



OFFICE OF THE PRESIDENT

NELSON PEACOCK

Senior Vice President – Government Relations

Office of State Governmental Relations

1130 K Street, Suite 340

Sacramento, California 95814

(916) 445-9924

Steve Juarez, Associate Vice President and Director

April 28, 2015

Assemblymember Jimmy Gomez
Chair, Assembly Appropriations Committee
State Capitol, Room 2114
Sacramento, CA 95814

RE: AB 837 (R. Hernández) as amended March 26, 2015
Scheduled for hearing April 29, 2015 in Assembly Appropriations Committee
Position: OPPOSE

Dear Assemblymember Gomez:

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. 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. The State funds the University of California at the same level it did in 1999, yet today UC enrolls 83,000 more students. That is the statistical equivalent of adding the entire student bodies of both UC Berkeley and UCLA —and then some—without additional state funding. By addressing only one piece of the University's budget without addressing the state's disinvestment in its public research university system, AB 837 threatens the ability of the University to successfully carry out all aspects of its mission. Contrary to claims from the author, were individual earnings capped at \$500,000 as suggested in AB 837, only \$46,952 in UC general funds—which includes State General Funds and other UC fund sources—would have been saved in 2013.

AB 837, if passed, could potentially jeopardize all aspects of UC's mission, particularly in the area of health care. Based on UC's 2013 Annual Wage Data—the most recent data available—328 of the 387 individuals impacted by AB 837 are faculty members in health sciences and 78% percent of their total earnings are funded by clinical and research funds through the Health

Sciences Compensation Plan. These 328 individuals provide clinical care at our teaching hospitals, educating the next generation of health care providers and carrying out life-saving medical research. 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 competes 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, which can be costly to the University: it's not uncommon for turnover costs to run the equivalent of, or higher than, the annual salary for a specific position. It is imperative that we retain the ability to attract highly qualified employees to carry on the work of the University; **AB 837 would significantly undercut that ability.**

The University is committed to appropriate compensation reporting, and much of the information required by AB 837 is already reported in our annual wage database and in the data we provide the State Controller's Office for their database. UC maintains a compensation website that has been established to provide the public with comprehensive and timely information about UC's compensation practices. The website, which is regularly updated with salary actions taken at Regents' meetings, hosts several annual university compensation reports and information on our compensation policies, including a detailed listing of Senior Management Group members and other highly compensated staff. Because 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. As a result, compensation is paid from a variety of sources. The University estimates that the costs of complying with the additional reporting provisions in AB 837 would be in the range of \$200,000 annually, due to the complexities of the fund sources in the annual wage database.

It is imperative that UC retain the ability to attract and keep highly qualified employees to carry on the mission of the University. 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 required 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 is predicated on the University being able to remain competitive in the search for, and retention of, academic and administrative talent. The bottom line is that the implementation of this legislation will have no impact on tuition levels, but it would significantly harm UC's ability to provide the best education for our students.

The Honorable Jimmy Gomez
Page 3
April 28, 2015

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 with a large initial "S" and a long, sweeping tail on the "y".

Steve Juarez
Associate Vice President & Director

cc: Assemblymember Roger Hernández
Vice Chair and Members, Assembly Appropriations Committee
President Janet Napolitano
Provost and Executive Vice President Aimée Dorr
Executive Vice President & CFO Nathan Brostrom
Senior Vice President Nelson Peacock
Associate Vice President and Director Steve Juarez