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ALASKA STATE LEGISLATURE
HOUSE OF REPRESENTATIVES
RESEARCH AGENCY

Pouch Y. State Capitol
Juneau, Alaska 99811
(907) 465-3991

MEMORANDUM

TO: Representative Larson
ATTN: Linda Firestone
FROM: David Teal, Director *Teal*
RE: Legislative Salaries
Research Request 86-024

You asked us to assist the Legislative Salary Commission gather information for hearings concerning legislative salaries. Commission staff suggested the following four topics for research:

- comparable salaries in the government and private sector;
- cost of retirement benefits for the current legislative salaries and for salaries in effect before 1983;
- the effect of the salary increase on total State costs and on legislators' income; and
- a brief history of the Alaska Salary Commission, which existed from 1976 through 1980.

Salary Comparison

Work on a government/private sector salary comparison was halted at the direction of staff after preliminary research showed that relevant information for experienced personnel was not readily available. Commission staff will continue salary research, but will focus on other state legislatures and on state positions that pay salaries comparable to legislators' salaries. In discussing this subject with staff, I noted that legislators' salaries are fixed while most State workers receive annual merit pay increases. It became clear during the discussions that the center of any legislative salary controversy will be whether being a State legislator is a part-time or a full-time occupation.

Retirement Benefits/Cost to the State

The attached computations prepared by the Legislative Affairs Agency show that retirement benefits are directly related to individuals' highest salary; when legislative salaries increased by 133 percent (\$1,673 per month to \$3,900 per month), potential retirement benefits increased by the same percentage. However, because per diem was eliminated when the salary increase became effective, the net effect of the salary increase on legislators' current income was substantially less than 133 percent. As the table below shows, the salary increase raised State costs for legislators' compensation and expenses (other than retirement) by about 58 percent (from \$41,009 to \$64,840). Legislators' annual taxable income increased by about 60 percent, plus an additional amount of untaxed income for those whose cost of maintaining a household in Juneau is less than \$109 per day. The following table compares cost to the State (gross compensation) and taxable income under the current system and the system in effect prior to 1983.

| | <u>Pre-1983 System</u> | <u>Current System</u> |
|--------------------------------|----------------------------|---------------------------|
| Salary | \$21,084 | \$46,800 |
| Benefits | 6,325 | 14,040 |
| Expense Allowance | 4,000 | 4,000 |
| Per Diem | 9,600 | 0 |
| Gross Compensation | 41,009 | 64,840 |
| Deductions for Living Expenses | 0 | 13,080 |
| Taxable Income | 21,084 | 33,720 |

Assumptions

120 day session
no payments during interim
1985 salary schedule in effect [\$1,757/month (10A) vs. \$3,900/month (22A)]
benefits are 30 percent of salary
per diem is \$80 and is included in compensation
cost of maintaining a second household is \$80 per day
allowable deduction for living expenses is \$109 per day