note. The University is not included because the Board of Regents already implemented similar actions, so no additional savings would be realized from the University for this bill.

Total savings are not realized in one year because individuals in pay increments receive a salary increase every other year. In addition, individuals in merit steps receive increases at various times during the fiscal year. It takes two years to get the full savings because merit steps increases don't happen on July 1, but on an employee's hire date. Additional savings in fiscal years beyond FY2019 are anticipated because salaries will be lower in those years than if the temporary freeze was not implemented, however that amount is indeterminate.

The FY2018 Governor's budget includes an initial estimate in the branch-wide component of \$1,817.9. This updated estimate of \$2,205.5 includes entities where data was not yet available at the time of the initial estimate. This estimate may be reflected in each component's budget versus in a statewide component at the legislature's discretion.

In addition to the \$2,205.5 reduction for the merit and pay increment freeze, a \$64.0 reduction in general funds in FY2018 is included for a one-third salary reduction for the Governor of Alaska. The total FY2018 reduction is \$2,269.5.