

Date of Hearing: April 7, 2015

ASSEMBLY COMMITTEE ON HIGHER EDUCATION
Jose Medina, Chair
AB 837 (Roger Hernández) – As Introduced February 26, 2015

SUBJECT: University of California: employee salaries

SUMMARY: Prohibits the University of California (UC) from paying any employees or officers a salary in excess of \$500,000 in any fiscal year and requires reporting regarding employee salaries. Specifically, **this bill:**

- 1) Finds and declares that the California Constitution states that UC is subject to legislative controls as necessary to ensure security of funds and that there is substantial public concern about the high salaries paid, out of taxpayer dollars, to some UC officers and employees.
- 2) Provides that, as a condition of receipt of state funding in the annual Budget Act:
 - a) The UC shall not pay any of its employees or officers a salary that exceeds \$500,000 in any fiscal year;
 - b) The UC shall publish, commencing on or before February 1, 2016, and annually, regarding each UC employee for the prior calendar year:
 - i) Location of employment;
 - ii) Original date of hire;
 - iii) First and last name;
 - iv) Title of employment;
 - v) Regular pay, overtime pay, gross pay, and other pay;
 - vi) Cost of employer-paid defined benefit plan contributions;
 - vii) Cost of employer-paid contributions to deferred compensation other than defined benefit plan contributions;
 - viii) Cost of employer-paid contributions toward medical, health, or welfare benefits, or any combination of benefits thereof;
 - ix) Total annual cost of employer-paid contributions toward deferred compensation and medical, health, or welfare benefits;
 - x) All sources of funding for compensation costs in dollar amounts by funding source;
 - xi) Personnel program.

- xii) The three-character Occupational Subgroup Category Code if the employee is nonacademic staff, or the three-character Class Title Outline Code if the employee is academic staff.
- c) UC shall publish, for April and October of each year, statistical summary information that includes the total headcount and the total full-time equivalent count of UC employees at each campus. Requires statistical summaries to include a breakdown showing the number of employees in each single-character and three-character Occupational Subgroup Category Code for nonacademic staff within each personnel group, and the number of employees in each single-character and three-character Class Title Outline Code for academic staff within each personnel group.
- d) UC shall publish all of the information required by this section on a publicly accessible Internet Web site and the information shall be downloadable from that Internet Web site in either a comma delimited or Microsoft Excel format.

EXISTING LAW:

- 1) Establishes UC as a public trust and confers the full powers of the UC upon the UC Regents. The Constitution establishes that the UC is subject to legislative control only to the degree necessary to ensure the security of its funds and compliance with the terms of its endowments. Judicial decisions have held that there are three additional areas in which there may be limited legislative intrusion into university operations: authority over the appropriation of state moneys; exercise of the general police power to provide for the public health, safety and welfare; and, legislation on matters of general statewide concern not involving internal university affairs. (Constitution of California, Article IX, Section 9)
- 2) Requires proposals for the compensation package of specified executive officers (the Chancellor, president of an individual campus, vice chancellor, treasurer, general counsel and the trustee's secretary) occur in open sessions of a committee of the trustees and the full board of trustees, as specified. (Education Code Section 66002.7)
- 3) Declares the Legislature's intent that no proposal relating to the salary, benefits, perquisite, severance payments (except in the case of a dismissal or litigation settlement), retirement benefits or any other form of compensation paid to an officer of the UC become effective unless specified notice requirements have been met and action taken in an open session meeting of the regents. (Education Code Section 92032.5)

FISCAL EFFECT: Unknown. However, the Assembly Appropriations analysis of prior legislation noted that such restrictions likely increase turnover as employees leave for favorable compensation prospects; at that time UC estimated that average replacement cost for senior management positions at several hundred thousand dollars. Costs, however, would be, at least partially, offset by savings from the compensation limitations. The author argues this bill would save potentially \$80 million, funding that could be used to offset the proposed UC fee increase.

COMMENTS: *Purpose of this bill.* According to the author, "the UC's stance on increasing student tuition while at the same time continuing to pay its staff over half a million dollars is disturbing. In 2013 calendar year, 387 employees made over \$500,000 in total annual salary,

with 29 others earning more than \$1,000,000 per year. In contrast, the remainder of the 268,442 UC employees earns an average annual wage of \$43,520. According to AFSCME, the total UC spending increased by 40% during the 2007-2013 timeframe, while spending on UC's richest employees increased by 270% during the same timeframe.

The Author argues "The UC is ignoring potential cost savings that could be achieved by capping excessive pay of its highest paid employees. The California Constitution states that the University of California is subject to such legislative control as may be necessary to ensure the security of its funds. There is substantial public concern about the high salaries paid, out of taxpayer dollars, to some University of California officers and employees. It is important to place limits on excessive pay at UCs as the use of taxpayer funds is being mismanaged. UC cannot only look at tuition increases as a way to balance its financial books. This bill provides an alternative solution to off-set the tuition increases that hurt California's hardworking families."

Compensation decisions. This bill would remove the authority of the Regents, who have fiduciary responsibility for UC and whose members are chosen by the Governor and confirmed by the Senate, for determining compensation above \$500,000. The committee may wish to consider how this limitation will affect the UCs ability to attract or retain certain professionals, and whether this places UC at a disadvantage for recruiting leaders and maintaining high quality.

Assembly Budget review of UC and AB 837 reporting requirements. In response to concerns over the UC's proposed student fee increase, Speaker Atkins called for a thorough review of the UC budget. On February 18, 2015, the Assembly Budget Subcommittee No. 2 on Education Finance reviewed UC expenditures. A portion of the hearing examined UC employee growth and compensation increases. The budget committee analysis (relevant sections included below) identified areas where available UC data did not provide sufficient detail. The reporting requirements of this bill appear consistent with/duplicative of some of the additional data requested from UC at the Subcommittee hearing. This bill would place annual reporting requirements in statute and make reporting a condition of receipt of Budget Act funding.

According to the Budget Subcommittee No. 2, "the number of highly paid UC employees has grown significantly. Nearly 6,000 UC employees earn gross pay of \$200,000 or more. The chart below indicates the growth in the number of \$200,000 – or - more earners between calendar year 2007 and calendar year 2013, based on information available on the UC website. Many of these employees are athletic coaches or medical center personnel that are not supported by state funds. But this list does include professors, attorneys, and administrators who are supported by the state. The database that provides this information does not break down the source of salaries.

Pay Category	2007	2013	% Change
Number of Employees Earning \$200,000+	3,018	5,933	97%
Overall Base Pay	\$479.5 million	\$1.1 billion	123%
Overall Overtime Pay	\$649,318	\$4.9 million	650%
Overall Extra Pay	\$364.2 million	\$734.8 million	102%
Overall Gross Pay	\$844.4 million	\$1.8 billion	114%

UC data indicate a significant increase in administrative personnel. Staffing data available on UC's website show that administrative staff, both in academics and other areas, grew far faster than faculty and faster than overall staff growth.

Position	Oct-2007	Oct-2014	% Change
Senior Management Group and Management and Senior Professional	7,824	10,335	32%
Academic Administration	646	767	19%
Ladder-Rank Faculty	8,611	8,870	3%
Total UC Employees	131,567	145,901	11%

Data on UC staffing available on the Office of the President's website breaks out positions into subcategories in areas such as Academic Staff and Professional Support Staff, but does not include the same detail for the Senior Management Group or Management and Senior Professional categories, making it difficult for the public to truly assess management positions at UC.

Prior legislation.

SB 8 (Yee) of 2013, held in the Senate Education Committee, would have established conditions on granting executive compensation increases by California State University (CSU) for any employment contract after January 1, 2014; UC was requested to comply with these provisions.

AB 1561 (Hernández) of 2012, held in the Assembly Appropriations Committee, would have limited compensation increases for certain executive-level positions at UC and CSU.

AB 1684 (Eng) of 2012, held in the Assembly Appropriations Committee, would have limited the pay of California Community College Chancellors to no more than twice the highest faculty member salary.

SB 952 (Alquist) of 2012, held in the Assembly Appropriations Committee, would have limited administrator salary increases using state fund to 10% above the predecessor's salary.

SB 967 (Yee) of 2012, which failed passage in the Senate Education Committee, capped compensation at 5% instead of 10% of the predecessor's total compensation.

SB 1368 (Anderson) of 2012, held in the Senate Governmental Organization Committee, would have limited the annual rate of salary of a state officer or employee to the annual salary authorized to be received by the Governor.

ABx1 39 (Hernández, 2011), which was not heard by the Legislature, was substantially similar to this bill.

SB 217 and SB 86 (Yee) of 2009 were similar to SB 967. SB 217 was held in the Assembly Appropriations Committee and SB 86 was vetoed by Governor Schwarzenegger.

REGISTERED SUPPORT / OPPOSITION:

Support

American Federation of State, County and Municipal Employees (AFSCME), AFL-CIO
California Federation of Teachers

Opposition

University of California

Analysis Prepared by: Laura Metune / HIGHER ED. / (916) 319-3960