

UC'S HIDDEN WEALTH

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SPECIAL POINTS OF INTEREST:

- Last year, top managers got pay increases of up to 25%.
- UC's non-state revenue increases 29% in 2008–2009 while it was imposing furloughs and temporary lay-offs.
- The Regents acknowledge that CUE salaries are far below market.

LEADING ECONOMIST DR. DONOHUE'S REPORT

In 2001, the Coalition of University Employees (CUE) engaged economist Peter Donohue of PBI Associates to investigate the University of California's ability to pay fair wages & benefits for UC clerical & allied employees.

Dr. Donohue's report entitled "UC's Hidden Wealth" was endorsed by a State fact-finder in 2004. This report uncovered that UC has more than sufficient ability to pay more to its employees.

His report provides an eye-opening view of what the UC administrators have done to obscure the financial assets that they manage.

As in the original 2002 investigation, this report relies on UC's audited financial reports to show that, despite repeated public statements to the contrary, the university has the ability to pay for improvements in UC clerical workers' pay and benefits without harming its educa-

tional, research and service programs.

It demonstrates once and for all that UC's refusal to offer clericals fair wages is NOT because it can't do so, but simply because it won't.



CONSEQUENCES OF UC'S GREED TO STUDENTS

Without raises that bring staff pay closer to market rate, UC may continue to face 50% turnover among first-year employees. The high turnover rate diminishes services to students and faculty.

UC students are facing unprecedented tuition increases and are dealing with less services and limited classes.

It's time to join together - students, staff, and faculty. We need to make our voices

heard. Regents, no more business as usual—tell UC to bargain fairly and treat workers with respect!

THE TRUTH ABOUT STATE FUNDING

UC's ability to pay is not contingent on State appropriations, as administrators have repeatedly stated. UC links CUE salaries to State appropriations but only 30% of CUE pay comes from State funds.

Six percent of CUE pay and benefits is paid from student

tuition and fees, and 41% comes from UC's sales and services revenues.

These revenues have increased tremendously. The students are paying more for tuition and housing. The staff and faculty are experiencing salary reductions.

That money is going straight into UC's pocket.

UC hides behind the State budget crisis to mislead it's employees. In fact, UC has received compact money from the State for salary increases, but UC used that money for other initiatives.



UNRESTRICTED FUNDS

The University of California has engaged in a calculated effort to misinform the public regarding unrestricted funds and net assets. An unnecessary and voluntary modification in their reporting practices has allowed the UC system to claim that it is losing money.

The increase in funds from UC's other ventures such as parking, dining, and housing has also doubled in the past 10 years to \$1.14 billion. These auxiliary enterprises have been very lucrative for the UC system and this revenues is expected to

continue to be a great source of income into the future.

With a 593% increase in unrestricted net assets since 1991, the UC system can afford to compensate its employees fairly without harm to any educational, research and service programs.

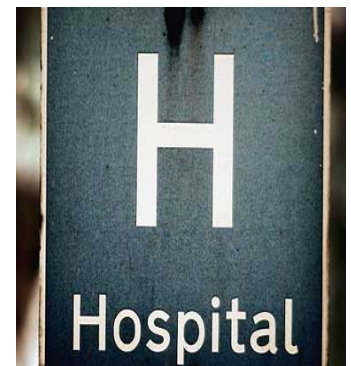
UC has more than \$4 billion in unrestricted funds set aside for a rainy day. Today is that rainy day.

MEDICAL CENTER FUNDS

Twenty-four percent of CUE's salaries are paid from the revenue of the medical centers. Those funds have increased consistently since 1991 and are expected to continue into the future.

These are unrestricted funds that could easily be used to remedy to the UC avowed problem of deficient salaries of CUE members. UC's fiscal prospects are highly rated by Moody's Investors

Service (AA1) & Standard & Poor Ratings Group (AA). The university is not in any danger of being in financial difficulty.



UC JARGON ON FUNDS

Let's keep it simple. Here are the basics for understanding this report's findings.

- 'Funds' are only UC book-keeping, the University's way of organizing its resources.
- Budgets are forward-looking documents balancing expected resources and spending.
- UC's Statement of Revenues, Expenses and Changes in Net Assets (income state-

ment) shows the most recent fiscal year's actual revenues, spending, transfers & fund balances while it's Statement of Net Assets balance sheet shows assets, liabilities & equity as accumulated over the University's history through the past year.

- What matters is if resources are restricted by outside entities, i.e. their use limited by law, contract, grant or bequest. Otherwise, they are unre-

stricted and for use as UC chooses.

Unrestricted resources UC has called "liened" in communications to clericals are actually unrestricted. "Liened" appears nowhere in UC audited financial reports. All "liened" means is that UC has plans for using these otherwise unrestricted funds other than improving CUE members' pay & benefits.



NET INCOME REPORTING

Despite a Governmental Accounting Standards Board (GSAB 45) mandate to the contrary, UC has modified its reporting structure to reflect a negative net income totaling \$917

million in 2007-2008 and a \$2.7 billion negative net income report in 2008-2009.

GASB 45 recommends that institutions report their accruing potential liabilities with actual

spending under expenses. This unwarranted deviation has resulted in overstatement of UC expenses and an understatement of UC net income.

- *UC links CUE salaries to State funds, but only 30% of CUE pay comes from State money.*

GIFTS & GRANTS

These unrestricted funds have shown the greatest increase of the period reviewed. Since 1990-1991 unrestricted gifts and grants increased by

1,503% and rose 19% in 2008-2009.

Over \$5 billion of these unrestricted funds are available to the UC. The university has the ability

to pay for improvements in the UC clerical workers' pay and benefits without harming its educational, research and service programs.



<http://www.cueunion.org>

All financial information and data was taken directly from Dr. Donohue's draft report entitled "UC's HIDDEN WEALTH." This report will be released in its entirety and there will be a website version available.



CUE ANSWERS EACH OF UC'S EXCUSES

UC EXCUSE – The state of California is in financial difficulty and is cutting the amount the State can give the UC system.

CUE RESPONSE – The State funds given to the University of California system decreased only 6% (to 13%) in 2008-2009, and UC has accumulated a \$3.5 billion surplus.

UC EXCUSE – The surplus funds are restricted and cannot be used for CUE salaries.

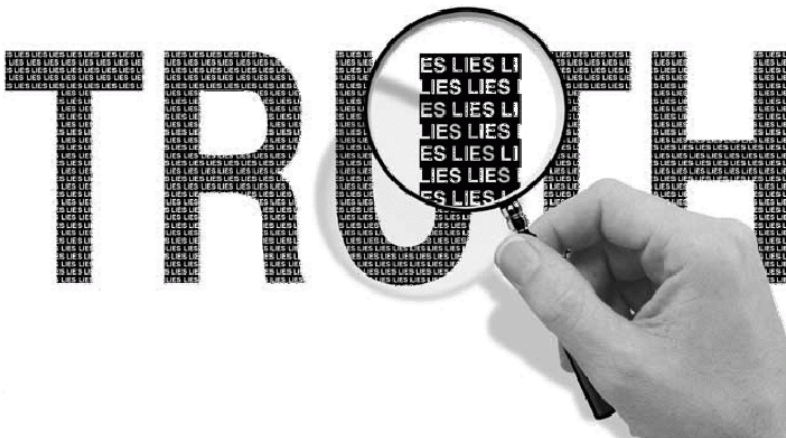
CUE RESPONSE – The UC has labeled funds restricted that are not restricted by Generally Accepted Accounting Procedures (GAAP). The university categorized the surplus as restricted in 2008 so they could hide portions of their available funds.

UC EXCUSE – Tuition and fees would have to be raised for students if CUE employees wages and compensation were brought into equity.

CUE RESPONSE – Only 3% of tuition and fees is contributed to the wage package of CUE members. The university has a 17% reserve, twice the recommended reserve for state-supported universities.

CUE employees are the ones who keep UC running—helping students register, find housing and jobs, keeping faculty on-line and on-time. Our dedication pays the bills and keeps the lights on—for paychecks that the University acknowledges are far below market rate.

It's time to take a stand together. CUE is the largest union in the UC system. We have power, LET'S TAKE ACTION!



COALITION OF UNIVERSITY EMPLOYEES

CUE Statewide Office

2855 Telegraph Ave., Suite 302

Berkeley, CA 94705

Phone: (510) 845-2221

Fax: (510) 845-7444

E-mail: clericals@cueunion.org

Layout and design by Kristi Rank, Local #1, Santa Barbara.