



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

ASSEMBLY FLOOR ALERT

SB 376 (Lara) – Assembly Third Reading – File #74

September 8, 2015

TO: Members of the California State Assembly

Re: **SB 376 (Lara), as Amended on August 18th, 2015****Position: OPPOSE**

The University of California (UC) prioritizes its responsibility to provide fair compensation and a safe work environment for all of its employees. UC appreciates the concerns raised by the sponsors of SB 376 relative to contracted workers at UC. In order to address these concerns, UC recently announced its first-in-the-nation plan (the *Fair Wage/Fair Work Plan*) to establish a UC minimum wage for both its employees and service contractor workers to ensure that all UC workers are provided a fair wage. The wage will reach \$15 per hour over three years. UC will also monitor wages and working conditions for contract employees by implementing annual compensation audits and interim audits and will establish a phone hotline and central online system for contract workers to report complaints directly to the Office of the President.

Due to the complex mission and dynamic work environment across the UC system, the responsible use of contracted employees is essential. Maintaining a balance of contract and campus-based services assists our campuses, labs, and medical centers in maximizing efficiency within resource constraints. UC may not contract out services solely to save costs; rather, UC contracts out for services in instances where, among other reasons, there is a need for special expertise, short-term staffing needs or in leased facilities

With the *Fair Wage/Fair Work Plan*, UC believes that we have addressed the important concerns raised by supporters of SB 376 in a way that is financially sustainable for the University. The Assembly Appropriations Committee analysis of the bill pegged the fiscal impact to UC at \$48 to \$60 million – and UC concurs with this cost estimate. The bill's requirement that the University use all known cost escalators to project the growth of employee total compensation costs, which could go well beyond the rate of inflation, fuels the high cost of this bill. In fact, the pressure from such costs would likely impact the University's ability to enroll more California students in the future, something both the Legislature and UC have cited as a priority.

Moreover, this legislation does not impose similar contracting restrictions on other state agencies or institutions. And, by creating a bifurcated contracting process, this legislation will hamper efforts by UC to engage in joint procurement programs with CSU and the Community Colleges that will enable us to wisely and efficiently spend taxpayer dollars. Therefore, in light of the significant steps already taken by UC to address the wages and working conditions of contract workers - and because the specific provisions of SB 376 would increase costs substantially, create new administrative burdens, and would undercut UC's sustained efforts to streamline operations – *we continue to oppose this legislation.*

UC urges a “NO” vote on SB 376 (Lara)

(See Reverse for Sacbee Editorial)

Lawmaker's favor for labor hamstrings UC

BY THE EDITORIAL BOARD

Last month, after a battle royal for more state funding, the University of California announced an unexpected gift for workers - a \$15 minimum wage.

UC President Janet Napolitano had testified for months that the university's budget was stretched to bursting. Now, suddenly, the university had \$14 million to spend on raises.

If the money seemed to come out of left field, its origins were standard - political pressure. Organized labor long had complained that the university, among other state institutions, uses too many outsourced low-wage workers.

So Sen. Ricardo Lara, D-Bell Gardens - a friend of labor and critic of Napolitano - carried a bill for the American Federation of State, County and Municipal Employees, the university's largest union, to effectively push the UC to officially hire large numbers of so-called "contract" employees.

Senate Bill 376 would ban the university from outsourcing full-time jobs to companies that don't match UC pay and benefits for comparable employment. The union estimates the proposal would increase UC's labor costs by about \$9.1 million, and improve health care and other benefits for about 650 full-time custodians, groundskeepers, caterers and other workers.

UC officials say the impact is far broader and the price tag on SB 376 is more like \$36 million - no small expense for a university that turns away thousands of qualified students. Hence the effort to head it off with the minimum wage.

Napolitano's gambit should have been enough for the moment. We're all for improving the lot of low-wage workers. Some contract employers exploit people to the point that they end up on Medi-Cal and food stamps, so that taxpayers keep money in one pocket but spend it out of another. The state ought not be in the business of prolonging poverty.

But Californians also want the UC to hold down tuition and increase in-state enrollment, and there is only so much money to go around. Given the many marching orders state lawmakers have given Napolitano, the UC minimum wage seems like a good first step and a win-win. Fifteen bucks an hour may not be enough, but it isn't nothing. And no one seems to have good numbers on the impact. So why is SB 376 still hanging on? The unions already have a partial victory.

The bill is pending in the Senate Appropriations Committee, which is chaired by Lara, a Gov. Jerry Brown ally who has been just a little too gleeful in his impulse to continue punishing Napolitano. State lawmakers may be offended by her persistence and her tactics. And we're not impressed by her inability to pare back on UC's rising number of \$200,000-plus administrative employees.

But continuing the rancor of the budget season is pointless, and this bill singles out and hamstring the University of California. If lawmakers want to address the issue of contract employment, they should do so comprehensively.