



RUNAWAY INEQUALITY AT THE UNIVERSITY OF CALIFORNIA



**HOW STUDENTS, WORKERS & TAXPAYERS
FUND UC's EXECUTIVE EXCESS**





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EXECUTIVE SUMMARY

The University of California is one of the most prestigious systems of public higher education and health care delivery in the country, drawing students and patients from around the world. Yet in recent years, UC administrators have been increasingly criticized for adopting a culture of executive excess not befitting for a tax-supported, public institution. This culture not only runs counter to the University's legacy as a land-grant institution and California's Master Plan for Higher Education, but it also contributes to a growing income inequality on UC campuses.

What emerges are the two faces of the University of California. On one hand, UC executives paid salaries that rival Fortune 500 companies. On the other, service workers forced to work one or two *additional* jobs to support themselves and their families. A growing income disparity also hits students and their families who have sustained unprecedented tuition increases in recent years. California taxpayers also pay for UC's misguided priorities. As UC replaces career service jobs with temp jobs to offset executive excesses, it creates an increasingly vulnerable low-wage workforce forced to rely more and more on public assistance programs.

Striking it Richer: How UC Elites Weathered a Crisis

The economic crisis of 2009, and the belt-tightening measures that followed, should have reined in UC executives' misguided priorities. Yet, while administrators pointed to declining state support to argue that students and UC staff make sacrifices, UC executives weathered the crisis largely unscathed.

- ▶ Between 2008 and 2011, UC's overall workforce grew by 2%, while the number of managers grew by 9%. Almost a third of new hires were managers.¹ Since 1991, the ranks of managers at UC have grown 252% while total staff has increased by 51%.²
- ▶ Similarly, individuals making more than \$200,000 in base pay have skyrocketed by 77% since 2008, swelling payroll costs by an additional \$286 million for less than 2,000 individuals.³
- ▶ An increase in high earners has been accompanied by rising executive entitlements. Perks doled out to approximately 300 executives in 2012 totaled \$24 million, a 50% increase from \$16 million in 2008.⁴

Austerity Measures Revisited: Student Tuition Hikes & Service Cuts Dwarf State Funding Cuts

UC's spending on its top brass during this period helps explain why UC expenditures have grown by 15% since 2008 even as other public agencies tightened their belts to absorb cuts in state funding.⁵ These misguided expenditures suggest that the *depth and severity* of the service cuts that followed, along with unprecedented student tuition hikes, could have been avoided.

- ▶ While UC officials argue that tuition increases offset only a third of state funding cuts, in reality, tuition hikes have been disproportionate to state disinvestment. UC filled a roughly \$900 million gap in state funding with \$1.4 billion in tuition hikes.⁶ In total, UC has netted over \$1.4 billion in tuition revenues over and above what it lost in state funding during the five-year period.⁷ And, while revenues have increased by 23% since 2008,⁸ undergraduate student enrollment has grown by 5%.⁹
- ▶ Today, the state's appropriations to UC have largely been restored to 2008 levels. And, the \$2.99 billion UC expects to receive in direct support for 2014-15 does not include the more than \$700 million that will flow to UC in the form of state Cal Grant dollars awarded to California students.¹⁰ With the highest cost structure of the three public higher education systems, University of California receives the highest per-student subsidy from the State of California.¹¹
- ▶ At the same time, as revenues have increased, UC generated \$600 million in "savings" through radical administrative and service cuts, including layoffs of frontline staff, deferred faculty hiring, the elimination of entire academic programs, and a forced furlough program.¹²

The Two Faces of University of California: Rising Income Inequality at UC

The University's austerity program has claimed many victims: students, patients, faculty, lecturers, researchers, and frontline care providers. One constituency that deserves particular attention is UC service workers. Predominately immigrants and people of color, service workers are the lowest-paid and most vulnerable workers in the system. Already locked out of the middle class, they have been hardest hit by UC's misguided priorities.

- ▶ The average service worker earns \$36,000 per year.¹³ It's not uncommon for a full-time *career* service worker to work one or even two additional jobs to support his or her family.
- ▶ Today, 99 percent of all full-time career service workers are income-eligible for public assistance.¹⁴ Yet, UC management insists that they are overpaid, comparing a food service worker's salary to a fast food worker at McDonald's.¹⁵
- ▶ By denying workers a living wage, UC shifts additional costs onto the state as workers are forced to seek public assistance.

UC's Chief Negotiator told us that they refuse to offer UC service workers a raise —
not because the University doesn't have money —
but because we're overpaid.

— *Bargaining Team Member Rosario Cortes, Senior Custodian at UC Santa Cruz, September 19, 2013*

Short-Staffing & Drastic Service Cuts Lead to Injuries for Service Workers

Administrative cuts have led to chronic short staffing, fueling skyrocketing injury rates among service workers. Since 2010, the drastic reduction in maintenance and other service cuts, layoffs, the elimination of unfilled positions, and the replacement of full-time career service jobs with temporary ones, means workers are doing more with less. Today, one custodian cleans approximately 50,600 square feet in one 8-hour shift—equivalent to an NFL football field. The result is a disturbing rise in injury rates.¹⁶

- ▶ Since 2009, the number of injuries reported by UC service workers has increased by 17%. Injuries and job-related illnesses resulting in days away from work have grown by 23%.
- ▶ In 2012, service workers missed 15,700 days because of an injury sustained on the job or a job-related illness.
- ▶ Currently, 1 in 10 service workers are injured on the job. Injury rates for custodians and food service workers are especially high—1 in 7 and 1 in 5, respectively.

Increasing Temporary Workforce Shifts Burden to Taxpayers, Ripples Throughout State Economy

As UC diverts more and more of its money to fund executive excesses, the University creates a second-class workforce at the other end of the income spectrum without access to sick days or health insurance. **Today, one in ten UC service workers are temporary workers.** UC's increased hiring of part-timers not eligible for benefits, or the outsourcing of work traditionally performed by career service workers, has California taxpayers footing the bill.

- ▶ The degradation of service jobs shifts additional costs onto California taxpayers. According to a UC Berkeley Labor Center study, temporary workers are two times more likely to live in poverty, and therefore more likely to rely on publicly-funded state programs.¹⁷
- ▶ As the 3rd largest employer in the state, this degradation of low-wage jobs impacts not only UC workers but also labor market standards throughout California.

A Call For President Napolitano to Help Reclaim the University of California

The appointment of Janet Napolitano as the 20th President of the University of California is an opportunity for administrators to regain the confidence of California taxpayers, elected officials, students, and UC employees. Rather than continue to divert money away from its core mission, UC officials need to reprioritize and invest in frontline staff who make the institution run, including its lowest-paid workers. The University of California is a public institution that receives \$2.8 billion in direct support from state taxpayers,¹⁸ and similarly benefits from not paying property taxes or following state labor codes and local ordinances due to its special legal status.¹⁹ As Governor Brown has reprioritized funding to the University of California, and California voters have signaled their commitment to funding higher education with the passage of Proposition 30, UC officials need to be better stewards of taxpayer dollars. Now is the time for President Napolitano to reclaim the institution's legacy.

INTRODUCTION

The University of California is the crown jewel of California's public education system, with a legacy of providing quality, affordable higher education for students across the state. It also boasts five internationally acclaimed medical centers that provide care to millions of patients each year. Yet recently, the institution—which receives billions of taxpayer dollars each year—has come under fire from students, UC employees, and elected officials for promoting executive excesses that put the University's legacy and mission at risk, and contribute to a growing income inequality throughout the system.

A previously released AFSCME Local 3299 report examined how a culture defined by executive excess impacts patients and frontline workers at UC's five medical centers. *A Question of Priorities: Profits, Short Staffing, and the Shortchanging of Patient Care at UC Medical Centers* described how chronic short staffing is the byproduct of diverting patient care dollars away from direct patient care to fund medical centers' ever-growing ranks of managers and executives, and rising debt levels.

This report looks at how this same culture hurts the University of California's 8,000 service workers, and how students, UC staff, and California taxpayers are being forced to pay for UC's misguided priorities. While there are many stakeholders who have been negatively impacted, UC service workers deserve special recognition. A workforce predominantly comprised of immigrants and people of color, service workers are the system's lowest-paid workers, and therefore, the most vulnerable.

Custodians, cooks, building maintenance workers and gardeners at the 10 campuses and five medical centers provide UC students, patients, and employees with healthy food, clean buildings, and well-maintained grounds. They are the backbone of the University, and yet they remain largely invisible to UC administrators.

As UC executives bestow upon themselves outsized salaries and entitlements, at the other end of the income spectrum, service workers struggle with both financial and physical hardship. A decline in the quality of career service jobs in recent years makes it increasingly challenging for them to support themselves and their families.

"I just want a better way for my kids. So I can support them and take them forward. I want my kids to have a future, you know?"

– Tanya Orozco²⁰

STRIKING IT RICHER²¹

HOW UC'S ELITES WEATHERED A CRISIS

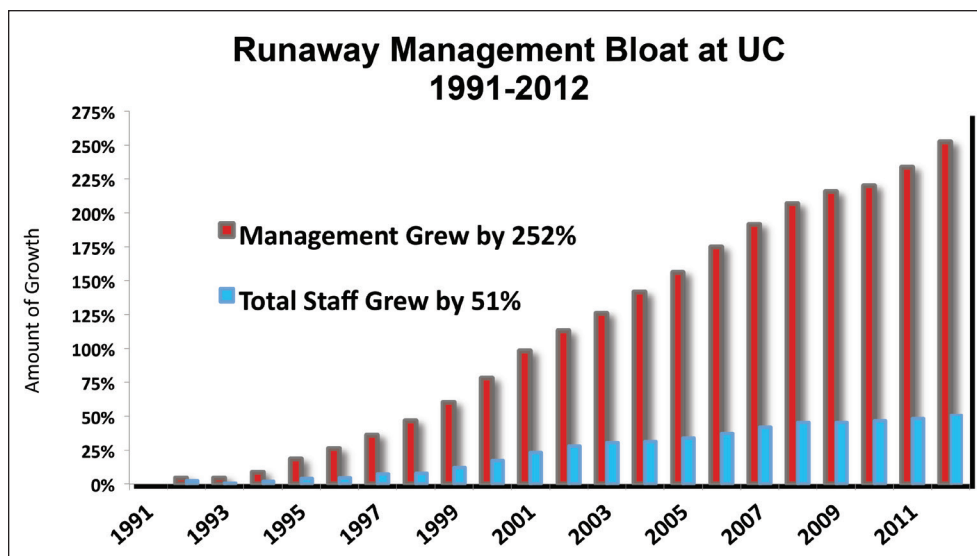
What Governor Brown refers to today as University of California's "modesty problem"²² can actually be traced back to the mid 1990's, when UC officials began to divert more and more money away from the University's core academic mission to pay for rising administrative salaries and entitlements. In 2009, when the economic crisis triggered significant cuts to UC in state funding, there was an opportunity to rein in administrative bloat and re-align the University with the core values of California's Master Plan. Ironically, the opposite occurred.

While UC officials repeatedly raised the specter of state cuts to justify unprecedented increases in student tuition and cuts in services, UC elites were spared from making similar sacrifices. In fact, management growth persisted. From 2008 to 2011, as the overall workforce grew by 2 percent and ladder rank faculty actually decreased by 2 percent, the number of managers throughout the UC system grew by 9 percent. Almost a third of all new hires were managers.²³

University of California payroll data reveals that this growing class of managers was also accompanied by an increase in salaries and overall cost to the University. Since 2008, individuals with over \$200,000 in base pay alone have skyrocketed by 77 percent,

swelling the University's payroll costs by an additional \$286 million for less than 2,000 individuals.²⁴ During a similar time period, the number of individuals receiving over \$250,000 in salary more than doubled, and payroll costs for the top 1% of UC employees grew by more than \$250 million per year.²⁵

The increase in the number of high earners also translates into more extravagant perks and bonuses. At UC campuses, executive pay is supplemented by additional benefits like housing, car allowances, entertainment budgets, and multi-million dollar retirement benefits. In 2012 alone, UC paid out \$24 million in such perks (not including retirement benefits) to just over 300 executives—a 50 percent increase from the \$16 million paid out four years earlier.²⁶



"UC has a fundamental problem: Administrators apparently believe that they can work in academia for a state university subsidized by state taxpayers and get paid like the top 1.5 percent... They have no obligation to pinch pennies, no duty to be careful with Other People's Money..."²⁷

— Debra J. Saunders, *San Francisco Chronicle*, August 7, 2013.

STATE FUNDING CUTS VS. STUDENT TUITION HIKE

IT JUST DOESN'T COMPUTE

These mounting costs for outsized salaries and entitlements partly explain why the University's expenditures grew by 15 percent since the economic downturn of 2008 while other public agencies were forced to tighten their belts.²⁸ UC officials have pointed to cuts in state funding to justify unprecedented tuition increases and service cuts, and yet student tuition hikes and service cuts have been disproportionate to state disinvestment.

Since 2008, tuition for UC students has increased by \$5,556, or 84 percent.²⁹ UC's leadership maintains that tuition increases only offset a third of state funding cuts, and yet UC filled a gap of roughly \$900 million in state funding with a \$1.4 billion increase in student tuition.³⁰ In total, UC has netted over \$1.4 billion in tuition revenues over and above what it lost in state funding during the last five years.³¹ And, while total revenues have increased by 23 percent since 2008, undergraduate student enrollment has grown by 5 percent.³²

Today, the state's appropriations to the University of California have largely been restored to 2008 levels. And, the \$2.99 billion UC expects to receive in direct support for 2014-15 does not include more than \$700 million that will flow to UC in the form of state Cal Grant dollars awarded to California students. The state fully reimburses tuition and fee costs for students with family incomes of up to \$101,000.³³

Last year, UC received \$300 million more in Cal Grant dollars compared to 2010, or approximately 50 percent of the total Cal Grant funding for California students.³⁴ As UC raises tuition and fees, it gets a larger portion

of the total Cal Grant dollars awarded to all California students attending either UC, California State University, or California Community Colleges. With the highest cost structure relative to the three systems, University of California receives the highest per-student subsidy from the State of California.³⁵

While UC officials point to cuts in state funding to justify unprecedented tuition increases and service cuts, student tuition hikes and service cuts have been disproportionate to state disinvestment.

These revenue increases are juxtaposed to \$600 million in "savings" UC generated through radical administrative and service cuts since 2009. This includes the layoff of 4,000 UC employees, the elimination of 3,570 open positions, the deferred hiring of faculty, and a forced furlough program in 2010. Courses were also eliminated, entire academic programs were slashed, and counseling and library hours reduced.³⁶ Today, class crowding makes it increasingly difficult for UC students to graduate in four years.

RUNAWAY INCOME INEQUALITY

THE TWO FACES OF THE UNIVERSITY OF CALIFORNIA

What emerges are two widely divergent faces of the University of California. On one side are UC executives who receive salaries and perks that rival those paid by Fortune 500 companies. On the other are students increasingly saddled with debt, and low-wage service workers who teeter on the brink of poverty.

UC Workers Straddle the Poverty Line

The average full-time service worker earns approximately \$36,000 per year, far below a living wage in California.³⁷ His or her paycheck is also getting smaller as UC shifts more and more costs onto its workforce. These cuts in take-home pay have dramatic consequences for low-wage workers who have to make every penny count.

As a result, 99 percent of UC service workers qualify for some form of public assistance based on their income. The majority of them qualify for public housing or Section 8 vouchers, and nearly half qualify for government-funded food assistance like WIC or the Federal School Lunch Program.³⁸ By denying workers a living wage, UC shifts costs onto the state when workers are forced to seek public assistance.

It is not uncommon for a full-time *career* service worker to work one or even two additional jobs to support him or herself and their family. Denis Garcia, a Food Service Worker at UCSF Medical Center, works *three jobs*—40 hours a week at the newly built Mission Bay Campus, a second shift at a restaurant, and a weekend job for a catering company. “The money I make at UCSF is not enough, and if I don’t work in two different places

“That’s how I got my house, when I had a house, that’s how we qualified. The low-income housing project that was being built in a new area, I qualified for that.

Currently, I’m on the PG&E assistance and other programs. Those programs are not easy to get on.”

— Ruben Santos⁴²

as much as I do, I wouldn’t be able to survive and feed my kids and have a roof over my head.”³⁹

UC Management Eyes McDonald’s as the UC Standard

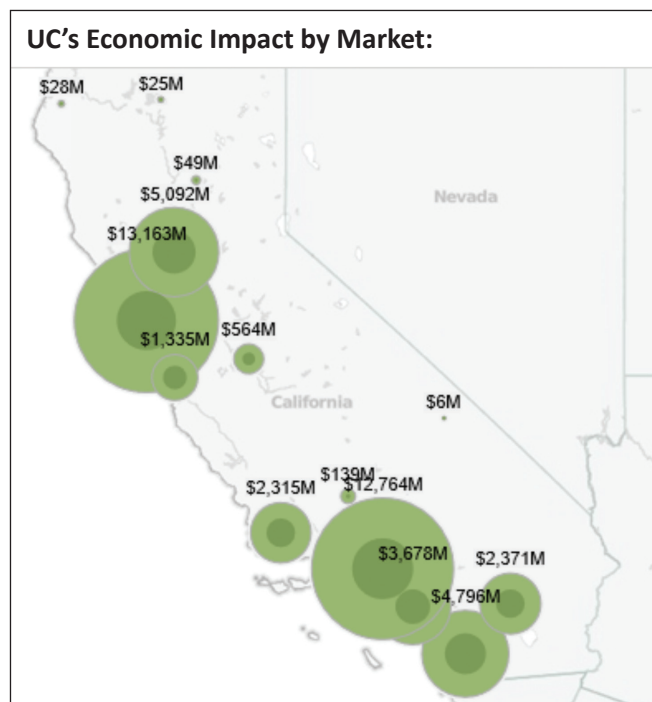
Yet, UC management insists that UC workers are overpaid. At the bargaining table, they compared a food service worker’s salary to what someone makes at McDonald’s as evidence to a state-appointed fact finding panel.⁴⁰ It is outrageous that UC officials consider the fast food industry—notorious for paying poverty wages and providing no benefits—as a benchmark for its service workforce.

Eugene Stokes, a Senior Building Maintenance Worker who has worked at UC Berkeley for 33 years, is forced to make extremely difficult decisions. “I had to choose this month between paying the mortgage or helping my daughter with her tuition. On other days, that choice can be between medicine and food.”⁴¹

Increasing Temporary Workforce Shifts Burden to Taxpayers

Another way that UC shifts its responsibility onto taxpayers is by replacing career service positions at the University with temporary jobs without sick days or health insurance. Today, one in ten service workers at UC are temporary workers.⁴³ A 2012 UC Berkeley Labor Center study examining the differences between temporary and career employees concludes that temporary workers in California are two times more likely to live in poverty, and therefore more likely to rely on publicly-funded state programs like Medi-Cal and food stamps.⁴⁴ By denying workers sick days or health insurance, the University “saves” money on the backs of low-wage workers—and California taxpayers are stuck with the bill.

Furthermore, UC adds to the taxpayers' tab and low-wage workers' vulnerability with a burgeoning shadow workforce that performs the same work as UC employees but is employed by private contractors. UC shifts more and more work to the lowest bidders, many of which are non-union companies held to lower standards than UC, whether in terms of wages, working conditions, or compliance with state regulations.⁴⁵ For example, in 2012, the number of outsourced food service workers at UCSF Medical Center more than doubled from 30 to 60, even though 30 out of 40 service workers directly employed by UCSF are struggling part-timers.⁴⁶



ultimately supports 430,000 jobs in California—or 1 out of 46 jobs throughout the state. Since “UC-related economic activity touches every corner of California,”⁴⁷ the types of jobs UC creates in local labor markets can either lift all workers’ standards of living, or depress wages and benefits for thousands of families. This race to the bottom is commonly referred to as the “Wal-Mart Effect.” UC has both a moral and economic responsibility to be held to a higher standard.

The Degradation of Market Standards Throughout the State i.e. “The Wal-Mart Effect”

This degradation of job quality not only impacts workers at the University of California but also decreases labor market standards throughout the state. As California's third largest employer, the University plays a critical role in the state's economy. It generates \$46.3 billion in economic activity, and

CAMPUS	Public Housing	Section 8 Housing	WIC	Federal School Lunch
UC Berkeley	✓	✓	✓	✓
UCLA	✓	✓	✓	✓
UC Merced	✓	-	✓	✓
UC Irvine	✓	✓	✓	✓
UC Riverside	✓	✓	✓	✓
UC San Diego	✓	✓	✓	✓
UC San Francisco	✓	✓	✓	✓
UC Santa Barbara	✓	✓	✓	✓
UC Santa Cruz	✓	✓	✓	✓
UC Davis	✓	✓	✓	✓
Total Service Workers	98.9%	60.92%	47.4%	47.4%

SERVICE WORKERS FORCED TO DO “MORE WITH LESS”

Service workers struggle with both financial and physical hardship. Layoffs, the elimination of open positions, and the increasing replacement of career jobs with temporary ones have led to huge staffing shortages that fall particularly hard on workers in physically demanding jobs. The problem is further compounded by the construction of new legacy buildings on UC campuses with fewer staff and less resources to maintain them.

Between 2009 and 2012, the space the University maintains grew by millions of square feet, yet the money it spends to clean and maintain those buildings decreased.⁴⁸ UC officials claim they have been “forced to cut funding for the operation and maintenance of facilities to help protect core academic programs,” and that while these reductions have been good for the fiscal health of the university, much of them are “negative austerity measures, such as cuts in building maintenance activities... and reduced, often drastically, custodial and grounds maintenance services.”⁴⁹

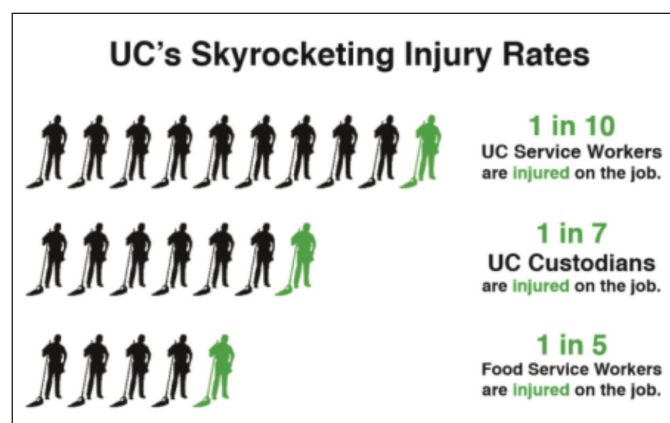
No one has been forced to pay the price for these reductions more dearly than service workers. Rising injury rates among service workers are staggering.

Collateral Damage: Chronic Short Staffing and a Rise in Service Workers’ Injury Rates

While UC continues its building frenzy, the size of its service workforce has remained virtually unchanged. In fact, while the square footage of UC buildings has increased from 120 million to 130 million, the number of career service workers increased by 2 percent.⁵⁰ Today, many custodians clean 50,600 square feet within one 8-hour shift. That’s almost the size of an NFL football field.

This increasing workload takes a toll on service workers and their bodies.

Since 2009, the number of injuries reported each year by UC service workers increased by 17 percent, and the number of injuries and job-related illnesses that resulted in days away from work swelled by 23 percent. In 2012, service workers missed 15,700 days of work because of an injury sustained on the job or a job-related illness.⁵¹



UC Berkeley Custodian Arnold Meza, responsible for maintaining 50,000 square feet, describes the impact of UC’s short-staffing on custodians. “We’ll come in on Monday, and those areas [study labs] cannot be brought up to date because they’re so overfilled with garbage. They haven’t been swept and mopped because we’re short staffed. Trying to catch up is an everyday struggle. The problem is that staffing levels are low, but also staff that does come back, comes back injured. They can’t perform as well because they come back with lower back injuries, shoulder injuries, neck injuries, or ankle injuries. You got people working with braces, popping pain pills, Ibuprofen, Tylenol. That’s the way it is for a custodian who is overworked.”⁵²

RECLAIMING THE UNIVERSITY OF CALIFORNIA

IT'S TIME FOR A NEW VISION

Governor Jerry Brown recently voted against salary increases for UC executives, and major news outlets are questioning UC's stewardship of taxpayer dollars more and more.⁵³ The Center for Investigative Reporting recently broke a story detailing how between 2008 and 2012, UCLA executives spent about \$2 million on luxury travel, hotel accommodations and other benefits, including \$486,000 on premium airfares for six UCLA deans and an \$842 limousine ride to a private donor's party.⁵⁴

UC leadership has repeatedly used state funding cuts in recent years to justify a program of austerity for students and workers. Yet, the University has a \$23 billion budget made up of highly diversified revenue sources, with no single revenue exceeding 30 percent of total revenues.⁵⁵ This diversity helps explain why Wall Street bond rating agencies never lost confidence in the University's finances.⁵⁶

This confidence was reaffirmed by Peter Taylor, UC's Chief Financial Officer, at a UC Regents meeting in September of 2012. In response to a question from one of the Regents, Taylor remarked, "The funding shortfall that we all hope is temporary and relatively short, can be counterbalanced by the fact that we have a very strong balance sheet and very good cash position... [let's] not lose sight of the fact, that as a fundamental institution, this \$23 billion institution, is still on solid ground."⁵⁷

Sadly, the past four years have been nothing short of a disaster for UC students and employees. Governor Brown has reprioritized funding to the University of California, and California voters have signaled their commitment to fund higher education with the passage of Proposition 30. It's now time for University of California administrators to re-commit to the founding principles of this great public institution. With new leadership now at the helm, a new vision is indeed possible.

END NOTES

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- 11 Ibid 8, p. 36.
- 12 The University of California, “The Facts: UC Budget Basics,” November 2011, http://budget.universityofcalifornia.edu/files/2011/12/Budget_fact_11.29.11.pdf. The systemwide 12-month employee furlough program reduced salaries from 4 to 10 percent and saved nearly \$136 million in core funds and \$240 million across all fund sources for 2010. Additionally, the academic and administrative cuts have ranged from 6 percent to 35 percent, and resulted in an estimated savings of more than \$155 million. The latter were not just one-shot savings.
- 13 UC Office of the President, Corporate Personnel System Data, April 2013.
- 14 Based on an analysis of income thresholds for 3-person households required to qualify for different public assistance programs in 2013. Only full-time service workers were considered as per data from the UC Office of the President, Corporate Personnel System, Headcount and Full Time Equivalent data from April 2013; The different public assistance programs included in the analysis are: Public Housing Program income eligibility guidelines as published by the Department of Housing and Community Development are based on 80 percent of the Median Area Income by County. The U.S. Department of Housing and Urban Development (HUD) administers Federal aid to local housing agencies that manage the housing for low-income residents at rents they can afford. http://www.huduser.org/portal/datasets/il/il2013/select_Geography.odn; Section 8 Housing Program gives Section 8 vouchers to individuals who make 50% of the Area Median Income are eligible for Section 8 vouchers, 75% of Section 8 vouchers are set aside for those making 30% of the Area Median Income. The income limits for 2013 are published by the California Department of Housing and Community Development. The housing choice voucher program is the federal government’s major program for assisting very low-income families, the elderly, and the disabled to afford decent, safe, and sanitary housing in the private market, http://www.huduser.org/portal/datasets/il/il2013/select_Geography.odn; WIC is a federally-funded health and nutrition program for women, infants, and children. WIC helps families by providing checks for buying healthy supplemental foods from WIC-authorized vendors, nutrition education, and help finding healthcare and other community services. www.fns.usda.gov/wic/howtoapply/incomeguidelines.htm; National School Lunch Program is a federally assisted meal program operating in public and nonprofit private schools and residential child care institutions. It provides nutritionally balanced, low-cost or free lunches to children each school day. http://www.fns.usda.gov/sites/default/files/IEG_Table-032913.pdf.
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- 20 Tanya Orzco, Senior Custodian at University of California Riverside, Testimony during Public Employee Relations’ Board (PERB) Fact Finding proceedings between AFSCME Local 3299 and University of California for SX Bargaining Unit, July 19, 2013.
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