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May 7, 1998

Hon. Daniel E. Lungren
Attorney General
1300 I Street, 17th Floor
Sacramento, California 95814

Attention: Ms. Connie Lemus
Initiative Coordinator

Dear Attorney General Lungren:

Pursuant to Elections Code Section 9005, we have reviewed the proposed initiative cited as "The Politician's Compensation Reform Act" (File No. SA 98 RF 0015, Amendment No. 1-NS). The measure would amend the California Constitution to (1) modify the provisions related to the establishment of salaries for state elected officials and (2) limit travel and living expenses by Members of the Legislature.

Changes in Salaries of State Officials. Currently, the California Citizens Compensation Commission—a seven-member body appointed by the Governor—establishes the annual salary and benefits of the Governor, Lieutenant Governor, Attorney General, Controller, Insurance Commissioner, Secretary of State, Superintendent of Public Instruction, Treasurer, and Members of the State Board of Equalization and the Legislature. Whenever the commission votes to adjust the salaries and benefits, the adjustment automatically goes into effect the first Monday of the next December.

The initiative would remove responsibility for setting salary and benefit levels for state officers from the Commission. Instead, the Commission could *recommend* to the Legislature an adjustment in annual salary and benefits. The measure provides that in

no case could the commission recommend a salary increase in any one year that exceeds the increase in the Consumer Price Index, or 3 percent, whichever is lower. In order for a proposed adjustment to become effective, it would have to be adopted in a statute approved by two-thirds of each house of the Legislature.

The measure also would reduce the salaries of state officers to the levels that existed on December 31, 1997. The commission recently voted to increase the salaries, effective in December 1998.

Limits on Legislative Travel and Living Expenses. Currently, the Legislature meets in session for approximately 220 days per calendar year. Additionally, Members may attend interim hearings when the Legislature is out of session. Members are paid travel and per diem living expenses based on the number of trips they make to attend session and interim hearings. The initiative would limit the number of days the Members could receive travel and living expenses per year to 100 days, unless a special session is convened. Members could receive travel and living expenses for up to an additional 20 days to attend interim hearings.

Fiscal Effect

Changes in Salaries for State Officials. The provision of the measure that reduces salaries of state officials to the level that was in effect on December 31, 1997, would result in annual savings to the state of about \$2.5 million. However, to the extent that salaries are increased by statute in the future (as prescribed in the measure) the annual savings would be less. Thus, the actual state savings are unknown.

The provision of the measure that establishes a cap on the level of annual salary increases for state officials that the California Citizens Compensation Commission could recommend and the new requirement that all increases be approved in statute, would likely result in smaller salary increases in the future, and thus savings to the state. The amount of any savings cannot be estimated, however, and would depend on the actions that the commission would have otherwise taken.

Limits on Legislative Travel and Living Expenses. Based on expenditures of the Legislature in 1997, the provision that reduces the number of days for which Members of the Legislature can collect travel and per diem expenses would likely result in savings in the range of about \$1.5 million annually. However, to the extent that a special session is convened outside the regular session, the savings would be less. Thus, the actual state savings are unknown.

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Summary. In summary, the measure would result in unknown state savings, potentially several million dollars annually.

Sincerely,

Elizabeth G. Hill
Legislative Analyst

Craig L. Brown
Director of Finance