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Steve Juarez, Associate Vice President and Director

April 1, 2015

The Honorable Jose Medina  
Chair, Assembly Higher Education Committee  
1020 N Street, Room 173  
Sacramento, CA 95814

**RE: AB 837 (R. Hernández), as amended March 26, 2015**  
**Scheduled for hearing April 7, 2015 in the Assembly Higher Education Committee**  
**Position: OPPOSE**

Dear Assembly Member Medina:

Regretfully, I am writing to inform you that the University of California (UC) opposes AB 837. AB 837 states that as a condition of the receipt of state funding in the annual Budget Act, the University of California shall not pay any of its employees or officers a salary that exceeds \$500,000 in any fiscal year. The bill further proposes a set of detailed annual reporting requirements regarding compensation for the University.

We share the desire for fair and appropriate compensation for our employees; however, we also have a responsibility to the State to ensure that the University is expertly managed to ensure it remains the finest public research university system in the world. With its 10 campuses, most of which are ranked among the top 100 campuses in the nation, five cutting-edge medical centers and three national laboratories, tremendous expertise is required to manage its operations. Unfortunately, AB 837 would severely impair the University's ability to compete for employees with the requisite skills to operate our unique and complex institutions in an era of reduced state funding that require highly experienced and specialized personnel.

Of the current UC employees that would be affected by this bill, 89% are either faculty or staff physicians. Many of these faculty members are in health sciences and provide clinical care at our teaching hospitals, educate the next generation of health care providers and carry out life-saving medical research. They are paid largely from clinical and research funds, not state funds. Because of the scope of this bill, implementation by UC could potentially jeopardize all aspects of UC's mission, particularly in the area of health care. In conjunction with their teaching mission, UC's five medical centers provide a full range of healthcare services and are sites for testing the application of new research findings and the development of new diagnostic and therapeutic techniques.

UC faces numerous competitive challenges related to compensation. Many UC employees are significantly underpaid compared to the external labor market, including employees in our faculty and senior leadership classifications. Limiting the pay of the University's top faculty and administrators would establish arbitrary thresholds that do not correspond to the competitive market for hiring, retaining, and motivating

qualified employees. As a world-renown education and research institution, UC completes for highly accomplished faculty and staff not only at the national level but globally as well. Establishing an artificial barrier to competitive and fair pay would severely limit the medical enterprise and campuses from recruiting qualified candidates from other public institutions and other employers with whom we compete. UC would also expect to experience significant turnover and retention issues. It is imperative that we retain an ability to attract highly qualified employees to carry on the important work of the University. **This bill would significantly undercut that ability.**

The University of California serves as a major catalyst for the State's economy by driving the technology and innovation that stimulates job growth and providing the education and training of our students require to meet the State's employment needs. Every dollar the state invests in UC yields \$14 in economic output, and UC generates more than \$46 billion in annual economic activity in California. This success requires an investment in our people and facilities, and it is predicated on the University being able to remain competitive in the search for, and retention of, academic and administrative talent.

In addition, as the percentage of the total UC payroll funded by the state and student educational fees continues to decline, UC's personnel have worked hard to attract billions of dollars of federal and private funding and promote economic, social and cultural development. As a result, compensation is paid from a variety of sources. For example, our medical centers and hospitals generate revenue that not only pays the salaries and compensation of all their staff but also contributes to and supports the health sciences schools.

We share the author's desire for appropriate compensation reporting, and much of the information required by AB 837 is already required and reported in our annual wage database of all employees and in the data (for all employees) we provide the State Controller's Office for their database. In addition, we provide the public with a detailed listing of Senior Management Group members and other highly compensated staff. More generally, UC maintains a compensation web site that has been established to provide the public with comprehensive and timely information about UC's compensation practices. The web site, which is regularly updated with salary actions taken at Regents meetings, hosts several annual university compensation reports and information on our compensation policies.

Thank you for your consideration of the University's views. Should you have any questions on the University's position on AB 837, please do not hesitate to contact me at (916) 445-9924.

Sincerely,

A handwritten signature in black ink that reads "Steve Juarez". The signature is written in a cursive, flowing style.

Steve Juarez  
Associate Vice President & Director

cc: Assembly Member Hernández  
Members of the Assembly Higher Education Committee  
President Janet Napolitano  
Provost and Executive Vice President Aimée Dorr  
Executive Vice President & CFO Nathan Brostrom  
Senior Vice President Nelson Peacock