

WASHINGTON D.C. AND THE REST OF US THE PERKS AND PRIVILEGES OF CONGRESS

By Donald J. Schmidt, April 8, 2016

Before we get to the Washington officials, in order to give this subject a more local feel, I would like to begin by giving some of the salient information about our own Indiana legislator's pay and perks.

Indiana Governor, Mike Pence has a salary of \$111,688, while our legislators, other than David Long, who receives extra pay for being in a leadership position receive \$24,140 per year. However, that is only the tip of the proverbial iceberg, as they also receive \$156 per day while in session and \$62 per day when not in session. A mileage allowance is also given equal to the IRS mileage amount. The Northwest Indiana Post-Tribune newspaper has calculated the average total pay for a legislator is \$60,000 per year. Of course there are health benefits as well, but interestingly in 2006 the lifetime health benefits were removed by statute. As far as retirement goes, after ten years of service legislators are eligible for a pension and the overwhelming majority choose the defined contribution plan to which they contribute 5% of their pay and the state contributes 11.2%. In the private sector most of these plans would be 5% contribution by each party.

As far as non-financial perks go, tickets to Purdue and Indiana sporting events seem to be quite popular. They can be had free, although some members choose to pay for them to avoid the

bookkeeping problems. This offer of free tickets includes any bowl games that either might be invited to, although that unfortunately is only a some-timey thing . In addition, Colts tickets are available at face value, the face value that is offered to preferred season ticket holders. It is estimated that that is one-third of the street value, and is a popular perk. However, when a local legislator, who will remain nameless, was asked what he thought the best perk of all was, he replied, “being able to drive as fast as I want without the fear of getting a ticket”.

As we turn our attention to Washington, and our Senators and Congressmen, I intend to breakdown the perks and privileges into several categories, namely: salaries; pensions; allowances; non-dollar perks; and finally, special more opaque privileges. The salaries for our Senators, and Representatives interestingly are exactly the same: \$174,000 per year. I thought it might be insightful to see what kind of increases they have been receiving lately, and surprisingly they have averaged just under a 1½% increase per year for the last twenty years. Do I smell fiscal prudence here? By comparison there are other elected officials whose pay is a bit higher. The President makes \$400,000, the Vice-President \$230,700, Speaker of the House Paul Ryan is at \$223,500, House Majority and Minority leaders make \$193,400, and a Supreme Court Justice clocks in at \$246,800. While this is a very comfortable living salary for our representatives, it won't make them hugely wealthy, but strangely they are hugely wealthy. The average net worth (in 2011) of a Senator was \$14,014,000 and of a Representative it was

\$6,595,000. One must remember that this financial snapshot was taken before the full market recovery after the market crash of 2008. Breaking this information down further yields some very interesting results. The richest ten Senators were all Democrats, and the average of all Democrats net worth was \$20,795,000 while the average of the GOP was \$6,358,000. The bottom ten Senators in terms of net worth were all Republicans. The richest Senator in 2012, when all this data was taken, was John Kerry at \$235,977,000 and the poorest was Mark Rubio at -\$45,494. When you move to the House of Representatives, the richest ten were evenly split between 5 Republicans and 5 Democrats. The poorest 10 Representatives were also split; 5 Republicans and 5 Democrats. Some would say this shows the House is a more egalitarian and representative body, which is the way it was designed to be. The richest House member is Mike McCaul, Republican of Texas with a \$501,000,000 net worth and their poorest is David Valadao, Republican of California who clocks in at the staggering debt of -\$19,000,000.

If one looks at all non-elected federal employees, the average salary earned in 2014 was \$84,153 according to Chris Edwards of the Cato Institute, which is 50% more than the average worker in the private economy. But here is what is really significant, if you include benefits like health care and pensions, the average federal worker's compensation rises to \$119,934, 80% higher than everyone else. The one thousand best paid federal workers make a minimum, note I said minimum, of \$216,000. Remember I am not talking about elected officials here. Most of these top paid workers in the highest

echelon surprisingly are not cabinet members or presidential advisors, they are members of the office of Veteran Affairs. Next in line are employees of little-known agencies such as the National Credit Union Administration and the Farm Credit Administration.

Of course like most of us, in addition to the salary, a pension program is in place for the retirement years. The pensions for the elected officials are EXTREMELY complicated due to a number of changes in the law covering pensions, so that an individual could be on several partial pension programs at the same time. Eligibility begins immediately after 25 years of service, at 50 years of age eligibility begins after 20 years of service and at age 62 after 5 years of service. Typical retirement amounts would be \$59,160 after 20 years of elected office and \$130,500 after 30 years of service. But here's the best part; all of these amounts are then indexed to inflation. In addition a 401(k) type plan is available with a match of 5% from the government. This could mean an additional \$8,700 a year into the retirement kitty paid by the government. Also, Congress, since 1984 must now participate in Social Security, so they now receive that retirement amount just like the rest of us. So to review, there are three sources of retirement dollars: defined retirement, 401K, and SSI.

When it comes to health care, many people have been led to believe Congress is exempted from having to participate in the Affordable Care Act or "Obamacare". That is not true. All members of Congress must, if they choose to be covered, buy their insurance through the

ACA's exchanges, but, and this is a big but, they are subsidized at 80% by the government. After they retire health care insurance is provided with a cost split of 28% paid by the recipient and 72% paid by the government. Members of Congress are given the privilege to use all military hospitals for medical care and emergency dental. When they use military hospitals within the Washington D.C. area, outpatient services are provided at no charge, but inpatient services are billed at full cost. The President, strangely, is exempted from "Obamacare", he continues to receive government health insurance from the Federal Employee Health Benefit Program which covers most other federal employees.

All elected officials, in addition to their salaries, receive additional monies called "Representational Allowances". Members of the House receive a \$900,000 annual allowance for staff and \$250,000 for travel and office expenses. The House members may hire up to 18 full-time and 4 part-time employees. Each senator, gets a total budget of around \$3.3 million. Senators may hire as many aides as they wish within their allowance; this usually ranges between 26 and 60, depending on the size of the state and salary levels offered. Because for the majority of staffers, the Washington job is their first out of college, and because of the relatively low pay (\$35,000) at the entry positions, 46% said they were looking for other employment during their first year on the job.

The Washington Times made a pungent editorial opinion recently when it said: "The most powerful nation on earth is primarily run by 24

year olds in their first job.” That might be a bit of hyperbole, but the point has some truth to it.

The “Representational Allowance” allows for travel reimbursement of up to \$1000 per month plus a mileage rebate. For Congressman Marlin Stutzman that would amount to \$40,564 per year. This amount is usually used for air travel, and is a 2009 figure. Foreign travel is a different matter altogether. Several funding sources are available which will allow almost as much travel overseas as they desire. Of course any of the Congressman and Senators may fly free on military aircraft whenever available.

The ability to use the “Franking Privilege” does not impact the monies allocated for the running of the office, as members may mail official letters and packages based upon an additional allocation. But just anything can’t be sent, for example, Christmas cards are prohibited.

Some of the more exotic and interesting perks that our elected officials have are of the non-monetary type. There is no particular order or stratification of these amenities, so here goes.

Subsidized by the government at about \$274,000 per year is the Senate Barbershop and Hair Salon. It is also open to the public, and because of that costs almost one-half of it’s previous expenditures. Also subsidized is a Senate Child Care Center and a Senate Press

Photographer Gallery where Congressman can facilitate photo shoots.

There are, of course, members only parking, elevators, dining rooms and exercise facilities where not only present elected officials have their use but also any past Congressman can use them, with one exception: no one who is a registered lobbyist may avail himself of the benefit. This prohibition came about in 2006 in the aftermath of the Jack Abramoff scandal. In an irony, this meant that former Senator Bennett Johnston of Louisiana, turned lobbyist, could no longer frequent Bennett's Court, the name given to the members-only indoor tennis court in the Hart Senate Office Building. The exercise facilities available there include a swimming pool, basketball courts, paddleball courts and a sauna and steam room.

Washington officials, as one would expect, must do an inordinate amount of flying, and to assist in this both Reagan and Dulles airports provide up-close reserved parking for them. Maybe an even better perk is the fact they are allowed to fly making multiple reservations on flights, but only have to pay for the one that is used. With the state of flying these days, we can all appreciate the value of multiple bookings.

Insider trading in the stock market is prohibited for Congress as well as corporate insiders, but there is a loophole that makes the law totally ineffective in Washington. Congress gutted the primary disclosure component of the Stock Act of 2012 by not requiring any

public disclosure of trades and potential insider knowledge. It's laudable to have insider restrictions, but it's hard to police if it's impossible to access information. In other words you can't act on inside information, but no one knows if you are buying and or selling any stock since you don't have to disclose that information.

Office space is provided, as one would expect, with Senators they can have up to 8,200 square feet of home district office space and a furniture and decoration budget for that space of \$40,000. As one might expect with this kind of money to spend abuses could occur, so every purchase expenditure or lease was to be recorded in a daily ledger with such vivid detail you would be able to, for example, determine the make and model of the television bought for a field office. However, this was laborious and time consuming, so Congress now puts that information online, supposedly to improve "transparency", but, probably with malice aforethought, they replaced the vivid detail requirement with bland notations such as "office equipment, under \$25,000". Now that data is searchable by anyone, but the information is so generalized that it is virtually meaningless. One suspects there could have been an ulterior motive for this change.

And now for the really important advantages of being a Washington elite; tickets to the top sporting events around the country. Maybe you saw during the NCAA Final Four game between Villanova and Oklahoma, Vice-President Biden and his family sitting right behind the TV announcers in the second row at mid-court. A 2007 ethics law

bans lobbyists from providing anything of value to congressional officials, but public university lobbyists, alone among Washington power players, can provide lawmakers and aides tickets to collegiate sporting events, which almost all schools do.

All of these perks and privileges are quite nice, but the ultimate for most in Washington is the perk of power, and how that power can get one into trouble. So here comes the good stuff! Author Scott Bassinger, winner of the Congressional Research Award of 2012, recorded the scandals resulting from the abuse of power involving House members from 1973 to 2010. He came up with this total: 136 financial scandals, 43 scandals involving sex, 40 concerning politics, and 28 of other varieties (drugs, assault, drunk driving). This amounts to 14.2 scandals per each two-year congress.

All of us can probably remember some of the more prominent ones. Wilbur Mills (AR) and his stripper friend Fanne Fox; Wayne Hays (OH) hiring his mistress who was quoted as saying “I can’t type, I can’t file, I can’t even answer the phone, but I can do other things”; the House banking scandal of 1992 when 22 of the most abusing members of congress wrote 11,435 checks on overdrawn accounts; Representative William Jefferson’s corruption, and the illicit money kept in his capital office freezer; the ABSCAM FBI bribery sting that took out eight members of Congress with seven convictions; the Barney Frank prostitution ring; the Congressional page sex scandal involving Representative Dan Crane and Representative Gerry Studds; Representative Mel Reynolds who was convicted of 12

charges but was pardoned by President Clinton, which prompted the following news media quote: “An ex-Congressman, Reynolds, who had sex with a subordinate won clemency from a President, Clinton, who had sex with a subordinate, then was hired by a clergyman, Jesse Jackson, who had sex with a subordinate, only in American politics”;

Scandals are not a recent phenomenon, as the following will attest. Do you remember Representative Dan Sickles and Phillip Barton Key? Probably not since they served in 1859. If you are wondering why the name of Phillip Barton Key sounds kind of familiar, it’s because he’s is the son of the writer of the “Star Spangled Banner.” He was also involved in one of the earliest scandals by having an affair with Representative Sickles wife in 1859. When Sickles found out about the affair, he forced his wife to sign a confession, and he then shot and killed Key when Key came over for a rendezvous with his wife. This is particularly noteworthy because Sickles was acquitted, based upon and introducing us for the first time to the concept of temporary insanity.

The abuse of power and the invincibility of having to play by the same rules as the rest of us creates a very long list of scandals, which, while tempted to go on, as I know this part of the paper is a lot more interesting than the earlier parts, I think it is ripe for a paper all its own, and will leave all the juicy remaining stories for someone else to tell, but now we move on to “Presidential perks”.

PRESIDENTIAL PERKS

As might be expected, the privileges accorded to the President and his family, are several levels above even those perks that have been delineated for the Congress. We will explore these both while a President is in office and then some of what he retains once he becomes a private citizen.

Government subsidized housing in the form of the White House is an obvious amenity. The budget for running the White House is 4 million dollars per year, which is necessary to keep-up a house built in 1792 with 132 rooms 28 fireplaces and 35 bathrooms. An exciting part of the White House is its secret passage. All of you who have read the Hardy Boys mystery series know how intriguing a secret passage can be. On the ground floor between the busts of Winston Churchill and Dwight Eisenhower there is a door that leads down into the basement to a tunnel that passes under the East Wing. A steel door is located there that allows one to enter the White House undetected. It came to be known during the JFK administration as the “Marilyn Entrance”. The White House also includes a personal movie screening room with 40 seats, a one-lane bowling alley installed by Harry Truman, and was a Richard Nixon favorite, a tennis court, basketball court, putting green, swimming pool, horse shoe pit, put in by the first George Bush, and a jogging track.

Any President is allowed to choose his furniture and decorate the Oval Office as he sees fit. But almost every president since Rutherford B. Hayes has used the same desk. The desk was built from timbers salvaged from the HMS *Resolute*, an Arctic rescue vessel owned by the British, that broke up and became icebound near Greenland in 1854. It drifted for more than one thousand miles until discovered by an American ship that then returned it to England. When it was decommissioned, Queen Victoria, as a thank you, graciously turned its wood into a desk for the President of the United States. It was delivered to President Hayes in 1880. It was modified slightly by President Regan by adding a two-inch base to make it more comfortable for his 6 ft. 2 in. height.

As one would expect the White House has an extensive staff which includes, groundskeepers, a chief florist (with a budget of \$250,000/year and a staff of four), valets, butlers, a pastry chef, and a four person 24 hour cooking staff overseen by an executive chef, who currently is a woman, the first ever selected to be the head chef. All of this adds up to a staff, purely for domestic service, of 96 people. Interestingly the First Family is required to pay for its own food. However, there are numerous expense accounts, in addition to the current \$400,000 salary, such as \$100,000 for personal travel and \$19,000 for entertainment that softens the blow of having to pay for your own food. An historical fact, not known by many, is that President Herbert Hoover never took the presidential salary, nor did he take any salary or expenses during his 25 years in public office and service.

To see to the President's health, as well as anyone else in the White House, there is a personal Physician to the President who oversees a staff of 5 doctors, 5 nurses, 5 physician assistants, 3 medics 3 administrators and an IT manager. There is a social secretary and a chief calligrapher to design invitations, proclamations, awards and so forth. The First Lady, Michele Obama, is attended by 25 staff, all exclusively for her needs.

The next most visible perk would be Air Force One, and there are two of them. They carry 70 passengers, have a crew of 26 and have a presidential suite consisting of an office, bath, bedroom, and workout room. The flight cost is \$185,000/hour. A separate C141 cargo plane carries the President's motorcade vehicles. His personal car is a Cadillac with 5 inches of armor, its own oxygen supply, a blood bank with the Presidents blood type, tear gas and smoke grenades. The car cost \$300,000, but the two armored busses, used for traveling dignitaries accompanying the President, cost one million dollars each. Several helicopters are also constantly on call for shorter trips that might be taken.

Blair House is the official state guesthouse for the President. It was built in 1824 and is actually larger than the White House at 70,000 square feet. Whenever a foreign leader stays at Blair House the house flies their flag, which means that the house then becomes foreign soil.

The President has a security team, of course, not the least because he receives an average of 500 death threats per month. In 2010 the security team for the White House complex, the vice-presidential residence and visiting diplomats, consisted of 1300 officers.

Protecting the President and providing for necessary services when traveling is no small matter either. For example, on a 2003 trip to London by then President Bush, the entourage consisted of 904 staffers from Defense, 600 from the armed services, 250 Secret Service officers, 205 White House staff, 103 CIA staff, 44 staff from the State Department, 30 Cabinet staff, 18 Senior advance office staff, 16 Congressmen and 12 bomb sniffer dogs.

Camp David is the President's permanent vacation get-away home. It was conceived and built by President Franklin Roosevelt in 1942 because the Secret Service became concerned about the possibility of German U-boat attacks on the yacht *Potomac*, which, up until then President Roosevelt used to escape the muggy Washington summers. Camp David was originally called "Shangri-la, after the Tibetan utopia in the novel "Lost Horizon. It was President Eisenhower who then changed the name in honor of his grandson, David. It features 11 residence cabins, an office cabin, a swimming pool, skeet shooting, and a bowling alley. President Bush the elder considered that out of all the perks, Camp David was the best.

What happens to a president after his term expires? Don't feel too badly for them as they receive their own special perks. But inconceivably before 1958 ex-presidents received absolutely nothing.

Now they receive a pension of \$201,700/year for life. One million dollars for travel expenses, and their health benefits, plus being able to use any military hospital continues. Money for staff is provided during their lifetime at \$96,000/year. There are other benefits such as office space, postage, etc. To give an example of what it all adds up to, in the year 2014 what each living ex-President received in that year was as follows: Carter came in at \$470,000; Bush the elder \$835,000, and Clinton \$951,000, and Bush the younger \$1,287,000. But all of this is the proverbial “chicken feed” as the big bucks come from books and speeches. Carter has written 14 books since leaving office, Bush has earned \$7,000,000, and Clinton \$15,000,000 from their books. As far as the speeches go, Bush has made \$15,000,000 and Clinton an astounding \$89,000,000, and these figures are only through 2013. Clinton has given speeches in Nigeria for \$700,000, in Shanghai for \$550,000, and he averages according to CNN \$189,000 per speech. Former vice-President Al Gore makes as much as \$156,000 per speaking engagement, Rudy Giuliani, the former New York City Mayor earned \$9,200,000 in the 13 months after his failed run for president. Dick Cheney is farther down the pecking order, but still receives \$75,000 per speech. And a “lesser known”, like Robert Gibbs, former White House press secretary, has raked in over \$2,000,000 giving speeches in two years since leaving his post in the Obama administration. An interesting side note, Bush and Clinton have been known to give joint speeches together. It is unknown whether they were paid differently.

With the exception of Richard Nixon, every former President since the administration of Herbert Hoover has had a presidential library, managed by the National Archives and Records Administration, established in his name. The process begins with a private foundation with tax-exempt status, which pays for the land and construction. After construction it is deeded to the federal government and the official records are then deposited and the government takes over the cost of running the library.

Well, with all of the largesse that is available to the Washington elites, do I think that is the reason people run for elective office? No I don't. I firmly believe members of both parties run for office because they sincerely want to do something for the country. But I also believe that once they get to Washington the number one all consuming desire for way too many becomes; "how do I get re-elected". And that is where the perks and power come to have a decided influence.

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