Date of Hearing: June 19, 2012

ASSEMBLY COMMITTEE ON HIGHER EDUCATION
Marty Block, Chair
SB 952 (Alquist) – As Amended: June 11, 2012

SENATE VOTE: 36-1

SUBJECT: Public postsecondary education: employee compensation.

SUMMARY: Restricts the ability of the Trustees of the California State University (CSU) during the specified time periods, to provide a compensation increase for a CSU employee, relative to the immediately prior contract for that same position, when the salary exceeds $200,000 from General Fund sources and student fee revenues. Specifically, this bill:

1) Prohibits, from August 1, 2012, to June 30, 2014, the CSU Trustees from entering into, or renewing, a contract that provides for a compensation increase for a CSU employee whose annual salary exceeds $200,000 from General Fund sources and student fee revenues in the fiscal year during which the contract is executed, relative to the immediately prior contract for that same position.

2) Prohibits, on or after July 1, 2014, and until July 1, 2018, the CSU Trustees from entering into, or renewing, a contract that provides for a compensation increase of more than 10% for a CSU employee whose annual salary exceeds $200,000 from General Fund sources and student fee revenues in the fiscal year during which the contract is executed, relative to the immediately prior contract for that position.

3) Sunsets these provisions on July 1, 2018.

4) Declares this to be an urgency measure in order to respond to and alleviate the effects of the state's current fiscal crisis and resulting additional budget cuts and tuition increases for CSU.

EXISTING LAW:

1) Establishes the CSU Trustees, requires that they administer CSU, and outlines the authorities, responsibilities, and requirements of the Trustees relative to personnel matters. (Education Code § 66600, 89500 et. seq.)

2) Requires the proposals for the compensation packages of specified executive officers, including the Chancellor, president of an individual campus, vice chancellor, treasurer, general counsel and the Trustee's secretary, occur in open sessions of a committee of the Trustees and the full Board of Trustees, as specified. (EC § 66002.7)

3) Requires meetings of state bodies, including CSU, to be open and public, requires state bodies to publish a specific agenda and notice of each meeting at least 10 days in advance of the meeting, and requires executive compensation, as defined, to be publicly disclosed. (Government Code § 11120-11132)

FISCAL EFFECT: The Senate Appropriations Committee determined that there was either no cost to the state or minimal costs, pursuant to Rule 28.8.

COMMENTS: Background. In July 2011, the CSU Trustees approved an annual salary for the incoming president of San Diego State University that was $100,000 greater than his predecessor's salary. Prior to this action, the Governor submitted a letter to the Trustees expressing concern about CSU's compensation approach and asking the Trustees to rethink their criteria for setting administrator salaries, as well questioning whether CSU could select future presidents from within the CSU system instead of recruiting and paying higher compensation for candidates from other states. The Trustees appointed a special committee to review its executive compensation policy.

Need for this bill. According to the author, "The CSU Board of Trustees has adopted policies regarding salary increases, but they only apply to campus presidents and are not binding."

CSU compensation policy. This year, the CSU Trustees adopted an executive compensation policy that: (a) caps a successor president's base salary, paid with public funds, at the salary of the previous incumbent; (b) establishes a cap of no more than 10% above the predecessor's salary from foundation funds for incoming presidents; (c) establishes a new set of comparison institutions, divided into tiers to recognize the differences in the sizes and mission of the 23 campuses; and (d) increases opportunities for CSU campus and system leaders to develop the experience and skills necessary to be a successful president. This policy will remain in effect until January 2014, when it will be re-examined by the Trustees.

In comparing CSU's policy to this bill:

1) CSU's policy applies only to campus presidents, while this bill applies to any employee with a salary exceeding $200,000 from General Fund sources.

2) CSU's policy is in effect until January 2014. This bill would impose a salary freeze until June 30, 2014, and would limit salary increases until June 30, 2018.

Rational for $200,000 threshold. The author determined the $200,000 threshold in order to capture all campus presidents as well as other senior administrators.

Who would be captured by this policy? According to information provided by CSU, 90 employees would be affected by this policy: the Chancellor, the 23 campus presidents, 5 executives, and 61 employees who are most likely campus vice presidents. This policy may apply to the future presidents of the Monterey Bay, Stanislaus, and Dominguez Hills campuses where presidential searches are underway, if the incoming presidents are selected before August, and would likely apply to the next CSU Chancellor, since Chancellor Reed recently announced his retirement.

Issues to consider.

1) This bill would remove the Trustees' authority for determining executive compensation by placing these compensation parameters in statute rather than leaving these decisions to the discretion of the Board, which has fiduciary responsibility for the institution and whose members are chosen by the Governor and confirmed by the Senate. CSU estimates an 18%

base salary lag in administrative salaries compared to systems in other states. How will this bill affect California's ability to attract or retain the professionals necessary to fill these positions? Does it put California's public institutions at a competitive disadvantage for recruiting leaders and risk undermining their quality?

2) This bill only applies to CSU; however, previous versions also encouraged the University of California (UC) to comply with these policies. If the Legislature determines that enacting statutory executive compensation guidelines is appropriate policy for the CSU Board of Trustees, should this bill encourage the UC Board of Regents to adopt this policy?

3) Is it realistic for this bill to be signed into law before the August 1 implementation date for these provisions?

Related legislation. The following bills were introduced this year on this topic:

AB 1561 (Hernández), which was held in the Assembly Appropriations Committee, limits compensation increases for certain executive-level positions at UC and CSU in years when General Funds support is reduced or student fees are increased.

AB 1684 (Eng), which was held in the Assembly Appropriations Committee, as introduced would have limited the pay of California Community College Chancellors to no more than twice the highest faculty member salary. This Committee replaced these provisions with language initiating a study of CCC executive compensation.

SB 967 (Yee), which failed passage in the Senate Education Committee, limits UC and CSU executive compensation at 5% of the predecessor's total compensation.

SB 1368 (Anderson), which failed passage in the Senate Governmental Organization Committee, limits the annual rate of salary of a state officer or employee to the annual salary authorized to be received by the Governor.

REGISTERED SUPPORT / OPPOSITION:

Support

None on file.

Opposition

California State University

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