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Steve Juarez, Associate Vice President and Director

May 4, 2015

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

RE: AB 1317 (Salas), as amended April 23, 2015
Scheduled for hearing on May 6, 2015 in the Assembly Committee on Appropriations
Position: OPPOSE

Dear Assemblymember Gomez:

I am writing to inform you that the University of California (UC) has an oppose position on AB 1317, which requests UC to refrain from using public funds to increase 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 two years. Unfortunately, AB 1317 incorrectly correlates tuition and executive compensation – and fails to address the fact that 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. AB 1317 will not impact UC's tuition, but it will severely impair the University's ability to compete for and retain employees with the requisite skills to operate our unique and complex institutions.

A tremendous amount of expertise is required to manage 10 campuses, five cutting-edge medical centers and three national laboratories. There is a highly competitive national market for this management expertise and UC has the responsibility to ensure that the University remains the finest public research university system in the world. We share the goal of fair and appropriate compensation for UC leaders, however, despite recent amendments that would permit the use of non-public funds for compensation adjustments, AB 1317 will limit the University's ability to recruit and retain talented leadership.

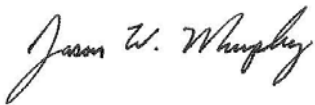
UC faces numerous competitive challenges related to compensation. Many UC employees are significantly underpaid compared to the external labor market, including employees in the senior management group. Limiting the pay of the University's top administrators would establish arbitrary thresholds that do not correspond to the competitive market for hiring, retaining, and motivating qualified employees. Specifically, AB 1317 will increase search and recruitment costs for senior-level executive positions. These costs often equal—or exceed—the annual salary of an open position. If even just one executive officer were to leave the University each year because of the chilling effect AB 1317 would have on earnings expectations, UC would see search and recruitment costs well into the hundreds-of-thousands of dollars.

The AB 1317 definition of “executive officer” comprises 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 preserve the highly skilled leadership needed to run this organization.

UC has kept its doors open to California students by growing resident enrollment, preserving financial aid, and upholding academic excellence during a period of time defined by declining budget support from the state. 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 increases in tuition levels that have been the result of inadequate state support. The implementation of AB 1317 will have no noticeable impact on the UC’s budget and tuition, but it would significantly harm UC’s ability to secure expertise 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,

A handwritten signature in cursive script that reads "Jason W. Murphy".

Jason Murphy
Legislative Director

cc: Assemblymember Salas
Members of the 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