

ALASKA STATE LEGISLATURE
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The Honorable
Sean Parnell, Governor
State of Alaska

February 18, 2013

Dear Governor Parnell:

We the undersigned recognize and respect your authority to negotiate contracts with the employee organizations associated with the State of Alaska as spelled out in the Public Employee Relations Act (AS 23.40.070-260). Under its terms you are charged to negotiate and enter into agreements and timely submit those contracts to the legislature for consideration. The law also provides that the monetary terms of those contracts be funded by the legislature. We are contacting you early, during contract negotiations, to improve the transparency between our respective branches regarding the potential fiscal impacts.

Employee costs constitute a large portion of the state's budget. Unfortunately, the legislature is removed from the day to day negotiations of those contracts and then is asked to approve or disapprove them after the negotiation process. If contracts are not delivered to the legislature until late in session there is little time for public review by the representatives of the Alaskan people.

While each legislator is free to vote for or against the contracts based on their own judgment, we want to share some of the metrics that will guide our actions as we prepare to vote on these contracts and prepare the operating budget which will be impacted by them:

The state's ability to pay. Nearly all money needed to fund state government comes from annual oil production, but production has been on a declining path for many years. High oil prices have kept the state solvent in spite of the decline, but even if prices remain high it is likely the state will be forced into deficit spending - even under a disciplined budget plan. Stewardship of our state's savings accounts will be critical in the coming years as it will be necessary to draw on them to avoid government lay-offs and continuation of state services. In addition, overshadowing all long term budgetary issues is the massive unfunded employee pension liability.

The Private Sector. We appreciate the value of our public employees, but must balance the input from our other constituents who indicate the wages, hours, health benefits, step and merit pay increases, and other terms and conditions of State employment are often quite generous compared to their counterparts in the private sector. Employers in business and industry certainly perceive that they are unable to compete with the state for employees. Adequate public review of these contracts would help clarify if this is true or not. Moreover, our historic generosity has put an unintended stress on those who actually pay the taxes that contribute to public employee's salaries.

The best interests of all Alaskans. We will consider these negotiated agreements in the context of the interest of all Alaskans and our duty to provide education, infrastructure, public safety, and some level of healthcare. Because of the ever shrinking size of our revenues, our ability to deliver on these priorities may come in conflict with funding increases in the monetary terms of the public employees' contracts.

With these guiding principles in mind we encourage you to convey to our employees that we sincerely value their continued service to the citizens of the state. However, in this fiscal environment we are concerned that increases in wages and benefits may necessarily squeeze budgets and put employee's jobs at risk. The loss of any job, public or private, is a tragedy. For this reason we encourage you to hold the monetary terms of the contracts at zero.

Sincerely,



Senator Charlie Huggins
Senate President



Representative Mike Chenault
Speaker of the House



Senator Kevin Meyer
Finance Committee Co-Chair



Representative Alan Austerman
Finance Committee Co-Chair

Senator Pete Kelly
Finance Committee Co-Chair



Representative Bill Stoltze
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