

Alaska State Officers Compensation Commission
Preliminary Findings and Recommendations
Public Comments of Kate Giard, Commissioner RCA

Introduction

Chairman Halford and members of the Compensation Commission, my name is Kate Giard.

Since 2003, I have been a commissioner with the Regulatory Commission of Alaska, past Chairman from 2004-2007. I was reappointed in 2007 and confirmed for an additional six year term which expires 2013. Before becoming an RCA commissioner, I was the Chief Financial Officer of the Municipality of Anchorage and the Internal Auditor for the Anchorage School District.

The RCA and specifically the RCA commissioners are unaffected by any recommendations of the Alaska State Officers Compensation Commission Compensation Committee. I think it's important for the record to reflect that fact as I make my comments today.

It is also important for the record to reflect that, although I am an RCA commissioner, we annually elect a Chairman to speak on policy issues for the Agency and our Chairman this year is Mr. Bob Pickett. My comments reflect the policy neither of the RCA nor of the beliefs or opinions of any other RCA Commissioner. They are mine alone.

I am here because I thought it might be helpful to you to hear comments from a member of the public who been an executive in state and local government for the past several years. My experience, and therefore, my reason for being here is mainly to talk about the compensation levels you have selected for executive department directors. I also have an observation about the proposed compensation levels for members of the Alaska Legislature and I will start with those first.

Alaska Legislature

I support the \$50,000 compensation level and also strongly in support of the differentiation that will now exist between Per Diem and compensation. The prior use of per diem, which was really a stipend, was not uniformly applied by all members of the Alaska Legislature, leading to inequitable compensation between elected representatives.

Additionally, the lack of objective measurement as to what the public considered an appropriate legislative activity to warrant per diem, could and probably did, foster distrust between an elected representative and his/her constituents.

In my opinion, per diem should reflect the daily housing and food cost Alaskans incur to send our elected representatives from their homes to our state capital during a legislative session. Salary should be the amount we pay our elected officials to represent our interest in state business.

As you deliberate your final recommendations, I would ask that you consider one modification. I understand from your report that you intend to compensate all members of the Alaska Legislature at the same level. If my understanding is correct, I disagree.

While your data indicates that the average elected official in Alaska may dedicate as much as 60% of a normal work year on state business, I would argue that the Senate President and the Speaker of the House might easily spend 80%-85% of the normal work year on state business.

These positions in Alaska are of great responsibility, require frequent travel in and out of Alaska, and are involved in policy issues throughout the year. Surely, Mr. Halford and Mr. Miller know what I am talking about, neither probably got much rest when they performed the duties of Senate President. Leadership is important and good leadership is critical to a well-functioning Senate and House.

Under your current draft, you do not recognize, in compensation, the added duties, responsibilities nor the added workload associated with these positions. I would recommend you compensate the leaders of the Senate and House commensurate with the responsibilities of their station by allowing for a differential of \$8,500 for each seat. I think the public understands that the addition demand placed on the Senate President and Speaker of the House and it certainly does not seem equitable that as you make these important decisions today, you do make some effort to compensate representatives for the added duties and responsibilities of leadership.

Compensation of Executive Department Commissioners

Next I will address the compensation for executive department commissioners. I have three specific recommendations for your consideration in this report and then a conceptual level proposal for future consideration.

My first comment is that you have made a finding that department commissioners should not make the more than the Governor. In the private sector, there may be a more direct relationship between what a chief executive is paid and the compensation of those who report to him/her. Generally, the top dog is paid the highest wages or has the best benefit package.

The public sector is different. People who seek elected public office do not do it for the money; they do it because they have a vision, a dream of what they may be able to contribute to Alaska. You will see that the compensation of chief executives in government all across America reflects this truism, that the compensation of an elected chief executive contains a greater degree of the element of public service

For those reasons, I do not believe your finding that no commissioner should make more than the Governor is understandable; but perhaps dangerous precedent to set in a time when state government is falling so far behind in attracting and retaining a capable workforce. Rather, you may want to clarify that this is a policy objective which is subject to change in the future.

Two other quick points about the specific recommendations in this report.

I noticed that your proposal places all department commissioners on the same pay scale, irrespective of the nature and extent of duties. There currently are two tiers in the Governor's current pay scheme that I believe warrant examination. The Commissioners of Revenue, DNR and the Attorney General all make an increment above the other department commissioners. I believe this should be maintained. Perhaps these positions should be compensated at 95% of the Governor's salary this year, to maintain consistency with your formula. Keep in mind that as these positions did not benefit from the 5% and 3% compensation increases in 2007 and 2008, already inflation has decreased the compensation paid to these positions.

Second, I did not see in your report whether the 135,000 was an initial salary or was a fixed salary for the entire term of office. Past commissions have specifically allowed for movement on the salary scale and HB417, allows for movement on the scale, and so I would strongly recommend that an increment be allowed for each year of service. That way the \$135,000 salary is a base, which may not be high enough to attract talent, but the likelihood of a 2.5% increase for each year of service may be enough to encourage retention and service throughout a governor's term.

Finally, I am not sure what the compensation levels for executives will be if the Governor declines to accept the compensation level. As you have tied executive compensation to the Governor's salary,

stating that they can not make more than the Governor, if she does not accept the salary you may inadvertently be depriving the executives of the compensation level you want put in place.

Finally,

There is natural tension in establishing compensation levels for government service which does not exist in the private sector. In the private sector, compensation levels are set to attract and retain the type of executives that the corporation needs to achieve stockholder value.

In the public sector, although the same need to attract and retain qualified executives remains, there is a third element to the equation; the element of public service.

The 1987 Compensation Commission found that, "inherent in public service is a degree of sacrifice". This intangible element, the idea that working for government is an honor and service in the public good, dampens the compensation levels for public sector employment so that there is not a dollar for dollar parity for private and public sector employment.

Given this element of sacrifice, there has always been and there should continue to be a dividing line between what is viewed as competitive compensation in the private sector and what is paid to public sector executives.

This dividing line should not be opaque, it should be clear, defined and ensure, that government is not demanding too great a sacrifice for public service employment. Non-salary considerations should weigh in this analysis. The job of a commissioner is not a career position. Commissioners serve at the will of the Governor who has four years and at most eight years in office. Unlike the rank and file public sector employee, a department commissioner has no career advancement potential or longevity. Executives hired after 2006, unless they already have time in PERS, they will not earn a PERS retirement from service.

All of these factors must be balanced when determining what financial decrement comprises the element of public service when Alaska competes against the private sector for qualified and capable state executives. If the scales are tipped too far to the side of sacrifice, Alaska will not be able to attract and retain the caliber of executives that are needed for public service employment.

It is well known that Alaska is losing this battle in its technical positions; attorneys, CPAs, engineers and other certificated positions are becoming a revolving door.

As you move forward with future recommendations, I ask that you consider establishing an increment, whether it is 15% or 20% or 25% or 30%, for the element of public service, so that all executive positions in state government can be benchmarked against private sector levels and then reduced by whatever public service factor you determine to meet benchmark for all state and local government.

Thankyou.