



**Academic Senate**  
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June 25, 2009

Mary Croughan, PhD  
Chair, Academic Senate  
University of California Office of the President  
1111 Franklin St., 12th Floor  
Oakland, CA 94106

**Re: Review of the Proposed Furlough/Salary Reduction Plan Options**

Dear Chair Croughan:

The Coordinating Committee of the San Francisco Division of the Academic Senate met on June 23, 2009 to discuss concerns raised by our Committee on Faculty Welfare (attached) and numerous individual faculty members in response to the Proposed Furlough/Salary Reduction Plan Options distributed by UC President Mark Yudof on June 17, 2009. It is the consensus of our Coordinating Committee that the following points should be incorporated into the systemwide Senate response to President Yudof's plan.

- **Individual campuses should be given the latitude to implement salary reductions or furloughs in a manner that best meets the needs of the campus.**
- **Salary reductions should be applied only to those salaries supported by state funds – all other funds should be exempted from these cuts.**
- **Salary reductions for faculty should be applied to the base salary only, often referred to as the “X” salary component.**
- **Furloughs are strongly favored over salary cuts for UCSF faculty.**
- **A furlough-only plan is strongly favored over a hybrid furlough-salary cut plan.**
- **If furloughs are implemented, non-holiday furlough days are strongly favored over unpaid existing holidays.**
- **All UC students, post-doctoral trainees, residents and fellows should be exempted from the salary reductions and furloughs.**

**Individual campuses should be given the latitude to implement salary reductions or furloughs in a manner that best meets the needs of the campus.**

UCSF has special considerations centered around the maintenance of clinical care activities. Salary reductions, with loss of critical clinical personnel, and furloughs have the potential to negatively impact these clinical care activities. Loss of salary from extramural funding sources is viewed as extremely damaging to faculty morale, particularly as it will

contribute little or nothing to reducing the budgetary shortfall at the University of California. All campuses that receive funding from agencies such as the National Institutes of Health (NIH) or the National Science Foundation (NSF) need to carefully consider the impact of reduced productivity on established agreements and obligations. Reshuffling of budgets to accommodate the money generated through salary reductions is more complicated than it might appear. Some agencies, particularly smaller foundations, may not allow for such reshuffling. For those grants that are very heavy on personnel (vs. equipment and laboratory supplies), the options (e.g. hiring additional personnel) are limited by the level of funding made available through the reductions. Pursuing one of the “easier” options – purchase of major equipment – could result in a reduction in indirect cost recovery for the University. Finally, abandoning salary from clinical and extramural sources would likely have a substantial negative effect on contributions to the retirement system.

**Salary reductions cuts should be applied only to those salaries supported by state funds – all other funds should be exempted from these cuts.**

More than 90% of UCSF’s faculty salary support comes from sources other than state funds. Abandoning this salary support would have a serious negative impact on our ability to recruit and retain faculty to an institution with a salary structure that is acknowledged to be inferior to that of many of our comparison institutions. As noted, it also has serious implications in terms of contributions to the retirement system.

**Salary reductions for faculty should be applied to the base salary only, often referred to as the “X” salary component.**

From the standpoint of parity with other campuses, we view this as a comparable reduction in state-funded salaries.

**Furloughs are strongly favored over salary cuts for UCSF faculty, and furlough-only plan is strongly favored over a hybrid furlough-salary cut plan.**

Faculty at UCSF favor furloughs over salary cuts. We believe that the motivation for terminating the salary reduction plan will be greater with the furlough vs. the across-the-board salary reductions. We also support changes in the compensation plans on the individual campuses to allow faculty to pursue other revenue-generating activities during the furloughed time away from their UC obligations.

**If furloughs are implemented, non-holiday furlough days are strongly favored over unpaid existing holidays.**

We view furloughs using non-paid holidays as more difficult to reverse, particularly if the budgetary downturn is prolonged.

**All UC students, post-doctoral trainees, residents and fellows should be exempted from the salary reductions and furloughs.**

Most of these trainees are working in very competitive economic environments. Salary reductions would compromise our ability to recruit and retain the best candidates for these positions and undermine the efforts of the last ten years to make these positions economically competitive with those of our peer institutions around the country. Furloughs are simply not workable for individuals in training and for the clinical positions would not be compatible with delivery of optimal patient care.

Should you have questions or need more information, please contact me at [dgardner@diabetes.ucsf.edu](mailto:dgardner@diabetes.ucsf.edu).

Sincerely,



David Gardner, MD  
Chair, UCSF Academic Senate

Enclosure



## **Communication from the Committee on Faculty Welfare**

**Jacque Duncan, Chair**

June 20, 2009

David Gardner, MD  
Chair, UCSF Academic Senate  
500 Parnassus Avenue, Box 0764

Re: Review of the *Furlough/Salary Reduction Plan Options*

Dear Chair Gardner,

In response to the letter from President Yudof dated June 17, 2009, the Committee on Faculty Welfare has reviewed the *Furlough/Salary Reduction Plan Options* and makes the following recommendations:

- There should be a provision to “hold harmless” faculty so service credit, retirement, insurance coverage and benefits will not be adversely affected under any of the 3 proposed Options.
- Salary reductions should be limited to the portion of salaries supported by 19900 funds. Salaries supported by other sources should not be subject to reduction.

The Committee on Faculty Welfare strongly supports the adoption of a salary reduction policy that helps to alleviate the \$800 million State funding shortfall. However, a general salary cut, without consideration of the full economic impact, is irrational and not fiscally sound. Overall, 13-14% of UCSF funds are supported by State funds, while the remaining percentage comes from external sources. Not only would cutting the salary of UCSF employees who are funded by non-State funds fail to achieve the stated goal of reducing expenses, it will result in an *exacerbation* of the economic crisis for several reasons:

- UCSF will lose millions of dollars annually from indirect costs applied to salaries funded by external sources without saving any funds from State sources. Funds from the 8% reduction in salaries would of necessity be directed to the purchase of equipment and supplies rather than to hiring new employees, and these purchases do not generate indirect costs.
- UCSF and all UC medical centers system wide will lose clinical revenue if salary reductions or furloughs are implemented due to reduced productivity, decreased patient access to health care providers, and decreased ability to accept new patient referrals.
- Productivity and morale will decline if faculty members whose salaries are not supported by State funds are forced to accept salary reductions which will not improve the budgetary shortfall, and which will result in lost revenue from non-State supported sources such as extramural grants and contracts and clinical revenues.
- By reducing salaries or implementing furloughs, UC is in jeopardy of losing talented faculty members to competing institutions that offer higher salaries.
- Although we most strongly recommend that benefits and retirement funds are not affected, salary reductions could reduce contributions to the UC Retirement Program and Retiree health insurance programs, which would significantly exacerbate its current critically underfunded status.

President Yudof has indicated that he opposes salary reductions only for State-funded employees because to implement selective cuts is both unworkable and inequitable. To address these concerns, we

would like to emphasize that the University of Maryland, Baltimore County; the University of Nevada, Reno; the University of Wisconsin, Madison; and the University of Hawaii have each either implemented selective salary cuts to exclude grant-funded employees, or are in the process of instituting such an informed, rational reduction in salaries. We echo the sentiments of the University of Nevada, Reno Faculty Senate who have stated: *"We believe that it hurts the university and the state if we turn away income that costs Nevada taxpayers nothing. We also believe that any policy that reduces the incentive for seeking extramural funding is antithetical to the long-run goals of the university."*

While President Yudof's concern about the inequity of selective salary reductions is appreciated, it should be pointed out that there are inherent inequities already built into the UC system. The difference between State-funded and grant or other non-State-funded positions in terms of job security exemplifies this inequity. Adding salary reductions and/or furloughs to the existing inequities, particularly since these actions will not reduce UC system expenses, will only emphasize what is already an unequal system.

For salary reductions for State-funded employees, the Committee recommends Option 2 over Options 1 and 3 for the following reasons:

1. Furloughs are easier to reverse than salary reduction when the financial crisis has passed.
2. Furloughs will have less impact on benefits, including retirement earnings.
3. It would be preferable to offer time off without pay and allow faculty members to choose how they use their time during furlough periods.

We appreciate the opportunity to provide feedback on this critical issue. The current budget crisis has evolved, in part, due to inadequate attention to economic consequences of certain fiscal policies. We believe that strategies designed to mitigate the budget shortfall require a full evaluation of the economic effects, including the effect of the multi-million dollar loss of revenue from the loss of indirect cost recovery as a result of non-selective salary cuts, without any reduction in State expenditure.

We appreciate the severity of the budget crisis, and are hopeful that appropriate and rational steps will be taken to weather this fiscal emergency, while considering all options to try to limit any negative impact on the budget shortfall, the obligations to retirees and the morale of employees.

Sincerely,

Jacque Duncan, M.D., Chair, Committee on Faculty Welfare  
Susanne Mueller, MD, Vice Chair  
Jean Ann Seago, RN, PhD, Committee on Faculty Welfare UC System Wide Representative  
Paul Green, PhD  
Don Kishi, PharmD  
Maria Orellana, DDS, MSc, PhD  
Carmen Portillo, RN, PhD, FAAN  
David Rempel, MD, MPH  
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