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**Speaking On L.D. 1155,
"An Act to Address Legislative Salaries"**

Before the State and Local Government Committee

Tuesday, April 25, 2023

**PROPOSED FORMULA FOR
LEGISLATIVE AND EXECUTIVE COMPENSATION**

For the purpose of establishing compensation for elected officials, indexed to the economic impact of policies established by those officials on the people of Maine, I have drafted this formula for a "Legislative Pay Index."

$$\underline{LP = I * (1.05 - U) * (1 + WM - WN) * 1.10}$$

LP - Legislative Pay Index (Annualized)

I - Maine Median Income (Current: \$30.850)

U - Maine Unemployment Rate (Current: 3.1%)

This formula treats 5% unemployment, which economists regard as "full employment," as the baseline. When unemployment rises above 5%, LP will decrease. When unemployment falls below 5%, LP will increase.

WM - Maine Workforce Participation Rate (Current: 58%)

WN - National Workforce Participation Rate (Current: 62.4%)

Since there is no recognized ideal rate for workforce participation, this formula measures Maine's rate against the national average. When participation falls below the

national average, LP will also fall. When participation rises above the national average, LP will also rise.

Based on current rates for Maine's median income, unemployment, and work participation, LP would equal \$33,057.20. That would be the annualized pay compensation for a rank-and-file state legislator.

In reality, law-makers are only paid when the legislature is in session.

During the first regular session (6 months), this would result in 12 payments of \$1,377.38, and total annual pay of \$16,528.60. (Current rates for 1st Regular Session Salary is \$16,245.12).

During the second regular session (4 months), this would result in 8 payments of \$1,377.38, and total pay of \$11,019.04. (Current rates for 1st Regular Session Salary is \$11,668.32).

According to existing rules, majority and minority leaders and assistant leaders are paid 10% more than rank-and-file members. Additionally, the Speaker of the House and Senate President are paid 25% more than rank-and-file members. This would continue, using LP as the basis.

Additionally, the Governor's pay could also be based on the LP Index, with a multiplier of 2.5, resulting in an annual salary of \$82,642.50.

From then on, to increase their own compensation, all elected officials need to do is enact policies that result in higher pay, lower unemployment, and greater work participation for the people of Maine.