

**ALASKA STATE LEGISLATURE
SENATE LABOR AND COMMERCE STANDING COMMITTEE**

March 17, 2009

2:12 p.m.

MEMBERS PRESENT

Senator Joe Paskvan, Chair
Senator Bettye Davis
Senator Kevin Meyer
Senator Con Bunde

MEMBERS ABSENT

Senator Joe Thomas, Vice Chair

COMMITTEE CALENDAR

SENATE BILL NO. 106

"An Act disapproving all recommendations of the State Officers Compensation Commission relating to the compensation, benefits, and allowances of state officers; and providing for an effective date."

HEARD AND HELD

PREVIOUS COMMITTEE ACTION

BILL: SB 106

SHORT TITLE: REJECT RECOMMENDATION OF COMP. COMMISSION

SPONSOR(S): SENATOR(S) BUNDE

02/11/09	(S)	READ THE FIRST TIME - REFERRALS
02/11/09	(S)	L&C, JUD, FIN
03/17/09	(S)	L&C AT 1:30 PM BELTZ 211

WITNESS REGISTER

SENATOR CON BUNDE
Alaska State Legislature
Juneau, AK

POSITION STATEMENT: Sponsor of SB 106.

JANE ALBERTS
Staff to Senator Bunde
Alaska State Legislature
Juneau, AK

POSITION STATEMENT: Available to answer questions on SB 106.

RICK HALFORD, Chairman
Alaska State Officers Compensation Commission
POSITION STATEMENT: Opposed SB 106.

PAM VARNI, Executive Director
Legislative Affairs Agency
POSITION STATEMENT: Commented and answered questions on the
fiscal note to SB 106.

JASON BRUNE, Executive Director
Resource Development Council (RDC)
POSITION STATEMENT: Opposed SB 106.

KATE GIARD, Commissioner
Regulatory Commissioner of Alaska (RCA)
POSITION STATEMENT: Opposed SB 106.

ACTION NARRATIVE

[2:12:08 PM](#)

CHAIR JOE PASKVAN called the Senate Labor and Commerce Standing Committee meeting to order at 2:12 p.m. Present at the call to order were Senators Meyer, Davis, Bunde and Paskvan.

SB 106-REJECT RECOMMENDATION OF COMP. COMMISSION

[2:13:35 PM](#)

CHAIR PASKVAN announced SB 106 to be up for consideration.

SENATOR BUNDE, sponsor of SB 106, introduced his aide, Jane Alberts, "to fill in any of the blanks" that he might draw.

He then explained that this bill was introduced not to cast any judgment on the findings of the salary commission, but rather to allow an opportunity for public debate, discussion and a vote by the legislature on this issue. Good arguments can be made on both sides of this issue and without this bill, the pay raises would go into effect without any discussion at all.

He added that the Commission was established by the legislature on a strong positive vote. When he voted for it, he didn't mean that the legislature wouldn't have any input, and this is a vehicle for that.

[2:16:51 PM](#)

JANE ALBERTS, staff to Senator Bunde, said since they were short on time she would simply answer questions.

Seeing no questions, CHAIR PASKVAN invited Mr. Halford to testify.

2:17:18 PM

RICK HALFORD, Chairman, Alaska State Officers Compensation Commission, said he was glad to be here to explain its recommendations. He agreed that the debate and process is worthwhile, but the process of not reaching a solution which has occurred over the last 20 years hasn't worked. The Commission didn't have the opportunity to set up the rules it operated under. He was asked to join it, and part of the reason he was willing to do that is because:

Frankly, I felt a little bit guilty about being here all those years, and not being a part of a better compensation package for legislators. I was one of those who were fortunate enough to have a seasonal self employment income, and I was able to make it work for me. But a lot of people weren't. And a lot of people who gained by experience and could have stayed didn't stay and some people who could have run, didn't run.

So, I was willing to take on the task of addressing this, but the Commission was a wonderful commission in that we had Gordon Harrison who has a great reputation here in Juneau, wrote the book on the explanation of the Constitution, an author who was the head of the legislative research arm for a while. We had Rick Cook who is the city manager of Kenai, Tom McGrath who owns the Frigid North, the big electronics wholesaler in Anchorage, and we had former Senate President Mike Miller who had also served as commissioner of Administration. So, we had a group of people that I think were very well experienced in the private sector and in the public sector.

And about the first thing we did is we adopted a policy that we were not going to do anything unless we had unanimous consent. Because this is an issue that has been divisive in the past, we did not want anything that we couldn't all wholeheartedly agree to be our recommendation.

We had a very short timeline; we came out with a recommendation that included the governor, lieutenant governor, commissioners and the legislature. We met the requirement for the timing and the hearings and the process to deliver it, but just barely. We, as a matter of fact, asked for the Attorney General's advice to make sure that we could meet it, and do all the things that we had to do. But, I believe the recommendation is very, very reasonable. As a final recommendation - you know that we dropped out the governor and lieutenant governor and the major piece remaining is the legislative pay equalization. But what it does is it takes out the out of session per diem that people took in their homes on a very differential basis and it sets the salary at \$50,400 per year.

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MR. HALFORD said that Alaskans want citizen legislators, but expectations with regard to conflict of interest make it harder and harder for people to have other work to be able to support their families and be able to participate in this process. It's very difficult to live on \$24,000 per year and deal with a family's needs. This is a minimum step in the right direction. It is unanimously supported by the commission, and it doesn't take effect until next year. He stated:

I believe that you are the board of directors of one of the greatest natural resource corporations - and human resource corporations - on earth. I believe that you sit across the table from some of the toughest, single-minded, well-educated, well-funded interests who come for our resources or for our interest, and it doesn't matter whether they are a national health corporation or a national resource corporation. They have phenomenal resources at their disposal in these negotiations. You have to go to consultants for information who are often looking for their next job from the opposite side of the table. You have a very tough job and you are worth it.

I wish we could have come up with a stronger recommendation for a better compensation package, and in the future we may. But for the short term I think it's a strong step in the right direction. Again, it gets away from the questions that the public has had about how the in-district per diem was taken on a

differential basis by individuals, and that was often based on what they felt they could establish with their constituency regardless of whether they actually spent the time working. Often people were not willing to take per diem that they were really due because they didn't think their constituency would appreciate that.

CHAIR PASKVAN asked him to explain the range of wages they considered, so people understand the thought process they went through.

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MR. HALFORD introduced Micki Neal, staff to the Commission, being the director of personnel, who did "a wonderful job" gathering information onto a website. It now has a wealth of information including projections based on cost of living to other states. He explained the legislature doesn't get to approve contracts.

SENATOR BUNDE reiterated that bill is not a criticism of his and their work, but rather a necessary dialogue.

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MR. HALFORD reiterated that on one hand Alaskans have very high expectations with regard to conflict of interest and that's very difficult for people to deal with. "On the other hand, we assume that legislative sessions are 90 or 120 days when, in fact, the record in recent years, when you add special sessions and everything else, is more than a half-a-year when you add the time to get ready. Every legislator is continuously available to his constituency. So the legislative jobs are not 90 or 120 days; they are long-term jobs. The time requirement is much higher than people understand it to be.

He said the Commission looked back at the salary of Supreme Court judges that used to be tied the salaries of commissioners for the first 15 years of statehood when it was hard to get the very best commissioners. If those two were still tied together, commissioners would be paid something like \$165,000 a year today.

A good long term goal might be after the next election to start with the governor's salary and use the 75th percentile of the governor's of the nation, and then pay the commissioners and lieutenant governor at a percentage of the governor's salary. You would pay the legislature at a percentage of the

commissioners' salary and base that percentage on what the work commitment of the legislature really is. An integrated system that pays those who are in public office at a reasonable rate so that you can keep the best quality people involved is important and should be one of the long-term goals.

CHAIR PASKVAN said the report addressed the legislature as an equal branch of government and asked him to expand on that.

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MR. HALFORD said the Commission was set up with a limited purview; the effective date of what they did was in the law. They had rules to follow that said they covered only certain elected or top-appointed officials. There were a lot of parity questions. However, he felt the legislative branch has lost a lot of ground in that balance in a number of ways over the last few years - in the staff is paid, legislators, in the shortness of the sessions, their inability to set their own agenda and the continuous special sessions that are set by the agenda of the administration.

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PAM VARNI, Executive Director, Legislative Affairs Agency, said she and Karla Schofield, Deputy Director, Legislative Affairs Agency, prepared the fiscal note for SB 106. She explained that legislators' salaries used to be tied to a range 10, and now they are equivalent to a range 5. When state employees receive a 3 percent cost of living increase on July 1 of this year, it will be entirely off of the salary schedule.

She said in 2006, the Council of State Governments did a trend analysis of state legislators' compensation from 1975 to 2005 with the CPI adjusted, and Alaska had one of the largest salary decreases in real dollars at a minus 55.94 percent. A full year of the new compensation package is an increase of \$1.2 million. That increase is split between two years in the fiscal note. So for FY10 it's an increase of \$833,600, and for FY11 - \$383,600. This eliminates a total of \$810,000 for interim per diem over that two-year period. She said some other efficiencies would be realized in legislators' and legislative staff time by not having to fill out the interim per diem forms and by the accounting section not having to process them.

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SENATOR BUNDE said it appears to him that Juneau area legislators receive another per diem for every day they are in

session and it appears to him that they're getting an additional salary. Why do they get that for living in their own homes?

MS. VARNI explained that issue came up quite a few years ago when it was decided that Juneau legislators would receive 75 percent of what the other 57 members get, but they are taxed on it; whereas if you live more than 50 miles from the capital like the other 57 legislators do, you qualify for that session per diem - so they can pay their mortgages back home and pay for their rent here. That was a Legislative Council decision and it could be reversed.

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CHAIR PASKVAN called an at ease at 2:37.

[2:41:29 PM](#)

He called the meeting back to order at 2:41.

[2:41:53 PM](#)

CHAIR PASKVAN announced an at ease at 2:41 because of technical difficulties and to move to another committee room.

[2:49:25 PM](#)

He called the meeting back to order at 2:49.

JASON BRUNE, Executive Director, Resource Development Council (RDC), opposed SB 106. Currently Alaskan legislators are grossly underpaid, he said. "The fact that legislators are compensated at levels below their lowest staff member is appalling." It is difficult for legislators to find and have a job or to be reliable employees outside of the legislature especially with the number of special sessions that have been held. Furthermore, he said, the common denominator for the legislators in jail is money, and not much of it.

The current system in Alaska allows only for the independently wealthy, retirees or people who are willing to live in their offices and eat ramen noodles. Alaska relies upon the responsible development of its natural resources as a foundation of its economy. Decisions made by the legislature have a significant financial impact on corporations as well as the state's citizens, and it should be imperative to lure more of the best and brightest to Juneau.

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SENATOR BUNDE pointed out that the proposed pay increase for some legislators that claim per diem would actually be a pay decrease for other legislators who didn't claim any.

MR. BRUNE agreed, but he added that he is happy that this is a start in the right direction, though.

2:55:01 PM

KATE GIARD, Commissioner, Regulatory Commissioner of Alaska (RCA), opposed SB 106. RCA commissioners are not impacted by the decisions of the Compensation Commission. While she didn't agree with the language of Senator Bunde's bill, it does provide an important public forum for this discussion within the legislative arena, and she is grateful for this discussion. In her eyes there is no replacement for a public hearing before the Alaska legislature. In matters related to compensation, the highest degree of public participation will provide the Alaska legislature with the highest degree of integrity in any decision to take action or not on any Compensation Committee recommendation.

MS. GIARD said she wanted to talk about public trust in a system with internal controls. Both of these strongly indicate the elimination of long-term per diem is and must be completed as soon as possible.

As a state regulator and former CFO for the Municipality of Anchorage and past internal auditor for the school district, she knows that a system of internal controls in the public sector is essential to insure that the public can trust elected officials and its public institutions. On page 6 of the Commission's report beginning with the word "Disparity" the Commission generally describes a few possible reasons for the apparent difference in the use of long-term per diem by members of the Alaska legislature, including striking inequities in the how legislative per diem is viewed.

She said, "The long-term per diem system is absent any meaningful internal control, and I don't know if it can even be audited in any real sense." To qualify for long-term per diem the legislator must attend a meeting for legislative or public purpose or spend four hours on legislative or constituent business. Little documentation is required and opportunities for third-party verification are few. In 2007, based on the 2007 legislative salary and business expense report, long term per diem exceeded \$650,000. She knew of no other place in state

government where the internal controls over an expenditure of that much money was so weak.

After reading the history of the legislature's compensation she found and acknowledges that long-term per diem resulted from an inability of past legislators to appropriately compensate members for their public service. Based on that history, a legislator is encouraged to view long-term per diem as part of the overall compensation package. The fact of the matter is that being an elected representative is a year-round duty, and there is a remarkable inequity in the use of long-term per diem between legislators that does not reflect the difference in demands, but rather in their personal feelings about billing per diem. Thus the long-term per diem as a substitute system for compensation has failed miserably to recognize the work contribution of Alaska legislators. The system is broken; it has little to no internal controls or uniformity in applications, and, therefore it can't engender public trust. Replacing the per diem system with a straight salary provides a far improved system of internal controls and eliminates the very troubling aspects of public service provided by our elected officials.

MS. GIARD said she didn't think this legislature should interfere in any way with the immediate elimination of long-term per diem, which is contemplated by the Compensation Commission's recommendations. Her other thoughts on the report are included in the records that are maintained on the Commission's website.

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CHAIR PASKVAN thanked her, and closed public testimony. He noted that he would hold SB 106.

SENATOR BUNDE wrapped up that more money doesn't produce ethical legislators, but possibly a larger talent pool that would.

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There being no further business to come before the committee, Chair Paskvan adjourned the meeting at 3:02 p.m.