

Date of Hearing: August 25, 2016

ASSEMBLY COMMITTEE ON LOCAL GOVERNMENT

Susan Talamantes Eggman, Chair

AB 779 (Cristina Garcia) – As Amended August 3, 2016

SUBJECT: Local government: financial disclosures.

SUMMARY: Requires cities, counties and special districts to compile compensation information about their elected officials and post it on their websites.

The Senate amendments strike the Assembly version of this bill and instead:

- 1) Require a city, county, city and county, or special district, on or before April 30 of each year, to post compensation information in a conspicuous location on its Internet Web site (website) that contains the names, positions, and total compensation, including a breakdown of the types of compensation provided, of each elected official within that entity for the previous calendar year.
- 2) Require a city or special district that does not have a website to compile this information and make it readily available upon request.
- 3) Define "total compensation" to mean payments for salaries, overtime, unused vacation time, stipends, pension contributions, retirement contributions, health premium contributions, automobile allowances, phone allowances, and technology allowances. Any other type of compensation that the city, county, city and county, or special district provides shall also be included and specified. "Total compensation" does not include reimbursements or payments for work-related travel expenses.
- 4) Specify that this bill does not apply to school districts.
- 5) Provide that, if the Commission on State Mandates determines that this bill contains costs mandated by the state, reimbursement to local agencies for those costs shall be made pursuant to current law governing state mandated local costs.

EXISTING LAW:

- 1) Requires the State Controller (Controller) to compile and publish reports of the financial transactions of each county, city, and special district within this state, together with any other matter he or she deems of public interest.
- 2) Requires the officer of each local agency who has charge of the financial records to furnish to the Controller a report of all the financial transactions of the local agency during the next preceding fiscal year.
- 3) Requires local agency financial transaction reports to include information about the annual compensation of the local agency's elected officials, officers, and employees, and requires the Controller to compile, publish, and make this information publicly available on the Controller's website.

- 4) Requires local agencies to post information about the annual compensation of the local agency's elected officials, officers, and employees on their websites. A local agency may meet this requirement by posting, in a conspicuous location on its website, a link to the Controller's website.

FISCAL EFFECT: According to the Senate Appropriations Committee, pursuant to Senate Rule 28.8, negligible state costs.

COMMENTS:

- 1) **Bill Summary.** This bill requires cities, counties and special districts, on or before April 30 of each year, to post compensation information about their elected officials in a conspicuous location on their websites. The compensation information must contain the names, positions, and total compensation, including a breakdown of the types of compensation provided, of each elected official within that entity for the previous calendar year. If a city or special district does not have a website, it shall compile this information and make it readily available upon request.

This bill defines "total compensation" to include payments for salaries, overtime, unused vacation time, stipends, pension contributions, retirement contributions, health premium contributions, automobile allowances, phone allowances, and technology allowances. Any other type of compensation that a city, county, or special district provides shall also be included and specified. "Total compensation" does not include reimbursements or payments for work-related travel expenses. The bill does not apply to school districts.

This bill is sponsored by the author.

- 2) **Author's Statement.** According to the author, "People have a right to know how much their elected officials are paid. By featuring the compensation information on local websites, residents will have better access to this information. AB 779 requires the breakdown of all types of compensation to be posted. This full reporting will add needed transparency. For example, a recent newspaper investigation reported the city of Maywood was paying officials and some employees \$250 monthly mileage stipends. It's unclear how such a payment could be justified, as the city is just larger than one square mile.

"Unfortunately, abuses like those that occurred in the city of Bell and other local governments are still occurring. Currently, the SCO (State Controller's Office) posts local entity's salary information by position, but does not include names. While the SCO posts break down some compensation, they also include an 'other' category. Something like a mileage stipend, mentioned above, would fall in this 'other' category."

- 3) **Background.** The Controller must compile and publish reports of the financial transactions of local governments. These reports must include the annual compensation of a local agency's elected officials, officers, and employees in accordance with reporting instructions developed by the Controller. The Controller must make these reports, including compensation data, available on its website in a form that can be printed and downloaded. Local agencies that maintain a website must post this compensation information in a conspicuous location on their websites. Local agencies are allowed to meet this requirement by posting a link to the Controller's website instead.

The Controller's instructions define compensation to include salaries, overtime pay, lump sum pay, pension contributions, health/vision/dental benefits, deferred compensation contributions, and any other compensation (such as automobile allowances). Local agencies must compile this information for each employee, who is identified by their classification, including whether the employee held multiple positions. Local agencies must submit this information for the previous calendar year no later than April 30th.

In recent years, several small cities in Los Angeles County have come under scrutiny for their compensation practices. In particular, beginning in July 2010, a series of news reports revealed that City of Bell officials received some of the highest salaries in the nation, topping \$700,000 annually. These revelations led to further inquiries into financial irregularities that culminated with convictions for the former mayor, four former city councilmembers, the city administrator, and the assistant city administrator. More recently, City of Maywood officials drew criticism in May 2016 for receiving automobile stipends of \$250/month, even though the city is the second smallest in the county and covers approximately one square mile.

- 4) **Previous Legislation.** AB 2040 (Garcia), Chapter 894, Statutes of 2014, required local agency financial transaction reports to include information about the annual compensation of the local agency's elected officials, officers, and employees, required local agencies to post this information on their websites, and required the Controller to compile, publish, and make this information publicly available on the Controller's website.
- 5) **State Mandate.** This bill is keyed a state mandate, which means the state could be required to reimburse local agencies for implementing the bill's provisions if the Commission on State Mandates determines that the bill contains costs mandated by the state.
- 6) **Support Arguments.** The California League of Conservation Voters and Sierra Club California, in support, state, "We are pleased to support AB 779, which increases local government transparency and helps residents easily find information about their local officials' compensation. Scandals in Bell and Vernon concerning pay for elected officials highlight the need for more transparency about who is paid what, in order to prevent the misuse of taxpayer dollars..."

"This information will allow residents to better understand the amounts and types of compensation that these officials receive. Some local government entities already post this information prominently on their websites. Also, some California news organizations and interest groups currently request, compile, and post local government compensation on their websites. However, the amount of information varies by entity and region, and what is available can be difficult to find."

- 7) **Opposition Arguments.** The League of California Cities, in opposition, writes, "Current law already requires local agencies to report the compensation of their government boards as well as all employees to the California State Controller. These reports include the following items requested in AB 779 in the compilation of total compensation: stipends, automobile allowance, technology allowance, phone allowance, pension contributions, retirement contributions, health premiums, and any other type of compensation. AB 779 differs only in specifically requesting that unused vacation time be reported and that the different compensation categories be broken out."

"This measure requires a new duplicative report to be posted on agencies' websites although current law (Gov. Code Sec. 53901) already requires compensation reports to be posted in a conspicuous location on agencies' websites. We believe that existing forms and instructions are sufficient to accommodate the intent of this measure without requiring duplicative reporting and posting."

REGISTERED SUPPORT / OPPOSITION:

Support

California League of Conservation Voters
Sierra Club California

Opposition

Association of California Healthcare Districts
California Special Districts Association
California State Association of Counties
Cities of Cloverdale, Hesperia, Indian Wells, Lake Elsinore, Murrieta, Rocklin, and San Carlos
League of California Cities
Rural County Representatives of California
Urban Counties of California

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