Proposition 1F
State Officer Salary Increases.

Background

Voter-Created Commission Sets State Official Pay and Benefits. Proposition 112—approved by voters in June 1990—amended the State Constitution to create the California Citizens Compensation Commission. The commission includes seven members appointed by the Governor, none of whom can be a current or former state officer or state employee. The commission establishes the annual salary, as well as medical insurance and other benefits, for the following elected state officials:

- The Legislature (120 Members).
- The Governor.
- The Lieutenant Governor.
- The Attorney General.
- The Controller.
- The Insurance Commissioner.
- The Secretary of State.
- The Superintendent of Public Instruction.
- The Treasurer.
- The Board of Equalization (4 Members).

While the commission has control over most pay and benefits received by these state officials, there are certain exceptions. For example, Members of the Legislature are eligible to receive per diem payments to cover lodging, meals, and other expenses for each day of attendance at legislative sessions. The level of per diem payments is set by another state board and not by the commission. In addition, under Proposition 140 (approved by voters in November 1990), Members of the Legislature have been prohibited from earning state retirement benefits since November 1990. Accordingly, the commission has no control over these retirement benefits.

Factors the Commission Considers When Setting State Officials' Pay and Benefits. Proposition 112 requires the commission to consider the following factors when it adjusts the annual salary and benefits of state officials:

- How much time is required to perform official duties, functions, and services.
- The annual salary and benefits for other elected and appointed officials in California with similar responsibilities, including judicial and private-sector officials.
- The responsibility and scope of authority of the state official.

Currently, the Constitution does not list the financial condition of the state as a factor the commission must consider when setting the pay and benefits of these officials. In addition, Proposition 6—approved by voters in November 1972—prohibits the reduction of elected state officials' salaries during their terms of office.

Current Salaries of Elected State Officials. Based on past commission decisions, elected state officials are currently eligible to receive annual salaries ranging from $116,000 (for legislators) to $212,000 (for the Governor).

Proposal

This proposition amends the Constitution to prevent the commission from approving increases in the annual salary of elected state officials in certain cases when the state General Fund is expected to end the year with a deficit.

Official Certification of a Deficit Would Be Required. On or before June 1 of each year, the state Director of Finance (who is appointed by the Governor) would be required to notify the commission in certain cases when the state's finances have weakened. Specifically, the Director would notify the commission if the Special Fund for Economic Uncertainties (SFEU) is expected to have a negative balance equal to or greater than 1 percent of the annual revenues of the state General Fund on June 30 (the last day of the state's fiscal year). As described in the analysis of Proposition 1A (also on this ballot), the SFEU is the state's traditional rainy day reserve fund. Currently, 1 percent of General Fund revenues is almost $1 billion.

Certification of the Deficit Would Prevent Raises for Elected State Officials. In years when the commission chooses to adjust state officers' pay and benefits, it already is required to pass a resolution to do this before June 30. These pay and benefit adjustments take effect beginning in December. Under this measure, if the Director of Finance certifies that the SFEU will end the month of June with a deficit of 1 percent or more of General Fund revenues, state officials will not be eligible to receive a salary increase to take effect in December of that year.

Fiscal Effects

Cost Savings From State Officials' Salaries During Certain Deficit Years. This measure would prevent the commission from approving pay increases for state officials in certain cases when the state General Fund is expected to end the year with a deficit. Under current practice, the commission might have otherwise approved pay increases in those years. The commission does not grant pay increases every year, and the level of

pay increases granted by the commission is not always the same. Since January 2000, the commission has raised the pay of elected officials four times. Over this period, the total pay increases for each official have been equal to or less than the rate of inflation. Currently, a 1 percent raise for the elected state officials costs the state about $160,000 per year. If, for example, the commission were inclined to grant the officials a 3 percent raise but were prevented from doing so under this measure, the state would save less than $500,000 that year. Consequently, savings in any year would be minor.

May Contribute to Different Budget Decisions by the Legislature and Governor. The Constitution already requires the Legislature and the Governor to adopt a balanced budget each year. When the budget falls substantially out of balance during the course of a fiscal year, the Constitution allows the Governor to declare a fiscal emergency and call the Legislature into a special session to address the emergency. The Constitution, however, does not require the budget to *end* the year in balance. This measure may have the effect of influencing the Legislature and the Governor to make different budgetary decisions—decisions, for example, that reduce a projected state deficit or make it less likely a deficit emerges in the first place. These impacts, however, are not possible to estimate.