Alaska State Officers Compensation Commission

Findings and Recommendations

January 10, 2009

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Final Report of Findings and Recommendations

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Introduction

The Alaska State Officers Compensation Commission was created by legislation adopted during the last legislative session.[1] Unlike previous salary commissions in Alaska's history, which were advisory to the legislature, this commission has unusual power: its recommendations take effect unless the legislature passes a bill to disapprove them.

There are five unpaid commission members, all appointed by the governor. One appointee must be from a list of at least two nominees submitted by the speaker of the Alaska House of Representatives, and another must be from a similar list submitted by the president of the Alaska Senate. None of the commissioners may be an employee of the state or of the University of Alaska, a member of any other state board or commission, an elected municipal official, or a person who has held in the previous four years an office covered by the commission's recommendations.

The commission is directed by statute to "review the salaries, benefits, and allowances of members of the legislature, the governor, the lieutenant governor, and each principal executive department head and prepare a report on its findings at least once every two years, but not more frequently than every year (AS 39.23.540(a)).[2] The law stipulates that the commission is to prepare preliminary findings and recommendations for public comment. It directs the commission to present final recommendations to the legislature within the first 10 days of the session.

The commission met for the first time on November 21, 2008 in Anchorage. It elected Rick Halford as chair, discussed its statutory mandate, and reviewed background data prepared by staff. Commissioners requested staff to compile certain additional background information. The commission members were appointed on November 14, 2008, so it was impossible to meet the November 15 deadline for a preliminary report of findings and recommendations. However, contingent upon advice from the Department of Law, the commissioners decided there was adequate time to draft a preliminary report, solicit public comment, and submit final recommendations and findings to the legislature within the first 10 days of the next session,

[1] SCS CSHB 417 (FIN). The commission's statutes are AS 39.23.500-599. The full text of HB 417 is available on the commission's website, http://www.state.ak.us/local/akpages/ADMIN/dop/socc/home.html, along with other pertinent background information.
[2] The term "benefits" does not include health, retirement, disability or death benefits (AS 39.23.560).

scheduled to convene January 20, 2009. With this objective in mind, the commission scheduled a series of meetings and hearings in December and January so that sufficiently advanced public notice could be made for the solicitation of comments.

The commission met on December 13, 2008 in Anchorage. Staff presented additional background information (most of which had been distributed to commissioners prior to the meeting in electronic format). Staff reported that the Department of Law concurred with the commission's decision to proceed with its work despite its late start. The commission adopted preliminary recommendations, and it drafted a summary statement of the recommendations for public distribution. The preliminary recommendations attracted immediate and widespread attention in the media.

By the end of the business day on December 15, 2008, a website for the commission was operational. All of the written information that the commissioners received from staff and other sources was posted on the website. The website had a link that allowed a person to send an email to the commissioners. A report explaining the rationale of the commission's preliminary recommendations, *Preliminary Findings and Recommendations,* was posted on the website December 17, 2008.

A public hearing on the commission's preliminary recommendations was held in Anchorage at the Legislative Information Office on December 18, 2008. The meeting was accessible by telephone through the LIO teleconference system.

A second public hearing was held on the preliminary recommendations the morning of January 10, 2009, at the Anchorage LIO. At that time the staff distributed to commissioners copies of all written comments to the commission that had been received through the website or by FAX. At 1:00 PM, the commission convened a meeting to consider the public comments and to adopt final recommendations regarding legislators' salaries in AS 24.10.100, certain reimbursable legislative expenses in AS 24.10.130, and executive salaries in AS 39.20.010(a), AS 39.20.030(a), and AS 39.20.080(a). These recommendations and the findings of the commission are set out below.

Recommendations

The annual salary of the governor shall be $125,000. (AS 39.20.010(a).)

The annual salary of the lieutenant governor shall be $100,000. (AS 39.20.030(a).)

The annual salary of the head of each principal department of the state shall be $135,000. The commissioner of the Department of Education and Early Development shall be considered the head of the department for purposes of this recommendation. (AS 39.20.080(a).)

The annual salary of legislators shall be $50,400. Legislators shall receive no additional compensation for legislative service, except that the president of the senate and the speaker of the house shall each receive an addition payment of $500. Session per diem, travel expenses, moving allowances, and office expense accounts shall not be considered compensation. (AS 24.10.100.)

The Legislative Council shall set the amount and rules governing moving expense and per diem allowances. (AS 24.10.130.)

Findings

Executive Branch

Currently, the governor's annual salary is $125,000; the lieutenant governor's annual salary is $100,000; and the commissioners' salaries are either $122,640 (11) or $127,236 (3). In 1985, Alaska ranked 4th among the states in terms of the relative amount paid the governor (only New Jersey, New York, and Texas paid their governors more). In 1989, Alaska ranked 18th. Today, Alaska ranks 27th among the states (26 states pay a higher salary, and 23 pay a lower salary).[3] Clearly, compensation for our chief executive officer has not kept pace with salary increases for this office in the rest of the nation.

Neither has the Alaska governor's salary kept pace with salaries paid in the judicial branch of government. Today, justices of the Alaska Supreme Court receive a salary of $179,520. Alaska Superior Court judges, of which there are 40, are paid $166,000.

Nor does the governor's salary compare favorably with salaries paid to the principal executive officers of the state's public corporations. The president of the University of Alaska is paid $300,000 plus a car and housing allowance; the chancellor of the Anchorage campus is paid $248,000 plus a car and housing allowance. The head of the Alaska Railroad is paid $267,000;

[3] Council of State Governments, *Book of the States*, 1984-85; 1988-89; 2007-2008.

the head of the Permanent Fund receives $267,000; the head of the Alaska Aerospace Development Corporation is paid $231,000; and so on.

Indeed, there are approximately 175 state employees who now earn more than the governor, including petroleum engineers, accountants, troopers, marine highway captains, doctors, and managers. Approximately 150 state employees earn more than the highest-paid department heads. These salaries reflect the reality of the job market today; they have been necessary to recruit and retain state employees for positions that pay well in the private sector.

It is, of course, impossible to equate the position of governor and lieutenant governor with private-sector jobs. And certainly salary is never the motivation for running for state-wide political office. However, the governor must recruit a cabinet of capable managers who are experienced and knowledgeable in their respective fields. These people have comparable employment opportunities in the private sector, and many of them are recruited from the private sector. Indeed, it is desirable that people with experience in the business world be represented in the governor's cabinet.

Public service has non-monetary compensation. For some commissioners, public service represents a form of repayment to society for the opportunities it has provided them to achieve success and prosperity. For some it has the rewards of shaping public policies about which they have strong feelings. But along with its rewards, public service also entails costs, such as the loss of privacy, exposure to public criticism, possible relocation to the capital, and interruption of a career. It many also involve financial loss, both because of a lower salary and because of conflict-of-interest regulations that require divestiture of certain assets. To make cabinet posts as attractive as possible, salary levels have to be commensurate with the heavy responsibilities of office and also reasonably competitive with private-sector employment. Members of the commission believe it is necessary to increase the salaries of department heads to make service in the governor's cabinet as attractive and feasible for as many people as possible.

In its preliminary recommendations and findings, the commission advocated the positions that the governor should be paid more than department heads, and that the salaries of the lieutenant governor and department heads should be expressed as a fraction of the governor's salary. That is, the commission sought a structure of compensation that linked the salaries of all of the state's chief executive officers. Thus, the commission sought to determine a reasonable and appropriate salary for the governor.

The Commission looked to governor's salaries in other states. In the range of salaries paid to governors—from a low of $70,000 in Maine to a high of $212,000 in California—Alaska's current salary of $125,000 is only the 39th percentile. The Commission members concluded that an appropriate salary for Alaska's governor should be equal to at least the 75th percentile of all state gubernatorial salaries. This amount is $150,000 per year. Ninety percent of this amount for the lieutenant governor and commissioners is $135,000 per year. These amounts were the preliminary recommendations of the commission.

After the preliminary recommendations were released, the governor announced that she would not accept a salary increase. Also, it was pointed out in public testimony that while it may be a laudable objective to pay the governor more than the cabinet members, it may be an unrealistic one because of the different expectations about pay for statewide elected officials and appointed commissioners. That is, we generally expect greater sacrifices for the public service of elected statewide officials than we do of the professional people appointed to head the principal departments of government. With these considerations in mind, the commission decided not to implement at this time the preliminary recommendation for a salary increase for the governor and lieutenant governor. The timing of salary increases for the governor and lieutenant governor will be subject to further study by the commission, although all members believe that an increase in the salary of the office of governor is appropriate.[4]

The commission decided that commissioner's salaries should be increased at this time even if the governor's salary is to remain unchanged. The commission recommends that the salaries of all of the heads of the principal departments be set at $135,000. Whether a differential among commissioner's salaries is warranted, based on their respective responsibilities, and whether commissioners should receive longevity increments for years of service, will be subjects for additional study and deliberation by the commission. Although the recommendations of this commission are silent on the matter of benefits within the purview of the commission under AS 39.23.560, it is the intent of the commission to leave existing benefits unchanged.

Legislative Branch

Recommendations of the commission with regard to the legislative branch of government are intended to bring transparency and equity to the matter of legislative salaries, as well as to provide fair and reasonable compensation for legislative service.

Currently, there are two components of legislative compensation: one is a salary of $24,012, which was set in 1991; the other is a stipend of $150 per day for attending meetings or performing certain other legislative duties when the legislature in not in session—i.e. during the interim. The stipend is known as long-term per diem. The Legislative Council determines the amount of this payment and also the rules governing it. Legislators must submit a claim for long-term per diem, and the amount claimed varies dramatically among them.

Table 1 illustrates the wide disparity in claims for long-term per diem and the resulting disparity in total compensation paid to individual legislators. In 2000, total legislative pay varied among

[4] Recommendations of the commission pertain to the office of governor and lieutenant governor, not to the individuals holding these offices. That is, the salary recommendations are not and should not be regarded as performance bonuses for the incumbents.

legislators from a low of $24,012 to a high of $34,542; average compensation was $27,928. In the year 2000, the long-term per diem rate was $50, and the average claim was $3,916. Seven years later, in 2007, when the per diem rate was $150, the average claim for long-term per diem was $11,641. Total compensation in 2007 ranged from a low of $24,012 to a high of $46,632, and the average was $35,653.

Table 1

Legislative Compensation*, 2000, 2005, 2007

Year	Per diem rate	Low	High	Average	Average Per Diem
2000	$50	$24,012	$34,542	$27,928	$3,916
2005	$150	$24,012	$48,207	$34,130	$10,118
2007**	$150	24,012	$46,632	$35,653	$11,641

*Compensation is defined as base salary of $24,012 plus long-term per diem.
**Vic Kohring and Wes Keller excluded from 2007 data set because of partial terms.

Source: Legislative Affairs Agency, Alaska Legislature, *Salary and Expense Report*, 2000, 2005, 2007.

Disparity in claims for long-term per diem is only partially explained by differences in the amount of interim legislative work performed by legislators. Most of the disparity is explained by the varying degrees of reticence on the part of legislators to claim it. Some legislators regard long-term per diem receipts as a political liability in their bids for reelection. This is an important consideration to legislators in competitive districts; less so to those with safe seats. Also, the importance of the extra income in the personal finances of individual legislators may influence their willingness to claim long-term per diem for time spent on legislative work during the interim. Whatever the explanation, the result is striking inequality in legislative compensation.

Legislative pay is not only inequitable for legislators; it is poorly understood by the public and regarded as vaguely deceptive. Legislators are as uncomfortable with the opacity of the system as the public. It is a system that has evolved because of the recurring political difficulty of raising the base legislative salary of $24,012.

The commission believes it is imperative that legislative pay be equal for all legislators and that the amount of legislative pay be unambiguous. This is accomplished by eliminating long-term per diem and establishing a salary that is fair and reasonable. Previous Alaska salary commissions have made the same recommendation.

What is fair and reasonable compensation for legislative service? An answer to this question must begin with the consideration of a number of factors. Among the most important of these factors is the time that legislators spend on legislative business. Table 2 shows the duration of legislative sessions for the last 6 years. Although there is a constitutional session limit of 120 days, and a statutory limit of 90 days, the reality is that special sessions are increasingly relied upon to deal with legislation. In 2006, legislators were in regular and special session for a total of 187 days. That is almost 80 percent of a normal work year.[5] The average for the period is 143 days, or 60 percent of a normal work year. Between sessions legislators must deal with constituent's problems, attend community meetings and events, and see to the work of their committee assignments. Legislative leaders and committee chairmen are busier than others, but no legislator escapes the multiple demands of his or her legislative responsibilities between sessions. Although we hold dear the notion of a "citizen legislature" composed of people from all walks of life who devote a few winter months each year to public service at the capital, the reality is something altogether different. Alaska's is not a professional legislature comparable to that of New York or California, which meet continuously much like the Congress, but it is much closer to that model than the public realizes, and becoming more so.

Table 2

Duration of Legislative Sessions, 2003-2008

Year	Session	Days	Total Days
2003	Regular	120	120
2004	Regular	120	
	Special	3	123
2005	Regular	120	
	Special	14	134
2006	Regular	120	
	Special	30	
	Special	30	
	Special	7	187
2007	Regular	120	
	Special	1	
	Special	30	151
2008	Regular	90	
	Special	30	
	Special	30	150

Source: Legislative Affairs Agency

[5] Assume a normal work year is 48 weeks, or 240 days.

When a generally low and ambiguous system of compensation is combined with the large commitment of time required by legislative service, the disruption of careers and family life that it often entails, the increasing use of special sessions called at all times of the year, the general decline of remunerative seasonal employment, and the increasingly stringent ethics regulations that foreclose many business opportunities for self-employed attorneys and other professional people, legislative service is not an attractive or even realistic prospect for many people. Consequently, the legislature does not represent a cross section of the Alaska public in terms of age, gender, and socioeconomic characteristics. It is heavily weighted with older, retired individuals, and those who are financially independent or without family obligations.

Legislators have the responsibility for decisions of momentous importance for Alaska and its citizens. The Alaska Legislature is a branch of government co-equal with the executive and judiciary, and it deserves all of the dignity and respect properly due the other branches. The current system of compensating Alaskans who serve in the legislature is unworthy of the far-reaching duties and responsibilities inherent in the institution of the legislature.

The commission computed $4,200 per month, or $50,400 per year, as a fair and reasonable salary for legislators by simply updating the1991 base salary of $24,012 to its equivalent value in today's dollars and adding to that amount the average long-term per diem that is now being paid to legislators. Various measures of inflation from 1991 produce somewhat different values for 2008; the Anchorage consumer price index yields a current value of approximately $40,000; the average per diem claimed by legislators in 2007 was approximately $11,640; hence, the commission's recommendation of $50,400 per year, or $4,200 per month. [6]

This salary recommendation represents a significant pay increase for many legislators, but only a modest increase for some. In 2007, eleven legislators had total compensation of over $40,000; the highest received $46,632. In 2005, the highest paid legislator received $48,207. Without a transformation of the system of compensation such as that proposed by the commission, the inequality of legislative pay will be perpetuated, and the proposed ceiling of $50,400 will be exceeded in the near future. Table 1 shows that average legislative compensation grew 28 percent between 2000 and 2007 (from $27,928 to $35,653). At this rate of growth, average compensation will be $45,600 in seven years, and the high end will far exceed $50,400.

While the commission recommends the elimination of the long-term per diem stipend, it also specifies that payments for living expenses during session, reimbursable expenses for legislative travel during and between session, relocation allowances, and office expense accounts shall not

[6] Comparison with other state legislative salaries is difficult because, like Alaska, true amounts of compensation are impossible to divine from published statutory sources. However, it is interesting to note that the base salary of legislators in Washington State is $41, 280.

be considered a form of compensation and that the Legislative Council shall continue to regulate these payments.

The commission recommends that the presiding officers of the legislature continue to receive an additional payment of $500 annually.   This extra payment to the senate president and speaker of the house is a long-standing tradition, and the amount has not changed for many years. Today it is more of a symbolic recognition of these leadership positions than it is a significant source of compensation. The commission intends to consider further the subject of the leadership "premium" in the future.

Another subject for further study by the commission is the idea of linking legislative salaries to a benchmark so that periodic adjustments are made automatically, for example when certain executive or judicial branch salaries change, or when there is a change in a consumer price index. However, this is a complex matter that the commission believes needs more research, discussion, and public comment.

Fiscal Impact

If the commission's recommendations are not rejected during the first session of the twenty-sixth Alaska Legislature, the law stipulates that recommendations pertaining to executive branch salaries become effective on the first day of the next fiscal year (FY 10, beginning July 1, 2009), and that recommendations pertaining to legislative salaries become effective on the first day of the next legislative session, which is mid-way through the next fiscal year. Therefore, the full fiscal impact of the commission's recommendations will not occur until FY 11 (the fiscal year beginning July 1, 2010.

The Alaska Department of Administration calculates that the cost of the commission's recommendations for salary increases for the heads of the principal executive departments is $203,302 annually. The Legislative Affairs Agency calculates that the cost of the commission's recommendations for legislative compensation will be $525,000 in FY 10, and $1,220,000 annually beginning in FY 11.