Regarding Collective Bargaining

As we engage in collective bargaining for the first time with AFSCME as representatives of our College Service Unit, consisting of approximately 80 employees, I thought it would be helpful for CFO David Seward to address some of the issues that have arisen. I’ve asked him to present the facts. We’ve made so much progress, and I hope that with the information that is available to everyone we’ll be able to reach an agreement.

Frank H. Wu
Chancellor & Dean
UC Hastings Law

As the Chief Financial Officer of University of California Hastings College of the Law, I am writing to explain how our budget situation affects labor negotiations. Chancellor and Dean Wu has asked me to address the issues that have arisen in collective bargaining with AFSCME Local 3299, the representative of the College Services Unit.

Chancellor and Dean Wu, the faculty, and management value our staff and their contributions to the institution’s well being. But UC Hastings is not immune from the global economic downturn. Whether we like it or not, the financial challenges facing us are real and unlikely to diminish in the near future. The prospects of state funding restorations to previous levels of support are less than remote. To the contrary, further state budget reductions are all but inevitable. Given what appears to be an inexorable transition to financial self-sufficiency, we are striving to balance the needs expressed through the collective bargaining process, the long term financial viability of the institution, and the policy goal of keeping student fee increases to a minimum.

Relevant information:

- State revenues are weak as unemployment in California was at 12.1% in August, the housing market is struggling to stabilize, and the economy remains anemic. Automatic trigger reductions authorized by the 2011-12 enacted state budget will lead to the mid-year budget cuts in state funding carrying with it the possibility of additional fee increases in 2012, along with further cost reductions.
State funding is decreasing. Twenty years ago, we received about 67% of our funding from the State of California. Ten years ago, we received 50% of our funding from California. Five years ago, public support accounted for 23% of our budget. Now it makes up just 12%.

Student fees have increased. While UC Hastings fees are the lowest of the UC system, fee increases have been dramatic and are detrimental to our ability to offer access to the highest-quality education at the lowest possible price. Five years ago, fees totaled $22,000. We have maintained quality, but today fees are $40,836.

Increasing support from the alumni by investing in the fundraising program is essential and planning for a capital campaign is underway. However, UC Hastings, like many public institutions, does not have a strong tradition of alumni giving. Relying on the prospect of substantially greater levels of alumni support in the near term is not an operationally sustainable assumption.

Due to forward-looking financial planning and lean operations, UC Hastings employees have been protected from pay cuts and furloughs that have become the norm in many other public sector settings.

Like public and private employers throughout California and across the country, UC is grappling with the issue of sustaining good retirement benefits. UC Hastings is committed to funding its share to keep the retirement program solvent. Staff compensation also includes health and welfare benefits and a retirement program that are widely considered to be the most generous benefits available to employees of any school. At comparable universities with pension plans similar to UC’s, employees contribute up to 8% of pay for retirement benefits; employers contribute roughly 6-10% of pay for pension benefits. Currently, UC Hastings pays 7.7% (increasing to 10% next year) and employees pay roughly 3.5% (increasing to 5% next year).

Our final offer is generous. Our compensation proposal is a 2.5% pay increase in January and another 2.5% in July 2012, resulting in a total compounded increase of almost 5.1%. There are few employers, public or private, anywhere in the nation willing to make a 5% pay increase. AFSCME has demanded more.

Other attractive features of the package include:

- **Holidays:** Two additional holidays are being offered bringing the total from 13 to 15 paid days off.
- **On Call Pay:** For employees designated to be on-call during nonworking hours, 50% of their pay is provided during the on call period.
- **Overtime Pay:** Enhanced overtime eligibility provisions.

UC Hastings has made a fair offer.
Thank you.

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