

State Officers Salary Commission

December 13, 2008, 10:00 a.m.
Anchorage Legislative Information Office, Room 220

Meeting Minutes

Commission Members in attendance:

Rick Halford, Chair

Rick Koch

Tom McGrath

Gordon Harrison

Mike Miller

Staff: Nicki Neal, Carol Beecher

Public: Theresa Obermeyer was in attendance. She spoke at 10:04 a.m. and referenced an Alaska Daily News article regarding who gets a law license. Ms. Obermeyer spoke about her interest in an appointment to the Alaska State Bar Association and her meeting with Frank Bailey at the Governor's Office on December 11th.

Ms. Obermeyer thinks the State Officer's Compensation Commission (SOCC) is a great idea. She thanked Rick Koch for his knowledge of the tax picture. Ms. Obermeyer said that if someone is really rich and doesn't want to take the salary, they should be able to opt out of it. She feels that it should be increased three times, at least. She thanked the board for the opportunity to speak.

Chairman Rick Halford called the meeting to order at 10:10 a.m. He stated for the record that the minutes are recorded electronically and by note takers present. He stated that the purpose of the meeting was to come up with a set of draft recommendations to be published prior to the December 18th public hearing.

MOTION: Rick Koch moved to approve the agenda. Tom McGrath seconded. Motion approved unanimously.

MOTION: Tom McGrath moved to approve previous meeting minutes. Rick Koch seconded. Motion approved unanimously.

Nicki Neal spoke regarding the Open Meetings Act. All deliberations and decisions must be made on the record.

Chairman Halford noted that the Open Meetings Act is pretty straightforward and important. He stated that whatever the Commission does needs to be marketed and the more open it is the more likely its success. He said that a web site might be a good way

to get the information to the public. The site should include the history and background of state officer compensation.

Nicki Neal said that a site could be set up at minimal cost. She confirmed the documents the commission wished to include: the report, public notices and meeting agendas and indicated the site could be up by late Monday, December 15th.

Gordon Harrison asked if it would be possible to have an email link to allow people to comment. Nicki confirmed this is possible.

Chairman Halford stated Nicki is to respond to process questions and if there are questions that required a Commission member's response she is to contact him.

Chairman Halford stated that Commission needs to produce a document at this meeting for the public to respond to which includes all of the elements listed in the statute. If this is too much the Commission could comment on all categories but provide recommendations on only those most pressing.

Chairman Halford asked if there were any proposals that anyone had ready for the Commission to work on. He noted that the field had been plowed many times before.

Rick Koch suggested coupling the compensation of the governor, Lt. governor and commissioners. He felt that determining the compensation for this group would be relatively easy but determining the compensation of legislators was not as simple. Their responsibilities and work schedules are very different. So, he looked at them separately.

He noted that the legislative compensation across the United States is all over the board – from \$500.00 a year to \$117,000.00 per year and everything in between. He looked at the history of legislative compensation and started with the 1990 legislative salary of \$24,000.00. With CPI increases since 1990, \$24,000 becomes \$39,000.00 in 2008. Adding last year's average long term per diem amount of approximately \$11,000 brings the total to \$50,000.00. If session per diem is added, the IRS total compensation amount would be about \$75,000.00.

Across the United States, the compensation of governors ranges from \$75,000.00 to \$200,000.00. The 75th percentile is \$150,000.00.

Gordon Harrison noted that he had come up with approximately the same number, slightly lower.

Chairman Halford said that the numbers he came up with were almost exactly the same. He said he was inclined not to include session per diem.

Rick Koch stated that he agreed and only mentioned session per diem for discussion purposes.

Chairman Halford noted that the IRS treats per diem differently. He felt that for marketing the number ranges were within a reasonable and justifiable public policy.

Tom McGrath said that he looked at the long term per diem claims. He said that some legislators, such as Jay Ramras, whom he had seen working frequently, only collected long term per diem one day during 2007. He did not feel this was equitable. Tom stated that \$50,000.00 is very supportable.

Tom also stated that the governor and Lt. governor are available 24/7 as is the Chief Justice of the Supreme Court. The Chief Justice makes \$180,000.00 a year. He could easily support compensating the governor at the same amount. Commissioners could be placed at a salary comparable to a judge – about \$175,000.00. The Alaska Railroad and University executives make quite a bit more. With a commissioner, the service is from four to eight years. The case could be made that it is not a professional long term career. They have years of experience but spend a short time in office. He stated that he did not think that \$175,000.00 was sellable. He suggested starting at the 75th percentile for the governor and adjusting down from there.

Mike Miller stated that he agrees with most statements made by others. Most commissioners take pay cuts when they are in office. He stated that relocation is one issue for many commissioners who are based in Juneau. He agreed that all aspects needed to be looked at including where opposition would come from. The other question was whether the Governor would support the compensation increases. He said if there is opposition from the Administration the Commission may need to start the raise the next year.

Rick Halford said that one of his charges after the first meeting was to find out what the Administration thinks. The governor did not want the Commission's decision to be based on the Administration's position as the Commission needs to make an independent decision.

Gordon Harrison said that he agreed. He felt that Rick Koch's analysis was good. He noted that some legislators are currently receiving close to \$50,000.00/year including long term per diem. He said that some legislators may currently feel that claiming long term per diem could impact re-election. Combining long term per diem with a salary increase would help with marketing the recommendation. It is important to make clear that what the Commission is actually doing is straightening out the system and that in reality the pay is not increasing by much as several legislators received over \$40,000.00 in 2007.

Gordon said that legislators are very anxious about the politics of salary. He feels that \$50,000.00 would be beneficial for most legislators. He noted that long term per diem could be acting as an incentive for legislators to attend off-session meetings. Without the long term per diem they may not make the effort. He noted that he did not think that it would be a problem, but that it was something to think about. He was on board with

combining a base salary with the long term per diem and not to define travel or session per diem as salary.

Chairman Halford said that he felt they were all going in the same direction. Conflicts with work outside of the legislature are an integral part of ethics reform. There are two strong competing principles. The framers of the constitution thought you could be a citizen legislator – but the rise of ethics rules and the decline of seasonal jobs have made it very difficult.

Families of public servants pay a high cost because of what they tolerate as a result of time in public office. A conflict exists with having citizen legislators. They are prohibited from being connected – since most connections represent conflicts of interest. At the legislative level we are and have been in an ongoing crisis. Ethical lapses are one of many symptoms of the crisis.

Chairman Halford stated that when judicial salaries were called to the attention of the Commission he thought that would be a very appropriate way to tie the commissioner salaries to the third branch of government. However, Gordon said that it actually might hold the salary down. If the legislative salaries are tied to the salaries of the superior court – they may never raise the superior court salaries.

Chairman Halford also mentioned the impact this Commission's recommendations could have on labor contract negotiations. Union members might be aggravated at the raises in executive pay but their leaders may see this as an opportunity to raise the salaries of their members.

Gordon Harrison stated that he is in favor of linking salaries to a benchmark. The legislature intentionally decoupled from state pay raises previously – and probably did so because of the perceived conflict when they raised state salaries and theirs went up as a result. He mentioned that they may have problems raising salaries if they are coupled again.

Chairman Halford mentioned that his recollection was that the reason was political and without much logic. Some thought it would be good, others did not.

Mike Miller confirmed it was politically motivated.

Gordon Harrison asked what the legislative intent was at the time.

Tom McGrath said that part of it was timing. In 1986 there wasn't much money and legislators wanted to raise their salaries.

Chairman Halford agreed. He said the timing was bad and what they did was ridiculous. It was a nightmare of bad judgment.

Gordon Harrison noted that the context of pay raises now may also be an issue with the dropping oil prices.

Tom McGrath stated that the current proposal doesn't give the legislators a huge pay raise; it cleans up the process. Regarding executive salaries, he stated a pay increase is necessary to attract good people.

Gordon Harrison reiterated that the timing is an issue.

Chairman Halford agreed and said that he would be more comfortable if the Commission's recommendations didn't take effect until after the next election. But, that an election year was not a good year to do it in either. He stated that he doesn't think of this as a raise. He stated that the only thing this change would affect for legislators is retirement as it will be categorized as salary opposed to per diem. The total amount received is essentially the same.

Mike Miller stated that he served 18 years and after 18 years at a salary of \$3,900/month his retirement was a shade over \$900/month. Last year that might have paid his fuel bill.

Chairman Halford noted that his retirement is less than \$2,000/month after 20 years of being a Juneau gypsy.

Tom McGrath added that the retiree medical benefits are not as good as they used to be.

Chairman Halford noted that the medical is not what was promised. Medicaid is the primary provider at 65. He said he is not sure how this is allowable.

Gordon Harrison said that regardless, the tier one medical is highly valuable. It is worth as much or more than what he would pay for healthcare without it.

The Commission recessed for a 10 minute break.

Chairman Halford reconvened the meeting. He suggested recommendations be drafted prior to breaking for lunch.

Gordon Harrison expressed the importance of drafting a report that includes the rational of the recommendations. The report should include a discussion about compensation and long term per diem and the problem with the variability - disparate pay. Gordon offered to work on drafting the report for publication on the Commission's website.

Nick Neal informed members that the public notice stated the recommendations would be available by December 16th. Prior to posting the complete report she would like the Commission's approval and asked if they wanted to schedule a meeting by teleconference to approve the draft report.

Chairman Halford reminded Nicki of the public notice requirement before holding a meeting by teleconference. Due to the short timeframe, he suggested drafting the recommendations for publication by December 16th and following up with the full report.

Mike Miller made a motion to put something on the table regarding legislators, then the SOCC could go forward from there.

MOTION: Mike Miller moved to pay legislators a salary of \$4,200/month and to eliminate long-term per diem. Short term (session) per diem will remain at the federal per diem rate. The total compensation would be somewhere between \$68,000.00 \$75,000.00 per year including session per diem.

Gordon Harrison seconded the motion.

Tom McGrath asked for more discussion and noted office expenses need to remain.

Mike Miller agreed.

Gordon Harrison suggested restating the motion: compensation will be \$4,200/month with long term per diem eliminated. Session per diem and office expenses will remain under the purview of the legislative counsel.

Chairman Halford asked if all members understood the motion. He asked members if they also wanted to get a motion on the table regarding the governor, Lt. governor and commissioners.

Tom McGrath provided the following motion:

MOTION: The governor's compensation rate is adjusted to \$144,000 per year. The Lt. governor and commissioners will be compensated at 90% of the governor's salary.

Gordon Harrison seconded the motion.

Chairman Halford asked for any objections.

Mike Miller suggested that the governor's salary be set slightly higher at a rate of \$150,000. Mike mentioned that although commissioners are paid more now than when he held the position the need for many to relocate to Juneau is an added expense.

Chairman Halford suggested adding a relocation allowance for commissioners who move to Juneau. Gordon Harrison suggested a housing allowance for those who relocate.

Tom McGrath stated that he would accept Mike Miller's suggestion as a friendly amendment placing the governor at an annual salary of \$150,000.00.

Mike Miller reiterated that the proposal is to increase the governor's salary to \$150,000.00 and the Lt. governor and commissioners to \$135,000.00. He discussed ways to compensate those commissioners who relocate such as adding \$10,000 to \$15,000 for relocation expenses. Mike followed up by stating that not all commissioners relocate and of those that do, some maintain two homes and some don't. He concluded that this may be too much to deal with at this time.

Tom McGrath noted that they can currently receive reimbursement for moving expenses. Chairman Halford noted that moving expenses are taxable and could amount to several thousand dollars of taxable income.

Rick Koch stated that there are too many variables. An individual could rent out their home and not necessarily maintain two households.

Chairman Halford stated he agrees with the amendment. He expressed that the report will be more important than the numbers in the recommendation as the public will need to understand the rationale behind them.

Gordon Harrison suggested issuing a press release Monday morning if possible.

Chairman Halford suggested that the press release include contact information for Commission members.

Tom McGrath suggested the recommendations remain simple with the report including points such as:

- the governor's salary is being set at 75% of the national salary range
- the salary of other executives
- the salary of the Supreme Court Justice
- the governor is on duty 24/7.

Gordon Harrison noted that \$150,000.00 is at the low end of what executives of corporations/agencies are compensated. Most are compensated much higher.

Rick Koch clarified that \$150,000.00 is the 75th percentile. Not 75% of the highest salary paid to a governor.

Chairman Halford questioned if members intended to allow legislators to receive per diem to travel to other locations to attend meetings? Gordon Harrison said that currently, a legislator could claim \$150/day to travel to Fairbanks and they could claim \$150 for the trip back and they could also submit for travel per diem. The \$150/day is a form of compensation for their time and this is what they were looking to eliminate.

Tom McGrath said that some legislators claimed 150 days of long term per diem in a year. In other words they have claimed every day except Sunday for the entire year.

Gordon Harrison said the Commission needs to recognize the time spent in session. 78% of a work year was spent in session two years ago.

Chairman Halford expressed that it is his belief that special sessions have gotten out of control and have changed the balance of power. He said the legislature has hampered itself with 90 day sessions.

Gordon Harrison said it points to the reality that Alaska is moving more and more toward a professional legislature. The Legislature is essentially full time – the public just doesn't recognize it. Chairman Halford concurred.

Gordon Harrison noted that the Alaska legislature is the second smallest in the country. A lot of responsibility falls on each legislator.

Chairman Halford mentioned that studies done by the NCSL showed that the Alaska legislature could grow without it being a negative.

Gordon Harrison said that he had thought for a long time that the legislature should be bigger, especially the senate. The size of the rural districts is absurd. Rural legislators have districts so large they are unable to get to their constituents

Rick Halford added that rural legislators often can't afford to get to their constituents.

Tom McGrath mentioned that some have to travel 100 miles to get to their constituents.

Gordon Harrison recommended that members decide on the wording of the press release.

Nicki Neal agreed to draft the recommendations and press release while the Commission members break for lunch.

The Commission recessed at 12:12 p.m.

Chairman Halford called the meeting back to order at 1:35 p.m.

Commission members reviewed the draft recommendations and press release and decided to combine them into one document. Time was spent discussing the wording of this document.

The Commission recessed while the document was typed.

Chairman Halford called the meeting back to order at 2:43pm.

Chairman Halford stated that they now had draft Preliminary Findings and Recommendations.

MOTION: Tom McGrath moved to accept the Preliminary Findings and Recommendations.

Gordon Harrison asked if some technical revisions could be made and Nicki Neal noted the incorrect dates. Revisions were made.

Chairman Halford noted that revisions were purely technical and reminded members that a motion was on the table.

Mike Miller seconded the motion to accept the preliminary findings and recommendations.

Chairman Halford stated that Commission had before them preliminary findings and recommendations which include the following salary increases:

- governor - \$150,000
- lt. governor - \$135,000
- commissioners - \$135,000; and
- legislators - \$50,400 with the elimination of long term per diem

He asked if there were any objections to the preliminary findings and recommendations. The Chairman clarified at the request of Gordon Harrison that at this time only the preliminary findings and recommendations would be published. The report will follow and will include justifications for each recommendation such as CPI adjustments, salaries paid by other states, compensation paid to other executives, conflict of interest issues, etc.

Gordon Harrison stated that the conflict of interest issue would be more specific to legislators. Mike Miller indicated it would apply to the commissioners too. Some of the same issues could come up.

Chairman Halford stated that it should be noted that the public expectation of lack of conflict are not without cost. The report will need to include a discussion of equality – specifically applied to the legislature. Also, competitive pay as it applies to the commissioners.

Gordon Harrison said competitive pay will make the job of a commissioner more attractive. He noted that one of the arguments in the late 1980's had been about the equality of the three branches and how poor pay undermined the legislative branch.

Tom McGrath stated that poor pay has been a factor in keeping good legislators. Many leave to work for private industry.

Chairman Halford said that in private industry they are making six times as much.

Gordon Harrison added the importance of noting the impact of the length of the session.

Chairman Halford noted that the average time is 160 days and at least another 30 days attending to meetings.

Tom McGrath reminded members that the report must mention ethical lapses because it is, unfortunately, on people's minds.

Chairman Halford mentioned the difficulties he had as a private pilot when a large part of his business included transporting employees of the Department of Fish and Game. He dropped that part of his business to avoid an appearance of conflict. He knew he'd never have an effective voice if he was flying for them.

Gordon Harrison said that the conflict of interest rules are squeezing people down.

Rick Koch noted that the Commission is not developing a fiscal note, but that people need to have an understanding of what the changes would mean as far as legislative cost. In 2007, the total was \$2,994,000. The difference would be an additional \$200,000.00.

Chairman Halford said that he will deliver the preliminary findings and recommendations to the ADN. Mike Miller will go to the chamber of commerce. Others will do the same.

Gordon Harrison suggested writing a compass piece for ADN and a My Turn piece for the Juneau Empire.

Chairman Halford mentioned he previously spoke to the ADN and received indication that they would print once the Commission issued recommendations. Rick suggested an editorial piece that supports the recommendations.

Gordon Harrison said that what would help more than anything would be a favorable nod from the governor.

Rick Halford reiterated that the message he had gotten back was that the Commission was to issue an independent recommendation.

Gordon Harrison said that he was referring to support for the recommendations after they are released.

Chairman Halford agreed and mentioned if any individual did not want to accept the increase they could donate to charity.

Gordon Harrison said he was thinking about the governor's response to the legislative salaries. There is traditionally a howl and cry about raising legislative salaries and she could help quell the reactions. Chairman Halford agreed that he would like to hear her say that the raise is a part of upgrading standards.

The Chairman asked if there is any other business to come before the Commission. He reminded and asked all members to attend the public hearings.

Nicki Neal asked if they needed her to be present in Anchorage or if her attendance from the Juneau LIO would be acceptable. The decision was made that she would attend from Juneau and Carol Beecher will be in attendance in Anchorage.

Meeting Adjourned 3:10pm