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Steve Juarez, Associate Vice President and Director

July 9, 2015

The Honorable Carol Liu
Chair, Senate Education Committee
State Capitol, Room 2083
Sacramento, CA 95814

RE: AB 1317 (Salas), as amended June 1, 2015
Scheduled for hearing in the Senate Education Committee on July 15, 2015
Position: OPPOSE

Dear Senator Liu:

Respectfully, the University of California (UC) must continue to oppose AB 1317, which requests UC refrain from increasing the compensation of any executive officer with public funds when the amount of mandatory systemwide student fees and tuition of the University has been increased at any time in the prior two 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 impair the University's ability to compete for and retain employees with the requisite skills to operate our unique and complex institutions.

Under the provisions of this bill, a campus chancellor could spearhead major accomplishments, for example, raise record levels of philanthropic contributions, secure a major federally-funded research program, and improve the campus's national ranking, yet could not receive even a systemwide cost-of-living adjustment from public funds if student tuition increased by any amount in the preceding two years.

AB 1317 also creates a false correlation between executive compensation and tuition. Independent reports have shown that tuition increases are directly linked to reductions in state support. During the recent recession, when higher education budgets were cut and tuition increased, the leaders captured under this policy did not receive salary increases—in fact, they along with all senior managers, temporarily reduced their pay by 10%. And despite the decline in budget support, UC kept its doors open to California students, preserved financial aid, and maintained academic excellence. Further, the pay for UC's senior managers, some of whom are

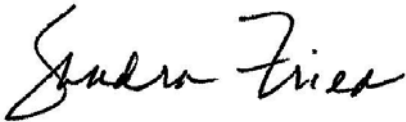
included in the AB 1317 definition of “executive officer,” composes a tiny percentage of UC’s overall payroll and budget—about two-tenths of a percentage point (0.2%) of UC’s \$27 billion total budget. Freezing these wages would not significantly change the budget picture, but it would harm UC’s ability to attract and retain highly skilled leadership to run this organization.

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. Four of UC’s longest-serving and lowest paid chancellors received salary increases in September 2014 because they had been virtually unchanged since 2007, and were markedly lower than more recently hired chancellors – and nearly 19% below labor market increases. Even with the salary increases of 2014, eight UC chancellor’s salaries continue to rank among the lowest third of the 64 AAU and UC public and private comparison institutions.

As an 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.

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: Assembly Member Rudy Salas
Vice Chair and Members of the Senate 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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