SCOMM

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LAWS OF ALASKA

1976

Source FCCS HCS CSSB 499

Chapter No. 263

AN ACT

Relating to compensation, benefits and classifications of public officers and employees; creating the Alaska Salary Commission; and providing for an effective date.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

* Section 1. AS 39 is amended by adding a new chapter to read:

CHAPTER 23. ALASKA SALARY COMMISSION.

Sec. 39.23.010. CREATION OF COMMISSION; COMPOSITION. There is established in the Department of Administration the Alaska Salary Commission consisting of five members appointed by the governor. No member of the commission may be a public officer or employee.

Sec. 39.23.020. TERM OF OFFICE; VACANCIES. (a) Commission members serve at the pleasure of the governor for four-year staggered terms. However, two of the initial members appointed to the commission shall serve one-year terms and the rest shall serve, respectively, for terms of two years, three years and four years, the term to be determined by lot at the first meeting of the commission.

(b) A vacancy shall be filled in the same manner as an original appointment for the balance of the unexpired term.

Sec. 39.23.030. OFFICERS; STAFF. The commission shall select a chairman from among its members annually. The director of the division of personnel and labor relations serves as ex officio secretary to the commission and provides research, technical and administrative services.

Sec. 39.23.040. MEETINGS; QUORUM. (a) A majority of the commission members constitutes a quorum to transact the business of the commission. A majority of the commission members must approve the commission's recommendations to the legislature.

(b) The commission shall meet at the call of the chairman. Notice of meeting dates shall be mailed to each commission member at least 20 days before the date scheduled for a meeting.

(c) The commission shall meet to discuss its findings and recommendations at least twice before submitting its final report to the legislature under sec. 80 of this chapter.

Sec. 39.23.050. COMPENSATION. Members of the commission are entitled to per diem and travel expenses authorized by law for boards and commissions.

Sec. 39.23.060. REVIEW OF COMPENSATION AND BENEFITS; OFFICERS COVERED. The commission shall conduct an on-going review of compensation and retirement benefits for members of the legislature; the governor; the lieutenant governor; commissioners, deputy commissioners, and division directors of each executive department; members of the Alaska Public Utilities Commission; members of the Alaska Pipeline Commission; members of the Alaska Transportation Commission; members of the Alaska Commercial Fisheries Entry Commission; and the judiciary, to determine the appropriateness of compensation and benefits.

Sec. 39.23.070. STUDIES; REPORTS. (a) The commission may request reports or studies from any state agency concerning compensation and retirement benefits for officers listed in sec. 60 of this chapter. A state agency from which a report or study is requested shall furnish it within a period of time prescribed by the commission.

(b) The commissioner of administration shall make initial recommendations concerning compensation and retirement benefits for the officers listed in sec. 60 of this chapter.

Sec. 39.23.080. RECOMMENDATIONS. (a) Before November 15, 1976, and every two years thereafter, the commission shall submit its preliminary findings and recommendations to the governor, the presiding officers of each house of the legislature and the chief justice of the supreme court.

(b) The commission shall give reasonable public notice of its preliminary findings and recommendations, solicit public comments, and give due regard to the public comments, before submitting a final report under (c) of this section.

(c) The commission shall make a final report of its findings and recommendations as to the rate and form of compensation and retirement benefits for the officers listed in sec. 60 of this chapter within 10 days after the first regular session of a legislature convenes. The recommendations regarding compensation become effective, retroactive to January 1, only if approved by concurrent resolution before the end of a session. The recommendations regarding retirement become effective if enacted into law by the legislature.

(d) The commission may submit to the legislature amendments to the report submitted under (c) of this section.

(e) A commission member who does not concur in the proposed or final recommendations may attach written objections to the commission's report of its findings and recommendations.

Sec. 39.23.090. RECOMMENDATIONS RELATING TO THE JUDICIARY, GOVERNOR AND LIEUTENANT GOVERNOR. (a) No recommendations of the commission may have the effect of reducing the compensation or retirement benefits of any member of the judiciary who is a member of the judiciary on the effective date of the commission's recommendation; or reduce, unless by general law applied to all salaried officers of the state, the compensation and retirement benefits of the governor or lieutenant governor who are in office on the effective date of the commission's recommendation.

(b) The commission may recommend reduction in compensation or retirement benefits for individuals who become members of the judiciary or governor or lieutenant governor after the effective date of the commission's recommendation.

Sec. 39.23.100. FILING WITH LIEUTENANT GOVERNOR AND CERTIFICATION. The commission shall, upon transmitting its final recommendations to the legislature, file the recommendations in the office of the lieutenant governor, and upon the recommendations becoming effective the commission shall so certify on the copy of the recommendations on file in the office of the lieutenant governor.

Sec. 39.23.110. POLICY OF THE LEGISLATURE. It is the policy of the legislature that the commission determine the salary schedule and retirement benefits for public officers based upon equitable relationships being maintained among state positions.

Sec. 39.23.120. ADMINISTRATIVE PROCEDURE ACT. The Administrative Procedure Act (AS 44.62) does not apply to proceedings conducted under this chapter.

Sec. 39.23.130. DEFINITIONS. In this chapter

(1) "commission" means salary commission;

(2) "judiciary" means justices of the supreme court and judges of the superior and district courts.

* Sec. 2. AS 16.43.060 is amended to read:

Sec. 16.43.060. COMPENSATION OF MEMBERS OF THE ALASKA COMMERCIAL FISHERIES ENTRY COMMISSION. Members of the commission are in the exempt service and shall receive an annual salary as established under AS 39.23.

* Sec. 3. AS 22.05.140(a) is repealed and re-enacted to read:

(a) The chief justice and each associate justice are entitled to receive annual compensation prescribed in accordance with AS 39.23. Compensation of the chief justice or of an associate justice may not be diminished during his term of office, unless by general law applying to all salaried officers of the state.

* Sec. 4. AS 22.10.190(a) is repealed and re-enacted to read:

(a) Each superior court judge is entitled to receive annual compensation prescribed in accordance with AS 39.23. The compensation of a judge may not be diminished during his term of office, unless by general law applying to all salaried officers of the state.

* Sec. 5. AS 22.15.220(a) is repealed and re-enacted to read:

(a) Each district judge is entitled to receive annual compensation prescribed in accordance with AS 39.23. The compensation of a judge may not be diminished during his term of office, unless by general law applying to all salaried officers of the state.

* Sec. 6. AS 24.15.010 is repealed and re-enacted to read:

Sec. 24.15.010. LEGISLATIVE PER DIEM. The rate of per diem instead of subsistence for each member of the legislature shall be prescribed in accordance with AS 39.23.

* Sec. 7. AS 24.15.020 is repealed and re-enacted to read:

Sec. 24.15.020. ANNUAL LEGISLATIVE SALARIES. Each member of the legislature is entitled to receive annual compensation prescribed in accordance with AS 39.23 to be paid in approximately equal monthly installments. The president of the senate and speaker of the house of representatives are each entitled to an additional annual sum prescribed in accordance with AS 39.23.

* Sec. 8. AS 24.15.030 is amended to read:

Sec. 24.15.030. ADDITIONAL ALLOWANCES. In addition, each member of the legislature is entitled to an annual allowance prescribed in accordance with AS 39.23 for postage, stationery, stenographic services and other expenses.

* Sec. 9. AS 39.20.010 is amended to read:

Sec. 39.20.010. ANNUAL SALARY OF GOVERNOR. The annual salary of the governor shall be prescribed in accordance with AS 39.23.

* Sec. 10. AS 39.20.030 is amended to read:

Sec. 39.20.030. ANNUAL SALARY OF LIEUTENANT GOVERNOR. The annual salary of the lieutenant governor shall be prescribed in accordance with AS 39.23.

* Sec. 11. AS 39.20.080 is repealed and re-enacted to read:

Sec. 39.20.080. SALARY OF EXECUTIVE DEPARTMENT HEAD AND DEPUTY. (a) The annual salary of the head of each principal executive department of the state shall be prescribed in accordance with AS 39.23.

(b) The salary of the deputy head of each principal executive department of the state shall be prescribed in accordance with AS 39.23.

* Sec. 12. AS 39.35.680(5)(B) is repealed and re-enacted to read:

(B) means an elected official of a political subdivision currently serving who elects to pay contributions required of an employee and to be included in the system under sec. 125 of this chapter;

* Sec. 13. AS 39.35.680(5)(C)(v) is repealed and re-enacted to read:

(v) justices and judges of the supreme, superior, and district courts of Alaska; or the governor and lieutenant governor; or the heads, deputy or assistant heads, and division directors of each principal executive department of the state; or the members of the Alaska State Legislature.

* Sec. 14. AS 42.05.091 is amended to read:

Sec. 42.05.091. COMPENSATION OF MEMBERS OF THE ALASKA PUBLIC UTILITIES COMMISSION. Members of the commission are in the exempt service and shall receive an annual salary as established under AS 39.23.

* Sec. 15. AS 42.06.090 is amended to read:

Sec. 42.06.090. COMPENSATION OF MEMBERS OF THE ALASKA PIPELINE COMMISSION. Members of the commission are in the exempt service described in AS 39.25 and receive an annual salary as established under AS 39.23.

* Sec. 16. AS 42.07.071 is amended to read:

Sec. 42.07.071. COMPENSATION OF MEMBERS OF THE ALASKA TRANSPORTATION COMMISSION. The commissioners are in the exempt service under AS 39.25 and shall receive an annual salary as established under AS 39.23.

* Sec. 17. The first appointments to the Alaska Salary Commission shall be made within 30 days after the effective date of sec. 1 of this Act.

* Sec. 18. AS 39.50.200(9) is amended by adding a new subparagraph to read:

(LL) Alaska Salary Commission (AS 39.23)

* Sec. 19. AS 39.25.120(8) is repealed and re-enacted to read:

(8) the director and deputy director of the division of tourism in the Department of Commerce and Economic Development.

* Sec. 20. Section 19 of this Act is retroactive to July 1, 1975.

* Sec. 21. Sections 1, 12, 17, 18, 19, and 20 of this Act take effect immediately in accordance with AS 01.10.070(c). Sections 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 13, 14, 15 and 16 of this Act take effect on the effective date of the first recommendations submitted to the legislature under AS 39.23.080(c).

Approved by governor: June 24, 1976
Actual effective date: Secs. 1, 12, 17, 18, 19 and 20: June 25, 1976; Sec. 19 retroactive to July 1, 1975; Secs. 2, 3, 4, 5, 6, 7, 8, 9, 10, 12, 13, 14, 15 and 16 take effect on the effective date of the first recommendation of the Alaska Salary Commission under AS 39.23.080(c)

14-1391
Cramer
11/13/85

IN THE SENATE

BY THE JOINT SPECIAL COMMITTEE ON LEGISLATIVE SALARIES

SENATE JOINT RESOLUTION NO.

IN THE LEGISLATURE OF THE STATE OF ALASKA

FOURTEENTH LEGISLATURE - SECOND SESSION

Proposing an amendment to the Constitution of the State of Alaska establishing a state officers compensation commission.

BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

* Section 1. Article XII, Constitution of the State of Alaska, is amended by adding a new section to read:

SECTION 14. STATE OFFICERS COMPENSATION COMMISSION. The state officers compensation commission shall consist of seven members appointed by the governor and subject to confirmation by a majority of the members of the legislature in joint session. A person who is an elected municipal official, an employee of the legislative, judicial, or executive branches of state government including the University of Alaska, or a member of another state board, commission, or authority may not serve as a member of the compensation commission. Members of the commission shall be appointed for four-year terms except that the initial members of the commission shall be appointed to terms so that no more than two vacancies occur in a single year. A vacancy shall be filled for the unexpired term. The commission shall act by concurrence of four or more members and according to rules that it adopts. The commission may revise the salaries, benefits, and expense allowances of members of the legislature, the governor, lieutenant governor, justices and judges of the court system, and the head of each principal department. The salaries, benefits, and expense allowances established by the commission take effect at ~~a time~~ the

(3)

beginning of the next legislative session
~~established by the commission~~ unless the legislature rejects the salaries, benefits, or expense allowances by a concurrent resolution adopted by two-thirds of the members in each house of the legislature. The legislature shall implement this section by law.

* Sec. 2. The amendment proposed by this resolution shall be placed before the voters of the state at the next general election in conformity with art. XIII, sec. 1, Constitution of the State of Alaska, and the election laws of the state.

(4)

STATE OF ALASKA
THE LEGISLATURE
LEGISLATIVE AFFAIRS AGENCY

POUCH Y STATE CAPITOL
JUNEAU, ALASKA 99811
907 465 3800

MEMORANDUM June 13, 1985

SUBJECT: Joint Special Committee on Legislative Salaries (CSSCR 19(Fin) am H)

TO: Senator Mitch Abood, Chair, Joint Special Committee on Legislative Salaries

FROM: Tamara Brandt Cook TBC
Deputy Director
Division of Legal Services

The legislature established a Joint Special Committee on Legislative Salaries last session in CSSCR 19(Fin) am H. You have asked several questions regarding that committee.

1. The resolution provides that three public members are to be selected by the Joint Special Committee on Legislative Salaries and you have asked how these public members should be chosen. Rule 21 of the Uniform Rules under which the joint special committee was established does not address the possibility of people serving on a legislative committee who are not legislators. The selection process, therefore, is a matter for the appointed legislator members of the committee to decide and the process should be approved by a majority vote of a quorum of the committee. Since the resolution requires that the public members are to be selected by the joint special committee, individuals finally chosen should be approved by majority vote of the committee, rather than simply appointed by the chairman, for instance.

2. What is a public ex officio member? Black's Law Dictionary defines ex officio as follows:

> From office; by virtue of the office; without any other warrant or appointment than that resulting from the holding of a particular office.

The term "ex officio" clearly contradicts the notion of public membership which is not based upon the holding of a particular office, but, instead, is based upon a need to represent the public at large. Since there is no indication in the resolution from which office an ex officio member would come, it seems clear that the intent is to include three public members rather than three ex officio members.

A public member of a body is generally considered to be an individual who is not a member of the group regulated and does not have a direct financial interest in the activity being regulated or considered by the body. (See AS 08.01.025). A public member of the joint special committee under this reasoning cannot be a member of the legislature, an employee of the legislature, or a person with a direct financial interest involving the legislature, for example, a person under contract to perform services for the legislature. However, a person from another branch of state government, such as a judge, would probably have so few direct ties to the legislature that the person could qualify as a public member of this committee.

3. Can the public members vote? Since the Uniform Rules do not address the question of public members on legislative committees no guidance is provided by the Rules on this. The resolution itself provides for public members and does not indicate that these are to be members with fewer rights than the other members, although the resolution could have done so. Therefore, the best interpretation appears to be that the public members have all the rights of other members, including the right to vote.

4. What is the quorum for the Joint Special Committee on Legislative Salaries? There are nine members on the committee: three senators, three representatives, and three public members. Mason's Legislative Manual, Sec. 500(2) provides

> The majority of the membership of a body constituted of a definite number of members, constitutes a quorum for the purpose of transacting business.

Sec. 502(3) provides further

> Where the number required by statute or other rule to constitute a quorum is fixed at a definite number the diminution of the members of the body will not change the number necessary for a quorum.

Therefore, a quorum for the committee is 5 members, even if public members have not yet been selected or if a vacancy should occur for another reason. A particular number of senator members and representative members is not required to constitute a quorum. Sec. 665 provides in part

> A quorum of a joint committee is a majority of its combined membership and when a quorum is present a majority of that quorum is capable of transacting business.

TBC:ojb
J15/034

SCR 19 MEASURE HISTORY PAGE 01 OF 03

CS SCR 19 FIN AMH

ESTABLISHING A JOINT SPECIAL COMMITTEE ON LEGISLATIVE SALARIES.

PRIME SPONSOR: RULES COMMITTEE

CO-SPONSORS:

$000 GENERAL(FNOTE) $000 OTHER(FNOTE)

CURRENT STATUS: LEGIS RESOLVE 21

DATE		PAGE	ACTION
04/11/85	(S)	766	READ THE FIRST TIME
04/22/85	(S)	870	FIN RPT CS 3DP 4NR NEW TITLE
04/22/85	(S)	870	FISCAL NOTE ZERO
04/23/85	(S)	890	RLS RPT CALENDAR TODAY
04/23/85	(S)	894	READ THE SECOND TIME
04/23/85	(S)	894	FIN CS ADOPTED UNAN CONSENT
04/23/85	(S)	895	PASSED Y13 N4 A3
04/23/85	(S)	896	TRANSMITTED TO (H)
04/24/85	(H)	1051	READ THE FIRST TIME
04/30/85	(H)	1179	RLS RPT 3DP 1DNP 1NR

SCR 19 MEASURE HISTORY PAGE 02 OF 03

DATE		PAGE	ACTION
05/01/85	(H)		RLS TO CALENDAR 5/1/85
05/01/85	(H)	1208	READ THE SECOND TIME
05/01/85	(H)	1209	AM NO 1 ADOPTED Y33 N6 X1
05/01/85	(H)	1209	PASSED Y24 N15 X1
05/01/85	(H)	1210	NAVARRE NOTICE OF RECONSIDERATION
05/02/85	(H)	1253	RECON HELD ONE DAY - TO 5/3/85
05/03/85	(H)	1270	RECON TAKEN UP - IN SECOND READING
05/03/85	(H)	1270	PASSED ON RECONSIDERATION Y22 N16 X2
05/03/85	(H)	1292	TRANSMITTED TO (S) AS AMENDED
05/04/85	(S)	1048	HELD TO 5/6/85
05/06/85	(S)	1065	FAILED CONCUR (H) AM Y- N19 A1
05/06/85	(S)	1065	CONFERENCE COMMITTEE APPOINTED
05/06/85	(S)	1065	ABOOD CHR, FERUGSON, RAY
05/07/85	(H)	1384	HELD UNDER UNFINISHED BUSINESS
05/08/85	(H)	1439	FAILED RECEDE (H) AM Y- N37 X1 A2
05/08/85	(H)	1439	CONFERENCE COMMITTEE APPOINTED
05/08/85	(H)	1439	SZYMANSKI,PHILLIPS,SUND
05/12/85	(S)	1331	CONCUR AM OF (H) Y16 N3 A1
05/12/85	(S)	1331	(S) CONFERENCE COMMITTEE DISCHARGED
05/15/85	(S)	1350	11:40AM, 5/15/85 TRANSMITTED TO GOVERNOR
05/20/85	(S)	1355	S COM ABOOD,CHR. FERGUSON, RAY

SCR 19 MEASURE HISTORY PAGE 03 OF 03

DATE		PAGE	ACTION
06/02/85	(S)		READ BY GOVERNOR LEGIS RESOLVE 21

Legislatures as Unions

Robert E. McCormick

Texas A&M University

Robert D. Tollison

Virginia Polytechnic Institute and State University

We present a model of the legislature as a union, where in some states the legislative wage is set in the constitution (the analogue to competition) and in others it is set by the legislators (monopoly). We test the implications of the model with respect to relative legislator wages in the two types of states and with respect to other aspects of the legislature as a union. All of the implications hold up quite well in empirical tests. Indeed, as expected, we find an astonishingly large impact of the legislative union on relative wages, that is, on the order of a 225 percent increase.

I. Introduction

Good fences make good neighbors; so the saying goes. But since the most fertile ground often lies along the fence row, the cost of neighborliness is sometimes too high. So it has been with the modern colonization by economists of subjects usually reserved for other social sciences. Not untypically, the conventional views held by other disciplines have been strongly challenged by the application of economic methodology. While it is interesting that economists tend to generate different conclusions about social processes from those accepted in other social sciences, it suffices to say here simply that we write in this tradition.

We are grateful to Raymond Battalio, Mark Crain, Roy Gilbert, John Kagel, Thomas Saving, Richard Wagner, and an unidentified referee of this *Journal* for helpful comments on earlier drafts of this paper. George Stigler and Arleen Leibowitz deserve special thanks for help. The usual disclaimer applies.

[*Journal of Political Economy*, 1978, vol. 86, no. 1]

We address the problem of how state legislators are paid. Our explanation of legislative pay will seem familiar to economists. Nonetheless, it will contrast markedly with the explanations and approaches to the same problem offered by other expert observers of such matters. The following quotations provide a menu of competing hypotheses:

> Despite the fact that in recent years a few states have provided substantial salaries for their legislators, no public servant in relation to his responsibilities is more underpaid. [Maddox and Fuquay 1966, p. 135]
>
> Most states fail to pay their lawmakers anything approximating a living wage. [Straayer 1973, p. 93]
>
> To a large extent, legislators are paid according to the frequency of regular sessions. [Council of State Governments 1968, p. 45]
>
> Legislators in annual session States generally fare better than lawmakers in biennial States. [Council of State Governments 1972, p. 54]
>
> As many analysts have pointed out, the most significant variable in determining the size of legislative salaries appears to be state population. [Council of State Governments 1974, p. 59]

Our explanation of legislative pay is fueled by a completely different mental set than that implied in the initial two quotations. We also provide a more complete model of the determination of legislative pay with which the type of claims made by the last three sources can be evaluated.

In effect, we view legislators as participants in a labor market, and we try to explain differences in the legal pay of legislators by factors that affect the supply of and demand for their services. We present a model of the legislature as a labor union, where in some states the legislative wage is set in the constitution (the analogue to competition) and in others it is set by the legislators (monopoly). We test the implications of the model with respect to relative legislator wages in the two types of states and with respect to other aspects of the legislature as a union (e.g., size of the legislature). We also test an implication of the model which suggests that, where legislative pay is low, the market for legislator services clears by attracting more legislators, such as lawyers, for whom legislative service can be combined with other outside earning activities. All the implications of the model hold up quite well in empirical tests. We examine state legislators because legislative pay and procedures differ across states, yielding a natural cross section of data on such matters (Council of State Governments 1976). The implications of the model, as such, could be applied to any legislative setting.

Basically, we share Stigler's (1976) concern with modeling the central tasks of representation properly. He states that "the central task of representation is to give e cient representation to the collection of group interests that express the desires of citizens who compose the state" (p. 17). We pose a corollary question, namely, "What is the legal payoff to the representative for performing those tasks?"

In Section II we present a model stressing the supply of and demand for legislator services under union and nonunion conditions. The model involves the solution of a unique problem of present value maximization. We perform an empirical test of the implications of the model regarding relative legislator wages using data for 1974 on state governments in Section III. In Section IV we test an inference of the model that more lawyers will be present in legislatures when legislative pay is low. Finally, we offer some brief concluding remarks in Section V on the relation between the pay of legislators and the prospects for malfeasance.

II. No Man Is Safe When the Legislature Is in Session: Theory and Preliminary Implications

The wide range in legislative pay among the 50 states is illustrated in table 1. Biennial pay for legislators in 1974–75 ranges from $200 in New Hampshire to $64,140 in California. Stigler's (1976) remarks about the small range of variation in the size of legislatures are reversed for legislative pay. This is a quite wide range of variation in wages across states, and this paper presents an explanation of this variation.

The supply of legislative services is analogous to the supply of any service where labor is extensively used in (roughly) fixed proportions to other inputs. The quantity supplied of legislative services (which we will measure in man-years per year) is therefore determined by the relative wage, the price of inputs other than labor, and technology. Each state has a separate supply function, but we do not expect the conditions of supply to vary greatly across states. Potential legislators are never a finite fraction of the available labor in a state, and the occupational composition of legislatures is highly similar across states (Jewell and Patterson 1966, pp. 44–48). These positions are held primarily by members of professions that can capitalize readily on certain aspects of being a legislator. Lawyers thereby avoid the professional ban on advertising (at least until the recent Supreme Court decision), and often continue to draw a wage from their law firms while serving. Farmers can be legislators where sessions are held between growing seasons. The reason that banking, insurance, and real estate people gravitate to these offices is not hard to discern. Our theory will lead us to expect relatively more legislators, such as lawyers, who can combine legislative service with outside earning opportunities in states where the legislative wage is low, but we defer this discussion until Section IV.

In each state there is some demand for legislative influence. The demand

TABLE 1

Estimated Biennial Compensation of Legislators, 1974–75

State	Biennial Compensation ($)	State	Biennial Compensation ($)
New Hampshire	200	Georgia	18,432
Rhode Island	600	Kansas	18,928
Utah	3,200	Arizona	19,170
Wyoming	3,348	Tennessee	19,909
Arkansas	3,600	Oklahoma	19,920
New Mexico	3,600	New Jersey	20,000
Maine	4,250	Oregon	20,010
North Dakota	6,540	Delaware	21,050
Montana	6,954	Indiana	21,420
South Dakota	7,475	Iowa	21,580
Idaho	7,535	Minnesota	23,862
Nevada	8,260	Maryland	25,000
Vermont	8,430	Virginia	25,850
Nebraska	10,000	Mississippi	26,480
Washington	11,200	Florida	27,125
Kentucky	12,350	Massachusetts	27,776
West Virginia	12,600	Hawaii	28,960
Alabama	12,940	Pennsylvania	31,200
Connecticut	13,000	Wisconsin	31,356
South Carolina	14,400	Ohio	35,000
Colorado	15,200	Michigan	38,000
Missouri	16,800	Alaska	43,920
Texas	17,400	Illinois	49,424
North Carolina	17,635	New York	57,500
Louisiana	18,000	California	64,140

Source.—Council of State Governments 1976, p. 37.

Note.—Includes salary, daily pay, and unvouchered expense allowances. Excludes special session compensation, per diem business allowances, mileage and transportation, and all vouchered expenses. In instances where daily pay or expenses were provided, days in session were estimated on the basis of days in session in 1973–74.

for legislative influence implies a derived demand for legislators.[1] The technical relationship between influence and legislators is not one of proportionality because an excessive number of legislators would dilute the influence of each and might not be able to pass any laws. In fact, as Stigler points out, the influence of a legislator is a monotonically decreasing function of the size of the legislature. We further expect that, given the lack of low-cost substitutes for legislative action within a state, the elasticity of the demand for representation with respect to the legislative wage rate must be close to zero over the relevant range. We make no a priori estimate of the income elasticity. Across states, in contrast to the relative invariability of supply in this market, we expect that the demand for representation will shift as a function of state income, population, budget size, and so forth.

With this background in mind, we note that wage determination takes

[1] Stigler (1976) notes some other analogies between characteristics of consumer demand for privately produced goods and citizen demand for legislation.

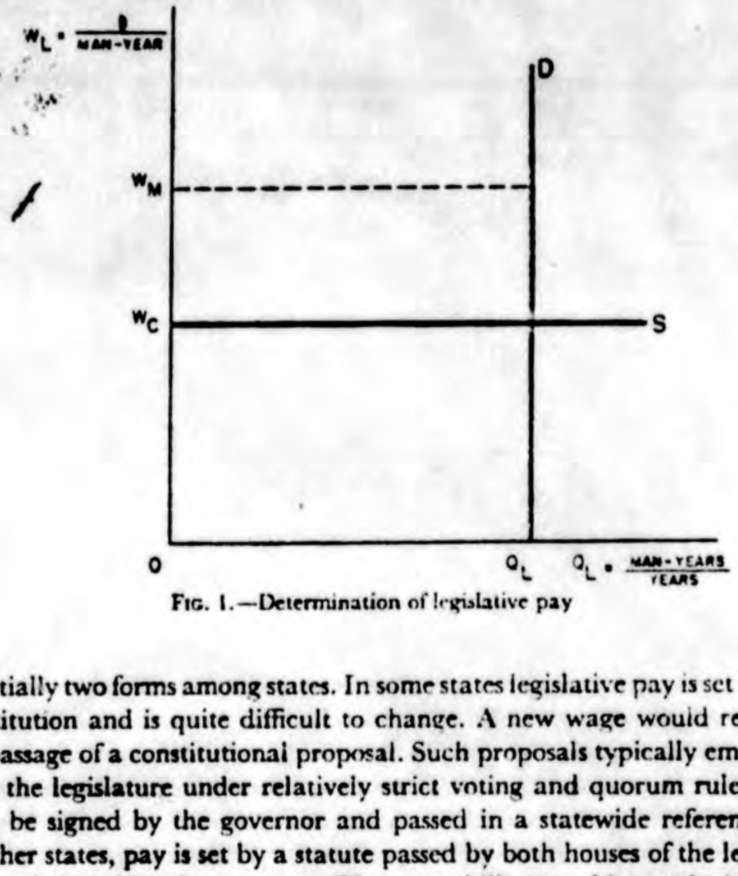

FIG. 1.—Determination of legislative pay

essentially two forms among states. In some states legislative pay is set in the constitution and is quite difficult to change. A new wage would require the passage of a constitutional proposal. Such proposals typically emanate from the legislature under relatively strict voting and quorum rules and must be signed by the governor and passed in a statewide referendum. In other states, pay is set by a statute passed by both houses of the legislature and signed by the governor. These pay bills are subject to legislative consideration under normal voting and quorum rules and do not require a statewide referendum.[2]

We contend that legislative determination of pay by statute amounts to a strong form of union power. Unions typically achieve higher relative wages by restricting entry. In this case entry is somewhat more loosely controlled via constitutional limitations on the size of the legislature and on the procedures for gaining a seat, and legislators are given a direct hand in wage determination. We would expect to observe the impact of this monopoly power in higher relative wages for legislators in these states.

The conditions in the legislative labor market for a single state are depicted in figure 1. Each legislature is treated as a separate labor market. A measure of legislative output (Q_L) in terms of man-years per year is on the horizontal axis, and annual legal pay (W_L) as dollars per man-year

[2] There is also some use of pay commissions among states. These commissions are appointed by the legislature, and no elaborate theory of regulation is needed to explain why we treat these states as cases where the legislature sets the wage.

is on the vertical axis. The competitive supply curve for successful applicants for these seats is given by S. This relationship represents the wage that must be forthcoming for a given level of output to persuade prospective legislators to run for and to accept office. Following our previous argument, we draw a completely inelastic demand curve over the relevant range for the services of legislators. In the absence of any contrary evidence, we assume that existing wages clear the market for the given constraint on legislative size in both union and nonunion states. That is, there is no excess supply.

In states where the legislative wage is constitutionally determined, some given wage, W_C, will prevail. Candidates will adjust to the given wage, and supply or marginal opportunity costs will shift accordingly as more- or less-qualified individuals seek election, so that the market clears. In states that allow legislative control over pay, the wage is adjusted by legislators to maximize the present value of a seat. This wage is, for the moment, arbitrarily drawn in figure 1 at W_M. There are no free rents in this case because higher pay will be dissipated in competition for seats. If W_M is high, more able individuals will compete for legislative seats, and in the long run they will receive a competitive rate of return by having higher opportunity costs and/or by spending more to capture seats. Thus, there will only be gains from unexpected increases in wage rates.

The main issue confronting this theory concerns the forces which constrain the legislator from setting an infinite wage in figure 1. Since we argue that the demand for legislator time is completely inelastic over the relevant range, this pay problem reduces to a question of what limits the wage-setting ability of the legislature under these conditions.

Think of the problem in this way. Imagine that the Wish Fairy makes you the following proposition: You may make a wish today, but one year from now the fairy will return and (*a*) grant you your wish and allow you to make another one, or (*b*) deny your wish and disallow you any more wishes.[3] The fairy's decision is predicated on the premise that the higher the wish, the more likely is option *b* (rejection at the polls). The question facing the typical legislator under these conditions, then, is what wage to wish for when the wage goes into effect after the next election. That is, how does he maximize

$$\text{present value } (PV) = \int_0^T We^{-rs}\, ds, \tag{1}$$

subject to the constraint that $T = T(W)$, $(\partial T/\partial W) < 0$?[4] Or in words, how does he maximize the present value of this stream of wishes subject to the constraint that the higher the wish, the shorter the stream?

[3] We rule out political comebacks for analytical simplicity.

[4] We employ the continuous form of the present value function as an approximation to the discrete case for mathematical simplicity.

We can rewrite (1) as

$$PV = W\left[-\frac{1}{r}e^{-r\cdot T(W)} + \frac{1}{r}\right]. \tag{2}$$

The first-order conditions for maximum present value with respect to W are thus

$$\frac{\partial PV}{\partial W} = e^{-r\cdot T(W)}\left(W\frac{\partial T}{\partial W} - \frac{1}{r}\right) + \frac{1}{r} = 0. \tag{3}$$

The result given by (3) merely states that the present value of the flow of services from the wish is maximized where W is chosen so that (3) holds. To solve for an optimum W, it is necessary to specify a functional form for $T(W)$.

An economically interesting case is

$$T(W) = \log\frac{a}{W}, \tag{4}$$

where a is some shift parameter, the determinants of which we will discuss presently. Two general properties of this function are useful. First,

$$\frac{\partial T}{\partial W} = -\frac{1}{W} < 0. \tag{5}$$

Second, the higher W, the slower $T(W)$ declines, since $(\partial^2 T/\partial W^2) = (1/W^2) > 0$.

By inserting this functional form in (3), we can solve for the optimum W. Thus,

$$\hat{W} = e^{\log a} - \frac{\log[1 - \log(1 + r)]}{\log(1 + r)}.^{5} \tag{6}$$

So the optimum wage to set under the terms of the problem facing the typical legislator is given by equation (6). For illustration, we discuss two economic properties of this result.

First, as the discount rate increases, the optimum wage increases. That is, it can easily be shown that

$$\frac{\partial(\log \hat{W})}{\partial r} = \left\{\left[\log(1 + r) - \frac{r}{1 + r}\right]/r^2\right\} > 0. \tag{7}$$

As the terms of this pay problem make clear, the major influence on the durability of the wage payment is the prospect for reelection, which depends on factors such as closeness of party rivalry, age of the legislator, and so forth.

Second, the shift parameter, a, can be stated as a function of certain aspects of legislatures. In general, the change in the optimum W for a

[5] This result holds for $r > 0$, i.e., when the discount rate is positive, and for $a > e$ and $a > W$.

change in any of the arguments of a will have the same sign as the change in a for the change in any of its determinants. For example, as we argue below, the number of representatives (R) should affect the success of the legislative union in the predictable way. That is, a larger number of legislators will frustrate the success of the wage cartel. Thus, from equation (7) we expect that

$$\frac{\partial(\log \hat{W})}{\partial R} = \frac{1}{a}\frac{\partial a}{\partial R} < 0. \tag{8}$$

In our test of the model below, we employ this general interpretation of a to derive testable implications about aspects of legislatures that are likely to be important in the wage-setting process.

To recap somewhat, the economic analogue to the Wish Fairy problem is not hard to draw. We know that entry is not entirely barred in legislatures and that tenure extending beyond the present term is not guaranteed. This means that the present value of a seat will be inversely related to the wage rate after some point, because higher wages will attract new entrants and alienate voters, both of which dampen reelection prospects and offset the effect of increasing the wage on the present value of seats. Incumbents must thus trade off union wage gains and other benefits from being in office against the extra costs associated with increased competition to retain seats. This is precisely the economic content of the Wish Fairy problem, where legislative-pay bills apply after the next election. There is thus a determinate upper bound on the monopoly wage in our problem.

As a result of monopoly power in this labor market, then, wages in states where legislators can set their own wage will be higher on average (W_M in fig. 1) relative to states where the wage is set in the constitution (W_C). The legislative union predictably will have a substantial impact on relative wages because the demand for legislator services will be quite inelastic, as we posited earlier. This condition follows from the rules of derived demand in two related senses. First, there is only one legislature per state, so there is not a nonunion sector from which to buy output. Second, there are in general poor substitutes for the services of legislators (e.g., laws).

Furthermore, two aspects of legislatures which are related to the wage-setting process can be treated within the interpretation of the shift parameter, a, in our model.

First, the size of the legislature is analogous to the size of a cartel. A larger number of legislators should thus influence the success of the wage cartel in a negative manner. This is our expectation, although we recognize following Stigler (1976) that the range of variation in legislative sizes is not large and that as a result we may not be able to detect empirically the effect of the number of legislators on the wage-setting process.

Second, since members of this union must stand for reelection, they are not guaranteed lifetime tenure as union members. The relationship between tenure and pay is twofold: higher pay promotes entry, and incumbents pay themselves more. Where there is free competition in entry into legislatures, we expect that tenure will be lower at higher rates of pay. Where there are monopolistic restrictions on entry (e.g., gerrymandering by incumbents or by the judiciary), we expect that tenure will be longer at higher rates of pay. We argue, following Crain (1977), that the latter case is more likely to predominate in state legislatures and that therefore $[\partial(\log W)/\partial T] = (1/a)\,(\partial a/\partial T) > 0$. In other words, we expect that tenure will be longer at higher rates of pay.

The conceptual experiment in figure 1 consists of converting a state where the legislative wage is set in the constitution to one where the wage is set by statute. We contend that the conditions of supply in this market are relatively homogeneous across states, but that we can observe demand differences across states. We can thus estimate a locus of market-equilibrium points over states which can be interpreted as a Marshallian supply curve of labor, that is, the wage per man-year that is necessary to generate specific quantities of legislative services. This gives us an empirical means of testing the union metaphor and its implications with respect to the relative pay of legislators.

III. No Man Is Safe When the Legislature Is in Session: A Test of Relative Wage Implications

A test of the implications of our model regarding relative legislator wages in union and nonunion states is summarized in equation (9) and explained below.

$$\text{wage per man-year} = f(\text{man-years per biennium, pay method, date of state constitution, turnover, no. representatives}) \quad (9)$$

The dependent variable, wage per man-year, is the annual wage of a legislator. Annual pay is measured as the average of a 2-year period to overcome problems of annual versus biennial sessions. Biennial legislators would thus receive in 1 year twice the amount of this wage.

As in the case of other labor markets, the marginal product of labor will play a decisive role in wage determination. The practical problem for empirical purposes is to define the marginal product of a legislator (a task that continues to elude GNP accountants). We chose the number of legislators times the duration of the legislative session, which is simply man-years per biennium. As a supply variable, this measure picks up the duration of service. For example, in those cases where one legislator worked twice as long as the other at the same annual wage, his wage per man-year would be one-half that of his counterpart. In principle, this measure of legislative output regressed against a measure of pay is analogous to an aggregate supply curve of legislative services across states.[6]

A dummy variable for pay method provides a direct test of the unionization hypothesis since it measures the degree of union power on average. It is anticipated that the dummy variable will have a positive sign. That is, states where legislators can set their own wage should exhibit higher wages.

The date of the state constitution is entered to check for the unionization effect in the following sense. The trend in more recent state constitutions is toward more effective cartelization of the political process. This variable may thus capture an effect on wages independently of the degree of union power. We expect newer constitutions to reflect higher wages, and since the date of the state constitution is entered as the year of adoption we expect the sign on this variable to be positive.

Our measure of union tenure is turnover in state senates and houses.[7] Turnover is defined as the number of new legislators in 1974 divided by the size of the chamber. Since lower turnover implies longer tenure for the average legislator, we expect the relationship between turnover and pay to be negative. Such a finding would support the argument that tenure is longer at higher rates of pay due to entry restraints.

The size of the senate or house is entered to check for the effect of numbers on union success. We expect that larger legislatures will be more difficult to organize and discipline as a wage cartel.

Conventional multiple-regression procedures were used to estimate the model. We present the results of only the logarithmic specification of the model because it offers a slightly better fit than the linear form, and we can thus economize in the presentation of results. The coefficients in equation (10) are estimated from 1974 data on the variables across states in the United States (Council of State Governments 1976).[8] A copy of the data is available from the authors on request.

Fitting the model by ordinary least squares yields the prediction equations for legislative compensation given in table 2. The results in table 2 can be interpreted as the wage necessary to fill the legislature for a given amount of output, that is, a quasi-supply curve of state legislators for the United States as a whole. There are two prediction equations, one for state houses of representatives and one for state senates.

The output variable, man-years per biennium, turns out to be a useful

[6] As a practical matter, however, other available proxies for the marginal product of a legislator (e.g., bills introduced) are highly correlated with man-years per biennium, and our results are not sensitive to the use of this particular definition.

[7] Turnover in unions is not an unheard consideration (Stigler 1966, pp. 267–68).

[8] Due to the lack of data on one or more variables for 1974, Kansas, Louisiana, Minnesota, Mississippi, Nebraska, New Hampshire, South Carolina, and Virginia are omitted from this test. We are thus analyzing 42 state legislatures.

TABLE 2

LOG COMPENSATION OF LEGISLATORS (1974)

Independent Variables	House	Senate
Man-years per biennium	.65	.71
	(2.85)*	(3.38)*
Pay method	1.09	1.25
	(3.86)*	(4.58)*
Date of state constitution	11.56	12.93
	(2.60)*	(3.03)*
Turnover	−.06	−.41
	(−.20)	(−2.17)*
No. representatives	−.46	−.61
	(−1.27)	(−1.43)
Intercept	−82.37	−92.97
	(−2.44)*	(−2.87)*
R^2	.53	.58
$F_{5,30}$	8.02*	9.75*

SOURCE.—Calculated from Council of State Governments 1976.
* *t*-values significant at the 5 percent level or better.

predictor of legislative wages. The elasticity of wages with respect to this measure of output is .71 in the senate equation and .65 in the house equation. This means that a 100 percent increase in output requires a 65–71 percent increase in pay and that this relationship is quite inelastic.

Direct evidence on union power can be found by examining the dummy variable for pay method. This variable appears at high levels of statistical significance, and in order to examine its impact more closely we convert the results into dollar terms. This is done in the following manner. Using the estimated coefficients in table 2 and the actual mean values of the other independent variables (calculated over all states), we let pay method take on the values 0 for constitutional states and 1 for union states and observe the change in ln wage.[9] We convert this change to dollars by taking antilogarithms. This procedure yields an estimate of an average effect of pay procedure in dollar terms, holding constant the levels of the other independent variables across states.[10] For the house equation this procedure predicts a wage of $5,802 for constitutional states and $17,257 for pay-by-statute states. This represents a 197 percent increase in legal pay. The results for the senate equation are analogous. The predicted

[9] This is equivalent in logarithms to letting pay method take on the values of 1 and *e* (i.e., ln pay method = 0 and 1), observing the change in ln wage.

[10] We chose to estimate the dollar results in this manner in order to present the "average" effect of unionization in this labor market. This obviously is not the only way to estimate the effect of unionization. It all depends on what is held in the pound of *ceteris paribus* in terms of the mean values of the other independent variables. For example, we could use values for only constitutional states and predict the effect of unionization of a "typical" constitutional state, or we could use values for a single constitutional state and estimate the effect of unionizing that particular state. The reader can easily derive such estimates, but we would happily make them available upon request.

senate wage is $5,170 in constitutional states and $18,045 in union states. This represents a 249 percent increase in legal pay. As we expected, then, given the extreme degree of inelasticity of demand in this labor market, the legislative union is astonishingly powerful. Compare these results, for example, to Lewis's (1963) finding that unionization in the United States led, on average, to a 10–15 percent excess of union over nonunion wages (as a percent of nonunion wages) as of the late 1950s.

The variable on the date of the state constitution has the expected sign and appears at high levels of statistical significance. Since we interpret this variable as more recent implying greater cartelization, the effect on wages is probably strengthened by the fact that, even in states where the legislative wage is set in the constitution, a new wage and other cartel measures (such as entry restrictions) can be suggested by the legislature when the constitution is changed.

The negative coefficients on turnover support the argument that tenure is longer at higher rates of pay (remember that lower turnover implies longer tenure), and the results are statistically strong in the senate equation. We have some evidence, then, that turnover measures the effects of monopolistic restrictions on entry.

We find the expected negative signs on the coefficients on the number of representatives at reasonable levels of statistical significance (at the 16 and 22 percent levels, respectively). Larger legislatures thus tentatively appear to frustrate the operations of the wage cartel.

Finally, we note that the model explains over half of the variation in legislative pay across states for both senates and houses and that this specification holds up remarkably well for other recent cross sections taken from the *Book of the States* (see Council of State Governments, various years).[11]

[11] Two additional aspects of our results should be reported. First, the inclusion of a variable (size of majority) to measure the degree of competitiveness among parties in our estimating equations adds nothing to the analysis. Such a variable does not affect the other results and shows no statistical credibility in its own right. We take this as evidence that parties do not play a prominent role in determining legislative wages and also as additional evidence that the appropriate analogue to competition in politics is not party competition but competition among incumbents and potential entrants. Second, governors must sign legislative-pay bills, and we expect that they will therefore be cut in on union wage gains. We did not tackle this problem rigorously, where, e.g., the Wish Fairy problem is extended to cover the case where, by analogy, the husband (legislator) and wife (governor) have to optimize the stream of wishes jointly. We did find empirically that the pay of governors is related to the method of pay determination, as in the case of legislators, but at a substantially lower order of magnitude. For example, the difference in relative gubernatorial pay due to union power was 18 percent in 1971, which is much smaller than the differential we found for legislators. It is possible, however, that governors secure favors from legislators for signing pay bills that do not show up in their legal pay. Thus, if governors are rent extractors as a group, they may be receiving payments in kind.

IV. No Man Is Safe When the Legislature Is in Session: The Incidence of Lawyers as Legislators

Where pay is fixed in the constitution and is therefore low, the market for legislators presumably clears by attracting more legislators, such as lawyers, for whom legislative service can be combined with other outside earning activities. This implies that there should be larger fractions of lawyers in legislatures where rates of wage pay are lower, for then the outside benefits are a larger fraction of total pay. However, two other considerations confound this effect. The typical labor-supply argument that, in a given state, more lawyers will seek to become legislators where wage pay is higher (especially those not willing or able to procure outside earnings) has the opposite effect. More important, as the tentacles of state government extend to increasing facets of state life, the potential outside gains to legislator-lawyers increase. State expenditures are, however, a proxy for the largesse of government and are highly correlated with legislative pay.[12] Consequently, increasing outside earning potential for legislator-lawyers is coincident with a high legislative wage, and thus the second confound effect is that increasing legislative wage pay should lead to an increased fraction of lawyers (because of higher outside pay). Empirically, however, we find that the argument that more lawyers will be in legislatures where the legislative wage is low dominates the two confounding effects. The following model is employed for our test.

$$\frac{\%\text{ lawyers in state legislatures}}{\%\text{ lawyers in state population}} = \begin{array}{l} f\,(\text{associate lawyers' average} \\ \text{income} - \text{legislative wage,} \\ \text{legislative wage, voter turnout}) \end{array} \qquad (10)$$

The dependent variable adjusts the percentage of lawyers in state legislatures by the percentage of lawyers in the state population. The first independent variable is a measure of the opportunity costs to a (young) lawyer for serving in the legislature. We expect a negative sign, since higher opportunity costs should be associated with a smaller percentage of a state's lawyers in the legislature. Legislative wage is the annual wage pay of legislators and provides a direct test of the outside earnings hypothesis. We expect a negative sign, since, other things being equal, we expect more legislator-lawyers where legislative pay is lower. Finally, voter turnout is entered in equation (10) to check a simple monitoring hypothesis, namely, that higher turnouts, measured as the percentage of voting-age population casting votes, reflect greater concern among voters about the outside earning activities of legislators. We therefore expect a negative sign.

[12] This is consistent with our earlier observation that man-years per biennium is highly correlated with state expenditures (see n. 7).

TABLE 3

ADJUSTED PERCENTAGE OF LAWYERS IN STATE LEGISLATURES (1974)

Independent Variables	
Associate lawyers' average income − legislative wage	−.011 (−2.71)*
Legislative wage	−.0067 (−1.62)*
Voter turnout	−11.48 (−6.31)*
Intercept	837.6 (9.22)*
R^2	.57
$F_{3,44}$	19.12*

SOURCES.—Calculated from *Census of Selected Service Industries* 1975; Council of State Governments 1976; Insurance Information Institute 1976; and *Statistical Abstract of the United States* 1976.

* t-values significant at the 8 percent level or better.

We estimate the model by ordinary least squares for state senates and houses combined.[13] Table 3 presents the results.

The results are as expected for the measure of lawyers' opportunity costs and for voter turnout. The sign on legislative wage is negative, reflecting the point that the relative outside earnings hypothesis overwhelms the other confounding considerations. The individual coefficients are all highly statistically significant, and the model explains a great deal of the variation in the adjusted percentage of legislator-lawyers across states.[14]

V. No Man Is Safe When the Legislature Is in Session: Wage Pay and Malfeasance

We find that the union metaphor is a useful means of analyzing and explaining legislative pay. Our metaphor, in effect, stresses a monopoly aspect of politics, and in this regard we should never forget what Knight (1951) said in his presidential address to the American Economic Association: "Most of the evils inherent in the market organization plainly inhere still more in political campaigning, legislative debates, and administration, perhaps even judicial trials. Especially the tendency to centralization and concentration of power—which can only go so far until voting and politi-

[13] Nebraska and Wyoming are excluded from this test due to lack of data on one or more variables for 1974.

[14] We note two additional aspects of our results in this section. First, the outside earnings hypothesis continues to overwhelm the confounding effects if voter turnout is excluded from the model. The general explanatory power of the model falls, but the direction and statistical credibility of the coefficients on the measure of lawyers' opportunity costs and legislative wage remain essentially unchanged. Second, we note but do not report here that the percentage of similar occupations in state legislatures, such as real estate professionals, can be readily explained by a similar model.

cal discussion will be empty forms if the boss allows them to go on at all" (p. 28).

Nonetheless, our discussion begs the question of why states differ in their method of setting legislative pay. Recent theories of the control of politicians and other public (and private) employees who must be "trusted" suggest an answer (Barro 1973; Becker and Stigler 1974).

Becker and Stigler (1974) stress that the way to control individuals in positions of trust, such as legislators, "is to raise the salaries of enforcers above what they could get elsewhere, by an amount that is inversely related to the probability of detection, and directly related to the size of bribes and other benefits from malfeasance. A difference in salaries imposes a cost of dismissal equal to the present value of the difference between the future earnings stream in enforcement and other occupations. This cost can more than offset the gain from malfeasance" (p. 6). Or, put somewhat differently, they argue that "trust calls for a salary premium not necessarily because better quality persons are thereby attracted, but because higher salaries impose a cost on violations of trust" (p. 12). Our results suggest that outside earning activities will be more important to politicians where legislative pay is lower, as in states where their pay is set in the constitution. In higher-pay states, individuals who will find it less in their self-interest to seek outside earnings (e.g., bribes) will be attracted to legislative service. In other words, politicians will steal less if they are paid more, and voters may view legislative determination of pay as a method of controlling malfeasance among politicians.

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A Lawmaker's Bills

Senator's High Salary Can Prove Very Low, Vermont's Leahy Finds

His $57,500 a Year Is Drained By Expense of 2 Homes, Travel, Big Withholding

But Will Voters Understand?

By JAMES P. GANNON
Staff Reporter of THE WALL STREET JOURNAL

WASHINGTON – Patrick and Marcelle Leahy would like you to know how it is to just scrape by on $57,500 a year.

It may sound absurd that a family with such a grand income could be budgeting carefully to make ends meet, but that's the way it is with the Leahys. In fact, they have been growing *poorer* in the two years since Mr. Leahy took his new job in Washington – as a U.S. Senator from Vermont. You'd think, then, that the 37-year-old Democrat would be overjoyed at the $12,900-a-year salary increase he has just received, but the fact is he tried to kill his pay boost.

If all this sounds a bit unreal, it's just that some of Washington's realities are rather odd. Members of Congress and their families don't live like ordinary people. They try to lead two lives, as participants in the high-cost of life of the nation's capital, and as political figures and just-folks back in their home states. The result is an expensive, mobile life style, in which a salary considered excessive by many of their constituents just melts away.

The recent controversy over this year's fat congressional pay raise, and passage of an ethics code limiting outside earnings, have prompted many questions about our lawmakers' finances. Why do they need such big salaries? Why do so many members of Congress contend they need outside income, too? How do they spend their money? And where do all the funds appropriated for the "billion-dollar Congress" go?

To help provide some answers, Sen. Leahy agreed to let a reporter probe his personal finances as well as the allowances he gets for official use. The result isn't likely to trigger sympathetic tears from the average American family, which earns about $13,500 a year, but it does shed some light on the economics of serving in Congress and the politics of living off the public payroll.

What emerges is a picture of a comfortable way of life, but one with its own special pressures as well as special benefits. It is a life of free parking, paid travel, generous staff help and free medical care – balanced against leftover campaign debts, two sets of household bills, high taxes and a parade of constituents expecting to be entertained.

"I'm not complaining," Sen. Leahy declares. The youthful Democrat is delighted at his leap from prosecuting attorney in Burlington, Vt., to the venerable George Aiken's seat in the U.S. Senate. He had yearned for the job since boyhood, he claims. "If they cut the salary to $1 a year, I'd still want to be in the Senate," he remarks.

Typical to a Point

Mr. Leahy can't be called a "typical" member of Congress, because there isn't any such common denominator in a diverse body of 535 people who include millionaires, former blue-collar workers, priests, part-time farmers and lifelong politicians. But he is representative of the many lawmakers who primarily live off their congressional salaries rather than outside income or inherited wealth.

The Senate is sometimes called a rich man's club, and the House, too, has a sizable share of wealthy members, though in much smaller portion. Perhaps a third or more of the 100 Senators are millionaires, according to educated guesses on Capitol Hill. (Financial disclosure mandated by the just-passed ethics code won't take effect until next year.) To cite one example: Pennsylvania's Sen. John Heinz, the pickle-and-ketchup scion, draws a $400,000-plus annual income from some $13 million in family trust funds and lives in a $437,000 Georgetown home. He's unique only in voluntarily disclosing financial facts that most rich lawmakers have kept secret.

Mr. Leahy, the son of a Vermont printer, isn't wealthy. In fact, his net worth has declined during his two years in the Senate to $45,132 from nearly $100,000. The decline, the Senator says, reflects the costs of renovating their Vermont home, "enormous" expenses of moving, unreimbursed Senate expenses and other heavy transition costs that hit a man moving from private life into politics.

Seeing Double

Mr. Leahy and his wife Marcelle, an ex-nurse, have three children (aged 12, 11 and 7), two cars, two houses and two versions of every bill the average homeowner pays. "Everything for us is doubled," comments Mrs. Leahy, who handles the bill-paying. "Two mortgages, two electric bills, two telephone bills. I look at his salary and I think, 'My God, we've got it made' but then you sit down and start paying double everything, and it's a juggling act," she says.

Their Washington-area home is a handsome, brick three-bedroom town house, with the Vermont state flag flying in front and a tiny yard in back, in a suburban development in McLean, Va. It cost them $82,000, and brought them a $70,000 mortgage. "For this amount in Burlington, I'd have a luxury home," the Senator laments.

Their Vermont home, which they use in summertime and on trips back home, is a 130-year-old farmhouse on more than 100 acres of land near Middlesex. After moving to Washington, the Leahys sold what had been their permanent home in Burlington (for about $54,000) and spent about $30,000 to modernize and winterize the farmhouse.

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A Lawmaker's Bills: A Senator's High Pay Can Prove To Be Amazingly Low, Leahy of Vermont Discovers

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which had served only as a vacation retreat. Though some lawmakers have just a small apartment or nominal residence back home, the Leahys think it's important to keep a family home in Vermont to retain their sense of roots. "We want the kids to remember that they belong to Vermont," Marcelle says. "We don't want them to become Washingtonians."

Maintaining two homes is the main drain on Mr. Leahy's salary. Mortgage payments run $827 a month on their Virginia house and $369 a month on the Vermont farm. Property taxes are about $1,400 a year in Virginia and $2,000 a year in Vermont. Fuel and electric bills total about $150 a month in Virginia ("we wore our ski parkas in the house in January to save fuel," the Senator says) and about $550 for the full year on the farm. Insurance, repairs and other household bills likewise come in double doses.

The Leahy kids go to public schools in part because the budget won't permit costly private schooling. The Senator drives himself to work in his 1977 Dodge Aspen (payments: $205 a month), leaving the house a little after 6 a.m. to beat the rush-hour traffic to Washington, and normally returning between 7 p.m. and 8 p.m. He finds his early-morning hours in the office a good time to call Vermont farmers, who rise early, too, and to read every piece of mail from his constituents, who send him more than 100 letters a day.

"He calls me about 7:30 each day to say good morning," Marcelle reports.

Hefty Deductions

That $57,500-a-year annual salary doesn't look quite so princely when it's reduced to a once-a-month paycheck with hefty deductions. The gross monthly earnings of $4,791.66 shrink to a net take-home check of $2,673.01 after deductions of $2,118.65. More than one-third of the Senator's pay goes for withholding taxes—$1,288 for the federal income tax and $351 for the state—and another $383 a month is deducted for his government pension plan. (Under the plan, he'd get an annual pension of $8,625 at age 62 if he served only one six-year term, and at least $46,000 a year if he spent the next 30 years in Congress.)

The Senate salary is almost the entire family income for the Leahys. They own no stocks, bonds or income properties, and earn only a couple of hundred dollars a year in interest on their savings of about $7,000. Marcelle doesn't have a paying job; she feels she's needed at home by her young children.

The Senator last year earned about $1,900 in "honoraria"—fees for giving speeches—far less than the $25,000 or so that the Senate's big-name speechmakers talk themselves into each year.

The new congressional ethics code, which includes an $8,625 annual limit on outside earned income, won't really affect Mr. Leahy's finances. The Senate's big speechmakers are unhappy about the limit, and the Senate's rich men are glad that it won't apply to dividends, interest, business profits and other "unearned" income, but Sen. Leahy isn't in either group. The earnings limit won't take effect until 1979, anyway.

Fighting a Pay Raise

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with Vermont's fiscally conservative voters. "Partly, it's pressure from home," admits a Leahy staff aide. "There is a feeling at home that congressional staffs are bloated." Of the $588,341 available for staff expense this year, Mr. Leahy is budgeting to return about $146,000 unspent, the same amount he turned back last year.

His staff consists of 16 aides in Washington and seven in his home-state office in Burlington. Salaries range from $37,241 for his top Washington aide down to $6,102 for a clerk.

Like all Senators, Mr. Leahy gets lots of fringe benefits. He's entitled to two free parking spaces in the Senate's underground garage, and special auto license tags that keep police from ticketing his car if it's parked illegally.

Free Medical Care

If he needs a prescription drug, an X-ray, a physical checkup or treatment for a routine ailment, he can get free medical care at a clinic in the Capitol staffed by three full-time physicians. (The free care is for members of Congress only, not their families, and doesn't cover hospital bills.) If he wants potted plants for his office, the government's Botanic Garden will provide them without charge, and if he'd like some wall maps, the U.S. Geological Survey will send them over, for free. But the f[illegible] haircut, an old congressional tradition, has just disappeared; starting April 1, the Senate barbershop began charging $3.50 to trim Senators' hair.

In addition to his personal and official expenses, Sen. Leahy has a third set of finances to keep track of—his political fund. He ended his $150,000 Senate campaign in 1974 with a $40,000 campaign debt, and has slowly been raising money to pay it off. At the start of 1977, his campaign committee still owed $5,819. Contributions from unions, environmental groups and many individuals are helping wipe out the debt. Sen. Leahy plans a fund-raising function this month in Burlington, Vt., starring his friend Edward Kennedy of Massachusetts, and hopes to wind up 1977 out of the red.

Though Sen. Leahy and his wife talk freely of their financial situation, they wonder if the average person can see it as they do. Says Mrs. Leahy: "It's really difficult to understand what is going on here with us, and to relate it to life back home." The Senator adds: "I suspect some people back home will think I'm crying poor-mouth, but I'm not. I can't think of anything I'd rather be doing."

Fighting a Pay Raise

Though former $44,000-a-year Senate salary was rely eaten up by living expenses, Mr. Leahy didn't feel comfortable with the $12,900 pay increase proposed this year for members of Congress. His mail ran strongly against it, and he knew that he soon would be voting for legislation demanding sacrifices from the voters, such as energy-tax increases. So he took a stand against the salary boost.

In February, Sen. Leahy joined 41 other Senators in voting to bring to the floor a motion to kill the pay increase, but the anti-pay raise move lost, 56 to 42. The House never voted on the pay boost, which automatically became effective in March.

+ Sen. Leahy doesn't believe the extra $12,900 will make much difference to him. Almost $6,000 of it will go to higher federal and state income-tax withholding, he notes, "and the rest will go to pay out-of-pocket expenses that everyone assumes are reimbursable, but aren't," he figures.

That comment reflects one of the oddities of the "billion-dollar Congress," so-called because this fiscal year's legislative-branch budget tops $1 billion, up sharply from $487 million five years ago. Although congressional staffs have grown, salaries have risen and expense allowances have increased, many lawmakers have found they must dig into their own pockets—or into privately donated funds—to supplement their official expense accounts.

Quirks in the Rules

Sen. Leahy figures that he had roughly $10,000 worth of unreimbursed expenses last year, including travel, entertainment and other items. By the quirks of Senate travel allowance rules, for example, transportation costs to and within his state are covered but food and hotel bills are not. A Senator may put newspapers and magazine subscriptions on his tab, but not books, reports or directories.

Vermont constituents visiting Washington often have lunch in the Senate dining room with Mr. Leahy, figuring it's on the house; but there's no such thing as a free lunch in Congress, and Sen. Leahy says such get-togethers cost him $1,500 to $2,000 last year. When he flies to Vermont for a weekend, local folks often complain that he should have brought his wife and children, he says. "I tell them that it would cost me $560," he adds, "and then they ask, 'Do you mean you don't come up in a government airplane?' "

Sen. Leahy is allowed 40 paid trips back to Vermont per year. He actually has made about 100 trips in two years, bringing his wife along (at his expense) about 15 times.

The Senator's total expense allowance, intended to cover travel, stationery, postage, telephone costs, subscriptions, expenses of a Vermont office and other items, amounts to $36,024. But he spends much more than that and makes up the difference himself. Unlike many Senators, Sen. Leahy doesn't have an "unofficial" office account, supported by private contributors, to help cover expenses; such "slush funds" have been abolished, effective next year, under the new ethics code.

Skimping on Staff

While overspending his expense account, he's underspending his staff allowance. Senators' staff allowances, based on state population, run from $449,063 for small states like Vermont up to $902,301 for the most populous state, California. In addition to the $449,063, Mr. Leahy gets a separate committee staff allowance of $139,278 to hire aides to help with his committee work on the Agriculture and Appropriations panels.

But Sen. Leahy deliberately underspends on his staff so he can turn money back in each year—a move undoubtedly popular