

To: President Mark Yudof, University of California
From: Lakesha Harrison, President, AFSCME Local 3299
Date: August 18, 2009
Re: Summary Budget Reduction Plan Realignment



KEEPING UC ON MISSION TO BETTER SERVE CALIFORNIANS

In spite of favorable financial ratings, the UC Regents have declared a financial emergency allowing the University President to unilaterally impose extraordinary budgetary actions. AFSCME Local 3299 proposes alternative emergency budget measures that protect essential student and patient care services, while redirecting funds from areas that can most withstand temporary reductions. These reductions can provide a stop-gap until UC's spending priorities are changed to permanently reflect UC's intended mission as a public University.

Reduce the Top 2% of Earners \$220 MILLION

Applying sensible reductions to the University's top earners will free over \$220 million to use for preserving essential services. The alternative—levying reductions on UC's employees, including low-wage service workers whose families are one step from poverty—will ultimately cost more in public dollars.

Use Short-Term Borrowing as a Stop-Gap \$200 MILLION

If UC can borrow \$200 million to lend to the state for continued construction, it surely can borrow \$200 million to maintain essential services at campuses and medical centers. Prioritizing core services is a smart budget move that saves money by averting the liability and costs of unsafe campus conditions. A recent survey reveals that 94% of service workers responding believe furloughs will worsen current health and safety risks caused by reductions at the campuses. UC can afford this extraordinary stop-gap measure during unprecedented times.

Utilize Medical Center Profits \$100 MILLION

UC's five medical centers made significant profit gains in 2009. According to UCSF CEO Mark Laret, in FY 2009 that single campus "exceeded [the] outstanding level goal... with a bottom line that may exceed \$100 million this year." Other campuses report similar gains, averaging a 5.2% operating margin for the first three quarters of FY 2009 (California hospitals have averaged less than 1% over the last five years reported). If UC borrowed medical center profits above a 3% operating margin, this would free roughly \$100 million for UC's general operations.

Restructure Debt \$75 MILLION

We support the University's efforts to restructure a portion of its bond debt service, and believe UC should continue with its plans to save \$75 million through such means.

Utilize Unrestricted Investments \$50 MILLION

The University holds a massive, \$8.5 billion investment portfolio, most of which is highly liquid, unrestricted funds. Although UC earmarks these funds for programs, some fraction is discretionary and designated at the will of the Regents. In FY 1993, UC and the State of California tapped into the University's investments to fund \$43 million of a shortfall in UC's operating budget. Borrowing less than 1% of UC's unrestricted investments would free \$50 million to deal with critical operational needs in this unprecedented state budget situation.

Cut Wasteful Spending \$40 MILLION

UC must continue to cut non-essential spending—including, but not limited to, renovations of UC mansions, executive rentals of non-UC property, non-essential travel, and consultants' contracts—before any consideration of cutting vital services. UC's receipt of American Reinvestment and Recovery Act funds necessitates an especially judicious approach to reigning in excessive non-core spending.

The proposals above represent a prioritization of UC's core mission over profit-hoarding, executive pay and perks. UC must look to the areas most capable of absorbing a temporary redirection to balance the budget, and fulfill its mission as a university system serving the public.