

**TRANSCRIPTION OF RECORDED CALIFORNIA CITIZENS COMPENSATION
COMMISSION HELD AT CITY HALL SACRAMENTO, CALIFORNIA
MARCH 13, 2014, 10:00 A.M.**

TRANSCRIBED BY: DONNA K. NICHOLS, RPR, CSR NO. 5660

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CHAIR DALZELL: Good morning. My name is Tom Dalzell. I am the Chairman of the California Citizens Compensation Commission. And I call this meeting to order. Madam secretary, would you please call the roll.

MADAM SECRETARY: Thank you.

Member Barkett?

COMMISSIONER BARKETT: Here.

MADAM SECRETARY: Member Miller?

COMMISSIONER MILLER: Here.

MADAM SECRETARY: Member Wallace.

COMMISSIONER WALLACE: Here.

MADAM SECRETARY: Member Murray.

Member Somers.

COMMISSIONER SOMERS: Here.

MADAM SECRETARY: Member Stites.

COMMISSIONER STITES: Here.

MADAM SECRETARY: Chairman Dalzell.

CHAIR DALZELL: Present.

MADAM SECRETARY: We have a quorum.

CHAIR DALZELL: Commissioner Murray is unable to be with us today. We -- we scrambled at the last minute to arrange telephonic presence. We were unable to do that. And I think before our next meeting we'll work very hard to do it, because his voice is -- is a very important voice on this Commission. And on behalf of the Commission I -- I wish him and his family well in -- in the issues that they're going through.

We have new counsel.

Counsel, would you introduce yourself.

MS. JOHNSTON: Thank you. I'm Marian Johnston.

Happy to be here with you all. I've had some experience representing commissions in the past, the Fair Employment and Housing Commission, the Redistricting Commission, the Commission on the Status of Women and Girls. So hopefully I can be helpful.

CHAIR DALZELL: Our first of order of business I believe is to approve the Minutes from the June 19, 2013, Commission meeting.

Is there either a motion to approve them or a motion to amend them?

COMMISSIONER SOMERS: Mr. Chairman.

CHAIR DALZELL: Commissioner.

COMMISSIONER SOMERS: I have a couple of corrections I think.

One, this is really more of a comment on this. On

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page 39 I just want to be clear on here for further discussions. It was a comment from Commissioner Stites, from John, as line 20 where it says as far as pensions, the decisions to remove pensions wasn't mine, nor was it anybody seated here. I believe that was a -- something that was put forward by the legislature so they got what they want. Just as a point of clarification, it was not put forward by the legislature. I think you know that. I mean it was -- the removal of pensions was by a proposition that ultimately affected the legislature. Doesn't need to be changed, I just wanted to have a point of clarification on that.

Page 49, line 14. A county supervisor in Los Angeles makes two forty-three, comma, two forty-four. I think that should be clarified. You may have said two forty-three, two -- like 243 or 244,000, but it could be confused as the county supervisor makes \$243,244,000 a year. So I -- I think that needs to be clarified.

CHAIR DALZELL: You -- you suggest three zeroes there?

COMMISSIONER SOMERS: Or 243 --

CHAIR DALZELL: Dash.

COMMISSIONER SOMERS: -- dash 244,000 --

CHAIR DALZELL: Yes.

COMMISSIONER SOMERS: -- would be fine.

CHAIR DALZELL: Dash. Okay, good.

COMMISSIONER SOMERS: Just to make sure there's no confusion about that.

Page 52, line two. We don't seem to have -- the word was a dearth, and it may have been -- I may have mumbled that, but the word is dearth of people willing to run. And page 69. Ralph Cobb is with us today, as he was last time. And line one here when it says in order to be eligible for the State contribution -- this was with regard to health insurance -- they have to be enrolled in a health plan that's administered or approved by CalPERS because that's where State employees' health benefits are administered. So if they have -- if they want to get coverage elsewhere, the State does not pay a share of that cost.

I just want to mention this now, because at the appropriate time I want to ask Ralph to comment on whether the Affordable Care Act or Obamacare has changed any of the plans in any kind of significant way that State employees have been part of or could be part of. It's a comment more

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on that. It doesn't have to change the Minutes.
Just one last comment. In reading through this I'm going to make a bigger effort to speak in full sentences, because it certainly seems like there's a lot of choppy language here. And I'm probably the worst offender.
CHAIR DALZELL: Young lawyers are always shocked when they see the first transcript of a deposition or -- or trial that they've done.

Are there any other corrections to be made in the -- in the record?

All right, with -- with those three changes or two changes this you noted, Commissioner Somers, would you move adoption?

COMMISSIONER SOMERS: I move adoption.

CHAIR DALZELL: Is there any opposition to adoption of the Minutes?

COMMISSIONER WALLACE: I -- I would just make a clarification, for my own edification perhaps more than anything.

But these are -- is this a transcript?

CHAIR DALZELL: Yes.

COMMISSIONER WALLACE: It's -- as compared to minutes of a meeting.

CHAIR DALZELL: Yes.

COMMISSIONER WALLACE: So I just want to be clear that what we're approving is the transcript for the California Citizens Compensation Commission meeting held on June 19th, 2013, and that there are no other official Minutes for that meeting.

CHAIR DALZELL: I believe that's correct. That said, is -- is there any opposition to the motion to approve the transcript as an accurate transcription of our meeting of June 19th, 2013?

COMMISSIONER MILLER: I have a question, Mr. Chair. When we approve a motion -- I understand you've got the resolutions here. But when we approve a motion, how do you show that in the Minutes? Is it just shown by transcript?

MADAM SECRETARY: Yes. Yes, it is. Only shown by -- in the transcript.

COMMISSIONER MILLER: So do you keep a record of what motions have passed --

MADAM SECRETARY: Yes.

COMMISSIONER MILLER: -- somehow so we don't have go back through transcripts to find out what we might have done

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by motion?

MADAM SECRETARY: We can.

COMMISSIONER MILLER: Okay, thank you.

CHAIR DALZELL: Anything further before we approve the transcript?

No objection heard, the transcript is approved.

We now come to opening comments by Commission members.

Commissioner Stites, would you break the ice.

COMMISSIONER STITES: Mr. Chairman, fellow commissioners, just happy to be here. That's all I've got on opening comments.

CHAIR DALZELL: Commissioner Somers.

COMMISSIONER SOMERS: Yes, I have -- I have a few comments.

I -- I was struck, once again -- some of you may have seen The Sacramento Bee today. And lawmaker pay raise is up for discussion. And in the first paragraph it says already the highest paid State lawmakers in the nation, California legislators are up for another possible salary bump.

We've talked about the value of pensions and that other states provide their legislators that California does not. And we've talked about, and I've said this several times before, I'm sure when the people of California took away the pensions for legislators they didn't expect us to substitute current compensation for the value of those pensions.

On the other hand, it is and certainly can be a very significant distortion of pay when -- particularly when you look at -- and I want to use a very specific example. And appreciate all the good information on comparatives from I think Deb, from you.

I want to talk about Illinois here for a minute. And this is back under the tab, by the way, of retirement benefits. If you look at Illinois, which is the second page. Just as an example, I picked out Illinois as -- because it was a little easier -- it was fairly clear. They pay for the General Assembly and the retirement system. Age 55, eight years of service, or 62, four years of service. What is the benefit? And you could read the benefit there. Three percent of the first blah, blah, blah. Well, if you actually add all that up, the average -- the average salary paid to -- to Illinois in a separate section to members of the Legislature is \$67,836.

Upon retiring at age 55 with 25 years as a

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legislator, the -- that legislator at age 55 would receive retirement pension \$74,618, more than they were receiving while they were actively employed. And even though, you know, you can do discounted cash, discount the rates of the -- the future cash flows there, but I -- I think we have to recognize -- obviously there are a lot of variables. We have a limit on the number of years you can serve in the Assembly or the Senate. But I think a good estimate of the value of pension retirement is another 50 to a hundred percent to the legislator.

So to continue to say that our legislators are the highest paid in the country bothers me a lot. And I'm not quite sure how we should deal with it, frankly, because it's a public relations issue for the Legislature. People in -- in -- you know, if -- if we were to say, okay, we're going to raise the compensation to reflect even a little bit of that, we end up with a -- a newspaper headline that says big bump for Legislature. But it is a problem. And I'd just like to -- to mention that.

And one other thing related to that. John, you, in particular, have talked about State finances. And I think we have set a -- a -- a pretty good precedent, if it wasn't there before, that the financial condition of the State is an important element, it is a -- it's an appropriate element to be considered in compensation of the -- of the Legislature and of the constitutional officers. And, John, I think you make a -- a -- a case constantly that we're -- we're hardly out of the woods yet in terms of the State and its financial condition.

One article I read says California would have one trillion dollars in pension liability deficit if it were forced to evaluate pension liability the same way public companies do. But Governor Brown and the Legislature are addressing this, and maybe that trillion dollar deficit goes away. And the point is I think we should be looking at the financial condition of the State in the current year we're in. And when -- and not holding down pay raises for legislators based on some future concern about where the State is going. I don't think that's our role.

One last thing I'd like to say about metrics. And I've been on this Commission -- this is my sixth year on the Commission. And as was noted, Anthony, I think you did a -- a very good job of noting last time that as you as a new member looked to see how we made decisions, how -- how do we make decisions, there is some -- some objective information,

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some metrics. But a lot of it is there are seven people here who use their own judgment on what they think the right thing to do is. And ultimately I think that is the -- you know, that is the answer.

But I'd like to see us try and work toward a few more metrics that we, as a commission, can sort of say, okay, we think this one is -- is a valuable one. One of those -- and there was some information about the judges' increase in compensation. It's very difficult, as we know -- it's very difficult to compare legislators and appointed or -- appointed, basically, hired executives in -- in other roles, because they are -- they are different. Probably one of the reasons that we have looked as much as we've looked at what other states are paying people in similar roles as opposed to trying to compare them to judges.

On the other hand, we probably could do a better job. And, Deb, maybe this is something that -- you know, to think about too in the role that you've had for a long time -- about increases over time, not only just a CPI, but other indicators of how much compensation has been increasing for all kinds of different categories. Not so much that we're going to look at actual numbers, because they are different, but increases in compensation versus cost-of-living increases, et cetera, I think are relevant metrics that we ought to be looking at and, frankly, I think that we ought to be looking at -- at more.

And just one other thing related to -- and -- and, frankly, it relates to the article. And the article compares who makes the most. It can compare county executives to city managers to State officials.

Well, elected representatives are always in a different category, and you can't compare them to county executives in my opinion or city managers, because -- I mean you look at the President of the United States, he makes \$400,000. CEOs of -- or presidents of universities make a million to two million of the big universities. Is that fair for the president? You know, again, elected representatives I think are in -- in a different kind of a situation. Excuse me.

And I actually don't buy the argument that -- that has been sometimes put forth that -- that we're not -- if -- if we don't remain competitive, we won't have as many good people running for office. I certainly wouldn't want to stand up in front of the Assembly and tell all the members there that they're all B players because we can't afford

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enough to pay A players.

I think there's a lot of demand for lots of reasons for these roles. I think we have to be fair, and I think we have to attract the right kinds of people. But I think, frankly, this kind of comparison, and it's strictly a -- elected representatives to county executives and city managers is not as relevant as -- as I think sometimes people think it might be.

Those are my comments.

CHAIR DALZELL: We'll -- we'll have time for discussion later. But would -- on that last point that you made, the -- the statute does tell us to go look at locals. Do you think that Board of Supervisors versus Legislature, legislator, is an -- a more appropriate comparison?

COMMISSIONER SOMERS: I think elect -- other elected roles in particular are more relevant than -- than appointed, than executive roles, hired people into executive roles, city managers, for instance.

And I may be misinterpreting what they're talking about when they say county executive officers here. I mean if they're talking about supervisors there, if -- I may have perhaps misread that. If those -- if those are supervisors, that would be more relevant. I interpreted that as being CEOs, et cetera, of counties.

CHAIR DALZELL: Yeah, we'll go through the data -- data. I think you interpreted it correctly, as I understand it.

Commissioner Miller.

COMMISSIONER MILLER: Good morning, commissioners.

It's nice to see you again after about a year.

This is only my third meeting, so I wanted to say that I appreciate your comments. I too read The Sacramento Bee article this morning and was concerned about it for some of the same reasons that you -- that you expressed. So I appreciate your expressions this morning.

For myself, I'm -- do think that The Bee article did note the one thing that I'm concerned about and will be discussing today, is that when I came on to the Commission, the Commission had, in previous years, reduced salaries by quite a significant percentage. And I'm -- I'm concerned about that. So -- and I hope that the press takes note of that, regardless of what we do.

Thank you.

CHAIR DALZELL: Thank you.

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Commissioner Wallace.

COMMISSIONER WALLACE: I have no comments at this time.

CHAIR DALZELL: Commissioner Barkett.

COMMISSIONER BARKETT: Yeah, good morning. Good to see everybody again. This is my second meeting. And I'll reserve any comments until we get into a -- further discussion. Thanks.

CHAIR DALZELL: I would like just to respond to a few things that Commissioner Somers said, as all was really thoughtful and perceptive.

In terms of headlines, we're damned if we do, damned if we don't. I mean you'll remember in 2012 when the Commission decreased salaries by five percent, the headline was pinky finger in a leaking dam. So I think that we just do what we think is the right thing to do and let the headline writers write the headlines they want.

As we look at data from other states and from local jurisdictions, I believe it's important to remember that the enabling statute, the initiative, says nothing about looking at other states, does direct us to look at the locals.

That's not an absolute. That's not dispositive. But as we look at other states, I think we need to remember that's not where we were specifically told to look.

And then, conversely, as we look where we're specifically told to look, I think that Commissioner Somers' point is well taken, that there are locals, and there are locals. Board of Supervisors is certainly more relevant as a comparison with a legislator than a county CEO is to a governor. I agree -- I agree with you there.

But then among the locals I think that there is a valid comparison with Superintendents of Instruction and the State superintendent with the elected District Attorney and the elected Attorney General. So this is not simple. And we certainly have a number of things to look at.

I think your point about looking at the cost of living increase is a good one, remembering what was brought home very clearly to us last year, that what we do, at least with the 120 legislators whose salaries we will set, has no impact one way or another on the State budget, because the -- the Legislatures live within a budget that they are given. And whether the salaries go up or down, that budget is still the budget.

So what we do becomes -- I don't like the word symbolic, because that seems sometimes slightly demeaning,

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but symbolic in the best sense of the word. We're sending a message with what we do knowing that it does not have an impact one way or another on -- on the -- on the budget. That said, our next order of business is discussion from the June 19th, 2013, Commission meeting. And I -- I will not go down the line seeing if anybody wants to talk about anything from there. I think that most of our discussion will come in Roman numeral item six -- or seven. But is there anything that any commissioner would like to raise from the 2013?

COMMISSIONER BARKETT: I would like to -- I would like to ask just a follow-up question. Because you mentioned something that I had a little bit of a problem with last year, and I wanted just to completely understand it.

To me there's a difference between having a minimal impact on the budget and absolutely zero impact on the budget. And I just want to get that clarified. Do the Assembly and Senate budgets, are they already set? And if we give an increase, then do they have to cut their staff or cut something within their current budget?

MS. JOHNSTON: The California Constitution sets a mandatory maximum per legislator. So if one part of that legislator's increased, another part has to be decreased. It's a zero sum.

COMMISSIONER BARKETT: So -- so it is a zero sum game.

MS. JOHNSTON: Correct.

COMMISSIONER BARKETT: So do we have any commentary from, you know, the Assembly or Senate on -- on a -- what they think we might do? Because, to me, by us increasing we're kind of telling them that their staff needs to be decreased, you know, or they have to cut someplace else. So it -- you know, if I was in their position, I would probably have an opinion of some sort of that.

CHAIR DALZELL: Well, conversely, when we cut the salaries by 18 percent and then five percent, that had the converse effect, where the -- the top line didn't change because it's zero sum. And I think there are many components to the budget of the two houses other than staff and salaries. I don't know if -- if the representatives want to say anything.

I'll also remind us that we -- we also have jurisdiction over the constitutional officers for whom there's no such constitutional limit. So there we would

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stray from no effect to minimal effect.

COMMISSIONER BARKETT: Okay.

CHAIR DALZELL: Very minimal.

COMMISSIONER BARKETT: That was one follow-up that I had. That's only the case with the Assembly and the Senate. And I guess the second case is was there a budget increase this year from last year?

CHAIR DALZELL: It's my understanding there was not, but we can -- we can hear that from the horse's mouth. That's you. Yeah.

MR. DEMAS: Oh, that's me.

CHAIR DALZELL: Yeah.

MR. DEMAS: Thank you with that introduction.

I'm Gus Demas, Fiscal Officer for the Assembly.

And the current budget for both houses, the Assembly and Senate, in the proposed budget for this coming fiscal year has a zero-percent growth in it. The growth that's allowed under Prop. 140, the limitation that was set in Prop. 140, is the expenditures of the current year can only grow by the increase in the State Appropriations Limit. That limit, the SAL figure as it's called, that limit is estimated to be this year less than one percent by Department of Finance.

So both houses could grow their budget in the coming fiscal year by that number. Whether they do or not, that's up to the Legislature. They -- they haven't made that decision because they don't know what that number is. But it's a very small percentage. The increase in other costs are going to far exceed one percent. Retirement contributions, health contributions and so forth are -- are going up considerably more than that.

CHAIR DALZELL: Okay.

MR. DEMAS: But to answer your -- your previous question, it is a zero sum game. But in 2009 when this Commission reduced salaries for Assembly members, the Assembly reduced its budget by 1.7 million I believe it was. And that was a permanent reduction in their budget. As the 140 limit works, as I mentioned, it's the expenditures of each year. So when that reduction took place, that was something that can't be increased automatically when the salaries are increased.

COMMISSIONER BARKETT: So was that -- was that reduction a result of this Commission's actions, or was --

MR. DEMAS: Yes.

COMMISSIONER BARKETT: -- the Commission's -- it was.

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MR. DEMAS: That was a direct result of this Commission's actions --

COMMISSIONER BARKETT: Okay.

MR. DEMAS: -- and the speaker at the time wrote a letter to the Commission stating that she was reducing the Assembly's budget by that amount.

COMMISSIONER BARKETT: Okay. Thank you.

MS. JOHNSTON You mean when it -- the result, it was their reaction too. It wasn't caused directly by the Commission.

MR. DEMAS: That's correct. It was their decision, and they decided to reduce the budget by that 1.7 million.

CHAIR DALZELL: Okay.

COMMISSIONER WALLACE: And -- and, Gus, if I can just clarify based on my reading of the transcript, that nine -- 18-percent reduction was given back to the General Fund.

MR. DEMAS: Correct.

COMMISSIONER WALLACE: And so if there's reduction, it can go back to other budgets outside of the Legislature's budget. Any increase has to be absorbed within the Legislature's budget. Is that correct?

MR. DEMAS: If I could clarify, the -- the 1.7 million was a reduction in the Assembly's budget, so it didn't go to other entities.

COMMISSIONER WALLACE: Okay, then perhaps I should clarify.

The 18-percent reduction of Legislature -- Legislature's salaries --

MR. DEMAS: Yes.

COMMISSIONER WALLACE: -- 2009 and 2010, was, as I understand it, contributed, given to the General Fund. Is that correct?

MR. DEMAS: The -- the Assembly in 2008 -- when the recession started in January of 2008, the Assembly announced that they were going to give ten percent of their budget to General Fund entities, they were going to transfer that money to General Fund entities, which they did. The subsequent year in 2009 they increased that to 15 percent. So for those years \$20 plus million every year has been transferred from the Assembly's budget to General Fund entities.

COMMISSIONER WALLACE: Okay.

MR. DEMAS: But that's above and beyond the 18-percent salary reduction that this Commission imposed, and the five percent in 2012. But, in essence, you could

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say that that was part of that 20 million. They didn't have to spend that on salaries, that little amount was added into the 20 million.

COMMISSIONER WALLACE: So is it an oversimplification that increases will be absorbed within the Legislature's budget but any decreases could impact the General Fund?

MR. DEMAS: That's correct.

COMMISSIONER WALLACE: Okay.

COMMISSIONER BARKETT: Yeah.

MR. DEMAS: Yes.

COMMISSIONER STITES: Question on that, if I may.

COMMISSIONER MILLER: I follow.

COMMISSIONER STITES: Oh, please.

COMMISSIONER MILLER: No, I have a question too. Go ahead.

COMMISSIONER STITES: Gus, I guess I'm -- I'm still a little confused about the -- the budget has not been put to bed --

MR. DEMAS: That's correct.

COMMISSIONER STITES: -- for the coming year.

MR. DEMAS: Correct.

COMMISSIONER STITES: So if we make a decision, let's say, to -- to raise salaries, the Legislature has the option then of saying, okay, now we're going to look at the whole budget, and they have the option of increasing -- you say right now they're proposing no increase.

MR. DEMAS: That's correct.

COMMISSIONER STITES: But they could change their minds and propose a one-percent increase or some relevantly small percentage.

MR. DEMAS: Correct. Correct. Depending on what that percentage comes out in May -- usually at the May revise that percentage is announced, and they could increase their budget up to that amount.

COMMISSIONER STITES: Right. So, in fact, any increase -- at least that I am understanding -- any increase we do is a factor in how they think about whether they want to increase or not. It -- it -- so I don't see that it necessarily is absorbed in the -- in the budget.

MR. DEMAS: That -- that's a difficult question because the estimate -- the most recent estimate that we had was that the growth number could be a negative .02 percent or that -- that small amount. So the -- the number could actually be negative.

But you're correct, if the salaries and benefits go

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up slightly, it's -- it's -- it's difficult to say that that's exactly the amount that they're putting into the increase.

But let's assume the budget doesn't -- doesn't change at all and say the SAL number is zero, then that budget amount stays the same, and they have to shift other expenditures, whether it's staff salaries --

COMMISSIONER STITES: Right.

MR. DEMAS: -- which is the biggest expenditure, benefits. Of course, there's postage, mileage reimbursement. All of those expenses would be considered --

COMMISSIONER STITES: But it's still the option.

They have the option of looking at the whole budget --

MR. DEMAS: That's correct.

COMMISSIONER STITES: -- and basically saying, okay, we've got an increased cost here, an increased cost there, an increased cost here, we're actually going to raise it --

MR. DEMAS: That's correct.

COMMISSIONER STITES: -- perhaps when we didn't think we were earlier.

MR. DEMAS: That's correct.

COMMISSIONER STITES: Right. Okay, thank you.

MR. DEMAS: Mm-hmm, sure.

COMMISSIONER WALLACE: Sure.

MS. JOHNSTON: I just -- that would still be subject to the constitutional maximum on the Assembly's increase.

MR. DEMAS: Correct. That would be the SAL number that I'm talking about. That's the constitutional --

COMMISSIONER BARKETT: Right.

MR. DEMAS: -- maximum.

COMMISSIONER SOMERS: I have --

COMMISSIONER MILLER: I'll have --

COMMISSIONER BARKETT: Oh, go ahead, I'm sorry.

COMMISSIONER MILLER: Oh. So I have two questions.

The first one is in response to the increase that we imposed last year, did that cause the Legislature to change its budget?

MR. DEMAS: The budget appropriation that was determined for -- for last year, the amount that was taken was decided before the Commission restored the five-percent salary increase. And, as I recall, the -- both houses had not increased their budgets for five fiscal years. So that year the SAL number came out to be 5.9 percent. And so both houses increased their budgets. The Senate was 5.9 percent, the Assembly was 3.9 percent.

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COMMISSIONER MILLER: And that was within the constitutional ceiling?

MR. DEMAS: That's the constitutional limit, yes.

COMMISSIONER MILLER: My second question is, you said last year that they provided, I believe, a certain percentage back to the General Fund.

MR. DEMAS: Correct. The Assembly -- I mentioned that 15 percent of their total budget has been transferred back to the General Fund.

COMMISSIONER MILLER: So this year is there any indication if -- if a similar transfer is being made?

MR. DEMAS: Yes, the Assembly is on track to transfer the 15 percent for this fiscal year.

COMMISSIONER MILLER: Okay. And so it may be -- this gets to your question earlier.

So is there room within the constitutional limitation for any increases in their budget if we were to act to increase this year? Or is it -- are -- are we at the ceiling?

MR. DEMAS: The Assembly is below their ceiling for this fiscal year.

COMMISSIONER MILLER: Thank you. How about the Senate?

MR. DEMAS: The Senate, because they took their full growth for this fiscal year, is at their limit for this fiscal year.

COMMISSIONER MILLER: Okay, thank you.

COMMISSIONER WALLACE: Before you leave, Gus --

MR. DEMAS: Sure.

COMMISSIONER WALLACE: -- I've got a question.

So does the proposed budget, Legislature's budget, does it include any either cost of living or inflationary increase?

MR. DEMAS: Not at this point, no, because it's the same appropriation as last year.

COMMISSIONER WALLACE: Right. And that's typical?

It's just interesting --

MR. DEMAS: Except -- except for the current fiscal year I -- I believe it was four or five fiscal years in a row when we took no growth.

COMMISSIONER WALLACE: So they're absorbing whatever inflation or increases --

MR. DEMAS: Yes, increases are being absorbed, correct.

COMMISSIONER WALLACE: Okay, thank you.

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MR. DEMAS: Sure.

CHAIR DALZELL: Thank you.

Is there anything else from commissioners that would fit within Roman numeral five discussion from the June 2013 commission meeting or should we move to public testimony? Any comments from the public, any testimony from the public?

MADAM SECRETARY: We have no one signed up right now. No one is signed up.

CHAIR DALZELL: No walk-ins, walk-ons.

All right, coming now to the Commission discussion and adoption of Resolution.

I suggest that we, for several reasons, do what we've done the last few years, which is discuss data extensively today, identify if there's any further data we would like before meeting again.

In light of Commissioner Murray's absence, in light of no certification from the Director of Finance, in light of no final budget, then do as we've done, reconvene in June and then take action. That would be my plan. Of course, I can be overruled on that. But I -- I would like to work together through the information that we've been provided and agree on facts.

Is that all right with the Commission?

COMMISSIONER MILLER: Are you looking for a motion at this point?

CHAIR DALZELL: No.

COMMISSIONER MILLER: Thank you.

CHAIR DALZELL: But -- all right, I'll -- I'm suggesting that we not act today. If there's a motion to act today, I will vote that motion.

COMMISSIONER WALLACE: So I support that proposal, you know, contingent upon any of the commissioners in a position feel -- feel that they're in a position to make a relevant motion.

COMMISSIONER BARKETT: All right. I support it as well.

COMMISSIONER STITES: I support it. And since we would be prevented from even considering an increase at this point without knowing the State's financial -- having that determination, it would seem preliminary to try and vote on anything today.

COMMISSIONER MILLER: I agree. But where do you want to start the discussions?

CHAIR DALZELL: Well, actually, I'm going to do a

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no-look pass here and ask Commissioner Somers if he would be willing to lead the Commission through the survey data that's been provided. He is the senior member of the Commission, does this for a living, and has a great mind for this.

Would you do it, Commissioner?

COMMISSIONER SOMERS: Sure.

CHAIR DALZELL: So starting on the salary survey tab.

COMMISSIONER SOMERS: Yes. And, you know, we've done this a little bit differently. And -- and, Debbie, please jump in here, because you're really the one that assembled this information, but . . .

And this gets -- this gets to a point, by the way, of -- of looking at metrics and sort of deciding even as a -- as a commission, both from even what we could put together in the next two months, that if there is other information or a different way of looking at this that would be helpful, I think -- I think we need to move more to having some approach, some metrics to be able to sort of say, okay, we all agree that that should be a relevant thing.

CHAIR DALZELL: Yeah.

COMMISSIONER BARKETT: I would like to add one point, if I could, to that.

COMMISSIONER SOMERS: I'm sorry?

COMMISSIONER BARKETT: I'd like to add one -- one point to that.

There was discussion earlier about whether or not we should be looking at city managers and county officers and stuff.

I think we need to be looking at electeds, personally. Because somebody who's a city manager, that's a career. You're -- you're -- you've been working for many years to get to that point to be a career.

Whereas, elected officials by the fact that they are elected officials give themselves some prestige and have great opportunities after they've been in, whether they go into lobbying or whether they're an Attorney General. They'd be hired at any law firm after.

The governor can -- you know, you can't compare. You mentioned the president. He's going to get \$10 million to write a book. So you can't look at what somebody makes when they're in that particular office because so many other opportunities come as a result of it. Whereas, I think people who we're comparing with here, those are careers.

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So I would like to see supervisors -- and if we're supposed to look within the State -- as you mentioned, Tom, if we're supposed to look within the State, I'd like to see what other supervisors and city council people and so forth make.

CHAIR DALZELL: Well --

COMMISSIONER BARKETT: Because I don't think it's a good comparison to look at city managers, I don't.

CHAIR DALZELL: We -- we have the data for the city manager, for the auditor-controller, the city attorney, the mayor. We don't seem to have city council data. But we do have the Board of Supervisors. We have district attorneys, which I -- I think fits into the more relevant stack, the auditor-controller. I think that the Superintendent of Schools fits into the elected category.

So the suggestion is, I -- I think the sentiment coming from several commissioners is that the comparison between the governor and a county executive officer is perhaps the least helpful of the information we've been given.

And once you get into city council, that -- that -- that depends on -- on how busy they are. Mayors are part legislative, part executive. So I don't -- I don't know if there's a -- a really legitimate comparison for the governor at all. Head basketball coach UCLA, I don't know, highest paid public official in California.

So point taken.

COMMISSIONER STITES: May I -- how do others think about that? I think that's a very good point, Anthony. And I'm curious how others think about the most relevant metrics, the most relevant compensation numbers that we should be looking at.

COMMISSIONER WALLACE: Well, I -- I would concur -- oh, I'm sorry. I thought I was on.

I would concur with Anthony's distinction about the career path of a professional and someone who may have an extensive career within a certain compensation band versus the relatively modest salaries of a public servant and the career interruptions, particularly with term limits.

So I -- I do see a distinction between someone who is on a professional career path. And I would put county and city managers in that -- in that category as compared to many elected officials.

I also would challenge -- because this is such a difficult process. I don't see that there are a lot of

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apples-to-apples comparisons.

You know, I would also challenge whether or not city and county officials get in some of the challenges and some of the corruption and misuse and abuse that we've seen with their salaries are necessarily the appropriate measure. You know, there's another factor around travel and impact on the family and having to have two households. I'm very sensitive having grown up on the East coast and from Connecticut where people -- Legislatures weren't paid, and they're paid very little now. But being Legislature in Rhode Island or Connecticut is a very different proposition than being a legislator here in the State of California just given the size and population of the State. So it's very difficult, I think, to try to rely too much on any small body of indicators.

And I'll say one other thing, which may precede some of my comments through the rest of our time together here. But we reinstated the, you know, five-percent increase last year. And I view that as a base salary. Any significant increase, from my point of view, would be an equity increase, and that is a very different exercise than determining what other indicators, such as inflation or cost of living, such of -- such as extraordinary circumstances, like -- extraordinary circumstances in a determinator such as the state of the health -- I mean the health of the State of California.

But short of, again, major exceptions, at best I think that there should be a very modest increase over what we've determined to be the base salary, otherwise it seems as if year over year we're being discretionary and relatively capricious.

As I said before, there is certainly an opportunity to look at salaries across -- across positions and determine that they simply aren't equitable given all of the other market forces and given how legislators are compensated in other countries -- I mean other -- other states. But in my mind that's a very different exercise. And I think it's important to make a distinction between the two.

CHAIR DALZELL: In terms of looking at locals, I -- you know, when all else fails, go back to the law that created us. The law that created us told us to look at local -- told us specifically two things. So we -- we have to look at local and judges.

That doesn't mean -- it's not the end of discussion. We don't just put that in and -- and crank it out. But we

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are told to look at judges, we're told to look at local. We will. And what we do with it is the process of seven minds and -- and seven sets of values, and that's fine.

I'm not sure I would agree with you that we have now restored the Legislature and the Executive Branch to a base level. I think that -- there were the 18-percent cuts that preceded the five-percent cut. And so I think that there's some room for debate on to -- as to whether a five-percent restoration after a 23-percent cut is base salary, but that's probably more for June than today.

Commissioner Somers, will you lead us through?

COMMISSIONER SOMERS: Do you want to --

CHAIR DALZELL: Yeah.

COMMISSIONER SOMERS: Okay. Well, clearly what you see here is the -- is the salary data. And I would be -- frankly, one of the things that I would like to see is city council, but city council for cities with 300,000 or more I think would be a very good additional one to look at.

Deb, could we add that for next time?

MADAM SECRETARY: Yes.

COMMISSIONER MILLER: I agree.

COMMISSIONER SOMERS: Okay, what you see in the next one, of course, is the -- is -- are the comparisons of elected positions across the states. And to be clear -- and I don't have the exact wording on here, but in -- in the proposition that established our Commission it basically did outline, as the chairman indicates, several things specifically that we should be looking at, including what he was just talking about. It made no reference to anything outside of the State.

But at the same time it did not limit anything we could be looking at. And I think over time there's a natural tendency to want to know. You know, what do other people pay. Again, it's -- it's the first line in -- in the paper this morning, highest paid in the nation.

So I think it at least is relevant. Obviously you have to look at each of the different states and sort and try and figure out, you know, what you think is most relevant. And particularly as you get into Legislature, then you get into issues of -- and it shows here on the -- well, we'll go through it.

But, again, you get -- the salary surveys of all the states are included in here. I think I should be the governor of Delaware since they're probably as highly paid as anybody.

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Deb, you have to help me on this -- on the next section here where we've got sales, A five, B six. How were those selected?

MADAM SECRETARY: We have legal assistance that help us put the salary survey together. And this -- these are the sales -- these are the links that she pulled up. And I just included them in your binder. If you wanted to go into those links to see where her -- these are her source datas. That's all it is. And I thought since she provided it to me, I thought I'd provide it to you in case you wanted to go back into the system and look at the links and where she got some of this information. So she was just tying it back.

CHAIR DALZELL: So these -- these appear to be the actual titles selected in the match on the survey.

MADAM SECRETARY: Mm-hmm.

CHAIR DALZELL: Which is common salary survey methodology.

COMMISSIONER SOMERS: Right.

COMMISSIONER BARKETT: I have one question that I just noticed.

Is it only our Legislatures that don't get pensions? Does the governor and everybody else get a pension?

COMMISSIONER SOMERS: Yes, they do.

COMMISSIONER BARKETT: Okay.

COMMISSIONER SOMERS: Yeah, the constitutional -- the 12 constitutional officers all get pension.

COMMISSIONER BARKETT: Okay.

COMMISSIONER SOMERS: And, by the way, we are specifically prohibited from dealing with pensions. It is not within the -- the purview of this Commission.

COMMISSIONER BARKETT: Yeah, but it just -- it -- it has been previously discussed as an issue --

COMMISSIONER SOMERS: Right.

COMMISSIONER BARKETT: -- but that's only with the Legislature then?

COMMISSIONER SOMERS: Right.

COMMISSIONER BARKETT: Okay.

COMMISSIONER SOMERS: Okay, there are quite a few examples here then of -- of information of specific -- of compensation from various different pieces.

And then the State -- and this I think is better than we've done. This is very helpful, I think, Deb, this year. I think we have -- on the State information, again, all of the State, State administrative officials' annual salaries. Again, it's a somewhat of a repeat of some of the

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information on the earlier.

And on the second page there in addition to the salaries it's -- these are the executives who are responsible -- this is not the budget of those functions, it is the executives who are responsible for those functions.

CHAIR DALZELL: Cabinet members. Probably.

COMMISSIONER SOMERS: So, for instance, the Director of the Budget for Alabama, the Civil Rights -- you know, Head of Commerce, whatever their titles are.

COMMISSIONER MILLER: I have a question, Mr. Chair. It looks as if the data on these tables were collected as of April 2013. Is that correct? And is that also correct for the data on the previous slides?

MADAM SECRETARY: Yes. The data that was created from -- for your salary surveys was as of last year. And that's the most up-to-date data that we could search and find.

COMMISSIONER MILLER: So will you check prior to our next meeting to see if any of that data has been updated?

MADAM SECRETARY: Absolutely.

COMMISSIONER MILLER: Thank you.

COMMISSIONER BARKETT: I -- I have one other question too.

I don't know what the number is, but the Assembly and the Senate, they get a per diem, don't they, it's like \$135 a day or something? Don't they?

CHAIR DALZELL: There -- there is a per diem. And you are joining a -- a -- a long discussion, unknowingly, where we have been advised by two different Attorney Generals that the per diem is outside our scope to set or not set. The Commission has acted on that in the past. But, yes, there is -- there is a per diem based on time spent in Sacramento.

COMMISSIONER BARKETT: Right. And a car also. So I -- I'm not --

CHAIR DALZELL: No.

COMMISSIONER BARKETT: -- necessarily want to set it, but --

CHAIR DALZELL: No, there's -- there's no car.

There's -- they pay the IRS --

MR. DEMAS: They're on mileage.

CHAIR DALZELL: IRS mileage, yeah. Perhaps -- I don't know if they're paid the -- the maximum -- the -- the maximum on the IRS. Or did you go slightly lower?

MR. DEMAS: If I can clarify, it's 53 cents per mile.

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CHAIR DALZELL: Yes.

MR. DEMAS: The IRS was --

COMMISSIONER SOMERS: Can you turn the mic on, Gus.

MR. DEMAS: It was on earlier.

COMMISSIONER SOMERS: It doesn't seem to be on.

CHAIR DALZELL: There it is.

COMMISSIONER SOMERS: Is it?

MR. DEMAS: Is it? Okay. Thank you.

The rate is 53 cents a mile. The IRS rate was 56 and a half cents a mile, and it went to 56. So it is a little lower than that.

COMMISSIONER BARKETT: And the per diem, what is the per diem?

MR. DEMAS: The per diem is currently \$163 per day.

COMMISSIONER BARKETT: Per day.

COMMISSIONER SOMERS: The per diem was originally -- was a \$170. This Commission, with lots of -- as the -- as the chair says, under our previous chair we lowered it to \$135 I believe was what it was.

MALE VOICE: It was 145.

COMMISSIONER SOMERS: One forty something.

MALE VOICE: One forty-two.

COMMISSIONER SOMERS: One forty-two was it, Gus?

MR. DEMAS: 141.86.

COMMISSIONER SOMERS: 141.86. But who's counting. Thank you.

And -- and then it was determined through legal counsel that we, in fact, are not responsible for that. And it essentially has gone back to the Legislature to determine -- determine for themselves, I guess.

Or how is it now determined, Gus?

MR. DEMAS: It's actually in statute. And it's the Victim Compensation and Government Claims Board that sets the rate, but they have to set the rate at the higher of the State rate or the federal rate. Currently the federal rate is higher, and that's the rate that is adopted through that process. So it's a federal employee traveling to Sacramento receives 163 a day.

COMMISSIONER BARKETT: Is -- is there any way we can -- I know we -- we can't set the rate, but, you know, that could be as much as 30, \$40,000 a year extra. I mean it's not insignificant. So is there any way of knowing -- and I -- I don't know this -- what -- how you collect that? I mean if you're a -- if you're a legislator from the bay area and you're here five days a week, do you get an extra

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\$800?

MR. DEMAS: Currently the Assembly has, of course, of their 80 -- 80 total members, there's six that do not receive per diem. The others are entitled to per diem. Some have elected to use the lower rate still. When the rate went up, they wanted to stay at the 141.86. But they collect that per diem every week. And it generally is not taxable because they're more than 50 miles from Sacramento when they collect it.

COMMISSIONER BARKETT: So it's non-taxable according to --

MR. DEMAS: Income? According to the IRS regulations if their principal residence is more than 50 miles from Sacramento, it is tax free.

COMMISSIONER BARKETT: Okay. And they get it for all five days, or do they have to show, hey, I was here three days or --

MR. DEMAS: If -- if there's no more than a three-day break per week, they receive the per diem for all seven days.

COMMISSIONER BARKETT: Seven?

MR. DEMAS: Yes.

COMMISSIONER BARKETT: Okay.

MR. DEMAS: And that's what's allowed by the IRS regs, and that's the -- the way the constitution was set up.

COMMISSIONER BARKETT: For -- for the whole time they're in session, or the whole year, or --

MR. DEMAS: No, just while they're in session.

COMMISSIONER BARKETT: While they're in session.

MR. DEMAS: If there's more than a three-day break, or when they -- they break in the interim, there's no per diem.

COMMISSIONER BARKETT: Okay.

COMMISSIONER STITES: Mr. Chairman.

Anthony, if you would -- if you go back in the records a little bit, you'll find that generally the -- the per diem was maximized every year. And there's ways to do that. And the Legislature, or the people that controlled it, knew what -- how to do it.

Once we got into the argument with it of -- of it being a benefit, is -- is it or is it not a benefit, we took steps to reduce it. I didn't know that they'd changed it and are now receiving more than what they were. They were getting about 142 bucks from us when -- initial reduction. The last -- was it '07 it was \$173 a day.

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But -- which is probably what gave us some concern. How is everybody maximizing this. And you schedule a meeting on Thursday and one on Mondays so that you'll cover that whole period. And that's how they do it.

So it -- it's a -- it was kind of a -- to me it was almost a slush fund. You know, we're going to get it all every year, we've just got to pay attention.

COMMISSIONER WALLACE: So, Commissioner, I -- I would throw out to other commissioners how do we begin to get visibility into what is fairly the total income salary plus benefits in order to make a fair assessment as to whether or not an increase is warranted?

At this point in our conversation I'm struggling with whether or not to put aside any consideration other than what's defined as a pure salary or, as the conversation we're having kind of begs, there are other benefits, or not, pensions, for instance, that they're either due or don't get, and is it within our scope and purview to factor that in to what we determine to be an appropriate salary?

CHAIR DALZELL: Well, we -- we cannot act on per diem. And you're suggesting do we take that into account for determining what's appropriate where we can act. And I -- I think that we're -- we're in tricky water because the -- the purpose of the per diem, as I understand it, is to compensate legislators for dual residencies or for commuting more than 50 miles.

So if we're going to take that into consideration, do we then take into consideration the cost of having a second household here or second living and -- living quarters here. I think that it becomes -- now, I don't know if it can be quantified, and I think that maybe it's something we keep in this half of our mind while we keep the fact that there's no pension in this half of our mind and focus on what we can focus on. I -- I don't know how precise we can get about issues other than those that we are charged with setting.

COMMISSIONER MILLER: My only comment to this discussion on per diem would be that if you were instructed, if this Commission was instructed that it was not -- you did not have control over that, then I would think that that would not be then something we'd spend a lot of time discussing. And I know when I pay my employees' expenses for travel, it's not considered income, because that's what the IRS has determined.

And I'm sure that with all our personal feelings you might take it into account when you're -- you know, I mean

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you considered it a -- not a very -- I mean you gave it a word that I wouldn't -- I wouldn't call it, a -- a fund. Particularly I wouldn't call it what you called it. I do think that the IRS has defined that.

But I think that if you're so inclined, I -- I mean I can't -- we're all entitled to our opinions about how we -- how we look at this issue of salaries.

I think the point is a good one, we know that they're paid per diem. I don't consider that -- based on the instruction that was given to this Commission in prior years, I don't consider that something I'm going to look at.

COMMISSIONER BARKETT: Yeah, I -- you know, I would agree in the sense that if we cannot look at it -- I mean if we can't determine it, that's -- that's one thing. I'm curious -- I was curious to know the numbers. Because if we're looking at other states, you know, and we're saying, oh, you guys have a pension and you guys don't, but we don't have a pension, you have to look at it. Because it's not an insignificant figure. I mean --

COMMISSIONER MILLER: I would say the same thing with -- with some of these salaries that you have. I know some of these -- as I'm sure we all do, some of these people. If you looked at their benefits in addition to their salaries -- I mean you could --

COMMISSIONER BARKETT: Some.

COMMISSIONER MILLER: -- you could --

COMMISSIONER BARKETT: I -- I agree.

COMMISSIONER MILLER: -- see this because you could --

COMMISSIONER BARKETT: I --

COMMISSIONER MILLER: -- -- right? I mean you would -- you wouldn't -- the numbers would be much higher.

CHAIR DALZELL: If we're going to take into account per diem -- let's use that. I mean it's -- it's a controversial issue, it's -- it's a headline issue. But are we going to then look at per diem in 50 states? It -- it's out of our jurisdiction. I mean I -- and it's offset by actual expenses, some more legitimate than others, probably, but that's life. I -- I just don't see getting into it.

COMMISSIONER STITES: Well, it's the same way with the vehicles, Mr. Chairman, when we -- when we asked about the vehicles and we found out that they were selecting their own vehicle, having it purchased by the State, and then given the money to lease it, and then given the credit card to drive it. That brought some concern up. And I said that

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seems like a pretty substantial benefit to me. And then when the final decision came down and they rejected our position and said, well, we're just going to put everybody back onto mileage, then they found out they saved a quarter of a million dollars the first year. And those who deserved the compensation for driving in the much large -- larger political districts got it. Somebody drove two, 3,000 miles in the first -- the first month, and they immediately called up and said look what you've started. Yes, but those that have a five-mile square political district drove 12 miles. So it offset it. All of this is compensation, and all of it is -- is a benefit. Now, as you say, the Attorney General submitted a letter saying she doesn't believe that's within our purview. Well, that's nice, but that's an opinion.

CHAIR DALZELL: It's the opinion of the highest law enforcement official in the State of California.

COMMISSIONER STITES: No, it's --

(Speaking over each other)

CHAIR DALZELL: It's not just an opinion, Commissioner Sites.

COMMISSIONER STITES: -- State of California.

Well --

CHAIR DALZELL: (Unintelligible).

COMMISSIONER STITES: -- the highest law official in the State of California is --

CHAIR DALZELL: The governor.

COMMISSIONER STITES: -- the judiciary.

CHAIR DALZELL: You know --

COMMISSIONER MILLER: Can you continue with your analysis. Thanks.

CHAIR DALZELL: Let's get back to that.

COMMISSIONER SOMERS: Okay. Basically what the additional information is here is, again, you'll see information on compensation for various different positions. Statement of sources.

By the way, just one other comment in terms of, you know, how -- how some of this information is collected. And, Deb, you can amplify on this. Debbie and I talked about this over the years about could we add additional information, could we do any separate customized surveys. And generally, and certainly through 2008 to 2013, there is no extra money. Everybody's trying to pull back. And so we do have -- what's the name of the firm, Deb, that helps us?

MADAM SECRETARY: Actually, it's legal aides within

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CalHR that put this information together.

COMMISSIONER SOMERS: But they collect -- they collect information for everyone. There's -- there's sort of a joint -- isn't it?

MADAM SECRETARY: No, actually, we don't have a -- we have a survey unit, but the survey unit doesn't support this Commission. We have legal aide's that actually work and put this information together, the salary survey information for us.

COMMISSIONER SOMERS: Okay, but that's new in the last couple of years then, because we used to use -- what was the firm? We -- we used a firm. Didn't we?

MADAM SECRETARY: No. I'm --

COMMISSIONER SOMERS: Okay, I -- I misunderstood.

MADAM SECRETARY: Scott, we -- we did not use a firm. It's -- it's solely been on the old DPA or CalHR that's tried to put this --

COMMISSIONER SOMERS: I see. Okay.

MADAM SECRETARY: We would actually -- Scott, you're right in a way. We -- we would actually go out -- our staff would go out and survey all the states and then survey the counties and survey the cities and did a manual survey. Now what they're doing, and we have legal to support that, is they are going through the web and pulling all the information that they can find in that -- in the -- on the web.

CHAIR DALZELL: The --

COMMISSIONER SOMERS: Got it.

CHAIR DALZELL: -- the underlying statute of the constitution says that we are to rely on existing resources, staff, and services as needed. And they do a good job with what they have.

COMMISSIONER SOMERS: Well, unfortunately there is more and more information available on the web these days, so that's what -- what you see. But it's -- it's difficult to do any kind of customized survey work. There is no budget for it. And perhaps not even a -- the charge that we have.

You'll see the three types of legislators is a -- as another tab there. And then we get into health benefits. And you'll see the health benefits, the numbers, and the decision we made last year for the ten-percent reduction. And, by the way, just to be clear, and you may have it there, Mr. Chairman, but the -- the charge for us is salary information -- or salary adjustments and health and

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other insurance-related benefits. Those fall under our -- we extended that. And the argument that John was making before I think was the one that carried the day at the time, that, okay, let's look at some of these other benefits like per diem and cars and other sorts of things. And I think ultimately you could agree to disagree, but the legal decision was that we're not involved in those -- in those areas.

Insurance-related kinds of things we are. Definitely it is by -- it's clear in -- in our -- the Commission's charge. And, therefore, health and, again, other insurance related, which you also see here for . . . Health is the, you know, 85 pound -- or 800-pound gorilla in any benefit, and it's probably 80 to 85 percent of the entire cost is health.

MALE VOICE: On the benefit.

COMMISSIONER SOMERS: On the benefit.

CHAIR DALZELL: Yeah. And so as I under -- let me make sure that we all understand this. Several years ago the Commission said let's start with what the State does for managerial level employees, reduce the amount that the State contributes by 20 percent. Is that correct?

COMMISSIONER SOMERS: That's correct.

CHAIR DALZELL: Last year we went halfway towards restoring that cut. But as things stand, legislative -- legislators are still getting a ten-percent reduction on what the State contributes for managerial level employees. Is that correct?

COMMISSIONER SOMERS: That's correct. There was actually -- the original was an 18-percent adjustment.

We -- on health --

CHAIR DALZELL: Right.

COMMISSIONER SOMERS: -- we changed that to 20 percent.

CHAIR DALZELL: Right.

COMMISSIONER SOMERS: But both were changed to ten percent last year. So it's ten percent on all those health-related --

CHAIR DALZELL: Right.

COMMISSIONER SOMERS: -- benefits.

CHAIR DALZELL: And has the Assembly looked at the -- actually, I don't know to what extent the Affordable Health Care Act is applicable to public sector at all. I -- I don't know --

COMMISSIONER STITES: Well, we asked you to comment

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on that. Maybe for everyone's benefit remind us who you are, what you do.

MR. COBB: Good morning. Ralph Cobb, CalHR staff. The Affordable Care Act is applicable to public employers just the same as it is applicable to the private sector. It really hasn't had a big impact on the benefit levels that State managers or the legislators receive. The health benefits for all are provided under CalPERS. And their benefits were pretty compliant with the ACA to begin with, so very minor changes in the benefit design. And the nature of the plans has not changed dramatically. To put them in perspective with the four precious metal benefit levels under the ACA and what you see at Covered California with the -- the platinum, gold, silver and bronze, the CalPERS plans are in the gold and the platinum range. And they were that way before the ACA, and they're substantially at the same level today. They in -- they introduced some additional health carriers, so there are more plans, but the types of plans are the same. You have the PPO, the network model HMO, and Kaiser. So there's more choices. But the benefit levels and the -- the basic framework is the same.

CHAIR DALZELL: Have you done any projections as to the impact of the excise tax in 2018 on the health care offered to the Legislature?

MR. COBB: Right now we haven't. That's something that will have to -- that -- that the Legislature operates its own dental and vision and -- and those benefits. But we haven't -- I think CalPERS has done some rough estimates, and they're feeling like there's not going to be impact. But we're going to have to wait and see -- at least not initially. But I think we'll have to wait and see what happens in the next couple of years and -- and take another -- another look at that.

CHAIR DALZELL: Does CalPERS offer a high-deductible HSA plan, do you know?

MR. COBB: No. No, they do not.

CHAIR DALZELL: They do --

MR. COBB: You know, like I said, everything they offer is in the -- the upper half of the precious metal range.

COMMISSIONER MILLER: I'm not sure if my question is best addressed to you, but has the State contribution to health care for managerial employees changed this year?

MR. COBB: Yes. It's based on a formula that takes

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into account -- it's a weighted average of the premiums for the four largest plans. So it's recalculated every year, so it does change a little.

The contribution itself went up about 3.4 percent over the prior -- prior year.

COMMISSIONER MILLER: What is that percentage contribution?

MR. COBB: The -- for manage --

COMMISSIONER MILLER: For managerial employees.

MR. COBB: Yes. For the managerial employees the contribution formula is -- it's 85 percent of the weighted average premium for self-alone coverage and 80 percent of the weighted average premium toward coverage for dependents.

COMMISSIONER MILLER: Thank you.

COMMISSIONER SOMERS: Just one other comment, if I may, while Ralph is still there.

The -- the reduction -- just to be clear on this, the reduction of the -- the ten-percent figure here that's shown is basically the reduction in the contribution. Employees are still free, of course, to find plans, as he's talking, within the range such that they may not be actually making any more out-of-pocket contributions to their health care than they did before. But they're more limited on their choices, if that's the case.

CHAIR DALZELL: By using a weighted average on the contribution, that creates an incentive I think to -- to go to the lower cost plan.

COMMISSIONER SOMERS: It does.

CHAIR DALZELL: Because that weighted average is going to be a higher percentage -- I mean that's -- that's interesting financial incentive there.

All right. Any other questions on -- on -- on the health care?

I mean we -- we do have the data in last year's binder showing that the -- the family contribution by the State for a legislator went from one thousand fifty-five to twelve twenty-four. Oh, that's -- that's because we did the -- the -- we went from 20 percent reduction. The managerial went from thirteen nineteen to thirteen sixty. And that's about the 3.4 percent that you mentioned. So we -- we do -- we do have this data at least from several past years.

COMMISSIONER SOMERS: Right.

CHAIR DALZELL: All right.

COMMISSIONER SOMERS: Okay. Thank you very much,

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Ralph.

The next section basically is the State legislative retirement benefits, and that's where I sort of jumped off early in my comments on Illinois. And, by the way, Mr. Madigan has now been 43 years in the Illinois house, and he has for 15 -- 14 years now been the Speaker of the House since they have no mandatory retirement or limitations on running. So you can only imagine how much his retirement benefits are going to be.

The biggest thing on this -- and we -- we've touched on this before, is that a few states are relevant to look at, but, again, a lot of them are part time, or even if they're not, then you get into questions which becomes difficult to get an apples-to-apples comparison.

If the Legislature is only in session 50 days a year, and ours is in session 140 days a year or however long it -- number of days, clearly high in California, very high some years, that . . .

And since very few, if any, really totally restrict the role to a full-time role or restrict outside income -- I'm not aware of any, including California, that restricts outside income. But if everyone's working essentially 60 hours a week, it's very difficult to do anything. In a lot of other states it's not so tough.

CHAIR DALZELL: Do you think that there is any -- well -- that there is any way for us, based on your experience as a compensation professional, to -- if we just focused on the full-time, well-paid large staff states of Alaska, California, Wisconsin, Michigan, Illinois, Ohio, Pennsylvania, New York, Connecticut, and Florida to calculate the value of the pension, or do you think that's something that just needs to float up there in a cloud?

COMMISSIONER SOMERS: I think that would be useful to look at. I mean it gets back to Wilma's comment about, you know -- at least with regard to pensions, whether it's true of the other areas. But the pensions I think are so significant, where other organizations get them, that I do think that that -- and each of us has to make our own judgment about what that really means --

CHAIR DALZELL: Right.

COMMISSIONER SOMERS: -- with regard to compensation here I -- I believe. But I don't believe it should be ignored and, therefore, I think that's a good comparison. I think we ought to do that.

CHAIR DALZELL: Do --

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COMMISSIONER SOMERS: In fact, Deb, maybe you could do -- or maybe you and I can talk about that in terms of the best way of producing that information for our next meeting.

CHAIR DALZELL: Oh, joy, says she.

COMMISSIONER SOMERS: It's not that tough. It's not that tough.

CHAIR DALZELL: All right, and do --

COMMISSIONER SOMERS: We can do it pretty easily.

CHAIR DALZELL: And in the data that we have this year I don't think that we have the number of days in session, which I don't think can be worked into a formula. But it's informative. If we're limiting ourselves to full time, I mean maybe we just assume that full time equals full time.

COMMISSIONER SOMERS: One of the -- one of the dangers that I -- I think again, Gus, you may have a perspective on how the Assembly members think of that. But just because they're not in session doesn't mean they're not working in their districts --

CHAIR DALZELL: Right.

COMMISSIONER SOMERS: -- Assembly-related type of work. So I think that's a little bit -- I mean it -- it -- some people may find it useful. I -- I think we just have to kind of at least sort of assume that full time is full time --

CHAIR DALZELL: Yeah.

COMMISSIONER SOMERS: -- at least for purposes of our comparison.

CHAIR DALZELL: And then there's a -- a final.

COMMISSIONER SOMERS: And the final is really just last year's.

Deb, I assume that's what this is. These are just the numbers that we presented for last year on the October 1, 2012?

MADAM SECRETARY: I'm sorry, what are you looking at?

COMMISSIONER SOMERS: We're -- we're in the last --

MADAM SECRETARY: Yes.

COMMISSIONER SOMERS: -- half.

MADAM SECRETARY: That is just the notification letter to the State Controller's office to increase the salaries by five percent and the benefits.

CHAIR DALZELL: And the -- the -- the third page in that tab is since we met last year the exempt salary chart for Cabinet members, agencies, secretaries, et cetera.

COMMISSIONER SOMERS: I'm sorry?

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CHAIR DALZELL: The -- the third page goes beyond what we had last year.

COMMISSIONER SOMERS: Right.

CHAIR DALZELL: And then today Deb gave us the California Superior Court wage history since 2006 and the 2013 salary for the Superior Court judges, Court of Appeal judges, associate judges, justices of the Supreme Court, the Chief Justice of the Supreme Court. So we have that data. The list that I have for requested data before we meet again is update, if possible, the other State and county to 2014 data, data on city councils, and to-be-determined pension analysis of full-time large staff Legislatures in other states, the pension there.

Was there anything that -- that -- else -- else that you had, madam secretary, or commissioner members?

COMMISSIONER MILLER: I'm sorry, did you include the update, if there was any more recent data?

CHAIR DALZELL: I -- yes.

COMMISSIONER MILLER: Did you check on that?

CHAIR DALZELL: Yeah. To try to get 2013 to 2014 --

COMMISSIONER MILLER: Fourteen.

CHAIR DALZELL: -- yes. That would be very helpful.

COMMISSIONER BARKETT: I have -- I have one --

COMMISSIONER MILLER: Then I had --

COMMISSIONER BARKETT: Go ahead.

COMMISSIONER MILLER: I just had a clarifying question on the -- this letter that you've got in the packet is not from last year of what we did.

COMMISSIONER SOMERS: No, no.

COMMISSIONER MILLER: Okay, I just want to clarify that --

COMMISSIONER SOMERS: -- yeah, I'm sorry, I -- I apologize.

COMMISSIONER MILLER: -- that --

COMMISSIONER SOMERS: It was the year before, actually.

COMMISSIONER MILLER: -- is the year before.

COMMISSIONER SOMERS: Right.

COMMISSIONER MILLER: Last year we actually increased --

COMMISSIONER SOMERS: Right.

COMMISSIONER MILLER: -- salaries by five percent, approximately. Thank you. This -- right. You're right.

COMMISSIONER SOMERS: 2012.

COMMISSIONER MILLER: Thank you. Right.

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COMMISSIONER BARKETT: I just had one question on -- on the pensions. I don't want to make it any more complicated than it -- than it has to be. But because of term limits and my quick review of kind of the states that we're looking at, the pensions are really going to be not that much because there's no way to -- you know, we would have to assume, number one, that everybody serves for the full 12 years. Some people don't even get vested if they don't serve up to six. So there's going to be a lot of guesswork in that.

And, in any event, it's not going to be that significant because, you know, pensions are significant when you work 20, 30 years, but when you work eight, you know, it's -- it's -- once again, it's not that insignificant, but it's probably a fraction of the per diem if you look at it. But I'd just make that point to -- before you -- everybody goes off and looks at -- at the pensions. We do have to take into fact we have term limits, and people can't vest for as long as you normally otherwise might in a normal job.

CHAIR DALZELL: Just thinking out loud, however, the people of California, by taking pensions away, must have thought that it was a significant something, I don't know. That was -- I don't know when that happened and -- relative to the term limits.

COMMISSIONER BARKETT: Yeah.

CHAIR DALZELL: Term limits certainly reduce the value -- or the cost of a pension and the value.

COMMISSIONER WALLACE: So one -- Chair.

CHAIR DALZELL: Yeah.

COMMISSIONER WALLACE: One other --

COMMISSIONER MILLER: Your mic.

COMMISSIONER WALLACE: Oh, sorry.

One other data point that may be relevant, and I think it's important for my analysis, is the increase in perhaps managerial State employees. I'd like to understand what percentage increase they're receiving either between 2013 and -- like I said, it would be between the 2013 and 2014 year.

CHAIR DALZELL: I would -- I would suggest that we take that a step further. I think that's really -- I would like to look at that for the last ten years. It's really instructed to see what the judges did, because the judges had many years with no increase but no years of decrease. And I know that there were furloughs. So I -- I'd like to

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see it for ten years on -- on the managerial. But I think that would be really --

COMMISSIONER BARKETT: I agree.

CHAIR DALZELL: -- interesting data.

COMMISSIONER BARKETT: I agree with that.

COMMISSIONER WALLACE: And then one other I guess point of institutional history that would be helpful for me, and I caution myself even saying the word pension again, because it's -- it's something that we discussed so much and still don't have -- you know, it's not within our scope of responsibility to -- to advise on pensions one way or the other.

But, Gus or Ralph, you know -- or any of the commissioners, could you speak to some of the history behind the decision to disallow pensions for legislators in California?

MR. DEMAS: I can speak a little bit about it historically.

CHAIR DALZELL: Don -- donning your robe of professor of political science.

MR. DEMAS: Yes. Yes. And the horse's mouth again.

But I -- what happened in 1990, this Commission was set up in the June election I believe it was. In the November election Proposition 140 passed. Proposition 140 put in term limits and took out retirement for legislators. So that -- that was the history behind it. It was just done at the same time. And I suspect that the author of that initiative felt that because they had term limits he would also propose eliminating retirement for legislators, not constitutional officers.

COMMISSIONER BARKETT: I would -- I would just say, I mean --

CHAIR DALZELL: You're off.

COMMISSIONER BARKETT: Yeah, from a political standpoint I think the people sent a message that being in the Assembly's not a career. Don't look at it as a career. And -- and that was also the same proposition that set up this Commission. So that -- that's how I take it.

COMMISSIONER SOMERS: Yeah, the one -- one of the things that -- it doesn't just affect the -- the compensation here. And -- and it's true, let's say if someone's only in for six years, you know, you're not going to accumulate a lot. I mean you do in some states still get some pension on -- on six years.

But what it does affect more of, it -- it affects --

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in the other states it affects the amount that you're getting today, because you're assuming you're going to get a lot more tomorrow. So you don't have to increase your current compensation because you know that in ten years or 20 years you're going to get a lot more.

So it's a way of holding up -- I've even sort of thought is there a way, and should we even be considering, some sort of deferred compensation program. It probably over -- overly complicates this, and -- and maybe it flies in the face of -- of that.

I -- I think this Commission wouldn't be prevented from -- from thinking about deferred compensation in some ways that would be separate from a pension, which is very common in -- particularly in the private sector, the people would have both -- both -- very few defined benefit retirement programs, lots of deferred compensation programs, and lots of 401(k) programs. I mean it's a possibility. Again, I think it overly complicates it right now.

But the primary point is the -- the fact that Illinois pays \$67,000 for their legislators today is as low as it is because they know they're going to get another \$73,000 a year after 25 years, otherwise they'd have to raise -- or they probably would, at least the -- the salaries that they're actually getting.

When ours went away, we didn't raise it. I mean we'd have to go back and see exactly -- yes, in the '90s they were raised a -- a fair amount. But, again, clearly not coming close to the kind of compensation benefit you would get if you were in a defined benefit pension program and you were there for a number of years.

COMMISSIONER BARKETT: If I could add one point that is being left out. When these other legislators in other states retire, they also vest typically in health benefits.

COMMISSIONER SOMERS: In health benefits, exactly.

COMMISSIONER BARKETT: So you also need to consider that component as well.

COMMISSIONER SOMERS: Almost always.

CHAIR DALZELL: Well, I -- I -- I think we've done an outstanding job of over thinking this. It's complicated. I mean it's not -- it's not as simple as it seems.

Before perhaps going off the record for a minute and looking at our calendars is there anything else that any commissioner would like to say today as a matter of policy, any further information requests? I think that between now and our next meeting if there's something that comes up that

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you would like to have the staff look into, I think communicate with the staff, and they'll do it if they can. I don't want to preclude us. I don't want to, you know, draw a line saying no more information requests, but a -- we've got a fair amount that we've asked them to do. Any -- any other comments today, or . . .

COMMISSIONER WALLACE: I'll just add a data point since I have my iPad here. I'm not multi-tasking. I'm very involved in the conversation.

But, Scott, as you suggested, that there may be some kind of reallocation if there's a pension, right, the prospects of a pension going forward. This doesn't -- you know, this is -- isn't determinative, but I think it's interesting that in 1988 Legislature's salary was \$40,000, \$40,816. And then as of 1990, so once the Commission was established, there was a tiered -- tiered compensation based on leadership or not. But your kind of standard legislator got about a \$12,000 increase. And, you know, question whether or not that factors in the removal or the prohibition against pensions.

CHAIR DALZELL: What -- are you looking at our website?

COMMISSIONER WALLACE: I am looking at our website.

CHAIR DALZELL: Oh, good. When all else fails, look at data, yeah.

COMMISSIONER BARKETT: That's impressive.

CHAIR DALZELL: But let's produce that information on a single sheet. Because it may be that that compensation or -- in the word of compensating, rather, compensate, has already taken place. I don't know.

COMMISSIONER BARKETT: Maybe.

CHAIR DALZELL: If there's nothing further on the record, I'd like to go off the record, look at our calendars, go back on the record and establish a June meeting.

COMMISSIONER BARKETT: Yeah.

CHAIR DALZELL: All right, let's go off the record then.

(Discussions off the record)

CHAIR DALZELL: Back on the record.

The Commission secretary will check for availability of City Hall on Wednesday, June 5th. That is our preferred date. The Commission members are also available June 2, 4, and 9. And we will make every effort to create a -- a -- an ability for Commissioner Murray to appear by telephone or

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Skype or something if he's still unable to travel. All right.

COMMISSIONER BARKETT: Just -- just one point --

CHAIR DALZELL: Yes.

COMMISSIONER BARKETT: -- is the 5th is the Thursday.

CHAIR DALZELL: That's what I said. Don't believe the transcript. All right. The 5th. Thursday.

COMMISSIONER MILLER: So how do we actually -- if there are a -- a lot of available dates that we can get city hall, is the Chair to pick the date?

CHAIR DALZELL: The 5th is the preferred.

COMMISSIONER MILLER: Yeah, so I -- I just want to be clear that the Chair will pick the day. If the 5th's not available but there's a couple other dates, you get to pick the date, right, between --

CHAIR DALZELL: Yes.

COMMISSIONER MILLER: Okay.

CHAIR DALZELL: Survey monkey.

COMMISSIONER MILLER: Thank you.

CHAIR DALZELL: Okay. That's it. I -- we -- we stand adjourned.

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CERTIFICATE OF CERTIFIED SHORTHAND REPORTER

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I, DONNA K. NICHOLS, a Certified Shorthand Reporter in and for the State of California, duly commissioned and a disinterested person, certify;

That the foregoing pages were transcribed from DVD recording;

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That the foregoing transcript is a record of the audible statements of all parties made on the DVD recording.

Dated: MARCH 28, 2014

DONNA K. NICHOLS, RPR
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