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President Mark G. Yudof
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Via e-mail: president@ucop.edu

Dear Mark:

Re: Comments on Proposed Furlough/Salary Reduction Plan Options

Thank you for the opportunity to comment on the proposed Furlough/Salary Reduction Plan Options. The Santa Cruz campus solicited comments from Senate faculty, non-represented academic and staff employees, and managers and supervisors, and received over 650 comments in the brief turnaround time provided. While we received a wide variety of comments and suggestions, this letter articulates the most prevalent and key points expressed by the campus community. In addition, I have enclosed the comments received for your review and consideration.

As you will see in the following summary of comments, there were five specific areas in which both academic and staff employees articulated common viewpoints:

1) Option II was the preferred selection by an overwhelming margin;
2) Retirement, service credit, and leave accruals should not be negatively impacted;
3) Salary reductions should be graduated or progressive;
4) Specific sunset clause needed for whatever plan is chosen; and
5) Extramurally funded employees should not be included in any plan.

Summary of Employee Comments

We received over 300 comments from the academic members of the Santa Cruz campus, including comments from the Chair of the Santa Cruz Division of the Academic Senate and the Senate Committee on Planning and Budget. In addition, some 350 comments were received from our managers, supervisors and non-represented staff employees.

Of those who responded with a specific option selection, 84% of academic respondents and 88% of staff respondents chose Option II: 21 Unpaid Days Plan. The main reason conveyed by academics for this
preference was the belief, as yet unconfirmed, that furlough and/or unpaid holidays could be offset with salary from extramural funds and/or outside consulting assignments. Staff respondents expressed that this option might offset the reduction in their earnings by reducing the cost of coming to work, e.g., gas, clothing, meals, child and elder care, and in addition, would allow time to find additional income elsewhere, provide volunteer service to their community, or spend quality time with their families. Many respondents in both groups felt that furloughs were the best option to preserve employee morale and to demonstrate the impact of the budget cuts to the public and the legislature. Option II is also seen as the most easily reversed in the future.

At the same time, however, there was a very consistent response that furloughs are a euphemism for “same work, less money” because the reality is there is no corresponding reduction in workload or performance expectations. This is of particular concern to the untenured ladder rank faculty who would still be required to meet the current criteria for promotion to tenure. Many faculty members noted that furloughs are not realistic given the daily demands of their teaching and research responsibilities, and that there is no real distinction between Options I and II since they do not report time.

Options I and III were distant second and third choices, with academics choosing them by 7% and 4%, and staff 6% and 5% respectively. Those in favor of Option I argued that it would minimize the negative impact to students and the UC educational mission; that the reduction in pay is consistent throughout the year; and that it was presented as the least costly to administer.

The majority of respondents indicated that regardless of the selected option, it is critical that any salary reduction plan have in place explicit measures for mitigating impacts on service credit accrual, retirement and medical benefits eligibility, post-retirement benefits, and leave accruals (sick leave, paid medical leave for academics, vacation, and sabbatical).

Respondents from both the academic and staff communities also indicated that any salary reduction or furlough plan must have an explicit sunset provision in place to terminate this temporary action. There was concern expressed that without such a guarantee incorporated in the plan, salary cuts will not necessarily be reversed or otherwise recovered in the future. In addition, suggestions were made that the provision should specify that at the end of the action, salaries would be restored to their pre-cut level, and that any academic advancements effective July 1, 2010 reflect the current (i.e., 2008-09) salary scales, at a minimum.

In fact, 31% of academics and 28% of staff respondents indicated that the methodologies proposed to achieve the ~$195M in savings, either through salary reductions or furloughs, should be reconsidered. Of the variety of alternative methodologies suggested, there was overwhelming support for the divisional Senate Committee on Planning and Budget’s recommendation for a graduated and progressive salary reduction plan. In the Committee’s plan, some portion of each individual’s salary below a designated level would not be cut, and then above that level, graduated cuts of 4%, 8% and 10% would apply (somewhat akin to the federal income tax system). It was argued that a process of this nature would avoid inequitable salary inversion effects, as exemplified by two individuals whose annual salaries differed by only one dollar – $45,999 and $46,000 – but whose salary reduction would differ by $1,839.
There was also widespread support for even larger than 10% reductions for higher paid employees and either no or smaller reductions for the lowest paid employees. Further, the proposed tier of $46,000 was considered too low for the cutoff point – particularly given the cost of living in Santa Cruz – and suggestions were made to increase this tier to somewhere between $50,000 and $60,000. We also received recommendations from 28% of staff respondents in support of a mandatory START program as the most sensible way to achieve the $195M in savings.

However, regardless of the particular methodology at issue, one of the most universal comments received – and by far the greatest and most prevalent concern expressed by the campus’s academic population – was the application of any of these proposed options to any academic or staff employee that is supported solely by non-state funds. Over 73% of academic respondents as well a significant number of staff employees are opposed to including this population, with many noting that the University stands to lose more than it would gain by imposing any type of cut on extramurally funded salaries. Many respondents even questioned the legality of applying cuts in these areas due to contract stipulations. There was concern that principal investigators and fellowship recipients would be encouraged to leave the University with their funds in favor of other institutions where their commitments to funding agencies would not be compromised by forced reductions in time and/or salary. It is also not clear how these cuts would help the budget crisis since any salary savings would go back to the grant or granting agency as opposed to UC or the State, and further, the University would lose overhead and other associated monies and benefits. UCSC employees are overwhelmingly and vehemently opposed to any action that would unnecessarily reduce the income of their colleagues, and consequently, further depress statewide economic conditions.

In addition to the specific comments noted above regarding the options under consideration, there were three more general concerns expressed:

1) The inadequacy of state support has long been recognized by the system-wide Senate, which has made serial recommendations on how UC could fundamentally change its budgetary models. Given the likelihood of continued cuts to state funding, it is critical that a multi-year institutional strategy be developed and articulated by UCOP.

2) The Santa Cruz Academic Senate had opposed the Draft Standing Order 100.4: Emergency Powers for the UC President. Given that the options to be discussed at the July Regents Meeting require approval of the Draft Standing Order, it appears to our Senate that the Order is being viewed as a “fait accompli.”

3) Respondents also strongly urged that much more consideration be given to the options presented, as well as to the possibility of other ideas not part of this current proposal. There was a general concern that there had not been sufficient analysis completed to be confident that these three options were the best that UC as an institution could generate and develop. There was concern that the plans were inadequately described with numerous issues and questions left unanswered – including such basic information as which types of compensation and which populations of employees will be subject to the reductions – to the extent that employees were not able to make an informed choice when selecting an option.
Thank you again for the opportunity to provide these comments.

Sincerely,

George R. Blumenthal
Chancellor

Enclosures

cc:  Vice President Duckett
     Director Fox
     Campus Provost and Executive Vice Chancellor Kliger
     Executive Vice President Lapp
     Assistant Vice Chancellor McQuitta
     Assistant Vice Chancellor Peterson
     Vice Chancellor Vani