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March 22, 2012

The Honorable Marty Block
Chair, Assembly Higher Education Committee
State Capitol, Room 3091
Sacramento, CA 95814

Re: AB 1561 (Hernandez), as Amended, March 20, 2012
Scheduled for Hearing: March 27, 2012, Assembly Higher Education Committee
Position: OPPOSE

Dear Assembly Member Block:

Regretfully, I am writing to inform you that the University of California (UC) opposes AB 1561. This bill would prohibit the CSU Trustees from entering into or renewing, and would request the UC Regents not to enter into or renew, a contract that provides for a compensation increase for any administrator, as defined, using state funds or funds from tuition if a) the state appropriation to the respective segment is less than the immediately preceding fiscal year, or b) if tuition has been increased in the same fiscal year. This bill would also prohibit the Trustees and would request the Regents not to increase the compensation of an administrator by more than 10 percent relative to the immediately preceding compensation for that position. The bill further provides that, subsequent to the increase of the compensation of an administrator by no more than 10 percent, the compensation of an administrator is requested to be increased only by the percentage of inflation specified in the California Consumer Price Index. Lastly, the bill requests that a UC administrator not participate in the procurement of donations by a UC campus foundation if those donations are used to provide a compensation increase to that administrator, nor participate in the bidding or negotiations for services or contracts with an entity that provided funding to a UC campus foundation if that funding is used to provide a compensation increase to that administrator.

AB 1561 would severely impair the University's ability to compete for and retain outstanding administrators at a time when the University is experiencing major budget reductions, restructuring and realignment that require the skills and abilities of highly qualified personnel in order to maintain UC's excellence and ensure success. Additionally, there is a tenuous relationship at best between state General Fund support (now at less than 12% of total University funding) and the need of the University to provide reasonable increases periodically to key employees who are serving the University well. Attempts to limit the pay of the University's top administrators and faculty invariably establish arbitrary thresholds that do not correspond to reality or the market for hiring and retaining qualified personnel.

Further, there is no relationship between compensation packages for administrators and student fee increases. Over the last twenty years and three fiscal crises the State's per-student investment in UC education has declined by 60%. Student fee increases have been necessary to help mitigate a potential

loss of quality in our programs, but only a portion of the loss in state funds has been replaced with student fee revenue.

This bill could also prevent discussions between potential donors interested in providing support to a specific department and employees of that department, ironically reducing the possibility of private funds being available to help offset the dramatic decrease in state funding. Currently, conflict of interest rules prevent UC employees from actively soliciting gifts to support their own salary. Donors, however, naturally may want to have contact with the employees of a particular department before bestowing a gift. Preventing such discussions would hamper the University's ability to generate philanthropic support and would further handicap the University at a time of steep annual budget cuts. Restricting the administrative responsibilities of university leadership in an effort to prevent inappropriate quid pro quo activity when there are already strong policies and rules in place is unnecessary and hampers the University.

Finally, in the face of severe budget cuts, UC remains committed to reducing costs systemwide and has implemented effective policies to that end. Working Smarter, a systemwide initiative to improve administrative efficiency, has saved over \$117 million and generated an additional \$40 million in revenue in the past two years alone. Furthermore, due to budget constraints, the University did not provide merit increases or range adjustments to a significant portion of its staff for four straight years, and there has been no salary increase program for Senior Management Group (SMG) employees for the past five years.

AB 1561 would make the University's efforts to maintain quality in a time of severe budget cuts significantly more difficult. Focused administrative policies, which we are currently pursuing, can both achieve significant savings and allow sufficient flexibility to ensure that UC can continue to attract and retain the staff necessary to maintain a world class university through tough economic times.

Thank you for your consideration of the University's views. Should you have any questions on the University's position on AB 1561, please do not hesitate to contact me at (916) 445-9924.

Sincerely,



Karen French
Associate Director for Legislative Affairs
State Governmental Relations

cc: The Honorable Roger Hernandez
Members, Assembly Higher Education Committee
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Provost Lawrence Pitts
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