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CALIFORNIA;
49 top managers get pay raises of 7% to 27%;
State tries to stay competitive with cities and counties

BYLINE: Tom Chorneau, Chronicle Sacramento Bureau

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In an effort to keep state employment competitive with local government, Gov. Arnold Schwarzenegger announced this week he would raise the salaries of 49 top executives by as much as 27 percent.

While the administration says the costs will be contained within existing budgets, some economists and compensation experts point out that the big wage hikes will likely have broad, statewide impacts on taxpayers.

Not only will lower-level state workers and union bosses now look for similar boosts in upcoming negotiations, but there's also a strong likelihood that local agencies will soon be forced to review and adjust their pay scale for top jobs to keep ahead of the state.

"One salary increase bootstraps another," said Jon Coupal, president of the Howard Jarvis Taxpayers Association. "It's a vicious circle that has been going on a long time, and the only real loser is the taxpayer."

The raises, which take effect Monday, range from 7 percent to 27 percent for gubernatorial appointees who help oversee the state's huge bureaucracy.

Nine agency secretaries, who are members of the governor's Cabinet, will get an increase of 22.7 percent, boosting their pay from \$142,582 to \$175,000.

Thirty-nine department heads, whose pay varies, will get raises that range between 7 percent and 27 percent. CHP Commissioner Mike Brown will get a 19 percent raise to \$169,500.

The governor is able to grant the raises on his own thanks to authority given him by the Legislature during the closing days of session last summer. An amendment stuck into a bill on a related issue -- and passed without debate or the knowledge of many lawmakers who voted for it -- allows the Department of Personnel Administration to boost the pay of top executives to more than \$250,000.

Last fall -- prior to the November election -- the governor's office said it only wanted the authority to give a raise to a new director of the state's embattled prison system, and that it had no plans to increase pay for other executives. Now administration officials said there had always been recognition that top state managers were underpaid but data backing that up were only recently completed.

Aaron McLearn, the governor's spokesman, said the state needs to offer competitive salaries to attract the best candidates for

state jobs.

A study conducted by the Department of Personnel Administration surveyed 24 large public agencies in California and found average salaries for executives doing similar work ran between \$132,000 and \$175,500. Current state salaries for top managers run from \$118,000 to \$142,500, with the exception of the state's new prison chief, James Tilton, whose pay was increased to \$225,000 last fall.

The survey found that most state executives are underpaid when compared to local officials doing the same work.

The state's fire chief, for instance, has nearly 5,000 people working for him with operations up and down California but earns \$133,732 -- far less than the \$211,000 salary paid to the chief of the city of Anaheim, which has a workforce about 7 percent as big as the state department.

The head of the state Mental Health Department oversees nearly 11,000 employees and a budget of \$4.7 billion. But many big county mental health managers make far more than the state's salary of \$133,731, including San Francisco, at \$188,812; Los Angeles, at \$176,135; and San Bernardino at \$150,110.

Coupal said he is not necessarily opposed to giving higher pay to state managers -- but he is concerned about the use of surveys to justify the increases.

"This is a system that can be gamed," he said. "We think a better indicator is to look at comparable salaries in the private sector, which is more subject to competitive pressure than the public sector."

The recent state survey included only public agencies from big cities and counties including Los Angeles, San Francisco, San Diego and Sacramento.

Compensation officials in two of those jurisdictions -- Los Angeles and Sacramento counties -- said they routinely include state salaries as part of their survey process. Even jurisdictions that don't directly include state pay as part of their review will be aware of it and react to it, experts said.

"This is how it works," said Steve Frates, senior fellow at the **Rose Institute** of State and Local Government at Claremont McKenna College. "You will even see at the local level, often written into the compensation package, the requirement that an executive or represented group have a higher pay than someone or group elsewhere. We call it the ratcheting effect."

The issue is not limited to the public sector, said Catherine Burke, an associate professor of public administration at the University of Southern California.

Burke noted that many corporate boards use the same survey system, which she said has contributed to the runaway escalation of CEO salaries in recent years.

But the problem is not easy to resolve, she said. Taxpayers must be careful to balance pay with responsibility.

"These are critical jobs," she said. "California is the biggest state, so when you are looking at pay for some of these positions, they probably should be at the top of the heap."

A graphic illustration of how salary hikes can impact public services is playing out today among psychiatrists and psychiatric technicians working for the state in the San Luis Obispo area.

A big wage hike ordered for mental health workers at the state prisons in December by the federal court resulted in a mass exodus from the Atascadero State Hospital to two nearby state prisons where psychiatrists could earn \$7,000 more per month. The governor has proposed a similar wage hike for state hospitals, but the vacancy rate at the Atascadero state hospital for psychiatrists still has recently been higher than 80 percent.

For more information on the raises given by the governor, go to www.dpa.ca.gov.

State officials getting raises

A survey of salaries paid to local government officials found top state executives are often paid less than officials in comparable positions in local government, which promoted Gov. Arnold Schwarzenegger to order pay raises of up to 27 percent.

Here is a comparison of some of the salaries: -- The CHP commissioner's salary will go from \$142,587 to \$169,500; the Los Angeles County sheriff makes \$259,587. -- The California director of forestry and fire's salary will go from \$133,732 to \$169,500; the salary for the Los Angeles County fire chief is \$255,884. -- The California health services director's salary will go from \$133,732 to \$165,000; the San Francisco health director makes \$190,320. -- The California mental health director's salary will go from \$133,732 to \$165,000; the San Francisco mental health director makes \$188,812.

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