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Steve Juarez, Associate Vice President and Director

April 16, 2015

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

RE: AB 1317 (Salas), as introduced February 27, 2015
Scheduled for hearing on April 21, 2015 in the Assembly Higher Education Committee
Position: OPPOSE

Dear Chair Medina:

Respectfully, the University of California (UC) must oppose AB 1317, which requests UC refrain from increasing the compensation of any executive officer when the amount of mandatory systemwide student fees and tuition of the University has been increased at any time in the prior four years.

We share the goal of fair and appropriate compensation for UC leaders; however, we also have a responsibility 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. There is a competitive national market for this expertise. As such, AB 1317 would severely impair the University's ability to compete for and retain employees with the requisite skills to operate our unique and complex institutions.

AB 1317 also creates a false correlation between executive compensation and tuition. For example, the pay for UC's Senior Management Group (SMG), some of whom are included in the AB 1317 definition of "executive officer," composes a tiny percentage of UC's overall payroll and budget—about two-tenths of a percentage point (0.2%) of UC's \$27 billion total budget. Freezing these wages would not significantly change the budget picture, but it would harm UC's ability to attract and retain highly skilled leadership to run this organization. Moreover, independent reports have shown that tuition increases are directly linked to reductions in state support. The University of California receives \$460 million less in state funding than it did in 2007–08, even though it enrolls more California students than ever. Put another way, UC receives the same level of state funding today as it did in 1999, even though we educate 83,000 more students and have one more campus.

Despite the decline in budget support, UC has kept its doors open to California students by growing resident enrollment, preserving financial aid, and upholding academic excellence. UC achieved these results through cost savings, increased administrative efficiencies and tuition. UC's Long-term Stability Plan for Tuition and Financial Aid, approved by The Regents last November, is designed to grow California enrollment and end the sudden spikes in tuition levels that have been the result of declining state support.

Finally, UC faces numerous competitive challenges related to compensation. Many UC employees are significantly underpaid compared to the external labor market, including employees in the senior management group. Limiting the pay of the University's top 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 that competes for talent nationally, it is imperative that we retain an ability to attract and keep highly qualified employees to carry on the mission of the University.

Four of UC's longest-serving and lowest paid chancellors received salary increases in September 2014. These salaries had gone virtually unchanged since 2007—they were markedly lower than more recently hired chancellors, and they were nearly 19% below labor market estimates. Despite these increases, the base salaries of nine of the 10 UC chancellors still rank among the lowest in comparison with the 28 public and 26 private Associate of American Universities institutions.

The bottom line is that the implementation of this legislation will have a negligible impact on the budget for UC, but it would significantly harm UC's ability to attract and retain highly skilled leadership and could threaten the ability to secure outside resources to support UC and diminish the education provided to UC students.

Thank you for your consideration of the University's views. Should you have any questions on the University's position on AB 1317, please do not hesitate to contact me at (916) 445-9924.

Sincerely,



Sandra Fried
Associate Director, Legislative Affairs

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