MEMORANDUM

State of Alaska
Department of Administration
Division of Personnel & Labor Relations

To: Nicki Neal
Director

Date: September 30, 2008

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Subject: Economist (Chief Economist and Petroleum Economist) Classification Study

Introduction:

The Department of Revenue (DOR) requested a classification study in 2007 of the single position job class, Chief Economist, class code PD0209; and the Petroleum Economist I & II job classes, class codes PD0221 and PD0222 respectively. The request was because of a "need for an "expert" Petroleum Economist level between Petroleum Economist I and Chief Economist. Perceived need to review salary ranges at the expert level." Staff changes occurred and the study was reassigned in February, 2008. Discussions were subsequently held with DOR management and the study continued into 2008. The Department of Natural Resources has one Petroleum Economist I position. At one time, this study was linked with a study of the Chief, Labor Research & Analysis. However that study was completed earlier this year, independent of the DOR study.

Study Scope:

The job classes reviewed for this study are the Chief Economist, Petroleum Economist I and Petroleum Economist II. This includes one Chief Economist position in DOR, two Petroleum Economist I positions in DOR and one Petroleum Economist I position in the Department of Natural Resources (DNR). There were no positions allocated to Petroleum Economist II. The study was initiated in 2007 and given the title "Economist Study" though it was never intended that it would include the Economist I-IV job class series. The Economist I-IV job classes were never in the study scope and were therefore not a part of this study.

Study Contacts:

The study contacts were the outgoing DOR Chief Economist, the current Director of the DOR Tax Division, the Deputy Director of the Tax Division, and the acting Chief Economist. Additionally the DOR Administrative Services Director and the DNR Administrative Services Director served as contacts as did the head of the Commercial Unit of the DNR Division of Oil and Gas. The Chief Economist, the Tax Division Director, the Deputy Director and the job class incumbents provided occupational information for the study.

History of Job Class:

The Chief Economist job class was established effective 9/9/2004. It resurrected the job class code and salary range of the Chief, Taxation/Revenue Research job class, established effective 8/1/1984 and abolished effective 9/16/1992. When the Chief Economist job class was established it was set at SR-24. However there is no document available that includes the salary analysis for that action. The Chief, Taxation/Revenue Research "under general administrative direction, directs economic research, analysis and interpretation for projects associated with the taxation and revenue issues of the State of Alaska." This is notably similar to the Chief Economist. Therefore inasmuch as the salary range assigned to the Chief, Taxation/Revenue Research was SR-24, it seems logical that the Chief Economist would also be assigned SR-24.

The Petroleum Economist II was established effective 4/16/1983. It was to be abolished concurrent with the establishment of the Chief Economist class as they were virtually identical. However this never happened and the class remained in the Class Outline. To reiterate, the current Petroleum Economist II class concept is the same as the Chief Economist. One aspect of this study has been to determine if some use could be made of this class or whether it should be abolished as was intended.

The Petroleum Economist I was also established effective 4/16/1993 as a replacement for Petroleum Economist when the Petroleum Economist I-II series was created. The minimum qualifications were revised in 1994.

Class Analysis:

The state's classification plan provides for the grouping of positions into job classes when they are sufficiently similar with respect to duties and responsibilities, degree of supervision exercised and received, and entrance requirements so that: 1) the same title can be used to clearly identify each position; 2) the same minimum qualifications for initial appointment can be established for all positions; 3) the same rate of basic pay can be fairly applied to all positions; and 4) employees in a particular class are considered an appropriate group for purposes of layoff and recall. Job classes should be constructed as broadly as is feasible as long as the tests of similarity are met.

Chief Economist (new title: Chief, Revenue Economic Research)
An updated position description for the Chief Economist position was submitted for this study. In addition, a meeting/discussion was held with the outgoing incumbent, and a supervisory interview was conducted with the position's supervisor. The duty statements in the class

specification have now been updated to reflect the current description. This job class continues to be a one position class. This job class is now part of a two level class series.

The Chief Economist job class supervises the economic research, revenue forecasting, and financial analysis staff and functions of the Economic Research Group in the Department of Revenue, Tax Division. It oversees a unit of eight permanent subordinate Petroleum Economist I (2) and Economist (6) positions - a small and specialized staff located in Anchorage and Juneau. Currently there are also two non-permanent College Intern positions.

The Chief Economist has the primary responsibility for the development, coordination and production of the economic and financial analysis of State revenue from all tax sources. An incumbent of this job class provides briefings to the Governor, Legislature, professional societies and business organizations, bond rating agencies and the general public.

The Chief Economist is located in Anchorage at the Tax Division headquarters and reports to the Director of the Tax Division. The overall function of this position/job class has remained stable over the years. The Chief Economist is a supervisory class with substantial responsibility for the exercise of independent judgement in employing, disciplining, or adjudicating grievances of subordinates. Based on the lack of changes to the work, only minimal changes were made to the class specification. The salary range assignment for this class and the other classes is addressed below in the Salary Analysis section of this report. A change was made to the title which is addressed in the Class Title section below.

Assistant Chief, Revenue Economic Research
As a result of this study, a new job class has been established – Assistant Chief, Revenue Economic Research. Under general direction of the Chief, Revenue Economic Research (new title), the Assistant Chief, Revenue Economic Research provides technical and economic analysis of proposed modifications to the State's fiscal and regulatory policy pertaining to oil and gas policy development. The focus is on quantitative analysis and the position/class also provides financial and economic analysis of factors affecting Alaska's petroleum revenues. This single position class also supervises a small, geographically separate office of the Economic Research Group in revenue forecasting, economic research, and financial analysis. The incumbent serves as the Chief, Revenue Economic Research in their absence. This is a supervisory class with substantial responsibility for the exercise of independent judgment in appointing, promoting, transferring, suspending, discharging and adjudicating the grievances of subordinate staff.

Petroleum Economist II
Petroleum Economist II served as the section chief job class until the Chief Economist class was established as the section chief class in 2004. At that point, it became redundant and was to be abolished. However this did not happen as was intended. The result is that Petroleum Economist II remained an "active" job class and therefore needed to be addressed in this study.

Petroleum Economist I
Petroleum Economist I, under general direction, analyzes and interprets economic data relating to the determination of the economic value of known and potential petroleum resources, financial status of oil companies, oil revenue projections and oil tariffs.

This is the specialist/expert level class for economists involved with the economics of the petroleum industry including projected costs and revenues of oil and gas production and transportation. Positions in this class may lead the work of lower level economists and research staff.

The updated position descriptions and desk audit interviews were used to update the class specification where necessary and appropriate. With the addition of the entry level class (see below) the Petroleum Economist I title was changed to Petroleum Economist II. It remains defined as the expert/specialist class and is once again part of a series – Petroleum Economist I-II. Changes to the class and class spec were minimal.

Petroleum Economist I (as now revised)
For some time now, the Economic Research Group has used the Economist III job class as an "entry" class or "feeder" class for the expert/specialist level Petroleum Economist I (now II) class. However Economist III is an advanced level class, not intended for use as an entry level class. To provide for this need of a level below that of the existing Petroleum Economist I, the expert/specialist level, the class series has been redesigned and restructured. The Petroleum Economist I is now the entry or feeder class for the Petroleum Economist I-II job class series. At this level, job incumbents have professional economics experience and are gaining Alaska state government oil and gas specific knowledge and experience. Once a working knowledge of the Alaska petroleum industry from the state government perspective has been gained, advancement to the next level in the series is possible. Individual positions may be approved for flexible staffing between the Petroleum Economist I and II levels.

It should be noted that during the study DOR sought an additional level in the PE I-II series. They envisioned a three level series, with an additional level at the top end, above that of the specialist/expert. However there was no PD submitted to this analyst during the timeframe of the study to support an additional level. It is possible that after this study is complete, as staff time and resources permit, this issue may be revisited.

Class Title:

A class title should be the best descriptive title for the work. It is intended to concisely and accurately convey the kind and level of work performed and should be brief, easily recognized, gender neutral, and understood by potential applicants.

The Chief Economist class has used the same title since it was originally established/resurrected four years ago. However, this title is somewhat of a misnomer as this class is not the chief of all Economist positions. And Economist positions exist outside of DOR. A more appropriate title is Chief, Revenue Economic Research. This title denotes that 1) the focus of the position is economic research relating to revenue and 2) that this position is the chief of that work and is a section chief. Use of the word Revenue in the title has the additional benefit of specifying that this position is located in the Department of Revenue. Accordingly the class title is changed to Chief, Revenue Economic Research.

The new class has been given the title Assistant Chief, Revenue Economic Research. This denotes its role and its relationship to the Chief, Revenue Economic Research.

The title of Petroleum Economist II is now assigned to the specialist/expert level, which was formerly Petroleum Economist I.

The Petroleum Economist I title is now assigned to the new entry level of the Petroleum Economist I-II class series.

Minimum Qualifications:

The minimum qualifications established for a job class must relate to the knowledge, skills, and abilities needed to perform the work and must not create an artificial barrier to employment of individuals in protected classes. Required training should be limited to the basic formal training that customarily prepares individuals for work in the field. Experience requirements are intended to ensure new employees can successfully perform the work after a period of orientation or familiarization. Required experience should be directly related to the actual duties of positions in the class and should not be equivalent to the work to be performed.

DOR management has provided input regarding the minimum qualifications for the Chief Revenue Economic Research, Assistant Chief and Petroleum Economist I and II. The minimum qualifications have been reviewed and developed to meet the needs of the respective classes. The new Assistant Chief, Revenue Economic Research has minimum qualifications which reflect the new body of work. The newly revised Petroleum Economist I has MQs appropriate for this entry level class. The MQs for the Petroleum Economist II remain largely unchanged.

Class Code:

The Chief Economist class is in the PD02 Economic Research family within the PD Government Management and Infrastructure occupational group. It is assigned class code PD0209. There have been no changes to the subject job class which warrant any modification to the class code number. Therefore it is unchanged.

As a new job class, Assistant Chief, Revenue Economic Research requires a new class code. PD0208 has been assigned as the class code. This provides for appropriate placement in the Economic Research family and denotes the close relationship to the Chief, Revenue Economic Research, PD0209.

The Petroleum Economist II will continue to use class code PD0222. Petroleum Economist I will continue to use PD0221.

AKPAY Code:

AKPAY Codes are assigned to job classes for use in legacy computer systems which cannot use the six-digit Class Codes. The AKPAY code for the Chief, Revenue Economic Research is unchanged, as P2210 remains the appropriate AKPAY code for this class. Assistant Chief, Revenue Economic Research is assigned K0059. Petroleum Economist II will continue to use P2215. Petroleum Economist I will continue to use P2214.

Fair Labor Standard Act (FLSA)

The positions in this study are covered by the minimum wage and maximum hour provisions of the Fair Labor Standards Act of 1938, as Amended (FLSA). While exemption from the provisions of the Act are determined based on the specific circumstances of an individual employee on a work-week basis, there are general aspects of the classes and their influence on the exemptions for employees in bona fide executive, professional, or administrative positions that can be addressed in general.

The review of the Chief, Revenue Economic Research job reveals that it meets the tests for the Executive Exemption. It meets the salary test as the salary exceeds $455/week. It meets the primary duty test by managing a customarily recognized department of subdivision of the enterprise - the DOR Economic Research Group. Additionally, an incumbent of this job customarily directs the work of an organization of 8 permanent staff positions. Finally, an incumbent's suggestions and recommendations as to the hiring, firing, advancement, promotion or any other change of status of other employees are given particular weight.

PCN 040021, Assistant Chief, Revenue Economic Research, meets the tests for the Administrative Exemption. It is (1) compensated on a salary basis at a rate over $455 per week exclusive of board, lodging or other facilities; (2) its primary duty is to provide technical and economic analysis of proposed modifications to the State's fiscal and regulatory policy pertaining to oil and gas policy development; and (3) the primary duty includes the exercise of discretion and independent judgment with respect to matters of significance.

PCN 048043, Petroleum Economist II, meets the Administrative Exemption as well. It is (1) compensated on a salary basis at a rate over $455 per week exclusive of board, lodging or other facilities; (2) its primary duty is to prepare economic analysis of factors effecting state petroleum revenues; and (3) the primary duty includes the exercise of discretion and independent judgment with respect to matters of significance.

PCN 048009, Petroleum Economist II meets the Administrative Exemption. It is (1) compensated on a salary basis at a rate over $455 per week exclusive of board, lodging or other facilities; (2) its primary duty is to provide quantitative technical and economic analysis of issues related to oil and gas policy with a focus on pipelines, tariffs and related information. The position also provides financial and economic analysis of factors affecting Alaska's petroleum revenues; and (3) the primary duty includes the exercise of discretion and independent judgment with respect to matters of significance.

PCN 043268, Petroleum Economist II meets the Administrative Exemption. It is (1) compensated on a salary basis at a rate over $455 per week exclusive of board, lodging or other

facilities; (2) it provides technical and economic analysis of proposed modifications to the State's fiscal and regulatory policy pertaining to oil and gas policy development; the focus is on quantitative analysis and the position also provides financial and economic analysis of factors affecting Alaska's petroleum revenues; and (3) the primary duty includes the exercise of discretion and independent judgment with respect to matters of significance.

PCN 104238, Petroleum Economist II, also meets the Administrative Exemption. It is (1) compensated on a salary basis at a rate over $455 per week exclusive of board, lodging or other facilities; (2) its primary duty is to provide evaluation, analysis, and interpretation of economic data pertaining to the oil and gas industry as it relates to the current and projected economic development of the State. This position will develop economic evaluations and written documents such as Findings and Determinations, reports to the Legislature, the Commercial chapters of the Division of Oil and Gas Annual Report and provide economic analysis of the oil and gas market factors including pricing, exploration and development costs, marine transportation, tariffs, facility fees, current and projected in-state supply and demand, and the financial status of oil and gas companies; and (3) the primary duty includes the exercise of discretion and independent judgment with respect to matters of significance.

Salary analysis:

The salary range of a job class is determined based on internal consistency within the state's pay plans, in accordance with merit principles, with the goal of providing fair and reasonable compensation for services rendered and maintaining the principle of like pay for like work. In evaluating internal consistency, the difficulty, responsibility, knowledge, skills, and other characteristics of a job are compared with job classes of a similar nature, kind, and level in the same occupational group and job family or related job families.

As shown in the Classification Outline, the Economic Research Group is in the same job family as the Chief, Labor Research and Analysis and Economists I-IV. The Classification Outline is the schematic hierarchy by which various classified and partially exempt State job classes and class series are sorted into smaller job families within larger occupational groups. In the Classification Outline the Chief Economist and the Petroleum Economists are currently grouped in the PD02 Economic Research family, within the PD Government Management and Infrastructure occupational group.

The Economic Research family includes classes of positions that administer, supervise or perform work that requires application of economics knowledge and analysis of economic data. Initial preparation for employment is typically through advanced education in economics with subsequent career progression based on progressively higher education or responsible experience.
PD02 Economic Research

Job Class Code	Range	Category	Title
PD0201	16	B	ECONOMIST I
PD0202	18	B	ECONOMIST II
PD0203	20	B	ECONOMIST III
PD0204	22	B	ECONOMIST IV

PD0209	24	B	CHIEF ECONOMIST
PD0221	22	B	PETROLEUM ECONOMIST I
PD0222	24	B	PETROLEUM ECONOMIST II
PD0230	23	B	CHIEF, LABOR RESEARCH & ANALYSIS

The Chief, Revenue Economic Research oversees the work of staff in the Assistant Chief, Revenue Economic Research, Petroleum Economist I and II and Economist III job classes. While the Economic Research Group may not be a large staff, their role in this state might well be considered large. In addition to other responsibilities, the Chief, Revenue Economic Research supervises the preparation of the State's semi-annual Revenue Sources Book, issued in December as the Governor's budget is being prepared, and again in April as the Legislature prepares its final disposition of the budget. In determining the appropriate salary range for the subject job class, comparisons were made first to the other section chief class in the Economic Research family.

The Chief, Revenue Economic Research, as a section chief, compares to the Chief, Labor Research and Analysis. The Chief, Labor Research and Analysis is located in Juneau at the Department of Labor and Workforce Development headquarters. It is the section chief of a unit in the Division of Administrative Services. The primary role is to provide leadership, vision and direction to the DOLWD Research and Analysis Section. The Chief is the lead economist, program manager and budget manager for the Section, an organization comprised of 40 permanent staff positions and a few non-permanent positions. All positions are in one location, Juneau, with the exception of two that are in Anchorage. The Chief directly supervises two Economists IV, one Administrative Assistant II and one Statistical Technician I.

The minimum qualification statements for the Chief, Revenue Economic Research and Chief, Labor Research and Analysis job have been nearly identical. However the Chief, Revenue Economic Research MQs include a third option of a doctoral degree.

Given the differences in the nature and level of the work, the work environment, the scope and impact, and in the roles of these two job classes, the salary of the Chief, Revenue Economic Research appears to appropriately be set at a level which is above that of the Chief, Labor Research and Analysis.

Since the Chief, Revenue Economic Research class was established, the salary range of the Chief, Labor Research and Analysis has been increased twice - first to SR-23 and most recently (in 2008) to SR-24. This would indicate that an increase for the Chief, Revenue Economic Research is appropriate, as the Chief, Revenue Economic Research class (and its predecessor, Chief, Taxation/Revenue Research) have always been assigned a higher salary range than the Chief, Labor Research and Analysis.

The Department of Revenue has expressed their concern that the current salary range assigned to the Chief, Revenue Economic Research is not sufficient. This has been particularly stressed in the context of recruiting for this currently vacant position/job class. A 10-day, in-state recruitment effort earlier this year, yielded a meager applicant pool. DOR management is hopeful

that if the salary for the Chief, Revenue Economic Research is increased, that this may yield a larger pool.

As mentioned earlier, the Chief, Revenue Economic Research (SR-24) reports to the Director, Tax Division, currently SR-27. Prior to 2006, Division Directors were nearly all set at SR-26. This slight easing of some of the salary compression at the Division Director level, relative to the lower subordinate job classes, then makes it possible to consider an increase to the salary range assigned to the Chief, Revenue Economic Research.

It is important to note that the hierarchy of the Tax Division is unique in that the Director and the Deputy Director positions both are set at SR-27. And for a six month period of time, which began in 2006 during the previous administration, as a pilot program the Tax Director was set at SR-29. The Director is classified as Director, Tax Division, class code K0005. The Deputy Director position is classified as Deputy Director, Tax Division, class code P1267. They do not use the more general Division Director-PX (SR-27), Deputy Director (SR-25) or Division Operations Manager (SR-24) job classes, but rather utilize unique position-specific, division-specific classes.

The salary hierarchy in the Tax Division does not readily compare to most other divisions. It is rather an anomaly. Therefore an increase to SR-26 for the Chief, Revenue Economic Research would not necessarily disrupt the alignment. Rather, it would be consistent with the salaries assigned to numerous other top Tax Division jobs. It would also provide a more competitive salary for recruitment and retention purposes. As the position/class is currently vacant, this is a very timely consideration. Additionally it would restore an earlier two range differential from the Chief, Labor Research and Analysis. For these reasons a salary range assignment of SR-26 is recommended for the Chief, Revenue Economic Research.

For the Assistant Chief, Revenue Economic Research a salary range assignment of SR-25 would provide for a one range differential from the Chief, Revenue Economic Research section chief class. A one range differential is common between the very few chief classes with corresponding assistant chief classes. These are Chief, Vocational Rehabilitation Services and Assistant Chief, Vocational Rehabilitation Services; and Chief, Public Health Nursing and Assistant Chief, Public Health Nursing. SR-25 is the logical range assignment, given this internal alignment and DOR's strong desire for enhanced salaries for recruitment and retention purposes. Therefore the salary range assignment for Assistant Chief, Revenue Economic Research is recommended to be SR-25.

The salary range for the expert/specialist Petroleum Economist (II, formerly I) has been set at SR-22 since it was established as Petroleum Economist in 1975. At that time the salary assigned to Petroleum Engineer (SR-22) was used as a comparator and cited as a reason for setting the salary at SR-22. However, the Petroleum Engineer job class is now in the exempt service and thus cannot be used for comparison. Since the work has not changed, there is no indication that any change to the salary range is warranted. Further, salary data for two of the three Petroleum Economist I position incumbents shows that they were both appointed at A step, one in 2005 and the other in 2007. The incumbent of the third position was hired at C step in 1983. If we as an employer are able to hire at or near the beginning step of the salary range, it would indicate that

we are not facing significant pay-related hiring issues for these jobs. In addition, all these individuals are still on staff - none of them have left due to insufficient salaries. Accordingly, SR-22 continues to be the appropriate salary range assignment for Petroleum Economist II.

Petroleum Economist I, now the entry level class, is assigned SR-20. An assignment of SR-20 will provide parity with the advanced professional Economist III class which the Economic Research Group has been using as an "entry level" for the Petroleum Economists. It will also provide an appropriate differential between the salary range assigned to the entry level class and that assigned to the specialist/expert level class.

Conclusion:

The request was because of a "need for an "expert" Petroleum Economist level between Petroleum Economist I and Chief, Revenue Economic Research. Perceived need to review salary ranges at the expert level."

The Assistant Chief, Revenue Economic Research job class has been established between the expert level Petroleum Economist II (formerly I) and Chief, Revenue Economic Research classes. In addition a new entry professional level class has been established as Petroleum Economist I to serve as the feeder class to Petroleum Economist II.

The Chief, Revenue Economic Research salary has been increased to SR-26. The Assistant Chief, Revenue Economic Research has been established at SR-25. The Petroleum Economist II (formerly I) is set at SR-22. The new Petroleum Economist I is set at SR-20.

These actions are effective October 1, 2008.

Allocation information for the positions in this study is being distributed through the OPD system.

Attachment:
Final class specification

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