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**To: UC President Mark Yudof**

June 20, 2009

**Why NOT to Apply the 8% Pay Cut to staff paid from non-UCLA sources**

Dear President Yudof:

I write to advise you of serious problems that would be caused by making a universal 8% salary cut to the employees of my 25-member research laboratory at UCLA, who are not paid by UCLA at all. I and my employees work in a clinical department where we are responsible for raising 100% of our income from NIH grants. We receive no salary support from the University at all, and we never have done. It makes no sense to cut our salaries by 8% when our salaries are always supplied in full by an external agency - the NIH. We are required to be self-sufficient in winning funds to pay our entire salaries, and the salaries of our entire staff. We support them in full with funding from agencies outside of UCLA; the agencies are happy to pay us at the correct market rate. The terms of this salary arrangement are already agreed by them, without any pay cut. By extending a universal 8% cut to people who UCLA does not pay in the first place, the pay cut proposal interferes in an existing contractual arrangement that has already been agreed with an external agency. In fact, if you proceed with the 8% pay cut to staff paid from non-UCLA sources, you will incur a drastic loss of money, for the reasons below.

If you were to cut our group's salaries, the NIH program officers who fund us will not simply send UCLA the money instead. They will simply refrain from sending us that 8% component of our staff's salaries. UCLA will not save a dime, and the UCLA General Fund will not be able to recover any of it. So, rather than doing something helpful to alleviate the budget crisis, the pay cut to those paid by NIH will worsen UCLA's financial loss, because UCLA will also lose the university overhead, which the NIH pays to UCLA for each employee the NIH supports (at a rate of 53% of their negotiated salary).

If applied to non-state-funded employees, the pay cut proposal not only fails to cut costs, it even creates extra costs for UCLA. The State tax-payers in California, including myself, will be alarmed to hear that you are considering a pay cut policy that prevents us from receiving some of our external grants, making the UCLA budget shortfall even worse; the proponents of the pay cut clearly do not realize that UCLA will lose substantial funds by cutting our staff's salaries.

In the proposal arguing for a universal salary cut, the proponents imply that if any UCLA employee's salary is cut by 8%, then *everyone's* salary should be cut by 8%. This ignores the fact that some salaries are paid by the UC general funds, but others, including ours, are not. Our NIH-funded salaries have already been promised to us by the NIH at the rate we earn now, and NIH is now contractually obligated to pay us at that rate, with no cut.

Because the NIH grantors who fund us have been able manage their budget correctly, there will be no problem for them to pay us in full; our salaries do not need to be cut. The proposal to change the amount of our salaries makes no sense politically or financially, and will cause a net loss to UCLA. It does not benefit the UC fund, and in fact it depletes the UC fund still further as UCLA will be forgoing 8% of the overhead that NIH pays to UC on all salaries. So, UCLA would be losing a vast sum of money that is now paid to UCLA by contractual agreement. The General Fund would lose a percentage of the salaries of our entire laboratory – the overhead on our salaries - which now numbers many millions of dollars.

Not all UCLA faculty share the responsibility for the UC budget shortfall. The many in-residence faculty in the medical school have no part in it, as we do not rely on being paid by UCLA; our salaries have never been supported by UCLA. We are UCLA employees in name only. We are not paid by the university that we work for. The irony of the “pay cut” proposal is that by taxing those of us who are already self-sufficient, and who are no burden to UCLA, UCLA will not only punish us, and UCLA will in fact incur a net loss of money - the grantors who fund us will be sending UCLA less money as overhead on our salaries. So, the pay cut proposal, if applied to the medical in-residence faculty, will make the UC budget crisis even worse. Rather than involve us in a mess that we did not create, UC should focus on eliminating the loss-making activities that it is now conducting. They are what is causing and deepening the budget crisis.

The pay cut proponents imply that all UCLA employees should share equally in the pain of fixing the UC budget shortfall. This is a fallacy - the same fallacy as the idea that the American taxpayer should bail out all failing companies. It is the road to ruin, and should be vigorously opposed. There is no justifiable reason for UC to charge any of its budget shortfall to my staff who never receive any of the UC budget - we did not deplete the budget, we are no part of it, and we do not stand to gain from it in the future. Instead, UC should re-set the salaries of the thousands of employees who are now paid from the UC fund, as they are the people who are now depleting it and will stand to gain from it when it recovers. We stand to gain no future dividend from the UC funds – our terms of employment, as in-residence faculty unpaid by UCLA, make it clear that we will never receive UC funds, and we must generate our entire salary – and that of our entire staff - from external sources. In spite of that, we run one of the most successful laboratories in the world, bringing great credit to UCLA. Why should we pay our hard earned money as a subsidy to a failing company that does not pay us in the first place?

In closing, those proposing a universal 8% pay cut should keep their hands off our salaries, which UC does not pay. They clearly don't care about the immorality of taking our funds. But please, please be aware that the plan will worsen UC's shortfall. If you go ahead with your plan, UC will forgo income that it now receives from our extramural grants. With this unintended consequence, the pay cut proposal must be modified before it causes further damage.

A handwritten signature in black ink that reads "Paul Thompson". The signature is written in a cursive, flowing style.

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