

ALASKA LEGISLATURE COMMITTEE FILES 1985-1986 86/2

3752 HSTA SB 207 628



Alaska Public
Employees Association **APEA**

State Headquarters: 340 N. Franklin, Juneau, AK 99801 (907) 586-2334

TO: Senator John Sackett, Co-Chairman
Senator Jan Faiks, Co-Chairman
Senate Finance Committee

FROM: Cherie Shelley ☺
Executive Director, APEA

SUBJECT: Senate Bill 207

DATE: March 29, 1985

The Alaska Public Employees Association is opposed to this legislation because it discriminates against public employees working and living in rural areas. In effect, it would create a perimeter or disenfranchised group of employees whose pay adjustment would be equal to less than the difference in living costs.

This concept defeats the intent of the geographic differential system. The differentials were implemented to compensate for the high cost of living in certain areas of the state. The system equalizes the buying power of the wages earned by state employees no matter where they live in the state.

Section 2 - Limiting the geographic adjustment for the first \$30,000 of salary

Employees in range 10 and above would be adversely affected. Unlike their fellow employees working in urban areas, they would be unable to maintain their current living standards. The system is designed to increase an employee's salary in an amount equal to the difference in living costs between Anchorage and the worksite location. If the differential is limited to a portion of salary, the result will be a pay adjustment equal to less than the difference of living costs.

For example: a technician is hired at Range 18, Step A. He is assigned to a location with living costs 30 percent higher than Anchorage (8 Steps). In Anchorage, his annual base salary was \$37,356. At the remote location his salary is \$48,888 (Step L -

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8 Steps differential). This legislation would allow 30 percent differential for the first \$30,000 in salary - or \$9,000. This amounts to a 24 percent differential adjustment or a six percent cut in the employee's standard of living.

Why should an employee relocate in a rural area for what amounts to a six percent cut in pay? There would be very little incentive for a trained professional or technical worker to work outside of Anchorage or Juneau. This fact would substantially add to existing recruitment problems in the rural areas. It most assuredly would have a negative impact upon the community colleges, the university, the court system and the administrative branch of government.

Side-effect on communities

The reduction of current salaries in the rural areas would have an effect on the economy of the community itself. If the buying power of state employees is cut, then businesses in the communities would have to anticipate a decline in their revenues at a time when growth in Alaska is the key phrase of the administration.

With this impact on employees and their communities in mind, it's surprising that this legislation did not at least consider a provision to freeze existing salaries rather than cut them in such an abrupt and traumatic manner.

Geographic Differential Study underway

The state is currently conducting a geographic differential study to determine the validity of the current schedule. The report on the study will possibly be released by the end of April. It would seem appropriate and possibly prudent for the legislature to read that report before it contemplates changes to the geographic differential system.

Section 3 - differential not considered part of basic salary for overtime

Only employees in the lower ranges are overtime eligible. Unfortunately, these are the employees that are most affected by the high cost of living in the rural areas. In particular, overtime is often required of correctional personnel and health care workers due to staff shortages. Because of the nature of the jobs involved and the lower range pay scale, it would seem discriminatory to exclude the differential adjustment when calculating their overtime pay.

Section 4 - differential not calculated for retirement purposes

The legislation proposes that the differential not be included for the purpose of calculating retirement benefits unless the

employee has received a differential in a comparable amount, or, of at least that many steps for at least 50 percent of the employee's credited service. This will create two classes of beneficiaries and will pose considerable problems in the administration of the funds. These proposed changes will be challenged as they establish residency requirements for retirement benefits not unlike the longevity bonus program which the courts have rejected as unconstitutional.

Section 6 - legislative approval on classification, ranges, flexing and merit increases

Section 6 will undoubtedly be challenged as an unconstitutional intrusion by the legislature on the administrative powers of the executive branch, the court system and the university. This section ignores the concept of the merit principle upon which the state personnel system is based.

CS/kg

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

Page 1 of 2

REQUEST

Bill/Resolution No.: SB 207
 Title: "An Act relating to public employees; and providing..."
 Sponsor: Finance Committee
 Requestor: State Affairs
 Date of Request: 3/1/85

FISCAL DETAIL

Agency Affected: Department of Administration
 Program Category Affected: _____
Labor Services
 BRU, Program or Subprogram(s) Affected: _____
PERS

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
Operating						
100 Personal Svcs						
100 Rtmnt & Bnfts		[10.9]	[11.8]	[12.7]	[13.7]	[14.8]
200 Travel						
300 Contractual		13.1	14.1	15.3	16.5	17.8
400 Supplies						
500 Equipment						
600 Land & Struct						
700 Grants, Claims						
700 TRS Matchn						
TOTAL OPERATING	-0-	2.2	2.3	2.6	2.8	3.0
CAPITAL		36.0				
REVENUE						

FUNDING: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
GENERAL FUND		[9.9]	[10.7]	[11.5]	[12.5]	[13.5]
FEDERAL FUNDS		[.5]	[.5]	[.6]	[.6]	[.7]
OTHER		48.6	13.5	14.7	15.9	17.2
TOTAL	-0-	38.2	2.3	2.6	2.8	3.0

POSITIONS:

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
FULL-TIME	-0-	-0-	-0-	-0-	-0-	-0-
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

Prepared By: J.K. Humphreys, Director
 Division: Retirement & Benefits

Phone: 465-4470

Date: 3/13/85

Approved by Commissioner: Lisa Rudder
 Agency: Department of Administration

Date: 3-13-85

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

Senate Bill 207
 Fiscal Note Analysis
 Prepared by Division of Retirement & Benefits
 Department of Administration
 March 13, 1985

IV Analysis: With passage, sections four and five of this bill would prohibit the three highest consecutive years salary, used for benefit calculation in the Public Employees' Retirement System (PERS), to include any area cost-of-living adjustment if the member has not received an area cost-of-living differential during at least 50 percent of the members credited service. The bill would also provide for refunding any contributions paid on area-differentials if the salaries used for benefit calculation do not include area-differential.

It is estimated that this bill would result in a .002% reduction in the State contribution rate in the PERS. We also estimate that the computer system enhancements needed would result in a one year \$36,000 FY 86 cost and a cost of \$13,100 for FY 86 maintenance. The costs are estimated to increase by 8% each year.

The \$38.2 FY 86 costs are calculated as follows:

The estimated decrease in FY 86 State contribution rate (.002%) times the FY 86 estimated state payroll (\$544,046,592)	[\$10.9]
Plus the estimated FY 86 system maintenance costs	\$13.1
Plus the estimated one year FY 86 system enhancement costs	<u>\$36.0</u>
Total Fy 86 estimated costs	<u><u>\$38.2</u></u>

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

Page 1 of 4

REQUEST

Bill/Resolution No.: SB 207
 Title: An Act relating to public employees
 Sponsor: Senate Finance
 Requestor: Senate State Affairs
 Date of Request: March 12, 1985

FISCAL DETAIL

Agency Affected: Administration
 Program Category Affected: Finance
 BRU, Program or Subprogram(s) Affected: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
OPERATING						
100 PERSONAL SERVICES	0	359.0	45.0	45.0	45.0	45.0
200 TRAVEL	0	0	0	0	0	0
300 CONTRACTUAL	0	0	0	0	0	0
400 SUPPLIES	0	0	0	0	0	0
500 EQUIPMENT	0	0	0	0	0	0
600 LAND & STRUCTURES	0	0	0	0	0	0
700 GRANTS, CLAIMS	0	0	0	0	0	0
800 MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	359.0	45.0	45.0	45.0	45.0
CAPITAL	0	0	0	0	0	0
REVENUE	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	359.0	45.0	45.0	45.0	45.0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	0	359.0	45.0	45.0	45.0	45.0

POSITIONS:

FULL-TIME	0	6	1	1	1	1
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS: (Attach a separate page if necessary)

Prepared By: Ken Bischoff *KB A* Phone: 465-2240
 Division: Finance Date: March 13, 1985

Approved by Commissioner: Lisa Rudd *L. Rudd* Date: 3-13-85
 Agency: Department of Administration

Distribution (by Agency preparing fiscal note): *for*

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

Cost Calculation Summary:

One Time Costs

3 Journey level programmers 1 yr.	190.0
Admin Manual Update 6 employee months	31.0
Agency Training course development and Administering 6 employee months	31.0
Finance Participation in Coordination effort with all other affected groups (Personnel, Labor Relations, Retirement, Law unions) 12 employee months	<u>62.0</u>
	<u>314.0</u>

Ongoing Costs

Additional Manual Effort due to changes in
benefit calculation

1 position Range 16	45.0
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Additional Fiscal Note Analysis

This bill as it applies to the Division of Finance would impact us significantly as certain provisions change fundamental concepts about the methods the state uses to pay its employees. Our comments are limited to those areas where the state would be required to modify automated and manual processes in order to satisfactorily meet the provisions of this bill.

SUMMARY OF PROVISIONS AFFECTING FINANCE:

- ° A major target of this legislation is aimed toward changing the way in which cost of living differentials are determined and paid. The State currently maintains 60 separate salary schedules reflecting up to 30 salary ranges and 10 steps in each.
 - Cost of living differentials have always been paid according to a uniform percentage (subject to certain exceptions due to collective bargaining) to all pay schedules. This bill (sec. 2(d)) proposes to place a lid on the maximum amount that can be paid by establishing a basic annual salary limit of \$30,000.
- ° Section 3 of the bill would limit overtime rate determination to a calculation based upon the basic annual salary amount.
- ° In terms of computing retirement benefits section 4 would require the state to track base retirement contributions separately from contributions related to the cost of living differential only. The state would have to change benefit calculation algorithms to include separate calculations for base salary benefits and benefits based on area cost of living differentials for each year of service in order to satisfy the provisions of section 4 of the bill. The current benefit calculation is performed manually and requires the state to identify the number of years of creditable service and the three highest paid years for determining benefit amounts. This bill proposes a significantly more sophisticated approach that if done manually will be more subject to errors and require significantly more manual effort than before.
- ° Section 1, 2, 4-7 have immediate effective dates upon passage of this legislation. It is not feasible to implement the provisions of this bill immediately. The State is currently implementing a new statewide accounting system (AKSAS), the current payroll system is being modified to interface with AKSAS, there are scheduled changes to the current payroll system to accommodate the most recent labor agreements, a current area differential study is being completed which will have some impact to our payroll processes, and the current classification study will also likely have significant impact to our payroll processes.

Implementing changes required by this bill will need to be flexibly scheduled to be considered along with all other changes that will be legally and procedurally required in order to keep our state payroll processes and systems properly functioning without service interruption.

Summary analysis of changes and related fiscal impact:

- ° Modifications to automated systems (input form changes, file changes, program changes, analysis and design)

* 36 employee months

* ASSUMPTIONS

- State can use existing base pay schedules for each identified employee group (approximately 12 groups).
- This bill will not attempt to change any fundamental payroll processes. No major change will be required to the current pay schedules.
- This estimate does not include estimates for data processing chargeback costs.
- Changes required by this bill will be allowed to be scheduled appropriately with all other production work that is necessary to keep the state payroll systems properly operating.

- ° Update State Administrative Manual to include new pay calculation changes for supplemental and prepay processes.

6 employee months

- ° Train state agencies in new payroll calculation procedures.

6 employee months

- ° Coordination of affected groups to identify and mutually agree on intent of legislation (Finance, Labor Relations, Retirement, Department of Law, Unions, Legislature).

12 employee months

- ° Additional ongoing manual effort to calculate benefit amounts equates to one additional position.

February 27, 1985

Editor
THE ANCHORAGE DAILY TIMES
Box 40
Anchorage, Alaska 99510

Dear Editor:

As a Bush legislator, I must respond and take exception to the comments attributed to the Alaska Public Employees Association in your story on pay differentials in rural areas of the state (Sunday, February 24, 1985).

The state is currently conducting a geographic differential study, with recommendations expected in April. State employees receive extra pay for living in rural areas of the state. The state says the difference is a cost of living differential, and APEA says it is "to reimburse workers for the higher cost of living and to compensate them for a lower quality of life in smaller communities." (emphasis added)

To say that the quality of life in a city is higher than that in a village or small town is to make a very subjective statement from a very narrow viewpoint (white middle class culture). I for one wouldn't live in one of this state's largest cities for all the tea in China, nine step increases, or anything else.

We have a high quality of life in the Bush. There, women can walk the streets and not fear for their safety. We stop and help someone who has had to pull over to the side of the road. We all pitch in and help our neighbors in times of trouble. We have a strong feeling of community. It appears that APEA believes state employees need and practically have a right to live in areas where there are theaters on Saturday nights, ski resorts, bike paths, hot tubs, bowling alleys and pizza parlors. And, if these amenities are not available, state employees should be compensated for their lack. In fact, there are many people who choose to live in rural areas just to get away from those kind of things, who choose to live and raise their families according to a simpler, less cluttered lifestyle. Many people prefer to walk outside their houses and see trees or tundra rather than pavement.

The 1981 report on community college pay differentials stated, "The fact is that public employees in Alaska are not paid for what living costs are, but for what is viewed as the lack of opportunity to make

consumer choices available to those residing in Anchorage and to conduct life as it's lived in Anchorage." The thought of holding Anchorage up as the standard for "high quality life" gives me nightmares. The "isolation" of the Bush is part of the appeal of living there; certainly not a reason to pay someone more money.

Cherie Shelley, executive director of APEA, cites the lack of cultural and social activities, less medical care and inferior sewer and water facilities as reasons justifying pay differentials between rural communities and cities. I suggest that if there weren't so much money spent on state employees the State would be able to take care of the basic needs lacking in the Bush, such as water and sewers and medical care. Now is not the time to go deeply into the inequalities of how state monies are divided between rural and urban areas, but you can bet your last dollar that the urban areas are not slighted.

I doubt that we will do away with a cost of living differential for state employees, although I wonder if employees of private business in rural areas enjoy higher salaries than their counterparts in cities. What troubles me is the idea of providing higher pay to compensate for the perceived disadvantages of Bush life. To say that rural Alaska suffers a lack of cultural opportunities indicates a prejudice towards one particular lifestyle. Bush Alaska has a very rich culture, of which most residents are very proud. There may be no hockey rinks or rock concerts, but there are many opportunities to participate in a variety of traditional cultural activities. People in the Bush know how to share and make their own fun.

If APEA is finding that state employees facing a transfer or job opportunity in a rural community are hesitant to give up some of their creature comforts or accustomed activities, then I suggest that state recruiters make more of an effort to fill jobs locally. Jobs are scarce all over the Bush. Per capita income is low. People must leave their homes to make enough money to pay for the basic necessities of life. When local youngsters go out to school, get an education, and then want to come back home, they find that there is nothing for them to do. We need to encourage our young people to return to the villages, to their homes, and more of them could do so if there were more jobs available. To these people, living in rural Alaska is becoming a luxury they can ill afford.

I would suggest that we allow those people who really want to live in rural Alaska to fill the jobs, and those who find it a handicap can stick to the cities. Let those who love rural Alaska live there, and let those who want a higher quality of life put up with the traffic jams in Anchorage.

Sincerely,

Rep. John G. (Jack) Fuller

CS SB 207(FIN)

IMPORTANT TO REMEMBER ABOUT LEGISLATION: 1. COVERS ONLY NEW EMPLOYEES CONCERNING THE RETIREMENT BENEFITS. 2. THE AREA DIFFERENTIAL WILL BE REVIEWED NEXT SESSION BY THE LEGISLATURE WHICH IS ONE YEAR BEFORE THE EXPIRATION OF THE UNION COLLECTIVE BARGAINING AGREEMENTS. THEREFORE, ONLY NON-COVERED EMPLOYEES WILL BE AFFECTED IMMEDIATELY. THE DEPARTMENT OF ADMINISTRATION ESTIMATES THAT ABOUT 100 EMPLOYEES ARE AFFECTED IN THE NON-COVERED CLASS. THE REASON WE ARE DOING THE CHANGE NOW IS TO ALLOW FOR LEAD TIME TO CONVERT THE COMPUTER PROGRAM TO HANDLE THE CHANGES. 3. MERIT PAY AND OVERTIME PROVISIONS ARE NOT COVERED UNDER THIS LEGISLATION. 4. THROUGH OMB, WILL ALLOW THE LEGISLATURE TO GET A BETTER HANDLE ON THE NUMBER OF POSITION RECLASSIFICATIONS, CREATIONS AND DELETIONS DONE WITHOUT THE PRIOR CONSENT OF THE LEGISLATURE. EACH OF THOSE PERSONNEL ACTIONS HAVE SOME TYPE OF FISCAL IMPACT ON THE NEXT YEAR'S BUDGET.

THE BILL DOES SEVERAL THINGS:

** PROVIDES FOR FISCAL CONTROLS ON THE NUMBER OF RECLASSIFICATIONS, CREATION AND DELETIONS OF STATE JOBS.

** PROVIDES FOR COMPARABLE WORTH CRITERIA IN CLASSIFICATION AND PAY PLANS FOR STATE JOBS.

** LIMITS THE AMOUNT OF GEOGRAPHIC DIFFERENTIAL TO THE FIRST \$30,000 OF BASIC SALARY AND MANDATES THAT THE LEGISLATURE SHALL REVIEW THE DIFFERENTIAL UPON COMPLETION OF THE STATE'S DIFFERENTIAL STUDY THAT WILL BE COMPLETED LATER THIS YEAR.

** PROVIDES THAT NEW EMPLOYEES MUST WORK 50% OF THE TIME IN THE AREA WHERE THEY WILL RECEIVE THEIR RETIREMENT BENEFITS BASED UPON THE HIGHEST THREE YEARS OF PAY.

** A SEVERABILITY CLAUSE IS ADDED SHOULD A PROVISION BE FOUND INVALID BY THE COURTS THEREBY ALLOW THE OTHER PROVISIONS OF THE BILL TO REMAIN IN EFFECT.

Senator Sackett's office

Introduced: 3/1/85
Referred: State Affairs
and Finance

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2

SENATE BILL NO. 207

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6

For an Act entitled: "An Act relating to public employees; and providing
7 for an effective date."

7

8

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

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* Section 1. AS 23.40.210 is amended to read:

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Sec. 23.40.210. AGREEMENT. Upon the completion of negotiations

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between an organization and a public employer, if a settlement is

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reached, the employer shall reduce it to writing in the form of an

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agreement. The agreement may include a term for which it will remain

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in effect, not to exceed three years. The agreement shall include a

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pay plan designed to provide for a cost-of-living differential between

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the salaries paid employees residing in the state and employees resid-

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ing outside the state. The cost-of-living differential or other

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geographic cost-of-living adjustment may not be considered part of the

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basic salary for purposes of calculating overtime compensation or

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other salary adjustments. The plan shall provide that the salaries

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paid, as of August 26, 1977, to employees residing outside the state

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shall remain unchanged until the difference between those salaries and

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the salaries paid employees residing in the state reflects the differ-

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ence between the cost of living in Alaska and living in Seattle,

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Washington. The agreement shall include a grievance procedure which

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shall have binding arbitration as its final step. Either party to the

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agreement has a right of action to enforce the agreement by petition

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to the labor relations agency.

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* Sec. 2. AS 39.27.020 is amended by adding a new subsection to read:

1 (d) If an employee's basic annual salary is no more than
2 \$30,000, the pay step differential shall be calculated using the
3 employee's basic salary. If the employee's basic annual salary is
4 greater than \$30,000, then the employee's pay step differential shall
5 be calculated on the differential for a basic salary of \$30,000.

6 * Sec. 3. AS 39.27 is amended by adding a new section to read:

7 Sec. 39.27.027. OVERTIME COMPENSATION. Overtime compensation
8 shall be calculated on the basic salary of an employee before the
9 addition of any adjustments including pay step differentials and shift
10 differentials.

11 * Sec. 4. AS 39.35 is amended by adding a new section to read:

12 Sec. 39.35.675. INCLUSION OF COST-OF-LIVING DIFFERENTIALS IN
13 COMPENSATION AND BENEFITS. (a) An employee shall make contributions
14 to the system based on compensation including a cost-of-living differ-
15 ential.

16 (b) The amount of a cost-of-living differential may not be in-
17 cluded in the employee's compensation for purposes of calculating
18 benefits under this chapter unless the employee has received a cost-
19 of-living differential in a comparable amount or of at least that many
20 steps for at least 50 percent of the employee's credited service.

21 (c) When an employee receives a benefit, and if the employee's
22 compensation for purposes of calculating the benefit does not include
23 a cost-of-living differential, then the administrator shall refund to
24 the employee the amount of contributions the employee made based on
25 the differential.

26 (d) In this section "cost-of-living differential" means an
27 adjustment to salary based on the cost of living in the geographic
28 region where the employee works and includes a pay step differential
29 under AS 39.27.020.

1 * Sec. 5. AS 39.35.680(8) is amended to read:

2 (8) "compensation" means the total remuneration earned by
3 an employee for personal services rendered, including cost-of-living
4 differentials only as provided in AS 39.35.675, payments for leave
5 that is actually used by the employee, the amount by which the em-
6 ployee's wages are reduced under AS 39.30.150(c), and any amount
7 deferred under an employer-sponsored deferred compensation plan, but
8 does not include retirement benefits, welfare benefits, per diem,
9 expense allowances, workers' compensation payments or payments for
10 leave not used by the employee whether those leave payments are sched-
11 uled payments, lump-sum payments, donations, or cash-ins;

12 * Sec. 6. (a) Unless the budget specifically provides or the legisla-
13 ture approves, the state may not

14 (1) reclassify a position;

15 (2) change the salary range of a job class unless the change is
16 required to comply with AS 18.80.220(a)(5);

17 (3) promote a person to the next step of a flexibly staffed
18 position if the person was first hired in the flexibly-staffed position
19 after the effective date of this section; or

20 (4) award a person a merit increase.

21 (b) In this section, "state" means the executive, legislative and
22 judicial branches of state government and includes the University of
23 Alaska.

24 * Sec. 7. The amendments made by secs. 4 and 5 of this Act apply only
25 to members first hired under the Public Employees' Retirement System on or
26 after the effective date of secs. 4 and 5 of this Act.

27 * Sec. 8. Nothing in this Act terminates or modifies a collective
28 bargaining agreement in existence on the effective date of secs. 1, 2 and
29 4 - 7 of this Act.

1 * Sec. 9. Section 3 of this Act takes effect January 1, 1987.

2 * Sec. 10. Sections 1, 2 and 4 - 7 of this Act take effect immediately
3 in accordance with AS 01.10.070(c).

STATE OF ALASKA
THE LEGISLATURE

LEGISLATIVE AFFAIRS AGENCY



POUCH Y STATE CAPITOL
JUNEAU, ALASKA 99811
907 465 3800

MEMORANDUM

March 14, 1985

SUBJECT: Proposed amendments to SB 207
TO: Senator Mitch Abood
Chairman, Senate State Affairs Committee
FROM: Teresa B. Cramer *TBC*
Legislative Counsel

At the hearing on SB 207, relating to public employees, the Senate State Affairs Committee requested language for two amendments.

The title could be narrowed as follows:

Page 1, lines 6-7

Delete all material and insert:

"For an Act entitled: 'An Act relating to overtime compensation for public employees; calculation of cost-of-living and pay step differentials for the compensation and retirement benefits of public employees; limiting the state's power to change the cost to the state of compensation for certain positions; and providing for an effective date.'"

The committee also requested a severability clause. Alaska Statutes currently provide.

AS 01.10.030. CONSTITUTIONALITY AND SEVERABILITY.
Any law heretofore or hereafter enacted by the Alaska legislature which lacks a severability clause shall be construed as though it contained the clause in the following language, "If any provision of this Act, or the application thereof to any person or circumstance is held invalid, the remainder of this Act and the application to other persons or circumstances shall not be affected thereby."

If I may be of further assistance, please advise.

TBC:csh
c3/048

SENATE AMENDMENT

By STATE AFFAIRS

To: _____ SENATE BILL No. 207

To: _____ HOUSE BILL No. _____

PAGE: 1 LINE: 6,7

DELETE: THE PRESENT TITLE

ADD NEW TITLE: "AN ACT RELATING TO OVERTIME COMPENSATION FOR PUBLIC EMPLOYEES; CALCULATION OF COST-OF-LIVING AND PAY STEP DIFFERENTIALS FOR THE COMPENSATION AND RETIREMENT BENEFITS OF PUBLIC EMPLOYEES; LIMITING THE STATE'S POWER TO CHANGE THE COST TO THE STATE OF COMPENSATION FOR CERTAIN POSITIONS; AND PROVIDING FOR AN EFFECTIVE DATE."

SENATE AMENDMENT

By STATE AFFAIRS

To: _____ SENATE BILL No. 207

To: _____ HOUSE BILL No. _____

PAGE: 3 LINE: 14

AFTER "POSITION"

ADD: "TO A HIGHER SALARY RANGE;"

SENATE AMENDMENT

By: STATE AFFAIRS

To: _____ SENATE BILL No. 207

To: _____ HOUSE BILL No. _____

PAGE: 3

LINE: 28

DELETE: [1, 2]

ADD: 1 - 3

SENATE AMENDMENT

By STATE AFFAIRS

To: _____ SENATE BILL No. 207

To: _____ HOUSE BILL No. _____

PAGE: 3

LINE: 29

DELETE: [4 - 7]

ADD: 6, 7

SENATE AMENDMENT

By STATE AFFAIRS

To: _____ SENATE BILL No. 207

To: _____ HOUSE BILL No. _____

PAGE: 4 LINE: 1

DELETE: [3]

ADD: 4, 5

SENATE AMENDMENT

By STATE AFFAIRS

To: _____ SENATE BILL No. 207

To: _____ HOUSE BILL No. _____

PAGE: 4 LINE: 2

DELETE: [1,2] [4 - 7]

ADD: 1 - 3 ; 6, 7

POSITION PAPER
SB 207

Section 1 has an immediate effective date, but applies only to future collective bargaining agreements (see Sections 8 and 10).

SECTION 2:

This Section of the bill would limit the application of the statutory pay step differentials to the first \$30,000 of an employee's base salary. There may be an argument for paying the same dollar differential to all employees at a duty station. This provision would do that once the \$30,000 cap is reached.

The Legislature in 1984 funded a study of the geographic differentials. The study is currently in process and is expected to be completed in April. We recommend that the Legislature be willing to give further consideration to the question of geographic differential when the results of the study are available.

This Section amends Title 39, Chapter 27 of the Alaska Statutes: Pay Plan for State Employees. There is no similar amendment to AS 23.40.070 through 260 of the Public Employees' Relation Act. Therefore, there is no requirement that future collective bargaining agreements comply with this Section. Section 8 of the bill clearly indicates the intention that Section 2 apply to collective bargaining agreements. To formally give this effect, AS 24.40.210 should be amended to require future agreements to not conflict with proposed AS 39.27.020.

Section 2 sets a cap of \$30,000 in basic salary for the payment of geographic differential. Over time, this cap will affect more and more employees. As salaries rise, the differential would therefore become a smaller and smaller portion of income. This will have an adverse effect on employees at the lower end of the salary schedule who are most affected by higher costs. In order to neutralize this effect, we recommend that the differential be applied to a fixed range and step of the statutory pay schedule. The closest current range and step to \$30,000 is range 15, step B. We therefore, recommend that Section 2 of the bill be amended to read:

- (d) If an employee's basic annual salary is no more than the basic salary provided by range 15, step B of the salary schedule in AS 39.27.011, the paystep differential shall be calculated using the employee's basic salary. If the employee's basic annual salary is greater than the basic annual salary provided by range 15, step B of the salary schedule in AS 39.27.011, then the employee's pay step differential shall be calculated on the differential for range 15, step B, of the salary schedule in AS 39.27.011.

Section 2 has an immediate effective date.

SECTION 3:

This Section of the bill is a companion provision to Section 1. This Section applies a restriction to overtime compensation calculation for employees not covered by collective bargaining in the Executive Branch. Section 1 applies a similar restriction to those employees covered by collective bargaining agreements.

POSITION PAPER
SB 207
(With Proposed State Affairs Amendments)

This bill deals with four distinct topics. This position paper is prepared on a sectional basis to deal with the individual topics. Notation is made of fiscal impacts which are further detailed in accompanying fiscal notes. In general, the Department of Administration supports the intent of the legislation. We believe, however, that there are several areas that should receive more attention.

SECTION 1:

This Section is aimed toward changing the way in which cost of living differentials are determined and paid. The State currently maintains 60 separate salary schedules reflecting up to 30 salary ranges with 10 steps in each.

The purpose of the proposed change to AS 23.40.210 appears to be to require that future collective bargaining agreements with State employees exclude geographic cost-of-living differentials/adjustments from any overtime or premium pay entitlements of employee. Overtime and other "premium pay" would be calculated only on the basic pay/wage schedule.

The concept of excluding geographic differentials from premium pay calculations may have merit. Since cost-of-living differences tend to stem from geographic price differences in basic commodities and services, their effect on employees is not in direct relation to earning levels. A pound of hamburger, a kilowatt hour of electricity, and a gallon of gasoline cost the same for every employee in a duty station, regardless of income. Consequently, there is a strong equity argument for paying every affected employee a differential which is separate and apart from the employee's earning level. (See also Section 2 below.) However, it is employees on the mid-to-lower ranges of the pay scales who typically earn overtime/premium pay. Calculating overtime/premium pay on a base schedule could produce a true income reduction for present employees.

Calculating overtime/premium pay only on a base schedule should result in a reduction in Personal Services expenses of the State. The amount of the reduction and its distribution have not been calculated yet.

In its current form, this Section may be read to apply only to the pay differential provided between employees residing in Alaska and those residing outside the state. If the intent is to exclude internal (within Alaska) geographic differentials as well, then the proposed new language should be redrafted to read:

Cost-of-living differentials or other geographic cost-of-living adjustment, whether applicable within or outside the state, which provide compensation in excess of that provided in the basic pay plan may not be considered part of the basic salary for purposes of calculating overtime compensation or other salary adjustments.

POSITION PAPER
SB 207

Again, this Section would primarily affect employees in the mid-to-lower ranges of the pay scales.

Section 3 has an immediate effective date.

SECTIONS 4 and 5:

These Sections amend the Public Employees' Retirement Systems. The amendment is to calculate retirement benefits using salaries including geographic differentials only if 50% or more of the credited service was at a location where a comparable geographic differential was paid. Only State employees are affected (there are no known geographic differentials within the participating political subdivisions). These Sections would also provide for refunding any contributions paid on area differential if the salary used for benefit calculation does not include area differential.

Sections 4 and 5 would not affect current employees; therefore the immediate impact will be relatively small. The long term impact will be greater because of the requirement to calculate retirement benefits differently for employees hired after the effective date of this bill.

The computer programs of the Public Employees' Retirement System will need substantial revision to accommodate the proposed changes to the method of calculating retirement benefits and refunds for employees hired before the effective date of this bill. These costs would be substantial relative to the perceived cost savings; the net effect would be a cost to the State.

In terms of computing retirement benefits Section 4 would require the State to track retirement contributions on base salaries separately from contributions related to the cost-of-living differential only. The current benefit calculation is performed manually and requires the State to identify the number of years of creditable service and the three highest paid years for determining benefit amounts. Amending these retirement sections would significantly complicate the system without achieving a significant program impact.

Section 4 and 5 have an effective date of January 1, 1987.

SECTION 6:

This Section of the bill would require the Legislature to take an active role in the day-to-day management of all branches of government.

The Department of Administration opposes this Section. We believe this provision violates the separation of powers doctrine. It would provide an unwarranted intrusion of the Legislature into the management prerogatives of the Executive Branch.

SECTION 7:

This Section makes the retirement provisions of Sections 4 and 5 apply only to members of the Public Employees Retirement System first hired after the effective date of Sections 4 and 5.

POSITION PAPER
SB 207

SECTION 8:

Section 8 provides "grandparent" rights to current collective bargaining agreements.

SECTION 9:

This Section makes Sections 4 and 5 effective January 1, 1987.

SECTION 10:

Sections 1-3, and 6 and 7 have immediate effective dates upon passage of this legislation. It is not feasible to implement the provisions of this bill immediately. The State is currently implementing a new statewide accounting system (AKSAS), the current payroll system is being modified to interface with AKSAS, there are scheduled changes to the current payroll system to accommodate the most recent labor agreements, and a current area differential study is being completed which will have some impact on payroll processes. This bill provides different actual effective dates. For example: Overtime and premium pay for those not covered by collective bargaining, immediately; overtime and premium pay for those covered by collective bargaining, next contract; geographic differential cap of \$30,000 for those not covered by collective bargaining, immediately; geographic differential cap of \$30,000 for those covered by collective bargaining, not required.

Staggered implementation of the same requirement only makes implementation more difficult.

The current collective bargaining agreements for the General Government, Supervisory, Confidential and Labor, Trades and Crafts bargaining units all expire on December 31, 1986. In order to affect most employees covered by collective bargaining as well as those not covered by collective bargaining at one time, we recommend that the entire bill have an effective date of January 1, 1987. Not only will this apply a common effective date, but will allow the department sufficient time to implement the changes in an orderly fashion.

Implementing changes required by this bill will need to be flexibly scheduled to be considered along with all other changes that will be legally and procedurally required in order to keep the state payroll processes and systems properly functioning without service interruption.

Position Summary

We support the primary concept of this bill that attempts to distinguish payment for wages versus payment for cost-of-living differentials. We support the idea that the cost-of-living in a given geographical location is the same for all in that location and the way employees are currently paid is not consistent with that idea.

However, we need to emphasize that this is a significant departure from the way our current collective bargaining agreements and statutes read and how our employees are paid. We will need some time to consider how we can best implement the intent of this bill without causing significant disparity

POSITION PAPER
SB 207

between covered and noncovered groups of employees or without violating certain constitutional provisions. Additionally, this bill has certain provisions which go into effect immediately upon passage. It is not possible to implement them immediately as the changes significantly impact our automated and manual payroll processes. We recommend that implementation be scheduled to coincide with the time when appropriate collective bargaining changes can be made as covered employees are 95% of the work force. If this group is not included, this bill will quite likely cost more money than it will save.

Frank Raye

Frank Raye, Director
Department of Administration

3/18/85

Date

J. K. Humphreys

J. K. Humphreys, Director
Department of Administration

3/18/85

Date

Kenneth E. Bischoff

Kenneth E. Bischoff, Director
Department of Administration

3/18/85

Date

Lisa Rudd

Commissioner Lisa Rudd
Department of Administration

3/18/85

Date

April 18, 1985

Rep. Katie Hurley
Pouch V
Juneau, AK 99801

Dear Rep. Hurley:

Presently, there is just one labor organization in the University of Alaska system, which is the ACCFT (Alaska Community College Federation of Teachers).

In the past, whenever a contract was being negotiated, students were virtually held hostage and ransomed off for labor demand concessions. Surely you can see the unbelievable stress imposed on students threatened with strikes and picket lines. The additional worry about being able to complete the semester imposes an adverse impact on grade point averages. Other considerations include possible sanctions against students who might cross a picket line if their own union sanctions the strike, and loan default considerations which might arise from such a situation.

All this is bad enough. Now lets consider several unions representing several sectors of the University with several contracts being negotiated at several times of the year, throw-in sympathy strikes and/or work slow downs, and we have a university system which can offer no assurance that a student would be able to complete a semester without the potential of labor/management conflict. I suggest that would have the effect of "downsizing" the University in a fairly short period of time as students transferred elsewhere to continue their postsecondary education.

Several alternatives exist. The first would be to include all University system employees in subparagraph (b) of AS 23.40.200 as public employees who may not interrupt services.

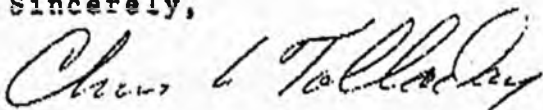
The second alternative would be to include binding arbitration as an integral part not only of a grievance procedure (lines 25 & 26 of SB 207) but of all negotiating procedures as well.

The third alternative would be to require a "no strike" clause as a permanent part of any future labor contract.

As you read this IBEW (International Brotherhood of Electrical Workers) and APEA (Alaska Public Employees Association) representatives continue to offer bargaining cards to classified staff employees of Anchorage Community College.

I sincerely believe that it is imperative for the Legislature, to act quickly and decisively to protect the university system and its students from the threat of future strikes. Please advise if I can be of any assistance.

Sincerely,



Chris A. Tolladay

- cc: Herbert Lyon Chancellor, Anchorage Community College
- Donald O'Dowd President, University of Alaska
- Sen. Sturgulewski
- Sen. Faiks
- Rep. Boucher
- Rep. Collins
- Rep. Adams
- Rep. M. W. Miller

To: Katie

From: Nevette

Date: FRIDAY!!!!

Re: CSSB 207 (fin) Freeze State Salaries

Given the concern on the part of the bush caucus, that many of the state positions in rural Alaska are being taken by "outside" residents thereby creating a wide economic rift between native and non-native residents in the local area, I suggest we obtain some factual information from the Division of Personnel.

Specifically, I suggest that as Chair of the House State Affairs Committee you request the Division to provide the committee with the following information for the last ten years. (To capture any trends).

- 1) The number of employees whose basic salary exceeds ^{Range 1-4} \$30,000 who were local residents of the area in which they were hired. ¹⁵⁸
- 2) The number of employees whose basic salary exceeds ^{Range 1-4} \$30,000 who were not local residents of the area in which they were hired.

WHAT DO YOU THINK???????

[Handwritten signature]

*Agree
Please write
appropriate letter
w/ phone call.
Katie*

*Range 1-4
15*

State cost-of-living survey begins

By: APEA Geographic Differential Committee

Around the middle of January the State of Alaska began their household and price surveys. Some of you may have been contacted by their interviewers — if so you know how difficult it is to try to recall with any accuracy your expenses over the last month or year in the course of a 15 or 20 minute telephone call.

Over the past two months the committee has pointed out to the state in detail the weaknesses of their study design, an example being the failure of a brief telephone interview as a means of gathering accurate cost data. Unfortunately, the state has proceeded with study essentially unchanged from the original faulty design. We had hoped to save a tremendous amount of time and effort by being able to use consumption data from the state study in determining fair and equitable differentials to be presented by our negotiators. We have now found that in order to have reliable and defensible data to work with, we will be forced to gather it ourselves.

Briefly, a good cost of living study is made up of two components: a household survey to establish consumption patterns (the portion of a family's budget which goes for various goods and services) and a price survey to gather data on the current prices of those goods and services. Both are important, but for the differential study the household survey is the more critical of the two. The state's plan is to put a "formula" on the state payroll computer which can be used in future years to revise the geographic differentials as prices change in various places around Alaska. The basis for the "formula" comes from the household survey, and this is the part that will determine in later years how updated price data affects your paychecks. It's obvious that reliable household survey data is required, so that the "formula" for each district is correct and accurately reflects a state employee's costs in maintaining their standard of living in that district.

There are three major flaws in the way the state is gathering their consumption data. Already mentioned is the weakness of the telephone survey format as a means of getting accurate consumption data. What you obtain instead is a series of guesses with a minimum of thought behind them, and there is no way to tell what errors may result from this. Second, and also very important, is the fact that instead of measuring the consumption patterns of state employees or even people who are similar to state employees, the state's contractors have taken a random sample from the population of each district as their source of consumption data. The result is, of course, that the reported consumption will be the average for the community, not the average for skilled workers (or even for employed persons). While this might not be a significant problem in large urban areas, in some parts of rural Alaska many members of a community may obtain a large part of their annual needs entirely outside the "cash economy" through barter, subsistence hunting and fishing, etc. Resulting in an unreasonably low expenditure average for the community. If you then base a state employee's paycheck on that average, the employee has little choice but to obtain their needs in the same fashion, even if prevented by job requirements (or by law) from doing so.

The third problem is a statistical one. Due to a limited budget for the study, the state has elected to take 2,500 samples for the entire population of the state. When you compare the size of the sample to the size of the population, you find that in areas outside Alaska's major cities, the state's statisticians may only be 85% certain, or less, that the "numbers" they report as being "average" for the area are in fact the true average of the guesses they obtain through their household survey. The possibility of aggregate errors due to these flaws is very significant, and there is no real way of determining what form these errors might take.

APEA'S STUDY

As the cost-of-living component is such a major part of the geographic differential, we must be sure that these costs are honestly and reliably calculated. The economic welfare of thousands of state employees is involved, and any survey design chosen must meet very high standards of scientific credibility. Such a design, which could still be done within the limitations of the study budget, was presented to the state by APEA in December, 1984. It was, unfortunately, not adopted, and now we find that in order for our negotiators to be able to present accurate and defensible figures in dealing with the state, we must get these figures ourselves.

The design originally presented to the state has been modified as necessary to take into account the fact that state resources are now not available for sample selection, distribution, and collection. A draft of the household survey questionnaire was undergoing field testing late in January, and a scientifically selected sample of APEA members will receive the survey questionnaires early in March.

If you are one of those members selected to participate in the survey, it is extremely important that you accurately complete the questionnaire and return it. While the committee's technical staff have "gone by the book" in our study design, we are still open to challenge if an insufficient number of questionnaires are completed and returned. After documenting, at length, the state's errors in their study, we must not be guilty of the same sort of statistical flaws. The factor of nonresponse bias could cause our own data to be as indefensible as the state's and useless to our negotiators in protecting your paychecks from possible unreasonably low cost figures used by the state! We must be able to guarantee with a high degree of certainty that our figures are truly representative of state employee costs in each geographic area, and to make this possible we must depend upon those members scientifically selected as participants to accurately fill out the questionnaires and promptly return them to us. If you fail to do so, you are hurting not only yourself but also thousands of other state employees whose paychecks depend upon a fair and equitable geographic differential system.

CONFIDENTIALITY

A family's economic situation is a very private thing. We certainly don't want to endanger anybody's privacy in the course of obtaining the statistical data that we need.

The answers you provide on your questionnaire will never be made public in any form which could be identified with you as an individual or with your household. The data will be aggregated, with the answers from individual questionnaires being averaged together to produce a statistical summary for each geographic region. For this reason, if you are selected as a survey participant, be very sure that you do not put your name or address anywhere on the questionnaire form. If you want to request a copy of the survey results, do it on a postcard or separate letter - not in the questionnaire!

HOW THE SURVEY WORKS

Survey participants will receive a questionnaire booklet with blocks to check and blanks to fill in regarding numbers of things owned or used, or in some cases amounts spent for certain types of goods and services. Where an average or estimate is called for, the survey participant can look up old receipts, bank statements, or checks written to provide a good basis for their answers. In addition, the survey includes the most accurate means of getting good figures for food and other recurring purchases, based on the techniques used by the U.S. Bureau of Labor statistics for the consumer price index. During the two weeks of the survey, participants spend about ten minutes each day writing down the actual amounts they spent that day for bread, meat, gasoline, etc. - numbers that they probably would not be able to remember accurately a week or a month later. This provides us with a very good method for determining the part of the average household budget that goes for those items, a feature not present in the state's design. At the end of the two week period, just fold the questionnaire over, staple it together, and drop it in the mail.

As the returned questionnaires are received at APEA headquarters, the information will be entered into a computer database, and averages calculated for each geographic region. These figures will then be used by the negotiators in rebuttal to state figures which may be inaccurate and harmful to state employees. With your help, the result will be a geographic differential system which is fair and equitable to all state employees, which we can live with in the years to come.

Post-PDQ classification work continues

Alice Blumenshine
Classification Officer

After the PDQ - what? Last fall you did your part for the classification study - you wrote your job description, filled in all the blanks, signed your name, gave it to your supervisor, and turned your attention back to your regular job. We haven't heard from most of you, but I imagine many of you are wondering what's happening. I felt I'd like to bring you up to date.

In the last few weeks we have had several calls from members across the state, some asking why their positions were being audited, and some asking for APEA's help in making sure their positions *would* be audited. In the latter case, we're pleased to report that those positions will be audited; the Division of Personnel was amenable to our suggestions. As to the reason for audits, we could give only general answers. There could be several reasons why the analysts have selected particular positions to look at - to look closely at a representative sample of positions in a given class; to assure that a position is typical of others in the class, to clarify the duties if a description was not clear; because the incumbent or the supervisor has requested an audit or reclassification.

Whatever the reasons, a great many audits (or position reviews) are being conducted. We have no firm numbers, but Personnel Analysts from Division of Personnel have been on the audit trail during all of January and will probably continue through March. Personnel people from most departments are also out auditing department-specific positions. Division of Personnel people alone are scheduled to look at positions in Sitka, Ketchikan, Kodiak, Bethel, Nome, Petersburg, Palmer, Wasilla, Kenai, Homer and Valdez in addition to those in Anchorage, Fairbanks and Juneau.

Mid-February will see the appearance on the scene of four representatives from Hallcrest-Craver Associates, subcontractors for the study. Bill Cunningham and Todd Taylor will be working with the law enforcement, corrections, and regulatory classes; Robert Hicks with medical care classes; and Larry Greene with Engineers and Deputy Directors. These four men are committed by contract to perform nearly 500 position audits. These classes comprise 2700 total positions, so nearly 20% of the positions will be audited. The contract people will be traveling extensively across the state, looking at positions in many locations.

This is by far the greatest effort ever made in Alaska to actually reach the employees who are doing the work and to assess the differences/similarities of the work being performed in urban areas with that being done in smaller communities. If you are contacted for an audit, we urge you to make the most of the chance.

When you submitted your PDQ to your supervisor, it did not go directly to the Division of Personnel - there were the usual administrative channels through which it passed to your departmental Personnel Office. There it was reviewed before being copied and sent to the Division of Personnel. Janet Jaron, Chief of Classification and Pay says that, as of the last of January, 11 departments had submitted more than 90% of their PDQs to her shop; three departments had submitted more than 80%, one department more than 70%. While at that date DOTPF had submitted only slightly over 1/3 of their PDQ's, they had turned in 1850 forms. That's more than the total positions in any other department. Ms. Jaron also said that on February 5th, slightly more than 86% of the PDQs were in statewide. While the data-gathering process is slightly behind schedule, it seems to be going better than most anyone could have predicted.

If you out there have questions, please call either myself or Debra Silverman at 583-554. If we don't have the answer we will try to get it for you.

Fairbanks Field Office resolves 32 employees' grievances

Bob Watts — Northern Field Office Manager

The Fairbanks Field Office reports an impressive number of grievance resolutions for the month of January. A total of ten grievances involving 32 employees under different contracts were resolved *in favor of the employees* before Step 5 arbitration.

These, as in all grievance resolutions, require at least several meetings with supervisors (and employees) which requires many hours of work on the part of the Field Representatives. The end result in nearly all cases is a resolution more favorable to the employee than could be attained through an arbitration. For this reason special effort is exerted in an attempt to resolve all grievances through a grievance resolution before Step 5 arbitration.

For confidentiality, only the nature of the grievance and resolutions are listed below.

Nature of Grievance	Resolution
Late Check/Penalty Pay	Employee received \$200 in penalty pay.
Denied annual leave and insurance coverage.	Annual leave balance credited with proper amount and employee refunded \$218 for medical payments.
Lost merit increase due to promotion.	Employee "made whole" again - received the merit increase retroactively.
Evaluation/working out of class	Resolved in favor of employee.
Evaluation/No Merit Increase	Employee received proper evaluation and merit increase retroactive
Working out of class/unsafe working conditions (chemicals)	Resolved in favor of employee on both allegations.
Working out of class (equal pay for equal work)	Resolved in favor of employee. Promoted (upgraded) and paid retroactively for all time working in the higher class.
Five Day Suspension	Reduced to 2 day suspension in favor of employee.
Each employee assessed 1 day of Annual Leave or LWOP (20 employees)	All 20 employees "made whole" again. Each was refunded one day of A/L or LWOP as appropriate.
Denied upgrade in salary (4 employees)	Resolved in favor of employees. Each received salary upgrade retroactively.

SU Sick Leave Bank needs contributions

Candy Behrends
Southeast Field Associate

As of December, 1984 the Supervisors Sick Leave Bank has a membership of 211 members. The Bank balance at this time is 189 days. Although still within the 80% reserve mark required under Article 25, Section 2, it is close.

Thousands of hours of sick leave are lost each year by terminating and retiring supervisors, and although all of this leave can't be donated to the Bank, any Supervisory Unit member who is retiring or resigning may contribute one day of their unused sick leave to the Bank.

If you aren't already a member of the Bank, consider what a good insurance policy the Bank is against the unexpected, and it costs only one day of sick leave to join.

To join the Bank simply submit a regular leave slip with an "S" in the bank box, write "Supervisors Sick Leave Bank" on it and submit through administrative channels. Guidelines for use of the bank are spelled out in Article 25, Section 2 of the Supervisory Unit Agreement.

APEA wins travel meal allowance

Bud Westall — S.E. Field Assoc.

The association recently represented an employee in a dispute over the State's failure to pay meal allowances while the employee was in travel status.

The State's contention was that the employee's position description included a weekly trip to purchase and pick up supplies in Anchorage and that the approximately 300-mile round trip could be accomplished within the normal work day and that a state vehicle was used to accomplish the task; therefore, the employee was not considered to be in travel status.

Relying on the definitions and provisions of the contract, the State Administrative Manual, and the cooperation of Department of Administrative Payroll to provide interpretive decisions, APEA was able to convince the department that the employee is, in fact, in travel status during these weekly trips and, accordingly, meal allowances are due.

Due to the department's willingness to discuss this disagreement at great length and in numerous contacts, we were able to reach agreement prior to filing a formal grievance.

Anchorage hosts SAC meeting, plans training session for employee reps

Carolyn Morris — Anchorage GC Chairperson

Well, another month has gone speeding by. The month of January was filled with activity for the Anchorage Chapter of the GGU. Our second newsletter was distributed to the entire membership in the Anchorage area, and it appears to have been well received. I also asked our secretary to send copies to all the other chapters statewide. We hope to make the next issue even better.

As you know, the January SAC Meeting was held in Anchorage. Unfortunately, workload prevented my attendance at the Friday session, but I was able to attend the Saturday meeting. Boy, was it hard to sit in the gallery and keep my mouth shut!! But, it was a very beneficial and educational experience, and I am glad that I had the opportunity to be there along with some of our other delegates.

The Employee Representative Committee is continuing its efforts to provide information and assistance to known Employee Reps in the Anchorage area with monthly mailings. We anxiously await the establishment of the film library - one of the funding approvals at the last SAC meeting. It is our plan to incorporate these films into our monthly "mini" training sessions. The Chairperson of the Employee Representative Committee has been besieged with phone calls from members who want to know how to be/elect/get (or get rid of) an Employee Representative at their worksite. This is encouraging because we are finally getting the attention of the Employee Reps as well as the members who desire an on-site person to aide them. The plans for the mediation training are still in the works.

One of the final funding obligations of the Public Relations and Benefits Committee was satisfied very pleasantly at the conclusion of the 1985 All Alaskan Juried Art Exhibition. I and two members of the P/R Committee, after viewing numerous entries in all categories, selected three works of art which we purchased for the Anchorage Museum. Our trio chose two photographs: *Balloons, Anchorage, 1984* by Rosenberg; *Reflections* by Foley; and a lovely watercolor titled *Low Tide, Amalga Harbor* by Hoffman. All groups or individuals who contribute to the museum a thousand dollars or more will have their names inscribed on a brass plaque near the entrance of the museum. If they list alphabetically, we should be in great position!

At our January delegate meeting, we established a Contract Committee to begin formulating information, suggestions, problems, etc. received from members and Employee Representatives. We are hoping that by working in advance, we can offer well researched and attainable goals at the next contract negotiations.

The Ad Hoc General Assembly Planning Committee is busily working to make this year's gathering in Anchorage very memorable! We also established the Pre-General Assembly Caucus Planning Committee. They will be formulating the arrangements for the Southcentral Caucus which Anchorage has traditionally hosted, usually in April.

On January 24, Anchorage held its quarterly General Membership Meeting. We were privileged to have Harry Dullinger and Willard Dunham present at a well attended meeting to give us first hand information regarding various issues of concern to our Chapter and the membership. The P/R Committee awarded several doorprizes throughout the meeting and several By-Law changes were introduced. Those By-Laws that were passed were "housekeeping" in nature to bring Chapter By-Laws into compliance with state By-Laws.

Speaking of compliance with By-Laws, I understand that at a January meeting of the Juneau GGU, a delegate was removed by delegates only vote despite a letter from President Harry Dullinger informing the Juneau Chapter Chairperson of the non-compliance of the Juneau Chapter's by-law regarding removal of delegates. While I am hesitant to comment on the people and issues surrounding this removal, I do feel I can comment on the fact that we cannot allow individuals or Chapters to disregard the state By-Laws and to say the least, the direction of the President of our Association! If this delegate has asked for reinstatement, I would have to support him on the basis that he was illegally removed.

Another issue which was of concern to the delegates in Anchorage was information that certain delegates of the Juneau Chapter, without the knowledge or consent of the Juneau membership, had passed a motion to affiliate with Solidarity Now, a newly formed group of local labor organizations. (I am advised that "other than capitalizing on its name, the organization has no connection with Polish Solidarity.") While I would have no objections to local labor organizations working together, I question the propriety of affiliating with a group which includes The Industrial Workers of the World (IWW). This group came about in approximately 1905 and has the dubious distinction of being placed on the FBI's list of subversive organizations from 1949 until the 1970's, at which time Congress suspended the list. When I raised the question of a Chapter having the right to affiliate with an organization without prior SAC and membership approval as stated in the State By-Laws, I was advised that since this affiliation was not that of the entire organization of APEA, it was legal. Although individual chapters enjoy a great deal of autonomy, in an instance of this nature where the implications and connotations can be far reaching, we need to take a second look.

Finally, on a more personal level, a member came before us at the January 24 membership meeting with a plea. A little less than five years ago, a lady came to work for the state with the Department of Natural Resources, Division of Technical Services. Shortly after beginning to work for the state, she was struck with a viral infection which left her confined to a wheel chair. Her spouse deserted her, but she has continued to work. Most recently, she was discovered to have terminal cancer. She desires more than anything to be vested with the State of Alaska, and is refusing to take pain relievers so she can remain alert enough to continue to work, but it is uncertain how much longer she will be able to do this. The State and APEA have agreed to allow unlimited leave donations in this case. If you would like to give leave to this courageous lady, this is how it's done. You must donate annual leave and it cannot be in increments of less than four (4) hours. You must write (or type) at the bottom of the leave slip "Leave donated to: Billie Bedsworth, SS# 511-26-7966. Write or type your name and address at the top of the leave slip; put a "D" in the annual leave box; and the number of hours you wish to donate go in the appropriate boxes. Don't forget to sign the slip. Send the completed slips to: Juneau Field Office, 227 4th Street, Juneau, AK 99801, Attn: Candy.

If you still have questions on this procedure, contact your nearest field office or Employee Representative. Remember, none of us know what might happen next, and you may need this kind of generous help some day. Thank you for anything you might be able to do.

Until next time, take care and have a great month!

Position Paper

CSSB207 (Fin)

DRAFT

This Bill deals with four distinct ^{TOPICS}~~types~~. This position paper deals with those topics by discussing the various sections of the Bill that deal with a topic under the topic heading. Notation is made of fiscal impacts which are further detailed in two fiscal notes. In general, the Department of Administration supports the intent of the legislation. We believe, however, that there are several areas that should receive more attention.

Limitation on Actions

Section 1, 2, 8, 10, 11, and 13 deal with the placing certain limitations on the executive, legislative, and judicial branches and the University of Alaska. Section 2 of the Bill adds two sections to ~~AS 37.07.010~~ ^{AS 37.07.010 - 230} ~~AS 37.07.136~~, the Executive Budget Act. ^{AS 37.07.010 - 230} Proposed AS 37.07.085 limits: reclassification of positions unless the action is provided for in the budget, approved by the legislature, or consistent with the policies established under AS 39.25.150(1); changes in a salary range unless provided in the budget, approved by the legislature, or required for compliance with AS 18.80.220(a)(5), AS 39.25.010, or AS 39.25.150(2); and promotion of an incumbent, hired after the effective date, of a flexibly staffed position unless provided in the budget, or approved by the legislature. Proposed AS 37.07.087 provides a mechanism for annually reconciling departmental listings of positions with positions authorized in the budget. After the reconciliation, "a department may not establish a new permanent PCN or change the salary range, pay step,

13/4D2/0418-02/1

location, or time status of an existing PCN unless the division of budget review concurs."

Section 8 requires the Division of Budget Review to develop an automated system for the above reconciliation, with the capability of matching against payroll records, by September 15, 1985.

Section 10 "grandparents" current collective bargaining agreements from changes otherwise required by the Bill.

Section 1 prohibits future collective bargaining agreements from containing terms contrary to proposed AS 37.07.085.

Section 11 is a severability clause added by CSSB 207 (Fin) based on our testimony, discussed below, that a specific provision may violate the separation of powers doctrine.

Section 13 makes the limitation on actions provisions effective immediately.

Position

The Department of Administration supports the concept of reconciling budget and position information. The Department also supports the requirement that actions to reclassify positions or change salary ranges be taken in accordance ^{with} ~~to~~ existing statute, policies, and regulations.

The Department believes that the provision in proposed AS 37.07.085(a)(3) (p. 2 ^{11.} 1 to 3) is an undue [✓] infringement of the legislative branch into decisions of the executive branch. The decision to promote an employee is a

two are for "line"

proposed law. Section 10 again "grandparents" current collective bargaining agreements, ^{while} ~~which~~ Section 1 requires future agreements to comply with this proposed law. Section 13 makes the provision effective immediately for those not currently covered by a collective bargaining agreement. Section 7 provides a commitment by the legislature to review geographic differentials following the release of a comprehensive study of the subject.

Position

There is a strong argument for paying the same dollar differential to all employees at a duty station. Since cost-of-living differences tend to stem from geographic price differences in basic commodities and services, their effect on employees is not in direct relation to earning levels. A ~~pound of~~ ^{amount of milk} hamburger, a kilowatt hour of electricity, and a gallon of gasoline cost the same for every employee in a duty station, regardless of income. Consequently, there is a strong equity argument for paying every affected employee a differential which is separate and apart from the employee's earning level. ~~A study?~~ ^{The state uses one method of doing so in its collective bargaining contract with the Union, Trade and Unions Bargaining Unit}

The Department of Administration supports Section 4. We further support the commitment of the legislature to review the issue once the study of geographic differential funded by the legislature in 1984 is available. We believe that would be an appropriate time to address the question of an inflation/deflation factor for the \$30,000 limit.

of this section.

The Department has a concern with the effective date. It is impossible to put the provisions into effect the ^{day} ~~date~~ after the Governor signs the Bill. Computer system changes will take time. The prospect of manually adjusting the pay for each employee effected immediately would require additional staff beyond the needs shown in the fiscal note. The alternative prospect of

Change wording on fiscal note

fundamental decision of an appointing authority. The proposed requirement of legislation or budget approval for such actions, in our view, violates the separation of powers doctrine. The appointing authority for the three branches of government and the University of Alaska is contained in AS 39.25.070.

Proposed AS 37.07.085(a)(3) shifts some of the authority of the Governor, the Chief Justice and the board of regents to the legislature. We believe ~~the subsection~~ ^{the subsection} should be deleted.

The Department also has a concern about proposed AS 37.07.087(b) (p.2, ll. 18-21). This subsection would require the Division of Budget Review's concurrence before a department could change a salary range, award a merit increase (pay step) or relocate a position. While the intent of proposed AS 37.07.087 appears to be the maintenance of an accurate system of position accounting for budget purposes, the language in subsection (b) appears to place on the Division of Budget Review a requirement to review and act on substantive decisions normally made by ~~agencies~~ ^{departments}. This conflicts with proposed AS 37.07.085(a)(1) and (2) where the State may reclassify positions and change salary ranges consistent with statute. It puts a limitation of the authority of the principal executive officer of agencies found in Title 41.

*Suggest
wording*
We believe proposed AS 37.07.087 should be amended to reflect the authority of the Division of Budget Review to control changes to the automated position accounting system, but not the actions of agencies taken under proper authority.

Limit on Geographic Differential

Sections 1, 4, 7, 10, and 13 deal with limiting the payment of geographic differential to the first ~~payment of geographic differential to the first~~ \$30,000 of an employee's salary. Section 4 contains the substance of the

maintaining two automated systems, one for those affected immediately and one for those affected with future collective bargaining agreements, is also more costly. Finally, there is an equity consideration. Only approximately 93 employees will be affected immediately. The vast bulk of employees, those in the General Government and Supervisory bargaining units will not be affected until January 1, 1987 under current collective bargaining agreements. By that time, the legislature will have probably reviewed the issue under Section 7. The Department urges the adoption of an effective date that will allow uniform and well-planned implementation of this provision.

effective date from section only

Retirement Changes

Sections 5, 6, 9 and 12 propose amendments to the Public Employees' Retirement System.

The amendment in Sections 5 and 6 are to calculate retirement benefits using salaries including geographic differentials only if 50% or more of the credited service was at a location where a comparable geographic differential was paid. Only State employees are affected (there are no known geographic differentials within the participating political subdivisions). These Sections would also provide for refunding any contributions paid on area differential if the salary used for benefit calculation does not include area differential.

Section 9 makes the provision applicable only to employees hired after the effective date of the amendments. Section 12 makes the effective date January 1, 1987.

Position

Sections 5 and 6 would not affect current employees; therefore the immediate impact will be relatively small. The long-term impact will be greater because of the requirement to calculate retirement benefits differently for employees hired after the effective date of this Bill.

The computer programs of the Public Employees' Retirement System will need substantial revision to accommodate the proposed changes to the method of calculating retirement benefits and refunds for employees hired before the effective date of this Bill. These costs would be substantial ~~30~~⁵ relative to the perceived cost savings; the net effect would be a cost to the State.

In terms of computing retirement benefits, Section 5 would require the State to track retirement contributions on base salaries separately from contributions ~~relate~~ related to the cost-of-living differential only. The current benefit calculation is performed manually and requires the State to identify the number of years of creditable service and the three highest paid years for determining benefit amounts. Amending these retirement sections would significantly complicate the system without achieving a significant program impact.

Merit Principle

Sections 3 and 13 deal with the merit principle of employment. Section 3 adds a sixth specific factor included within the merit principle. Section 13 provides an immediate effective date.

Position

Section 3 provides that the merit principle of employment includes ~~classification~~ classification and pay plans free of race or sex biases and a single set of

Middle

*not done yet
and 1981*

classification criteria. The Department of Administration supports this provision. The Legislature provided \$500,000 in funding in 1983 for development of a new classification. ^{plan.} Recommendations will be made to Governor Sheffield in August for the implementation of a classification system using a single set of factors.

Frank Raye, Director

Division of Personnel

Date

J. K. Humphreys, Director

Division of Retirement and Benefits

Date

Kenneth Bischoff, Director

Division of Finance

Date

Commissioner Lisa Rudd

Department of Administration

Date

STATE OF ALASKA
THE LEGISLATURE

POUCHY STATE CAPITOL
JUNEAU ALASKA 99811
907 465 3800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

April 26, 1985

SUBJECT: Sectional analysis of CSSB 207 (Fin)
TO: Representative Katie Hurley
Chair, House State Affairs Committee
FROM: Teresa B. Cramer *TBC*
Legislative Counsel

You have asked for a sectional analysis of CSSB 207 (Fin), relating to certain kinds of compensation for public employees.

Section 1 prohibits the state and employee bargaining organizations representing state employees from entering a collective bargaining contract that is contrary to the terms of sections 2 or 4 of the bill.

Section 2 forbids the state, including the executive, legislative, judicial branches and the University of Alaska, from making changes to positions, job classes, or salaries as listed in the section. The regulation of employment practices may be viewed as a legislative infringement on the power of the governor and the chief justice of the Supreme Court to administer those branches of government and the power of the board of regents to administer the University of Alaska. See memo to the Senate Finance Committee dated March 13, 1985, discussion of section 6.

Section 37.07.087 requires departments to provide information on PCN's to the Office of Management and Budget and to revise that information based on current budget authorization. The departments may not change the list unless the division of budget review in OMB concurs.

Section 3 includes determination of job worth based on a single set of criteria within the merit principle of employment.

Representative Katie Hurley
April 26, 1985
Page 2

Section 4 limits the amount that an employee may receive as a pay step differential. The maximum differential would be calculated on a basic salary of \$30,000.

Sections 5 and 6 require an employee to make contributions to the Public Employment Retirement System based on the employee's entire compensation including a cost-of-living differential. However, the employee's benefits will be based on the entire compensation only if the employee received a comparable cost-of-living differential for at least 50 percent of the employee's credited service. If the employee does not receive benefits based on salary including cost-of-living differentials, then the division must refund the amount of contributions the employee made for the differentials. These sections raise equal protection questions. (See memo to the Senate Finance Committee April 1, 1985.)

Section 7 requires that the legislature review geographic pay step differentials after release of a state study on the subject.

Section 8 requires the division of budget review in OMB to develop a master position control system that can match permanent positions against the state's master payroll record.

Section 9 provides that the amendments to the Public Employees' Retirement System only apply to members first hired after the effective date of the sections amending the PERS. (January 1, 1987 -- see section 12)

Section 10 provides that the bill does not terminate or modify a collective bargaining agreement that was in effect on the effective date established in section 13.

Section 11 is a severability clause consistent with AS 01.10.030 which applies to all laws passed by the legislature unless it is specifically exempted.

Section 12 is an effective date for sections 5, 6, and 9.

Section 13 provides that the bill, except for sections 5, 6, and 9, takes effect immediately.

If I may be of further assistance, please advise.

TC:ojb
J14/047

STATE OF ALASKA
THE LEGISLATURE

LEGISLATIVE AFFAIRS AGENCY

Macl

POUCH Y STATE CAPITOL
JUNEAU, ALASKA 99811
907 465 3800

MEMORANDUM

April 1, 1985

SUBJECT: CSSB 207 (Finance) (Geographical
Differentials)

TO: Senator John Sackett
Co-Chair, Senate Finance Committee

FROM: Teresa B. Cramer *TBC*
Legislative Counsel

You have asked for suggestions for changing the geographical differential provisions in section 2 of CSSB 207 (Finance). Two approaches occurred to me.

The first approach is similar to the current provision in the bill.

(a) A person whose basic salary is \$30,000 or less (or any other amount) receives the pay step differential set out in AS 39.27.020.

(b) A person whose basic salary exceeds that amount receives a differential equal to the amount set out in statute less one-half (or any other fraction) the value of the last step in the differential.

This formula should apply only to differentials equal to or greater than one. For positions in other states, to which a minus six differential applies, the formula should be changed so that positions paid more than \$30,000 have the value of an additional half step subtracted from their salaries.

This approach could be used to establish a three-tiered system by setting two cut-off points (for example, a basic salary of \$30,000 or less, a basic salary greater than \$30,000 but less than \$40,000, and a basic salary equal to or greater than \$40,000) and two fractional values (for example, two-thirds of the final step for employees paid

Senator John Sackett
April 1, 1985
page 2

\$30,000 - \$40,000 and one-third of the final step for employees paid \$40,000 or more).

The second approach would be a more radical change to the current system. The legislature could establish a specific value for a pay step differential. For example, the pay step between Range 15A (\$2410) and 15B (\$2498) as set out in AS 39.27.011 is \$88. Using that amount as the value of a pay step differential, an employee who lives in election district 12 (which has a pay step differential of 7 under AS 39.27.020) would receive a differential of \$616 per month regardless of the salary range at which the employee was paid. This approach would increase the differential paid to persons in the lower salary ranges and decrease the differential paid to persons in the higher salary ranges.

The collective bargaining agreements for the General Government Unit and the Supervisory Unit of the Alaska Public Employees Association contain detailed provisions for geographic differentials. The terms of the contracts cannot be amended by legislative action, and therefore a statutory change would not apply to employees within those units until the expiration of the contracts. I have not reviewed the terms of other collective bargaining agreements to determine whether they address this issue.

As discussed in my memorandum of March 13, 1985, section 2 of the committee substitute raises constitutional questions relating to legislative infringement of administrative powers of the executive and judicial branches and of the University of Alaska.

Sections 3 and 4 of the committee substitute raise equal protection questions. Employees who worked 50% of the time in locations which received a geographical differential may claim the geographical differential as part of their salaries and therefore receive higher retirement benefits than employees who received geographical differentials for less than 50% of their employment. The difference cannot be justified on the basis of the cost of living in the retired person's current place of residence, since payment does not depend on where the retired person lives.

If I may be of further assistance, please advise.

TBC:csh
c3/076



Official Business

Alaska State Legislature

Senate

Pouch V
State Capitol
Juneau, Alaska 99

FROM: SENATOR JOHN SACKETT

SECTIONAL ANALYSIS: CS SB 207(FIN)

TITLE: SPECIFIC TO CHANGES IN THE BILL

Section 1. Specifies that a collective bargaining agreement may not contain items limited under law relating to personnel actions and the pay step differential calculations.

Section 2: Forbids the state, including the executive, legislative, judicial branches and the University of Alaska, from making changes to positions, job classes, or salaries as listed in the section. According to legislative legal council the regulation of employment practices may be viewed as a legislative infringement on the power of the governor, the chief justice of the supreme court, and the board of regents.

Section 37.07.087 Requires departments to provide information on PCN's to the Office of Management and Budget and to review that information based on current budget authorization. The departments may not change the list unless the Division of Budget Review in OMB concurs.

Section 3: Includes determination of job worth based on a single set of criteria within the merit principle of employment.

Section 4: Limits the amount that an employee may receive as a pay step differential. The maximum differential would be calculated on a the first \$30,000 of basic salary.

Sections 5 and 6: Require an employee to make contributions to the Public Employment Retirement System based on the employee's entire compensation including a cost-of-living differential. However, the employee's benefits will be based on the entire compensation only if the employee received a comparable cost-of-living differential for at least 50 percent of the employee's credited service. If the employee does not receive benefits

based on salary including cost-of-living differentials, then the division must refund the amount of contributions the employee made for the differentials. According to legislative legal counsel, these sections may raise equal protection questions.

Section 7: Requires that the legislature review geographic pay step differentials after release of a state study on the subject.

Section 8: Requires the Division of Budget Review in OMB to develop a master position control system that can match permanent positions against the state's master payroll record.

Section 9: Provides that the amendments to the public employee's Retirement System only apply to members first hired after the effective date of the sections amending the PERS. (January 1, 1987)

Section 10: Provides that the bill does not terminate or modify a collective bargaining agreement that was in effect on the effective date established in Section 11.

Section 11: Clarifies that should any provision of the bill be found invalid by the courts, that the rest of the bill is unaffected.

Section 12: January 1, 1987 is the effective date for sections 5, 6, and 9.

Section 13: Provides that the bill, except for sections 5, 6, and 9, takes effect immediately.

STATE OF ALASKA THE LEGISLATURE

PCUCH Y STATE CAPITOL
JUNEAU ALASKA 99811
907 465 3800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

April 26, 1985

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Chair, House State Affairs Committee
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Legislative Counsel

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Representative Katie Hurley
April 26, 1985
Page 2

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Section 7 requires that the legislature review geographic pay step differentials after release of a state study on the subject.

Section 8 requires the division of budget review in OMB to develop a master position control system that can match permanent positions against the state's master payroll record.

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If I may be of further assistance, please advise.

TC:ojb
J14/047

STATE OF ALASKA
THE LEGISLATURE

LEGISLATIVE AFFAIRS AGENCY

Mac

POUCH Y STATE CAPITOL
JUNEAU ALASKA 99811
907 465 3800

MEMORANDUM

April 1, 1985

SUBJECT: CSSB 207 (Finance) (Geographical
Differentials)

TO: Senator John Sackett
Co-Chair, Senate Finance Committee

FROM: Teresa B. Cramer *IBC*
Legislative Counsel

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This formula should apply only to differentials equal to or greater than one. For positions in other states, to which a minus six differential applies, the formula should be changed so that positions paid more than \$30,000 have the value of an additional half step subtracted from their salaries.

This approach could be used to establish a three-tiered system by setting two cut-off points (for example, a basic salary of \$30,000 or less, a basic salary greater than \$30,000 but less than \$40,000, and a basic salary equal to or greater than \$40,000) and two fractional values (for example, two-thirds of the final step for employees paid

Senator John Sackett
April 1, 1985
page 2

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The second approach would be a more radical change to the current system. The legislature could establish a specific value for a pay step differential. For example, the pay step between Range 15A (\$2410) and 15B (\$2498) as set out in AS 39.27.011 is \$88. Using that amount as the value of a pay step differential, an employee who lives in election district 12 (which has a pay step differential of 7 under AS 39.27.020) would receive a differential of \$616 per month regardless of the salary range at which the employee was paid. This approach would increase the differential paid to persons in the lower salary ranges and decrease the differential paid to persons in the higher salary ranges.

The collective bargaining agreements for the General Government Unit and the Supervisory Unit of the Alaska Public Employees Association contain detailed provisions for geographic differentials. The terms of the contracts cannot be amended by legislative action, and therefore a statutory change would not apply to employees within those units until the expiration of the contracts. I have not reviewed the terms of other collective bargaining agreements to determine whether they address this issue.

As discussed in my memorandum of March 13, 1985, section 2 of the committee substitute raises constitutional questions relating to legislative infringement of administrative powers of the executive and judicial branches and of the University of Alaska.

Sections 3 and 4 of the committee substitute raise equal protection questions. Employees who worked 50% of the time in locations which received a geographical differential may claim the geographical differential as part of their salaries and therefore receive higher retirement benefits than employees who received geographical differentials for less than 50% of their employment. The difference cannot be justified on the basis of the cost of living in the retired person's current place of residence, since payment does not depend on where the retired person lives.

If I may be of further assistance, please advise.

TBC:csh
c3/076

May 2, 1985

Katho Hurley, Chairman
House State Affairs
Pouch V
Juneau AK 99811

MAY 6 1985

Representative Hurley:

On behalf of the Support Staff Council of the University of Alaska-Fairbanks, which represents 1100 employees, I wish to present the following remarks on SB 207.

Section 2

Alterations in position classifications, salary ranges and promotions are all based on established criteria and require careful review. Supervisors and reviewers weigh these criteria and the department budgets thoroughly before approval. Submission to the legislature would add additional time, in some cases months to the procedure and has the following drawbacks:

1. Final approval is controlled by individuals who are unfamiliar with a position, its duties and the service it provides. This would make it difficult to judge the value of the change in relation to its cost.

2. An employee is further distanced from a process that affects him most.

3. It may be necessary to delay new or additional assignments until approval, an action which can cost efficiency and therefore dollars.

4. Possible assignment of duties prior to final approval could result in inappropriate compensation.

5. Item 1 under SENATE of the 49 Legislative Intent Statements currently attached to the University Budget states: "The Legislature has approved those new positions requested by the University which are funded with Federal and program receipts or through a reallocation of existing general funds. However, the legislature intends that the University reduce or reclassify existing positions prior to creating or filling new positions." CSSB207 conflicts with that intent.

Cost of Living Differential

The limitations to the cost of living differential do not take into account a number of factors.

1. The differential exists because of real differences in costs which affect an individual's expenses.

2. The base figure of \$30,000 does not allow for adjustment when economic fluctuations affect expenses.

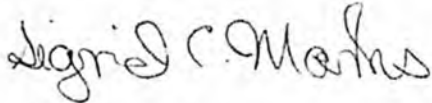
3. Exclusion of pay differential for calculation of retirement would result in severe drops in income for some retirees.

write

4. Employees hired after January 1, 1987 would have a substantially lower benefit than those hired prior to that date.

We respectfully request elimination of section 2 of this Bill. And we ask that the cost of living restrictions be reconsidered in light of the original intent to equalize buying power throughout the state.

Sincerely,



Sigrid C. Marks
Legislative Information
Support Staff Council
University of Alaska-Fairbanks
Fairbanks AK 99701

P.O. Box 80094
College AK 99708

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* DELIVER TO: BILL CARROLL
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* ORIGINAL
* SENT: 05/03/85 TIME: 09:00
* FROM: LIOPSC
* SUBJECT: H. STATE AFFAIRS/SB207
* PRINT DATE: 05/03/85 . TIME: 09:00
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*** FINAL T/C STATS ***

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DATE: MAY 2, 1985
SITE: PETERSBURG SPONSOR: HOUSE STATE AFFAIRS
SUBJECT: SB207 FREEZING STATE SALARIES
LOCAL MODERATOR:

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DOROTHY PENTTILA

TESTIFIED:

NAME/REPRESENTING	ADDRESS	PHONE
NONE		

OBSERVED:

NAME/REPRESENTING	ADDRESS	PHONE
1. BRIAN LYNCH (SELF)	BOX 1247	
772-3442		
2. JIM CARIELLO (SELF)	BOX 562	
772-3972		

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 * DELIVER TO: TCJNU
 *
 *
 * ORIGINAL
 * SENT: 05/03/85 TIME: 09:34
 * FROM: LIODJT
 * SUBJECT: H.SA SB 207 T.C.
 * PRINT DATE: 05/03/85 TIME: 09:34
 *

***** DELTA FINAL TC STATS *****

DATE: MAY 2, 1985
 SPONSOR: HOUSE STATE AFFAIRS
 SUBJECT: SB 207: GEOGRAPHIC DIFFERENTIAL
 SITE: DELTA
 LOCAL MODERATOR: LIZ SARVER

TESTIFIED:

1. TROXELL HEBERT, P.O. BOX 1018, DELTA JCT., AK 99737
2. RICHARD L. TAFOYA, P.O. BOX 1133, DELTA JCT., AK 99737
- ~~3. FRANK COLE, P.O. BOX 1347, DELTA JCT., AK 99737~~
- ~~4. DOUG MACKIE, P.O. BOX 1149, DELTA JCT., AK 99737~~

OBSERVED:

1. RUTH LUKE, 1876 DAVENPORT ROAD, DELTA JCT., AK 99737

UNABLE TO TESTIFY DUE TO TIME CONSTRAINTS:

1. ROBERT P. ALLEN, P.O. BOX 1277, DELTA JCT., AK 99737
895-4711
2. JERRY ALATALO, P.O. BOX 1071, DELTA JCT., AK 99737
3. REB FERGUSON, P.O. BOX 130, DELTA JCT., AK 99737

TESTIFIED: 4
 OBSERVED: 1
 UNABLE TO TESTIFY DUE TO TIME CONSTRAINT: 3
 TOTAL: 8

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* DELIVER TO: BILL CARROLL
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*
* ORIGINAL
* SENT:          05/02/85   TIME: 17:04
* FROM:          LIOKOD
* SUBJECT:       FINAL STATS
* PRINT DATE:    05/02/85   TIME: 17:04
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*** FINAL T/C STATS ***

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DATE:      _____MAY 2, 1985_____
SITE:      _____KODIAK LIO_____
SPONSOR:   _____HOUSE STATE AFFAIRS_____
SUBJECT:   _____SB 207 SALARY FREEZE_____
LOCAL MODERATOR: MARY JO_____

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TESTIFIED:
NAME/REPRESENTING          ADDRESS          PHONE

```

1. SHERRY SAUNDERS, BOX 1271, KODIAK 99615, 486-3929
 2. DONNA HURLEY, BOX 864, KODIAK 99615, 486-5584
 3. BONNE THERRIAULT, BOX 3196, KODIAK 99615
- THE FOLLOWING PERSONS WISHED TO TESTIFY BUT WERE UNABLE TO DO SO DUE TO
 IZC TIME CONSTRAINTS
4. EVERETT STONE, BOX 2168, KODIAK 99615, 486-5145
 5. DAN MACIAK, BOX 372, KODIAK 99615, 486-5805
 6. PENNY MINER, BOX 1653, KODIAK 99615, 486-4468

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OBSERVED:
NAME/REPRESENTING          ADDRESS          PHONE

```

1. BARB METROKIN, BOX 263, KODIAK 99615, 486-5843
2. WENDY BRAY, 316 MISSION RD., KODIAK 99615, 486-6174
3. JOEL B. DAVIS, BOX 441, KODIAK 99615, 486-5224

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TESTIFIED:  _____6_____          TIME START:  3PM____
OBSERVED:   _____3_____          TIME END:    4:30PM
TOTAL:      _____9_____

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* DELIVER TO: TCJNU
*
* ORIGINAL
* SENT: 05/02/85 TIME: 16:55
* FROM: FALEENE BIGGS
* SUBJECT: FINAL STATS
* PRINT DATE: 05/02/85 TIME: 16:55
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*** FINAL T/C STATS ***

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THURSDAY, MAY 2, 1985.....DATE
SITKA LIO.....SITE
HOUSE STATE AFFAIRS COMMITTEE.....SPONSOR
SB 207, FREEZE STATE SALARIES.....SUBJECT
FALEENE BIGGS.....LOCAL MODERATOR

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TESTIFIED:

1. PAULINE FREDRICKSON, ISLANDS COMMUNITY COLLEGE
1101 SAWMILL CREEK ROAD, SITKA, AK 99835

OBSERVED:

1. AL ANAKA, 210 LAKE STREET, SITKA, AK 99835

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TESTIFIED: ____1____
OBSERVED: ____1____
TOTAL: ____2____

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TIME START: __3PM__
TIME END: ____?____

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Tested

Fairbanks

HB 707

House State Affairs

- 1. SIGRID MARKS PO BOX 80094, FBX 99708 474-7780/479-3424
- 2. KAROL ALDERMAN PO BOX 73721, FBX 99707 479-4876/452-1568
- 3. TIM BECK PO BOX 60736, FBX 99701 456-2628
- 4. BETTY RHYNES ✓ CR BOX 40484, FBX 99701 452-1911
- 5. DANA C. WOOD ✓ 1401 E. STILL VALLEY N. POLE 99705 488-0567

OBSERVED:

NAME/REPRESENTING	ADDRESS	PHONE
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* FIRST 4 HAD WISHED TO TESTIFY

- *1. CAROL THOMPSON 1625 27TH APT 4, FBX 99701 452-1911
- *2. CATHI CARR-LUNDFELT BOX 81349, COLLEGE 99708 474-7349/488-9089
- *3. MERRITT HELFFERICH SIGNER'S HALL UAF 99701 474-7112
- *4. BOB WATTS 444 MCKINLEY VIEW, FBX 99701 456-5412
- 5. KAY BALLARD 405 J WEDGEWOOD #30, FBX 99701 456-8185
- 6. ANITA M. HINES 5071 RIVERVIEW DR. FBX 99701 456-7865
- 7. LIOLA HIGDES PO BOX 58082, FBX 99711 488-6425
- 8. CARLY NUCKELS 1406 BIRCHWOOD, FBX 99701 479-2356
- 9. MARLEYNE GESIN 2402 COWLES ST. FBX 99701 452-1581
- 10. SUSAN D. WEEDEN 1106 SHOSHON, N. POLE 99705 488-3318
- 11. WILLIAM F. NEWMAN PO BOX 2415, FBX 99707 456-7419

- 12. BURLE B. BEARD 1921 HOUSE TRAIL, FBX 99701 479-6252
- 13. GERALD D. BOWEN 405 FACEWELL AVE., FBX 99701 452-7427
- 14. SHIRLEY STALDER/DMV 1979 PEGER RD. FBX 99701 456-5185
- 15. KRIS KAIRIS 1979 PEGER RD. FBX 99701 452-2114X242
- 16. MARGAREE MOREHOUSE/UAF PO BOX 60367, FBX 99706 474-7894
- 17. LARRY STICE PO BOX 1831, FBX 99707 479-3415
- 18. ROGER KEMPFER PO BOX 1236, FBX 99707 456-3458
- 19. KATHLEEN HOOSIER PO BOX 60563, FBX 99706 456-5220

*
* DELIVER TO: TCJNU *
*
* ORIGINAL *
* SENT: 05/02/85 TIME: 17:20 *
* FROM: LIOB *
* SUBJECT: FINAL STATS *
* PRINT DATE: 05/02/85 TIME: 17:20 *
*

** FINAL STATS **

SPONSOR: HOUSE STATE AFFAIRS COMMITTEE
SUBJECT: SB207-FREEZING STATE SALARIES
SITE: BETHEL L.I.O.
DATE: MAY 2, 1985
MODERATOR: GRACE

TESTIFIED:

1. MARGARET JENNINGS, D.P.A., PO BOX 1053, BETHEL 99559 543-2686
2. SUSAN TAYLOR, D.P.A., BETHEL 99559 543-2686

OBSERVED:

1. DENNIS SALE, D.P.A., BOX 2013, BETHEL 543-2686
2. JOYCE FREEMAN, D.P.A., BOX 40, BETHEL 543-4368
3. MICHELE M. LESTER, D.P.A., BOX 441, BETHEL 543-2963
4. CATHERINE SULLIVAN, PHN, BOX 1917, BETHEL 543-2456
5. JO ANDREW, PHN, BOX 2228, BETHEL 543-2456
6. ED RAYMER, DFYS, BOX 681, BETHEL 543-3141
7. BETTY L. ABEL, BOX 138, BETHEL 543-2110

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*
* DELIVER TO: TCJNU
*
* ORIGINAL
* SENT: 05/02/85 TIME: 17:28
* FROM: LIOGLN
* SUBJECT: FINAL STATS
* PRINT DATE: 05/02/85 TIME: 17:28
*
*****

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*****
                E_I_N_A_L_____S_I_A_I_S
*****
LEGISLATIVE TELECONFERENCE NETWORK
*****

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DATE: 05-02
SITE-MODERATOR: GLENNALLEN-REBA
SPONSOR: HOUSE STATE AFFAIRS
SUBJECT: SB 207 FREEZING STATE SALARIES

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2 TESTIFIED T-C BEGAN: 03:06
2 OBSERVED T-C ENDED: 04:30
4 TOTAL JNU MODERATOR & IIN BILL

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*****
NAME ADDRESS-PHONE TESTIFIED - OBSERVED
*****
1. RICK DUPRIS BOX 694 GLENNALLEN XXXX
ALASKA, 99588
822-5265
/ WILSON POTTERVILLE BOX 231 GLENNALLEN XXX
ALASKA, 99588
822-3416
3. FRANK BIRD SR BOX 338A XXXX
COPPER CENTER, AK.
99573
822-3282
4. KEN ROBERSON BOX 375 GLENNALLEN XXX
ALASKA, 99588
822-3363
JOANN EOM

```

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*
* DELIVER TO: TCJNU
*
* ORIGINAL
* SENT: 05/02/85 TIME: 15:55
* FROM: DAVID JENSEN
* SUBJECT: (H) ST. AFFAIRS STATS (5-2-85)
* PRINT DATE: 05/02/85 TIME: 15:58
*

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*** FINAL T/C STATS ***

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DATE: _____ MAY 2, 1985 - THURSDAY _____
SITE: _____ ANCHORAGE - MAIN MEETING ROOM _____
SPONSOR: _____ HOUSE STATE AFFAIRS COMMITTEE _____
SUBJECT: _____ SB 207 - STATE EMPLOYEE WAGE RATES _____
LOCAL MODERATOR: _____ DAVID J _____

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TESTIFIED:
NAME/REPRESENTING ADDRESS PHONE
DEVERL PETERSON --- APEA 902 LANCASTER DRIVE ANCH 561-0161

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OBSERVED:
NAME/REPRESENTING ADDRESS PHONE
BOB PIAZZA --- APEA 801 W FIREWEED LANE #201 ANCH 276-6464

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TESTIFIED: 01
OBSERVED: 01
TOTAL: 02
TIME START: 3:00
TIME END: 4:30PM

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*
* DELIVER TO: BILL CARROLL
*
* ORIGINAL
* SENT: 05/03/85 TIME: 08:16
* FROM: LIQKOD
* SUBJECT: FINAL STATS
* PRINT DATE: 05/03/85 TIME: 08:16
*
*****

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*** FINAL T/C STATS ***

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DATE: MAY 2, 1985
SITE: UNALASKA TELECONFERENCE CENTER
SPONSOR: HOUSE STATE AFFAIRS
SUBJECT: SB 207 SALARY FREEZE
LOCAL MODERATOR: JERAH CHADWICK

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TESTIFIED:
NAME/REPRESENTING ADDRESS PHONE

```

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1. KEN GRIFFIN, BOX 308, DUTCH HARBOR 99692, 581-1529
*****

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OBSERVED:
NAME/REPRESENTING ADDRESS PHONE

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1. GREG MORRIS, BOX 37, UNALASKA 99685
2. FLORA TUTIAKOFF, BOX 174, UNALASKA 99685, 581-1236
3. TOM BEARDSLEY, BOX 462, DUTCH HARBOR 99692, 581-1681
4. JAMELE LOW, BOX 302, DUTCH HARBOR 99692, 581-1432
5. ERCIC L. FONTES, BOX 302, DUTCH HARBOR 99692, 581-1704
6. PETE DAVIS, BOX 112, UNALASKA 99685, 581-1233
7. DONNA EDMOND, BOX 302, DUTCH HARBOR 99692, 581-1704
*****

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TESTIFIED: 1 TIME START: 3PM
OBSERVED: 7 TIME END: 4:30PM
TOTAL: 8

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*****
*
* DELIVER TO: BILL CARROLL
*
* ORIGINAL
* SENT: 05/03/85 TIME: 08:06
* FROM: LIOKOD
* SUBJECT: FINAL STATS
* PRINT DATE: 05/03/85 TIME: 08:06
*
*****

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*** FINAL T/C STATS ***

```

DATE: _____ MAY 2, 1985 _____
SITE: _____ SAND POINT TELECONFERENCE _____
SPONSOR: _____ HOUSE STATE AFFAIRS _____
SUBJECT: _____ SB 207 SALARY FREEZE _____
LOCAL MODERATOR: _____ BOB MANN _____

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*****

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OBSERVED:
NAME/REPRESENTING ADDRESS PHONE

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1. JIM MCCULLOUGH, 211 MISSION RD., KODIAK 99615
2. BRYRON JOHNSON, BOX 51, SAND POINT 99661

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TESTIFIED: _____0_____ TIME START: 3PM____
OBSERVED: _____2_____ TIME END: 4:30PM
TOTAL: _____2_____

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*****
*
* DELIVER TO: TCJNU
*
* ORIGINAL
* SENT: 05/03/85 TIME: 11:51
* FROM: TCMAT
* SUBJECT: FNAL STS/H SA HB 207 TC
* PRINT DATE: 05/03/85 TIME: 13:35
*
*****

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*** FINAL T/C STATS***

```

DATE: _____5/2/85_____
SITE: _____M-S LIO_____
SPONSOR: _____HOUSE STATE AFFAIRS_____
SUBJECT _____HB 207_____
LOCAL MODERATOR _____MARY KVALHEIM_____

```

TESTIFIED:

NAME/REPRESENTING	ADDRESS	PHONE
1. DAVID R MEEK	POB 873275 WASILLA 99687	376-7492

OBSERVED:

NAME/REPRESENTING	ADDRESS	PHONE
1. KATHIE WOLF	POB 871522 WASILLA 99687	376-7492
2. ANDRE' KELLNER-RODE	POE 874102 WASILLA 99687	376-4558

```

TESTIFIED: ___1___
OBSERVED: ___2___
TOTAL: ___3___

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TIME START: _____
TIME END: _____

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*
* DELIVER TO: TCJNU *
*
* ORIGINAL *
* SENT: 05/03/85 TIME: 11:17 *
* FROM: JOHN HENSLEY *
* SUBJECT: FINAL STATS *
* PRINT DATE: 05/03/85 TIME: 13:33 *
*

***** FINAL STATS *****

DATE: MAY 2, 1985
SITE: KOTZEBUE
SPONSOR: HOUSE STATE AFFAIRS COMMITTEE
SUBJECT: LEGISLATIVE PUBLIC HEARING ON SB 207:
FREEZING STATE SALARIES
MODERATOR: JOHN P. HENSLEY, KOTZEBUE LIO

OBSERVED:

1. STEPHEN J. LIE, DOT\PF, BOX 55, KOTZEBUE - PH. 442-3147
2. JIM ADAMS, SELF, BOX 594, NOME - PH. 443-2832
3. GREGORY L. MITCHELL, SELF, BOX 621, NOME - PH. 443-2486
4. ROBERT W. THOMPSON, DOT\PE, BOX 55, KOTZEBUE - PH. 442-3147
5. MAHLON A. UHL, DOT\PE, BOX 100, KOTZEBUE - PH. 442-3350
6. BRIAN BIGLER, SELF, BOX 686, KOTZEBUE - PH. 442-3852
7. MATTHEW MARRON, SELF, BOX 1733, NOME - PH. 443-2908

TESTIFIED: 0 TIME START: 3:00 P.M.
OBSERVED: 7 TIME END: 4:30 P.M.
TOTAL: 7

***** EOM *****


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* DELIVER TO: TCJNU
*
* ORIGINAL
* SENT: 05/03/85 TIME: 16:31
* FROM: BONNIE POTTER
* SUBJECT: H SATE AFF TC 5/2 SB 207
* PRINT DATE: 05/03/85 TIME: 16:31
*

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*** FINAL T/C STATS ***

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DATE:  __MAY 2, 1985__
SITE:  __WRANGELL__
SPONSOR:  __HOUSE STATE AFFAIRS__
SUBJECT:  __SB 207, FREEZING STATE SALARIES__
LOCAL MODERATOR:  __MABEL FENNIMORE__

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OBSERVED:
NAME/REPRESENTING      ADDRESS      PHONE

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1.  JOHN FABRELLO, D.O.T., BOX 1636, WRANGELL, AK. 99929, 874-3050

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TESTIFIED:  ___0___
OBSERVED:   ___1___
TOTAL:      ___1___

TIME START:  ___3:00___
TIME END:    ___4:30___

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 * DELIVER TO: TCJMU *
 * ORIGINAL *
 * SENT: 05/03/85 TIME: 10:52 *
 * FROM: LIOVAL *
 * SUBJECT: SB 207 FREEZE ST. SALARIES *
 * PRINT DATE: 05/03/85 TIME: 13:32 *

*** FINAL T/C STATS ***

DATE: _____ MAY 2, 1985 _____
 SITE: _____ VALDEZ _____
 SPONSO. _____ HOUSE STATE AFFAIRS _____
 SUBJECT: _____ SB 207 FREEZING STATE SALARIES _____
 LOCAL MODERATOR: _____ DEBBIE SANFORD _____

TESTIFIED: 1.

NAME/REPRESENTING	ADDRESS	PHONE
1. GEORGE LAVASSEUR	P.O. BOX 383 VALDEZ, AK. 99686	835-2544

OBSERVED: 13

NAME/REPRESENTING	ADDRESS	PHONE
1. BARBARA CAMACHO	P.O. BOX 1329 VALDEZ, AK. 99686	835-4973
2. JEAN COBB	P.O. BOX 1958 VALDEZ, AK. 99686	835-2637
3. CANDACE C. BACA, DOT/PF	P.O. BOX 372 VALDEZ, AK. 99686	835-4213
4. ROBERT L. SMITH	P.O. BOX 64 VALDEZ, AK. 99686	835-4443
5. JOHN ED MURRAY JR., APEA	P.O. BOX 1725 VALDEZ, AK. 99686	835-4344
6. BIRUTA A. BARR	P.O. BOX 1236 VALDEZ, AK. 99686	835-2572
7. THERESA SVANCARA	P.O. BOX 2017 VALDEZ, AK. 99686	835-2957
8. TOM MC CARTY	P.O. BOX 1285 VALDEZ, AK. 99686	835-2863
9. JOHN SLAUGHTER	P.O. BOX 152 VALDEZ, AK. 99686	835-2564
10. PAULA ANDERSON	P.O. BOX 1314 VALDEZ, AK. 99686	835-5232
11. LOU JOHNSON	P.O. BOX 1918 VALDEZ, AK. 99686	835-2564
12. SPIKE GIBSON	P.O. BOX 525 VALDEZ, AK. 99686	835-4442
13. R.G. WATKINS	P.O. BOX 2105 VALDEZ, AK. 99686	835-4390

TESTIFIED: _____ 1 _____
 OBSERVED: _____ 13 _____
 TOTAL: _____ 14 _____

TIME START: ___ 3:00 PM ___
 TIME END: ___ 4:30 PM ___

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*****
*
* DELIVER TO: TCJNU
*
* ORIGINAL
* SENT: 05/03/85 TIME: 09:47
* FROM: TCHOM
* SUBJECT: FINAL STATS-SB 207 FREEZING SA
* PRINT DATE: 05/03/85 TIME: 09:47
*
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*****
                E_I_N_A_L_ _ _ _ _ S_T_A_T_I_S
*****
LEGISLATIVE TELECONFERENCE NETWORK
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DATE: MAY 2, 1985
SITE-MODERATOR: HOMER-JEAN
SPONSOR: HOUSE STATE AFFAIRS COMMITTEE
SUBJECT: SB 207 FREEZING STATE SALARIES

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0- TESTIFIED          T-C BEGAN: 3:00
4- OBSERVED          T-C ENDED: 4:30
4- TOTAL              JNU MODERATOR BILL BILL

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*****
NAME                ADDRESS-PHONE                TESTIFIED - OBSERVED
*****
1. HELEN A. JACKSON, BOX 217, HOMER, AK. 235-8136      X
2. ROBERT EMBERT GRAY, P.O. BOX 1102, HOMER, AK. 235-8614 X
3. FLORIA LORD, 515 E. PIONEER AVE., HOMER, AK. 99603  X
4. TOM GALLANE, BOX 673, HOMER, AK. 99603              X

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EOM

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* DELIVER TO: BILL CARROLL
*
* ORIGINAL
* SENT: 05/03/85 TIME: 09:53
* FROM: LIODLG
* SUBJECT: FINAL STATS
* PRINT DATE: 05/03/85 TIME: 09:53
*
*****

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DATE: MAY 02, 1985 - THURSDAY
SITE: DILLINGHAM, ANNA MAY
SPONSOR\SUBJECT: HOUSE STATE AFFAIRS, SB207: FREEZING STATE SALARIES

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-1- TESTIFIED TNC STARTED 3:00 P.M.
-6- OBSERVED TNC ENDED 4:30 P.M.
-7- TOTAL

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NAME\REPRESENTING ADDRESS\PHONE
*****

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TESTIFY
1. JEFF SKRADE, BOX32, DILLINGHAM, AK.99576 842-5400

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OBSERVE
1. KATHLEEN STOUT, BOX 2872, DILLINGHAM, AK.99576 842-5237
2. BILLIE BENEDICT, BOX 10019, DILLINGHAM, AK.99576 842-1245
3. TOM CARNEY, BOX 370, DILLINGHAM, AK.99576 842-1087
4. MICHAEL L. NELSON, BOX 199, DILLINGHAM, AK.99576 842-5404
5. GUSTIE KNUITSEN, BOX 189, DILLINGHAM, AK.99576 842-5257
6. CARL A. LARSON, BOX 237, DILLINGHAM, AK.99576 842-5667

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----REGIONAL STATS----

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NAKNEK
-1- TESTIFIED
-3- WILL SEND PUBLIC OPINION MESSAGES
-1- OBSERVED
-5- TOTAL

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NAME\REPRESENTING ADDRESS\PHONE
NAKNEK

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1. RICHARD RUSSELL, BOX 66, KING SALMON, AK.99613
246-3484-TESTIFIED
2. DONALD BILL, BOX 224, KING SALMON, 99613 246-3045-WILL SEND P.O.M.
3. RICHARD SELLERS, BOX 365, KING SALMON, AK.99613 246-3336-WILL SEND P.O.M.
4. JIM D. CLARK, BOX 1, NAKNEK, AK.99633 244-4001-UTIL SEND P.O.M.
5. JUDITH MORRIS, BOX 255, KING SALMON, AK.99613 246-3382-OBSERVED

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Official Business

COMMITTEE: HOUSE
STATE AFFAIRS

DATE: 5.6.85

Subject of meeting:
CSSB 283 (FIN)
CSSB 74 (Jud) Am
HCR 27
SB 300

SIGN-IN

NAME	ADDRESS	PHONE	REPRESENTING	DO YOU WANT TO TESTIFY?
FRANK GORHAM	POUCH N	4322	Public Safety	Available CSSB 74
^{Secretary} TIM KELLY	POUCH U	3770	SEIL	SB 283 (FIN)
BOB LINK	DEPT of ADMIN Pouch C	2250	DEPT of ADMIN	HCR 27
GAYLE HORETSKI	POUCH KC	X3428	LAW	490- SB 74
HARRY COLVIN	POUCH H-O-60	X3077	DEPT OF HEALTH AND SOCIAL SERVICES	42 SB 74

STATE OF ALASKA
THE LEGISLATURE

POUCH Y STATE CAPITOL
JUNEAU ALASKA 99811
907 465 3800

LEGISLATIVE AFFAIRS AGENCY

TO: Mike Greany
Director
Legislative Finance

DATE: March 14, 1985

FROM: Pamela Calhoon
Manager
Division of Administrative Services

SUBJECT: SB 207

Below is an example to show the salary differential between an employee at a Range 19A in Juneau and an employee at a Range 19A in Bethel. The employee located in Juneau would be on Schedule A. The employee located in Bethel would be on Schedule G.

Juneau 19A	Bethel 19A
3193 per month	4170 per month

The percentage difference is .3222.

SB 207 proposes in Sec. 2 to calculate the amount of the salary differential by two different methods. If an employee's basic annual salary is no more than \$30,000, the pay differential shall be calculated using the employee's basic salary. If the employee's basic annual salary is greater than \$30,000, then the employee's pay differential shall be calculated on the differential for a basic salary of \$30,000.

For example, a Range 19A in Bethel is currently earning 4170 a month. With the differential calculated for a basic salary of \$30,000 the monthly rate would be \$3998, a difference of \$172 a month. The higher the range the more it will be affected. For example, currently a Range 26A in Bethel earns 6572 a month. With the new differential calculation a Range 26A in Bethel would earn 5766 a month. A difference of \$806 a month.

In Sec. 3 a savings would be realized to the State by calculating overtime compensation on the basic salary of an employee before the addition of any adjustments including pay step differentials and shift differentials.

March 14, 1985
Page 2

For example:

basic salary
plus current differential

hourly overtime
rate - 19A Schedule G

38.49

basic salary
plus SB 207 proposed
differential

hourly overtime
rate - 19A Schedule G

36.93

SB-207

EXAMPLE: SALARY RANGE 19A EMPLOYEE
LOCATED IN BETHEL

	<u>MONTHLY</u>	<u>ANNUAL</u>
<u>PRESENT SITUATION</u>		
SR 19A (SCHED. G/BETHEL)	\$ 4170	\$ 50,040

SB207 IMPACT

\$30,000 MAXIMUM

= SR 15 B = \$2498 (JUNE)

SR 15 B (BETHEL) = \$ 3303

DIFFERENTIAL \$ 805

\$3193 (19A JUNE)

805 DIFFERENTIAL

\$ 3998

\$ 3998

\$ 47,976

DIFFERENCE

< \$ 172 >

< \$ 2,064 >



Alaska Public
Employees Association **APEA**
State Headquarters: 340 N. Franklin, Juneau, AK 99801 (907) 586-2334

April 23, 1985

APR 24 1985

Representative Katie Hurley
Pouch V
Juneau, AK 99811

Dear Representative Hurley:

On behalf of the Employees Political Information Committee (EPIC), I wish to bring to your attention the attached position paper pertaining to Senate Bill 207.

As you know this legislation deals with changes to the geographic differential compensation system for public employees working in rural areas.

EPIC, APEA's political action arm, is opposed to SB 207. The committee respectfully urges you to consider the ramifications to collective bargaining that this bill evokes and to support the public employees in their opposition to it.

Sincerely,

Cherie Shelley
Executive Director, Alaska Public Employees Association

CS/kb

revised

Fairbanks Field Office
825-D College Road
Fairbanks, AK 99701
Telephone: (907) 456-5412

Anchorage Field Office
833 Gambell Street, Suite A
Anchorage, AK 99501
Telephone: (907) 274-1688

Juneau Field Office
227 4th Street
Juneau, AK 99801
Telephone: (907) 586-6305



employees political information committee

MEMORANDUM

TO: Representative Katie Hurley
FROM: Employees Political Information Committee
SUBJECT: Senate Bill 207 - Changes to the Geographic
Differential System
DATE: May 1, 1985

The Employees Political Information Committee, the political action arm of the Alaska Public Employees Association, is opposed to Senate Bill 207. It not only discriminates against employees working and living in rural areas, it impinges upon and erodes the concept of collective bargaining.

This legislation defeats the intent of the negotiated geographic differential system. The differentials were implemented in the first collective bargaining contract in 1974 to compensate for the high cost of living in certain areas of the state. The system was established to equalize the purchasing power of the wages earned by the state employees no matter in what area they live. If this bill passes, it automatically curtails negotiations surrounding geographic differential and negates a collective bargaining precedent that was set in 1974.

Limiting the geographic adjustment for the first \$30,000 of salary

This would affect employees in range 10 and above. Unlike employees working in urban areas, they would be unable to maintain their current living standards. The system was designed to increase an employee's salary in an amount equal to the difference in living cost between Anchorage and the worksite location. If the differential is limited to a portion of salary, the result will be pay adjustment equal to less than the difference of living cost.

Side Effects on Communities

The reduction of current salaries in the rural areas would have an effect on the economy of the community itself. If the buying power of the state employee is cut, then business in the communities would have to anticipate a decline in their revenues at a time when growth in Alaska is the key phrase of the Administration.

Geographic Differential Study underway

The state is currently conducting a geographic differential study to determine the validity of the current schedule. The report on the study will possibly be released sometime next month. It would seem appropriate and prudent to read the report before contemplating changes to the system.

Differential not calculated for retirement purposes

The legislation proposes that the differential not be included for the purpose of calculating retirement benefits unless the employee has received a differential in a comparable amount, or, of at least that many steps for at least 50 percent of the employee's credited service. This will create two classes of beneficiaries and will pose considerable problems in the administration of funds. These proposed changes will be challenged as they establish residency requirements for retirement benefits not unlike the longevity bonus program which the courts have rejected unconstitutional.

Legislative approval on classification, ranges and flexing

This will undoubtedly be challenged as an unconstitutional intrusion by the legislature on the administrative powers of the executive branch, the court system and the university.

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____ Page 1 of 2

REQUEST
 Bill/Resolution No.: SB 207
 Title: "An Act relating to public employees; and providing..."
 Sponsor: Finance Committee
 Requestor: State Affairs
 Date of Request: 3/1/85

FISCAL DETAIL
 Agency Affected: Department of Administration
 Program Category Affected: Labor Services
 BRU, Program or Subprogram(s) Affected: PERS

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
Operating						
100 Personal Svcs						
100 Rtmnt & Bnfts		[10.9]	[11.8]	[12.7]	[13.7]	[14.8]
200 Travel						
300 Contractual		13.1	14.1	15.3	16.5	17.8
400 Supplies						
500 Equipment						
600 Land & Struct						
700 Grants, Claims						
700 TRS Match						
TOTAL OPERATING	-0-	2.2	2.3	2.6	2.8	3.0
CAPITAL		36.0				
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND		[9.9]	[10.7]	[11.5]	[12.5]	[13.5]
FEDERAL FUNDS		[.5]	[.5]	[.6]	[.6]	[.7]
OTHER		48.6	13.5	14.7	15.9	17.2
TOTAL	-0-	38.2	2.3	2.6	2.8	3.0

POSITIONS:

	-0-	-0-	-0-	-0-	-0-	-0-
FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

J.K. Humphreys

Prepared By: J.K. Humphreys, Director Phone: 465-4470
 Division: Retirement & Benefits Date: 3/13/85

Approved by Commissioner: Lisa Ruddy Date: 3-13-85
 Agency: Department of Administration

Distribution (by Agency preparing fiscal note):
 Legislative Finance
 Legislative Sponsor
 Requestor
 Office of Management and Budget
 Impacted Agency(ies)

Retirement - Labor Serv
 Rev. 7/1/84

Senate Bill 207
 Fiscal Note Analysis
 Prepared by Division of Retirement & Benefits
 Department of Administration
 March 13, 1985

IV Analysis: With passage, sections four and five of this bill would prohibit the three highest consecutive years salary, used for benefit calculation in the Public Employees' Retirement System (PERS), to include any area cost-of-living adjustment if the member has not received an area cost-of-living differential during at least 50 percent of the members credited service. The bill would also provide for refunding any contributions paid on area-differentials if the salaries used for benefit calculation do not include area-differential.

It is estimated that this bill would result in a .002% reduction in the State contribution rate in the PERS. We also estimate that the computer system enhancements needed would result in a one year \$36,000 FY 86 cost and a cost of \$13,100 for FY 86 maintenance. The costs are estimated to increase by 8% each year.

The \$38.2 FY 86 costs are calculated as follows:

The estimated decrease in FY 86 State contribution rate (.002%) times the FY 86 estimated state payroll (\$544,046,592)	[\$10.9]
Plus the estimated FY 86 system maintenance costs	\$13.1
Plus the estimated one year FY 86 system enhancement costs	<u>\$36.0</u>
Total Fy 86 estimated costs	<u><u>\$38.2</u></u>

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

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REQUEST
Bill/Resolution No.: SB 207
Title: An Act relating to public employees
Sponsor: Senate Finance
Requestor: Senate State Affairs
Date of Request: March 12, 1985

FISCAL DETAIL
Agency Affected: Administration
Program Category Affected: Finance
BRU, Program or Subprogram(s) Affected: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
OPERATING						
100 PERSONAL SERVICES	0	359.0	45.0	45.0	45.0	45.0
200 TRAVEL	0	0	0	0	0	0
300 CONTRACTUAL	0	0	0	0	0	0
400 SUPPLIES	0	0	0	0	0	0
500 EQUIPMENT	0	0	0	0	0	0
600 LAND & STRUCTURES	0	0	0	0	0	0
700 GRANTS, CLAIMS	0	0	0	0	0	0
800 MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	359.0	45.0	45.0	45.0	45.0
CAPITAL	0	0	0	0	0	0
REVENUE	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	359.0	45.0	45.0	45.0	45.0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	0	359.0	45.0	45.0	45.0	45.0

POSITIONS:

FULL-TIME	0	6	1	1	1	1
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS: (Attach a separate page if necessary)

Prepared By: Ken Bischoff *KB* Phone: 465-2240
Division: Finance Date: March 13, 1985

Approved by Commissioner: Lisa Rudd *L. Rudd* Date: 3-13-85
Agency: Department of Administration

Distribution (by Agency preparing fiscal note):
Legislative Finance
Legislative Sponsor
Requestor

Admin - Finance
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Fiscal Note
SB 207

207

Cost Calculation Summary:

One Time Costs

3 Journey level programmers 1 yr.	190.0
Admin Manual Update 6 employee months	31.0
Agency Training course development and Administering 6 employee months	31.0
Finance Participation in Coordination effort with all other affected groups (Personnel, Labor Relations, Retirement, Law unions) 12 employee months	<u>62.0</u>
	<u>314.0</u>

Ongoing Costs

Additional Manual Effort due to changes in
benefit calculation

1 position Range 16	45.0
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Additional Fiscal Note Analysis

This bill as it applies to the Division of Finance would impact us significantly as certain provisions change fundamental concepts about the methods the state uses to pay its employees. Our comments are limited to those areas where the state would be required to modify automated and manual processes in order to satisfactorily meet the provisions of this bill.

SUMMARY OF PROVISIONS AFFECTING FINANCE:

- ° A major target of this legislation is aimed toward changing the way in which cost of living differentials are determined and paid. The State currently maintains 60 separate salary schedules reflecting up to 30 salary ranges and 10 steps in each.
 - Cost of living differentials have always been paid according to a uniform percentage (subject to certain exceptions due to collective bargaining) to all pay schedules. This bill (sec. 2(d)) proposes to place a lid on the maximum amount that can be paid by establishing a basic annual salary limit of \$30,000.
- ° Section 3 of the bill would limit overtime rate determination to a calculation based upon the basic annual salary amount.
- ° In terms of computing retirement benefits section 4 would require the state to track base retirement contributions separately from contributions related to the cost of living differential only. The state would have to change benefit calculation algorithms to include separate calculations for base salary benefits and benefits based on area cost of living differentials for each year of service in order to satisfy the provisions of section 4 of the bill. The current benefit calculation is performed manually and requires the state to identify the number of years of creditable service and the three highest paid years for determining benefit amounts. This bill proposes a significantly more sophisticated approach that if done manually will be more subject to errors and require significantly more manual effort than before.
- ° Section 1, 2, 4-7 have immediate effective dates upon passage of this legislation. It is not feasible to implement the provisions of this bill immediately. The State is currently implementing a new statewide accounting system (AKSAS), the current payroll system is being modified to interface with AKSAS, there are scheduled changes to the current payroll system to accommodate the most recent labor agreements, a current area differential study is being completed which will have some impact to our payroll processes, and the current classification study will also likely have significant impact to our payroll processes.

Implementing changes required by this bill will need to be flexibly scheduled to be considered along with all other changes that will be legally and procedurally required in order to keep our state payroll processes and systems properly functioning without service interruption.

Summary analysis of changes and related fiscal impact:

- Modifications to automated systems (input form changes, file changes, program changes, analysis and design)

* 36 employee months

* ASSUMPTIONS

- State can use existing base pay schedules for each identified employee group (approximately 12 groups).
- This bill will not attempt to change any fundamental payroll processes. No major change will be required to the current pay schedules.
- This estimate does not include estimates for data processing chargeback costs.
- Changes required by this bill will be allowed to be scheduled appropriately with all other production work that is necessary to keep the state payroll systems properly operating.

- Update State Administrative Manual to include new pay calculation changes for supplemental and prepay processes.

6 employee months

- Train state agencies in new payroll calculation procedures.

6 employee months

- Coordination of affected groups to identify and mutually agree on intent of legislation (Finance, Labor Relations, Retirement, Department of Law, Unions, Legislature).

12 employee months

- Additional ongoing manual effort to calculate benefit amounts equates to one additional position.