



California State University:

It Needs to Strengthen Its Oversight and Establish Stricter Policies for Compensating Current and Former Employees

November 2007 Report 2007-102.1



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November 6, 2007

2007-102.1

The Governor of California
President pro Tempore of the Senate
Speaker of the Assembly
State Capitol
Sacramento, California 95814

Dear Governor and Legislative Leaders:

As requested by the Joint Legislative Audit Committee, the Bureau of State Audits presents its audit report concerning the California State University's (university) compensation practices. This report concludes that the university has not developed a central system enabling it to adequately monitor adherence to its compensation policies or measure their impact on university finances. From July 1, 2002, through June 30, 2007, the university payroll has increased by \$225.8 million, or 9.6 percent, but increases varied significantly by employment classification. Average executive compensation increased by 25.1 percent over this time period, with salary increases contributing the most to the growth. Average compensation for Management Personnel Plan employees (management personnel), such as managers and professional technical staff, increased by 10.4 percent. In contrast, average compensation for tenure-track faculty and other faculty increased by 5.6 percent, and 6.2 percent, respectively.

The board of trustees has justified increasing executive salaries on the basis that its executives' cash compensation, excluding benefits and perquisites, lags those of comparable institutions, but concerns have been raised about the methodology used. Additionally, the university has three executive transition programs that provide postemployment compensation packages to departing executives, in addition to the standard retirement benefits available to eligible executives. Further, some management personnel received questionable compensation after they were no longer providing services to the university or while they were transitioning to faculty positions. Finally, the discretionary nature of the university's relocation policy can result in questionable reimbursements of costs for moving household goods and closing costs associated with selling and purchasing residences.

Respectfully submitted,



ELAINE M. HOWLE
State Auditor

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Summary

Results in Brief

The California State University (university) aims to make quality higher education programs accessible to people striving to develop intellectually, personally, and professionally. With 23 campuses serving nearly 417,000 students and employing 23,000 faculty members, the university is the nation's largest system of senior higher education. Overseeing university operations is the responsibility of a 25-member board of trustees (board), which adopts rules, regulations, and policies governing the university.

Although it has established compensation policies applicable to all campuses, the university has not developed a central system enabling it to adequately monitor adherence to those policies or measure their impact on university finances. Specifically, the university does not maintain systemwide compensation data by type and funding source, and this lack of data impairs the ability of the chancellor's office to provide effective oversight of its compensation policies. Although the university delegates broad authority to the campuses to ensure that systemwide policies are followed, it is important for the chancellor's office to have sufficient data to monitor the campuses' implementation of the policies.

In fiscal year 2006–07, university employees received a total of \$2.6 billion in compensation, excluding amounts paid directly by external entities such as foundations. Funded primarily by state resources, most university compensation is paid in the form of salaries. Over the last five fiscal years, the university payroll has increased by \$225.8 million, or 9.6 percent. Increased compensation per employee represented about 97 percent of that increase, and 3 percent stemmed from the hiring of more employees. However, the compensation increases varied significantly by employment classification. For example, average compensation for executives increased by 25.1 percent, and average compensation for Management Personnel Plan employees (management personnel), such as managers and professional technical staff, increased by 10.4 percent. In contrast, average compensation for tenure-track faculty and other faculty increased by 5.6 percent and 6.2 percent, respectively. Average compensation for all other university employees increased by 12.4 percent. Changes in the number of employees also varied significantly by employee classification over the five-year period.

Because average executive compensation experienced the most growth during the five-year period, we examined the growth in the various components that make up executive compensation—salaries, housing allowances, and automobile allowances. Salary increases contributed the most to this growth, with the board

Audit Highlights . . .

Our review of the California State University's (university) compensation practices revealed the following:

- » *The university has not developed a central system enabling it to adequately monitor adherence to its compensation policies or measure their impact on university finances.*
- » *Average executive compensation increased by 25.1 percent from July 1, 2002, through June 30, 2007, with salary increases contributing the most to the growth.*
- » *The board of trustees (board) has justified increasing executive salaries on the basis that its executives' cash compensation, excluding benefits and perquisites, lags those of comparable institutions, but concerns have been raised about the methodology used.*
- » *The university has three executive transition programs that provide postemployment compensation packages to departing executives, in addition to the standard retirement benefits available to eligible executives.*
- » *Some Management Personnel Plan employees received questionable compensation after they were no longer providing services to the university or while they were transitioning to faculty positions.*
- » *The discretionary nature of the university's relocation policy can result in questionable reimbursements of costs for moving household goods and closing costs associated with selling and purchasing residences.*

approving increases for executives ranging from an average of 1.68 percent to 13.7 percent on three separate occasions. The board has continually justified increasing executive salaries on the basis that its executives' cash, or salary, compensation lags behind that of comparable institutions. However, as early as October 2004, the California Postsecondary Education Commission (commission), the entity that was involved with executive compensation studies until that time, raised concerns that the methodology used in making such comparisons did not present a complete picture of the value of individual compensation packages because it did not consider the benefits and perquisites provided to executives, which can be substantial. Despite these concerns and the absence of further commission involvement in surveys of executive compensation, the university proceeded to use a consulting firm to perform surveys of the comparison institutions using the questioned methodology. Further, documents indicate that the board approved executive salary increases in October 2005 and January 2007 based only on considering the lag in cash compensation.

In 2007 the commission and the Legislative Analyst's Office (legislative analyst) expressed further concerns about the existing methodology used in these types of comparisons. Nevertheless, in September 2007, the board subsequently granted its executives another raise averaging 11.8 percent. Further, the chancellor recommended that the board adopt a new formal executive compensation policy and that the board continue to have a salary target focused on the average cash compensation of similar positions at comparable institutions. In response to these recommendations, the board adopted a new executive compensation policy and resolved that it aims to attain parity for its executives and faculty by fiscal year 2010–11.

We asked the chancellor's office why the university continued to justify increases in compensation for its executives based on a methodology that has been questioned by the commission and the legislative analyst. The vice chancellor of human resources¹ responded that the university did not believe it appropriate to deviate from a methodology that was agreed upon years ago by the various interested parties, including the commission and the legislative analyst. However, as these are now the same parties that are raising concerns, we believe it is time for the university to work with the interested parties to develop a more appropriate methodology that considers total compensation.

¹ The former vice chancellor of human resources departed her position on August 1, 2007, but for the purposes of this report, we refer to her as the vice chancellor of human resources.

The university has three executive transition programs through which current employees receive postemployment compensation packages upon their departure from the university. These programs are in addition to the standard retirement benefits the university provides to eligible executives, including retirement income, medical and dental coverage, and voluntary retirement savings plans. The university has three programs because over time the board has made revisions to the original transition program established in 1981. Each departing executive is eligible for the program in effect at the time of his or her appointment. The terms of the transition agreement offered to a departing executive depend on the transition program for which the person is eligible but can include one year of paid leave, lifetime tenure as a trustee professor at a campus, or an alternative agreement negotiated by the chancellor.

In November 2006, after media criticism of the existing transition programs, the board passed a resolution requiring the chancellor to provide each board member with a copy of all final transition agreements and to submit an annual report summarizing all existing transition agreements. However, the annual report presented by the chancellor in March 2007 does not include information on the status of accomplishments or deliverables that former executives may have agreed to provide the university as part of their transition agreements. Moreover, the chancellor does not have to disclose details to the board until after entering into a final agreement with a departing executive. Although the board prefers not to participate in the negotiating process, it should continue to monitor the chancellor's administration of the executive transition program to ensure that it is conducted in a prudent manner and that intended cost savings are achieved.

Although only executives are eligible to participate in a transition program, we noted instances in which management personnel received questionable transitionlike compensation after they were no longer providing services to the university or while they were transitioning to faculty positions. For example, we found that one individual, who received compensation totaling \$102,000 during a seven-year leave on the premise that he was gaining experience that would benefit the university on his return, never returned to university employment.

The university exercises considerable discretion in paying expenses related to moving and relocation (collectively referred to here as relocation) for its employees. The university's broad policy on relocation expenses enables employees to receive reimbursement for actual, necessary, and reasonable expenses, but the policy sets few monetary limits on those expenses. Further,

although the policy identifies the types of expenses that can be reimbursed, it contains clauses that permit the chancellor or campus presidents to grant exceptions to the policy.

The chancellor determines the amounts of relocation reimbursements for executives, campus presidents, and management personnel in the chancellor's office, and the campus presidents determine the amounts for management personnel and faculty at their respective campuses. Board approval of these arrangements is not required, and typically the payment amounts are not disclosed to the board. The discretionary nature of the university's policy can result in questionable reimbursements covering, for instance, the cost of moving household goods and closing costs associated with selling and purchasing residences. These costs can be considerable. For example, we noted that the university reimbursed one individual for \$65,000 in closing costs and \$19,000 in moving expenses.

Finally, the university has established a dual-employment policy that allows its employees to have jobs outside the university system as long as no conflicts of interest exist. However, the policy does not require employees to obtain prior approval for outside employment, nor does it require them to disclose that they have such employment. Thus, the university is unable to adequately determine whether employees have outside employment in conflict with their university employment.

Recommendations

To provide effective oversight of its systemwide compensation policies, the university needs accurate, detailed, and timely compensation data. The university should create a centralized information structure to catalog university compensation by individual, payment type, and funding source.

The board should consider total compensation received by comparable institutions, rather than just cash compensation, when deciding on future salary increases for executives, faculty, and other employees. The university should work with interested parties, such as the commission and the legislative analyst, to develop a methodology for comparing itself to other institutions that considers total compensation. If the university believes it needs a statutory change to facilitate its efforts, it should seek it.

The board should continue to monitor the executive transition programs to ensure that the chancellor administers them prudently and that intended cost savings are achieved for the university. In addition, the board should require the chancellor to include

in the transition agreements clear expectations of specific duties to be performed, as well as procedures for the former executives to report on their accomplishments and status of deliverables. Further, the board should require the chancellor to include information in his annual report on the status of accomplishments and deliverables associated with transition agreements.

The university should work through the regulatory process to develop stronger regulations governing paid leaves of absence for management personnel. The improved regulations should include specific eligibility criteria, time restrictions, and provisions designed to protect the university from financial loss if an employee fails to render service to the university following a leave. Further, the board should establish a policy defining the extent to which it wants to be informed of such leaves of absence for management personnel.

The university should strengthen its policy governing the reimbursement of relocation expenses. For example, the policy should include comprehensive monetary thresholds above which board approval is required. In addition, the policy should prohibit reimbursements for any tax liabilities resulting from relocation payments. Finally, the board should require the chancellor to disclose the amounts of relocation reimbursements to be offered to incoming executives.

The university should work to strengthen its dual-employment policy by imposing disclosure and approval requirements for faculty and other employees, including management personnel. If the university believes it needs a statutory change to facilitate its efforts, it should seek it.

Agency Comments

The university agrees that the facts are correctly stated in our report and indicates that our recommendations will be helpful in its efforts to improve its compensation policies and practices. In fact, the university reports that it will begin implementing some of our recommendations immediately and will act on others as soon as feasible.

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Introduction

Background

The mission of the California State University (university) includes providing opportunities for individuals to develop intellectually, personally, and professionally through high-quality, accessible, higher education programs. Serving nearly 417,000 students and employing 23,000 faculty members at 23 campuses, the university is the nation's largest system of senior higher education.

A 25-member board of trustees (board) is responsible for overseeing university operations. The board adopts rules, regulations, and policies governing the university. It has authority over curricular development, use of property, development of facilities, and management of fiscal and human resources. Under current law, the governor, lieutenant governor, speaker of the Assembly, state superintendent of public instruction, and chancellor of the university are trustees by virtue of their positions. The university's Alumni Council appoints an alumni trustee, and the governor appoints the remaining 19 trustees, including a faculty trustee and two student trustees. The board meets seven times each year. Board meetings generally must allow public comment. They also provide an opportunity for communication among the trustees and the campus presidents, executive committee members of the Academic Senate, representatives of the California State Student Association, and officers of the Alumni Council.

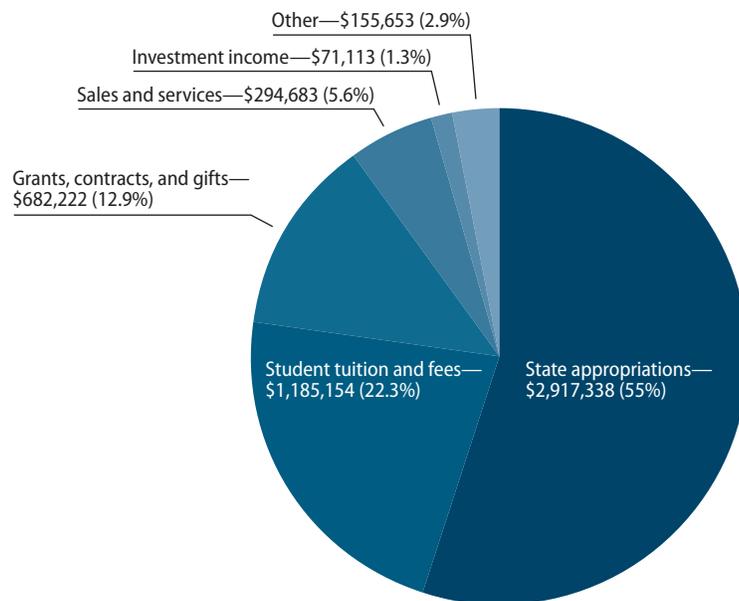
The chancellor is the chief executive officer of the university and reports to the board. The chancellor's responsibilities are leading the Executive Council, which is composed of the vice chancellors and campus presidents; assisting campuses and presidents in carrying out the university's mission; coordinating systemwide functions; representing the university to state and national policy makers; and leading university communications with various federal entities. The chancellor, in partnership with the board, also selects, appoints, and evaluates campus presidents. Further, the chancellor makes recommendations on the selection of other university executives whom the board ultimately appoints and evaluates.

Besides the chancellor, university executives include three vice chancellors and the general counsel. The role of these university executives is to develop and coordinate systemwide policy and programs in areas ranging from budget and business affairs to physical plant development and employee relations. Campus presidents serve as the chief executive officers of their respective campuses and are the primary liaison between the campuses and their surrounding communities. Presidents report to the chancellor and have responsibilities that include implementing

executive orders, hiring faculty and staff, raising private funds, ensuring academic quality, setting campus priorities, and managing campus operations.

The university workforce also comprises Management Personnel Plan employees (management personnel), such as managers and professional technical staff; tenure-track faculty, which in this report refers to instructional faculty who have attained tenure as well as faculty on a path to attain tenure; other faculty; and other employees. Management personnel serve under a campus president or the chancellor. Among management personnel are vice presidents, associate vice presidents, deans, some athletic coaches, managers, officers, and supervisors. The chancellor or a designee assigns management personnel positions to one of four grade levels. Tenure-track faculty are members of a collective bargaining unit and include assistant, associate, and full professors. Other faculty, including lecturers, most instructors, librarians, and certain coaches, are members of the same collective bargaining unit. Other university employees consist of a wide range of positions including payroll technicians, cooks, and parking officers.

Figure 1
Source of University Revenues for Fiscal Year 2005–06
(Dollars in Thousands)



Source: California State University's audited financial statements for fiscal year 2005–06.

As shown in Figure 1, the university receives its funding from several sources, including state appropriations, student tuition and fees, and investment income. Of the university's \$5.3 billion in total revenues for fiscal year 2005–06, state appropriations totaled \$2.9 billion, with revenue from student tuition and fees totaling \$1.2 billion. State appropriations and student tuition and fees are thus the core components supporting the mission of the university, representing about 77 percent of the university's revenue.

Compensation Policies

The board governs executive compensation through an executive compensation policy, human resource memoranda, and technical letters. The Bagley-Keene Open Meeting Act (act) requires the board to give public notice of its meetings and related agendas, accept public testimony, and conduct its meetings in public unless specifically authorized by the act to meet in closed session. The executive compensation policy sets forth objectives and methods for establishing equity and accountability. Some human resource memoranda provide guidance on implementation of resolutions passed by the board at public meetings that relate to compensation matters such as increases in base salaries, housing allowances, and automobile allowances. The board approves executive compensation, including housing allowances and automobile allowances, and approves increases to executive base salaries, housing allowances, and automobile allowances. The chancellor negotiates salaries with executive candidates in accordance with the executive compensation policy.

Over time, the board has established three transition programs to provide postemployment compensation packages as additional incentives to incoming executives. The specific transition program an executive is eligible for is determined by the executive's appointment date. However, after receiving notification of an individual's intent to resign an executive position, the chancellor has the sole authority to approve the details of the transition agreement, including the beginning and ending dates of transitional service to the university, if any; specific duties and locations of the service; and compensation. A policy change in November 2006 now requires the chancellor to forward copies of all final transition agreements to each board member and to report annually on all existing transition agreements in an open meeting of the board.

Compensation of management personnel is regulated by Title 5 of the California Code of Regulations, which states that the chancellor determines and the board approves salary ranges for management personnel based on comparative salary data available from competitive public and private organizations. The chancellor and

the board can review and adjust salary ranges when they consider it appropriate. However, a campus president must obtain approval from the vice chancellor of human resources to authorize salaries above the maximum range for the administrator IV level, which is the highest level in the management personnel classification.

Additional guidelines for other aspects of management personnel compensation, including bonuses and supplemental compensation, are presented in letters from the human resources unit within the chancellor's office.

Types of Compensation Offered by the University

Regular Pay

Base pay: Base salary, student assistant or summer aid payments, and payment when an employee is leaving and is owed salary.

Leave pay: Payment for disability and sick leave, holiday, and vacation.

Overtime pay: Payment for work performed outside regular work hours.

Shift differential: Premium for performing nonovertime work on an evening, night, weekend, holiday, or "on-call" shift.

Additional Pay

Additional teaching and special assignments: Payment for teaching and other assignments that are in addition to an employee's primary assignment, such as teaching classes during the summer or intersession.

Bonus pay: A broad category in which the university groups various types of bonuses and supplemental compensation.

Stipends: Payments for undertaking assigned responsibilities outside the scope of the employee's regular responsibilities, as well as compensation for fellowship awards.

Housing allowances: Payment to provide support for housing costs.

Benefits-related payments: Payments of health care stipends and uniform allowances.

Automobile allowances: Payment of a monthly automobile allowance to support university-related business travel requirements.

Other pay: A broad category comprising such items as individual settlements, awards, incentive program awards, gratuities, military leave, and hazardous training allowances.

Faculty compensation is outlined in the collective bargaining agreement between the board and the California Faculty Association. The compensation policies and benefit programs available to other represented university employees are outlined in collective bargaining agreements between the board and 11 collective bargaining units. The board's committee on collective bargaining has the authority to negotiate with the California Faculty Association to set faculty salary ranges. Compensation above the range maximum for faculty members is governed by the terms of the collective bargaining agreement. Finally, the chancellor, in addition to campus presidents, has the authority to negotiate reimbursement of moving and relocation expenses as well as closing costs associated with both the selling and buying of a residence, without board approval.

As shown in the text box, the university provides various types of compensation and benefits to its employees. In addition to regular base pay, certain university employees can earn overtime and differential pay and be eligible for bonuses and stipends. Faculty members are the primary recipients of additional pay for performing teaching and other assignments, such as teaching summer classes or intersession classes, that are in addition to their regular assignments. Housing and automobile allowances are given primarily to executives.

The university can offer prospective employees incentives like transitional housing allowances and reimbursements for house-hunting trips, moving expenses and travel, and other costs associated with relocating to their new positions, including those of selling and buying homes.

Other inducements have included discretionary research funding; spousal employment, with or without tenure; capital improvements to university-provided housing, office furniture, and laboratories; and reduced teaching assignments.

In addition, the university provides most employees with health care benefits that include medical, vision, and dental care. Among the flexible benefits the university offers are a premium plan that covers medical costs and offers tax advantages, a health care reimbursement account, and a parking plan that allows participating employees to pay certain parking expenses with pretax dollars. The university also offers income protection benefits, which provide a source of income in the event that an eligible employee becomes disabled and is unable to perform his or her normal work duties. Some university employees receive income protection, such as life insurance, with different amounts of coverage for different employee groups, and survivor education benefits. Further, the university provides eligible employees retirement benefits that include retirement income, medical and dental coverage, and voluntary retirement savings plans. Finally, most university employees receive paid and unpaid time off, including paid holidays, vacation, sick leave, and leaves of absence.

Scope and Methodology

The Joint Legislative Audit Committee (audit committee) requested that the Bureau of State Audits review the compensation practices of the university. Specifically, the audit committee asked us to perform the following analysis to determine the extent to which the university used various programs to compensate employees:²

- To the extent data are centrally maintained and reasonably consistent among campuses, identify systemwide compensation by type and funding source.
- Subject to the same limitations, categorize by type and funding source the compensation of highly paid individuals receiving funds from state appropriations and student tuition and fees.
- For the most highly paid individuals, identify any additional compensation or employment inducements not appearing in the university's centrally maintained records, such as those recorded in any employment agreements with the university.

² The audit committee also requested that we review the university's hiring practices and employment discrimination lawsuits. The results of our review of these areas will be included in a separate report (2007-102.2), which we anticipate issuing in December 2007.

The audit committee also asked us to review any postemployment compensation packages and identify the terms and conditions of transitional special assignments for highly paid individuals, including top executives and campus presidents, who left the university in the last five years. Finally, the audit committee asked us to determine the extent to which the university's compensation programs and special assignments are disclosed to the board and to the public, including the types of programs that exist, the size and cost of each, and the benefits that participants receive. To the extent that this information is available and is not publicly disclosed, the audit committee asked us to include these items in our report.

To identify systemwide compensation by employee classification and by type, we obtained payroll data from the State Controller's Office (state controller) for all employees of the university during fiscal year 2006–07.³ The state controller is the university's sole payroll agent; therefore, all compensation directly paid by the university is paid through the state controller. However, university employees may also receive compensation from one or more of the 89 recognized university auxiliaries, which include campus foundations and businesses such as bookstores and student unions.

For example, foundations may administer contracts and grants that have been awarded to university employees. A university employee with a foundation-administered contract or grant can receive compensation directly from the foundation through its payroll system. That compensation is not included in the payroll file maintained by the state controller (payroll file). Alternatively, a university employee can receive compensation related to a foundation-administered contract or grant directly from the university, which is subsequently reimbursed by the foundation. In this case, because the university pays the employee through the state controller, the compensation is included in the payroll file. Therefore, the systemwide compensation data that we present in this report does not include amounts paid directly by foundations to university employees but does include amounts initially paid by the university and subsequently reimbursed by foundations.

The payroll file is sufficiently detailed to identify systemwide compensation by type and employee classification. However, campuses use more than 60 payment descriptions when reporting payments to the state controller. To construct more meaningful measures of what payment types constitute "regular pay" and "additional pay," we grouped the detailed payment types into the categories shown previously in the text box. For example,

³ The state controller provided data from the second work day of fiscal year 2006–07 through the first work day of fiscal year 2007–08, as most payments issued on the first work day of each fiscal year reflect activity of the previous year.

we grouped nine types of leave payments under the “leave pay” category. We also grouped various types of bonuses and stipends under the categories “bonus pay” and “stipends.” We did this by reviewing documentation of the payroll codes that appeared in the payroll file and, when necessary, obtaining clarifying information from university staff.

We also chose to categorize the various types of compensation by employee classification, such as executives, management personnel, tenure-track faculty, other faculty, and other employees. To differentiate the various types of university employees, we used the employee classifications and collective bargaining unit designations provided in the payroll file. To calculate full-time equivalents (FTEs) for each of these employee categories, we used a methodology similar to that included in the university’s Employee Salary Projection (ESP) system: assigning an FTE value to each salary payment recorded in the payroll file and factoring in the full-time, part-time, or temporary status of each employee and the number of days and hours worked each pay period. In addition, we defined highly paid employees as those who made more than the top salary for 12-month tenure-track faculty in fiscal year 2006–07. The chancellor’s office reviewed our categorization of payment types and employee categorizations and agreed that they were reasonable.

Because the payroll file does not contain funding information, we used information from the university’s ESP system to determine the amount of university compensation funded by state appropriations and student tuition and fees. The payroll file is the initial source of the data in the ESP system, to which each campus adds funding source information. However, the university uses the ESP system only for specific salary and benefits projection purposes, not to monitor the university’s systemwide compensation policies. Consequently, the ESP system does not contain the compensation detail necessary for a systemwide analysis by payment type. In addition, the ESP system contains some errors in its detailed funding source information. However, we determined that the funding source data were the best available data for us to provide high-level funding source information in the report.

The standards of the U.S. Government Accountability Office require that we assess the reliability of computer-processed data. We assessed the reliability of the data by performing electronic testing of required elements, reviewing existing information about the data and the system that produced them, interviewing officials knowledgeable about the data, and testing the completeness and accuracy of the data. As part of our annual audit of the State’s financial statements, we perform completeness testing on the payroll file. Based on past results of that testing, we determined that we could rely on the completeness of the payroll file. We verified the

completeness of the ESP system by ensuring that the total gross pay appearing in the payroll file materially agreed with that in the ESP system.

For the data fields that we used in the payroll files for the purposes of this audit, we performed testing of a sample of transactions to determine whether those fields were accurate. Specifically, we traced the sample transactions from the payroll file to the university data systems, but we generally did not vouch this information to original source documents, except in certain instances such as when the university made special payments. However, during our review of source documents for a sample of highly paid employees discussed in the following paragraph, we noted some errors resulting from campuses classifying transactions inconsistently. We discuss these errors further in Chapter 1. We also tested the accuracy of the limited funding information that we present in our report by reviewing an additional sample of payroll transactions from the ESP system. Similarly, although we traced the funding information for the sample transactions to the input source from the university's data systems, we did not obtain documentation to determine the appropriateness of the funding information in the ESP system because this was beyond the scope of our audit. Further, some campuses did not provide documentation supporting certain fields for some transactions from the payroll file or ESP system. Consequently, we assess the reliability of the payroll file and ESP system as undetermined for the purposes of our analysis.

To determine whether highly compensated university employees received any additional compensation or employment inducements beyond what is recorded in the payroll file, we selected a sample of 76 highly paid university employees from the chancellor's office and the university campuses at Fullerton, Long Beach, Sacramento, San Diego, and San Francisco. We reviewed the university's personnel files and obtained information from relevant auxiliaries to identify any additional compensation or other employment inducements received by these employees in fiscal year 2006–07. However, the completeness of the additional information we present is dependent on the completeness of the personnel files and the information we obtained from the auxiliaries. The detailed methodology for selecting this sample, which includes faculty, management personnel, and executives, is presented in Appendix A.

To understand the university's transition programs and postemployment compensation packages, we reviewed the university's policies, minutes of board meetings, and copies of transition agreements for departed executives. In doing so, we identified the transition programs that have existed since 1981. We also determined which postemployment compensation package applied to each university executive as of August 31, 2007.

In addition, we identified the terms and conditions of executive transition agreements for executives who departed the university from July 1, 2002, through August 31, 2007. To determine the extent to which the university's compensation programs and special assignments are disclosed to the board and the public, we reviewed the agendas and minutes of board meetings. We also reviewed the board's disclosure policies. Finally, we reviewed a report that the chancellor submitted to the board in March 2007 disclosing the former executives participating in transition programs and the benefits the participants received in fiscal year 2006-07.

We also selected a sample of management personnel who were classified as administrators in the level IV category and who left their positions within the last five years. We reviewed the personnel files of these nonexecutive employees to determine whether the university was providing them with postemployment compensation packages. We focused on administrators in the level IV category—which includes campus vice presidents and systemwide directors—because they represent the highest rank of the university's management personnel. To identify these individuals, we used the payroll file to find management personnel at the chancellor's office and the five campuses discussed previously who received at least one payment at that level from fiscal years 2002-03 through 2005-06 but did not receive a payment at that level in fiscal year 2006-07.

Finally, we reviewed the university's policy for reimbursing incoming employees for moving and relocation costs and its policy regarding employment outside the university system. As part of our review of the appointment letters and other documentation contained in the personnel files of our sample of 76 highly paid university employees, we determined whether reimbursements for moving and relocation costs received by these employees were in compliance with university policy.

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Chapter 1

THE CALIFORNIA STATE UNIVERSITY SHOULD STRENGTHEN ITS MONITORING OF COMPENSATION POLICIES AND PRACTICES

Chapter Summary

The California State University (university) establishes systemwide compensation policies but does not have a system that allows it to adequately monitor adherence to those policies or to measure their impact on university finances. Specifically, the university does not maintain systemwide compensation data by type and funding source, and this lack of data impairs the ability of the chancellor's office to provide effective oversight of its compensation policies. Although the university delegates broad authority to campuses to ensure that systemwide policies are followed, it is important for the chancellor's office to have sufficient data to monitor the campuses' implementation of the policies.

In fiscal year 2006–07, compensation for university employees totaled \$2.6 billion, excluding amounts paid directly by external entities such as foundations. Funded largely by state resources, university compensation most often is disbursed through salary payments. Over the last five fiscal years, the university payroll has increased by \$225.8 million, or 9.6 percent. Roughly 97 percent of this increase resulted from increased compensation per employee, with the remaining 3 percent due to an increased number of employees.

The compensation increases varied significantly among various employment classifications. For example, average compensation for executives increased by 25.1 percent, and average compensation for Management Personnel Plan employees (management personnel), such as managers and professional technical staff, increased by 10.4 percent. In contrast, average compensation for tenure-track faculty and other faculty increased by 5.6 percent, and 6.2 percent, respectively. Average compensation for the remaining university employees increased by 12.4 percent. Changes in the number of employees also varied significantly by employee classification over the five-year period.

We examined the growth in the various components that make up executive compensation—salaries, housing allowances, and automobile allowances—because average executive compensation experienced the most growth during the five-year period. Salary increases contributed the most to this growth, with the board of trustees (board) approving salary increases on three separate occasions. The salary increases for executives ranged from an

average of 1.68 percent to 13.7 percent. The board has continually justified increasing executive salaries on the basis that its executives' cash, or salary, compensation lags behind that of comparable institutions. However, as early as October 2004, the California Postsecondary Education Commission (commission), the entity that was involved with executive compensation studies until that time, raised concerns that the methodology used in making such comparisons did not present a complete picture of the value of individual compensation packages because it did not consider benefits and perquisites provided to executives, which can be substantial. Despite these concerns and the absence of further commission involvement in surveys of executive compensation, the university proceeded to use a consulting firm to perform surveys of the comparison institutions using the questioned methodology. Further, documents indicate that the board approved executive salary increases in October 2005 and January 2007 based only on the lag in cash compensation.

The commission and the Legislative Analyst's Office expressed further concerns in 2007 about the existing methodology used in these types of comparisons. Nevertheless, in September 2007, the board granted its executives another raise averaging 11.8 percent. Further, the chancellor recommended that the board adopt a new formal executive compensation policy and that the board continue to have a salary target focused on the average cash compensation for similar positions at comparable institutions. In response to these recommendations, the board adopted a new executive compensation policy and resolved that it aims to attain parity for its executives and faculty by fiscal year 2010–11.

The University Has Not Developed a Central System Sufficient for Monitoring Compliance With Its Compensation Policies

The chancellor's office establishes systemwide compensation policies but does not have a system in place that allows it to adequately monitor adherence to those policies and to measure their impact on university finances. Specifically, the chancellor's office does not maintain systemwide compensation data by type and funding source, either by individual or in total. The lack of this data impairs the ability of the chancellor's office to provide effective oversight of the university's compensation programs. The executive vice chancellor and chief financial officer (executive vice chancellor) indicated that it was never the chancellor's office's intent to have detailed systems in place to monitor employee payments and to ensure that payments are consistent with policy, as it believes that is a campus responsibility. The university delegates broad authority to campuses to ensure that systemwide policies are followed. The executive vice chancellor cited the standing orders of the board and

It was never the chancellor's office's intent to have detailed systems in place to monitor employee payments and to ensure that payments are consistent with policy, as it believes that is a campus responsibility.

the board's statement of general principles as the general policy basis for this delegation. Although we recognize that campuses have primary responsibility for implementing compensation policies, it is important for the chancellor's office to have sufficient data to ensure that the campuses appropriately carry out their responsibilities.

While granting the campuses some discretion in hiring and compensating employees, the university has employment and compensation policies designed to align campus procedures with broad systemwide goals. For example, the university prohibits employees from performing additional assignments that would cause them to work more than 125 percent of a full-time position. Systemwide, more than 11,000 employees, primarily faculty, earned at least \$74.8 million in fiscal year 2006–07 by performing assignments, such as teaching summer classes or conducting other special assignments, that were in addition to any primary university duties. However, the university has not established a central system that captures the data necessary for it to efficiently ensure that employees working additional assignments do not exceed 125 percent of a full-time position. The university also lacks a central system that would enable it to readily monitor, by individual and by funding source, the recipients of various stipends and bonuses, including summer fellowship stipends, temporary project stipends, and performance and merit bonuses.

In addition, despite the criteria it has established for awarding supplemental compensation, the chancellor's office does not have centralized data that would enable it to monitor adherence to those criteria. Automobile allowances, certain bonuses, and other types of supplemental compensation must be approved by the chancellor's office before management personnel can receive these payments. In addition, supplemental compensation must be funded from sources other than the State's General Fund. Although the chancellor's office requests reports from campuses listing recipients of supplemental compensation and can retroactively audit this information, it has no ability to request timely reports from a central data depository to ensure that employees are receiving approved supplemental compensation from appropriate funding sources.

Further, without a central system for capturing systemwide compensation data by type and funding source, the chancellor's office cannot effectively monitor the financial impact of compensation trends among campuses. For example, without compensation data by type and funding source, the chancellor's office would not know in a timely manner if a particular campus has significantly increased the number of employees receiving automobile allowances over prior years or if those allowances are being inappropriately funded from the General Fund.

Without a central system for capturing systemwide compensation data by type and funding source, the chancellor's office cannot effectively monitor the financial impact of compensation trends among campuses.

According to the executive vice chancellor, the financial tools available to the chancellor's office for payroll purposes reflect its view that campuses are delegated the authority and responsibility to monitor compliance with university policy. For example, the university has overseen the systemwide implementation of the Common Management System (CMS), a software suite designed to support the administration of campus payroll and human resource systems. The university did not implement the CMS in a way that would allow the chancellor's office to produce reports from it that reflect the entire university system. Rather, each campus modifies its CMS software to support its specific needs. The chancellor's office does not require that campuses standardize all key data fields, but provides the ability for campuses to define certain fields according to their business processes and needs. Accordingly, if the chancellor's office desires systemwide information, it must specifically request the particular data from each of the 23 campuses. Further, the CMS does not record certain fringe benefits, including housing and automobile allowances, which are important elements of systemwide compensation.

Data collected by the State Controller's Office (state controller), which records all university payments made to employees at the transaction level, do not contain funding source information. In addition, data in the payroll file maintained by the state controller (payroll file) may be inaccurate because of errors campuses make in reporting the nature of payroll transactions. Specifically, we noted that campuses code automobile allowances paid to management personnel as bonuses in the payroll file and sometimes code additional pay for research as base pay. Further, we found that campuses are inconsistent in reporting certain payroll transactions to the state controller, with some campuses coding stipends as base pay. Inconsistencies like these reduce the ability of the chancellor's office to use the payroll file as a tool for monitoring the university's compensation policies.

The university does centrally maintain the Employee Salary Projection system, but this system does not provide detailed information on university compensation by funding source.

The university does centrally maintain the Employee Salary Projection (ESP) system, which summarizes into a single file all payroll data submitted to the state controller over one fiscal year. This system, which the university uses for the limited purposes of performing specific salary and benefit projections in negotiations with collective bargaining units, contains some funding source and high-level information on payment type. However, it does not retain much of the significant detail present in the source files it receives from campuses and does not contain the stringent quality control measures needed to ensure the reliability of the data it contains. According to the executive vice chancellor, the campuses' monthly ESP system reports do go through a verification process,

in which campus submittals are compared with the state controller’s records. Nonetheless, the ESP system is unable to provide detailed information on university compensation by funding source.

Without a central system that compiles universitywide compensation information, the university’s ability to oversee its compensation programs is limited. This does not mean that oversight of university compensation is entirely lacking. Campuses can set payroll controls and perform their own audits, and the chancellor’s office does periodically audit campuses. The office of the university auditor performs various types of campus audits, including compliance audits in which it reviews campuses’ adherence to laws, regulations, board policies, and directives issued by the chancellor’s office. For example, in 2004, the office of the university auditor performed a systemwide audit of the university’s human resources function. One of the objectives of that audit was to determine whether employee compensation and benefit requests were properly authorized, were processed promptly, and complied with applicable collective bargaining agreements and university and campus policies. However, the chancellor’s office does not have a comprehensive, universitywide, real-time system that allows it to ensure compliance with the university’s compensation policies and to monitor the monetary impact of its compensation programs.

Most University Compensation Paid Through the State Controller Is Funded by State Appropriations and Student Tuition and Is in the Form of Regular Pay

The university compensates its employees from various funds, including the General Fund, which incorporates state appropriations; enterprise funds, such as dormitory and parking revenue funds; continuing education and state lottery funds; and a university trust fund, which comprises student tuition and fees (student tuition)⁴ and other subsidiary funds. As shown in the text box, state appropriations and student tuition make up more than 90 percent of the total university compensation recorded in the ESP system. Data in the payroll file, combined with funding source information added by each campus, are the source of the data in the ESP system.

Executives	100.0%
Management personnel	87.7
Total faculty	97.4
Other employees	82.3
All employees	90.3%

Source: Bureau of State Audits’ analysis of data contained in the university’s Employee Salary Projection system.

⁴ Prior to fiscal year 2006–07, student tuition was paid through the General Fund.

Because of the limitations of the university's central compensation data discussed previously, we used the payroll file to identify and categorize systemwide compensation. Although the payroll file does not contain funding source data, it does provide sufficiently detailed information on the payment type for each payroll transaction. Any payments made through the university's payroll system are also recorded in the payroll file, including compensation from externally funded contracts and grants paid through the university. The file does not, however, contain information on compensation paid directly to university employees from university auxiliaries, such as foundations, because these entities generally maintain their own payroll systems. Given the Joint Legislative Audit Committee's request that our audit include an analysis of compensation paid from state appropriations and student tuition, the absence of direct payments by auxiliaries in the payroll files did not limit our analysis.

Regular compensation totaled nearly \$2.5 billion, or 96.6 percent of the \$2.6 billion paid to university employees in fiscal year 2006–07.

Table 1 summarizes systemwide compensation by employee classification for fiscal year 2006–07. The first portion of the table contains payments that are considered regular compensation, which totaled nearly \$2.5 billion, or 96.6 percent of the \$2.6 billion paid to university employees. These payments include base pay in the form of hourly or salary compensation, leave pay, overtime pay, and shift differential payments. The second portion of the table contains additional pay—payments considered to be above an employee's regular compensation—which totaled about \$89 million. Forms of compensation in this category include additional teaching and special assignments, bonus pay, stipends, housing and automobile allowances, and benefits-related payments. Pay for additional teaching and special assignments, such as summer classes or other assignments that are in addition to an employee's primary duties, totaled \$74.8 million and made up 83.9 percent of all additional pay. Our review indicated, however, that campuses do not always consistently classify this pay, and thus we believe the \$74.8 million to be conservative. Executives, including campus presidents, received housing and automobile allowances, but they received no other forms of additional pay through the payroll file.

The last two rows of Table 1 provide the total full-time equivalents (FTEs) and the average compensation per FTE for each employee classification. This analysis shows that although executives received just 0.3 percent of systemwide compensation, on average they earned more than three times as much as management personnel and nearly four times as much as tenure-track faculty.

Table 1
Systemwide Compensation by Employee Classification During Fiscal Year 2006-07

TYPE OF COMPENSATION	NUMBER OF RECIPIENTS	TOTALS	EXECUTIVES		MANAGEMENT PERSONNEL PLAN EMPLOYEES		TENURE-TRACK FACULTY*†	OTHER FACULTY†	OTHER EMPLOYEES
Regular Pay									
Base pay	96,233	\$2,463,600,955	\$7,385,838	0.3%	\$323,865,270	13.2%	\$789,549,353	\$387,193,686	\$955,606,808
Leave pay	5,474	19,015,143	0.0	0.0	6,340,069	33.3	1,853,650	1,477,838	9,343,586
Overtime pay	6,743	13,952,791	0.0	0.0	449,962	3.2	23,774	58,961	13,420,094
Shift differential	2,355	2,847,286	0.0	0.0	0.0	0.0	27	0.0	2,847,259
Subtotals, regular pay		\$2,499,416,175	\$7,385,838	0.3%	\$330,655,301	13.2%	\$791,426,804	\$388,730,485	\$981,217,747
Additional Pay									
Additional teaching and special assignments‡	11,364	74,846,365	0.0	0.0	1,035,990	1.4	34,821,658	30,043,588	8,945,129
Bonus pay	5,463	8,261,750	0.0	0.0	479,211	5.8	2,859,444	814,631	4,108,464
Stipends	2,626	4,195,307	0.0	0.0	10,911	0.3	2,362,811	57,041	1,764,544
Housing allowances	15	750,000	750,000	100.0	0.0	0.0	0.0	0.0	0.0
Benefits-related payments	1,041	675,289	0.0	0.0	36,879	5.4	0.0	4,600	633,810
Automobile allowances	25	273,000	273,000	100.0	\$	0.0	0.0	0.0	0.0
Other pay	4,637	239,715	0.0	0.0	8,637	3.6	52,993	46,654	131,431
Subtotals, additional pay		\$89,241,426	\$1,023,000	1.1%	\$1,571,628	1.8%	\$40,096,906	\$30,966,514	\$15,583,378
Total Pay		\$2,588,657,601	\$8,408,838	0.3%	\$332,226,929	12.9%	\$831,523,710	\$419,696,999	\$996,801,125
Total FTEs	46,259.9		27.9	0.1%	3,361.7	7.3%	10,572.0	7,978.4	24,319.9
Pay/FTE			\$301,392		\$98,827		\$78,653	\$52,604	\$40,987

Source: Bureau of State Audits' analysis of the fiscal year 2006-07 payroll file maintained by the State Controller's Office (payroll file).

Note: Compensation reflects payroll amounts issued by the State Controller's Office during fiscal year 2006-07. This includes some payments relating to pay periods outside of the fiscal year.

* Throughout the report, we have used the term *tenure-track faculty* to refer to instructional tenure-track faculty. Noninstructional faculty and instructional faculty who are not tenure-track are included in the *Other Faculty* category.

† Includes faculty who work an academic year and whose base pay is predicated on 10 months of work. Faculty do have the option of working more.

‡ Because of inconsistencies in the way that the university has coded certain payments, some payments that belong in the *Additional Teaching and Special Assignments* category are included in other sections of this table. For example, some campuses have coded pay received for research duties or additional teaching assignments as base pay. We were unable to quantify the amounts that have been misclassified.

§ Certain Management Personnel Plan employees also receive automobile allowances, but these are coded as bonuses in the the payroll file.

Executives, Management Personnel, and Faculty are Among the University's Highest-Paid Employees

Our review of compensation received by the most highly paid university employees revealed that executives, management personnel, and tenure-track faculty earned 94.5 percent of such compensation systemwide. Table 2 summarizes compensation for the 1,462 employees who earned more than \$115,920 during fiscal year 2006–07. These individuals received a total of \$204.8 million, or 7.9 percent of the \$2.6 billion systemwide compensation shown in Table 1. We chose \$115,920 as our threshold for highly paid employees because it was the top of the salary range for 12-month tenure-track faculty in fiscal year 2006–07. Despite the use of this criterion, 41.2 percent of the FTEs summarized in Table 2 represent tenure-track faculty, who collectively received 32.8 percent of all compensation shown in the table. This is because, as we discuss later in the chapter, faculty have opportunities to increase their compensation considerably beyond their regular salary through additional teaching and special assignments. Most of the remaining highly paid employees, or 51.2 percent as measured in FTEs, are management personnel, who received 57.6 percent of the compensation shown in Table 2. This percentage is significantly higher than the 12.9 percent share of systemwide compensation received by all management personnel, as shown in Table 1.

Using a sample of the highly paid individuals represented in Table 2, we analyzed whether any additional compensation or employment inducements not appearing in the payroll file were recorded in employment agreements with the university. We found that employment agreements were rare among the employees whose files we reviewed. Rather, most employees received letters outlining the initial compensation packages offered to them. In addition, we sometimes found that to identify employment inducements, we could not rely solely on the personnel files centrally maintained on each campus but also had to review documentation from the departments in which the employees worked. We obtained various payroll reports from campus foundations that provided additional compensation to university employees and, in some cases, reviewed foundation files. Nonetheless, we cannot be certain that we identified all the additional compensation, employment inducements, and other benefits for the employees in our sample.

Appendix A presents the compensation and additional employment inducements that we were able to identify for the 76 highly paid university employees we selected for review.

Appendix A presents the compensation and additional employment inducements that we were able to identify for the 76 highly paid university employees we selected for review. Included are reimbursements for moving and relocation expenses, such as real estate closing costs and transitional living expenses; housing, including housing allowances; low-interest home loans; automobiles and automobile allowances; tenure; entertainment

Table 2
Compensation Received by Highly Paid Employees During Fiscal Year 2006–07

TYPE OF COMPENSATION	NUMBER OF RECIPIENTS	TOTALS	MANAGEMENT PERSONNEL				TENURE-TRACK FACULTY*†	OTHER FACULTY†	OTHER EMPLOYEES			
			EXECUTIVES	PLAN EMPLOYEES	60.7%	30.4%						
Regular Pay												
Base pay	1,455	\$190,225,083	\$7,385,838	3.9%	\$115,390,662	60.7%	\$57,848,887	30.4%	\$4,276,613	2.2%	\$5,323,083	2.8%
Leave pay	158	2,631,180		0.0	1,807,902	68.7	709,729	27.0	77,255	2.9	36,294	1.4
Overtime pay	42	431,288		0.0	47,746	11.1	10,950	2.5		0.0	372,592	86.4
Shift differential	5	1,167		0.0		0.0		0.0		0.0	1,167	100.0
Subtotals, regular pay		\$193,288,718	\$7,385,838	3.8%	\$117,246,310	60.6%	\$58,569,566	30.3%	\$4,353,868	2.3%	\$5,733,136	3.0%
Additional Pay												
Additional teaching and special assignments‡	445	9,823,423		0.0	539,518	5.5	8,135,596	82.8	328,070	3.3	820,239	8.4
Bonus pay	72	381,433		0.0	237,787	62.3	143,646	37.7		0.0		0.0
Stipends	192	302,564		0.0	390	0.1	266,142	88.0	450	0.1	35,582	11.8
Housing allowances	15	750,000	750,000	100.0		0.0		0.0		0.0		0.0
Benefits-related payments	16	10,773		0.0	6,669	61.9		0.0		0.0	4,104	38.1
Automobile allowances	25	273,000	273,000	100.0	\$	0.0		0.0		0.0		0.0
Other pay	146	1,500		0.0		0.0		0.0		0.0	1,500	100.0
Subtotals, additional pay		\$11,542,693	\$1,023,000	8.9%	\$784,364	6.8%	\$8,545,384	74.0%	\$328,520	2.8%	\$861,425	7.5%
Total Pay		\$204,831,411	\$8,408,838	4.1%	\$118,030,674	57.6%	\$67,114,950	32.8%	\$4,682,388	2.3%	\$6,594,561	3.2%
Total FTEs (Equivalent to 1,462 employees)	1,598.7		27.9	1.7%	819.2	51.2%	658.8	41.2%	44.1	2.8%	48.7	3.1%
Pay/FTE			\$301,392		\$144,080		\$101,875		\$106,177		\$135,412	

Source: Bureau of State Audits' analysis of the 2006–07 payroll file maintained by the State Controller's Office (payroll file).

Note: We consider highly paid employees to be those earning more than \$115,920, the top of the 12-month faculty salary range, during fiscal year 2006–07. Compensation reflects payroll amounts issued by the State Controller's Office during fiscal year 2006–07. This includes some payments relating to pay periods outside of the fiscal year. This information detailed by employee is available upon request.

* Throughout the report, we have used the term *tenure-track faculty* to refer to instructional tenure-track faculty. Noninstructional faculty and instructional faculty who are not tenure-track are included in the *Other Faculty* category classification.

† Includes faculty who work an academic year and whose base pay is predicated on 10 months of work. Faculty do have the option of working more.

‡ Because of inconsistencies in the way that the university has coded certain payments, some payments that belong in the *Additional Teaching and Special Assignments* category are included in other sections of this table. For example, some campuses have coded pay received for research duties or additional teaching assignments as base pay. We were unable to quantify the amounts that have been misstated.

§ Certain Management Personnel Plan employees also receive automobile allowances, but these are coded as bonuses in the the payroll file.

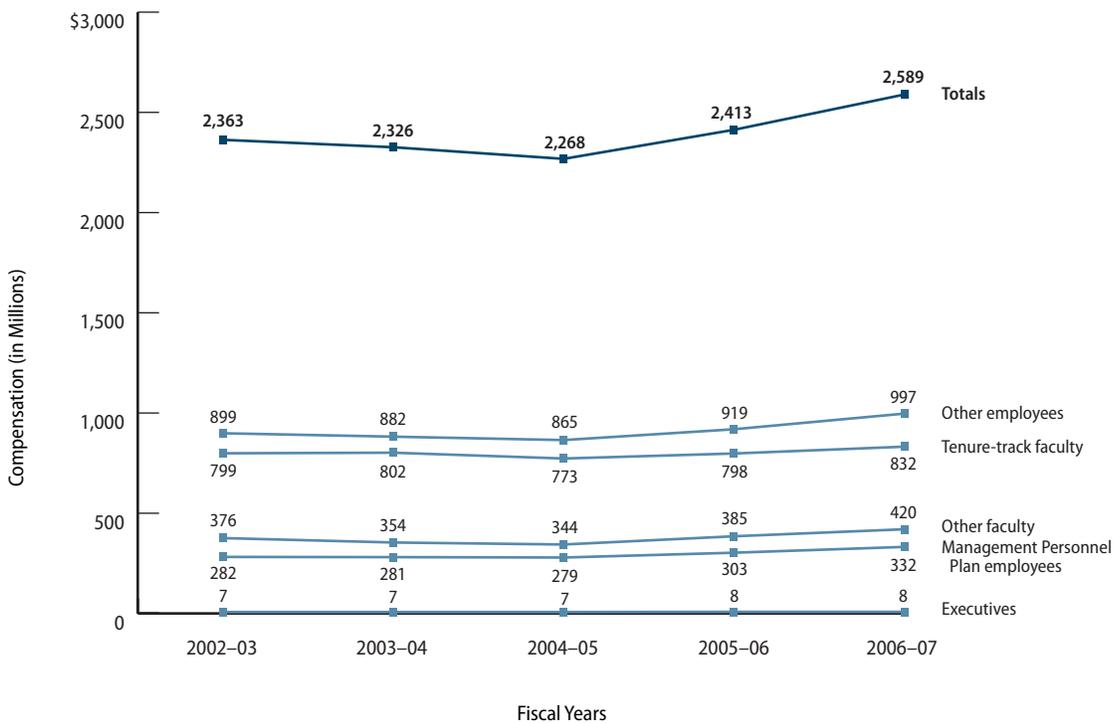
|| Some employees worked more than one full-time equivalent (FTE) over the course of the year. As a result, total earnings per FTE are less than \$115,920 for certain employee groups.

allowances; executive transition benefits; spousal appointments; performance incentives for coaches; and reductions in normal teaching loads. We also found that faculty sometimes received compensation through externally funded grants for research.

Growth in Average Compensation and the Number of Employees Has Varied by Employee Classification

Over the past five years, the university’s payroll has increased by \$225.8 million, or 9.6 percent. As indicated by Figure 2, total compensation decreased by \$95 million, a 4 percent reduction, from fiscal years 2002–03 through 2004–05. However, total compensation rebounded over the following years, increasing by \$321 million, or 14.2 percent, by fiscal year 2006–07.

Figure 2
Growth in Compensation From Fiscal Years 2002–03 Through 2006–07



Source: Bureau of State Audits’ analysis of payroll files maintained by the State Controller’s Office.

Approximately 97 percent of the increase over the five-year period was the result of increased compensation per employee, and 3 percent was due to an increased number of employees. However, as shown in Table 3, the compensation increases varied significantly

by employee classification. For example, average compensation for executives and management personnel increased by 25.1 percent and 10.4 percent, respectively. In contrast, average compensation for tenure-track faculty and other faculty increased by 5.6 percent and 6.2 percent, respectively. Average compensation for all other university employees increased by 12.4 percent over the five-year period. We discuss the largest of the increases, that for executives, in the next subsection.

Table 3
Changes in Compensation and Number of University Employees From Fiscal Years 2002–03 Through 2006–07

	EXECUTIVES	MANAGEMENT PERSONNEL PLAN EMPLOYEES	TENURE-TRACK FACULTY*	OTHER FACULTY*	TOTAL FACULTY*	OTHER EMPLOYEES	ALL EMPLOYEES
2002–03							
Total compensation	\$6,935,999 [†]	\$282,137,892	\$799,426,256	\$375,541,185	\$1,174,967,441	\$898,795,795	\$2,362,837,127
Total FTEs	28.8	3,151.5	10,737.1	7,582.9	18,320.0	24,649.6	46,149.9
Average compensation	240,833	89,525	74,455	49,525	64,136	36,463	51,199
2006–07							
Total compensation	8,408,838	332,226,929	831,523,710	419,696,999	1,251,220,709	996,801,125	2,588,657,601
Total FTEs	27.9	3,361.7	10,572.0	7,978.4	18,550.4	24,319.9	46,259.9
Average compensation	301,392	98,827	78,653	52,604	67,450	40,987	55,959
Percent Change							
Total compensation	21.2%	17.8%	4.0%	11.8%	6.5%	10.9%	9.6%
Total FTEs	(3.1)	6.7	(1.5)	5.2	1.3	(1.3)	0.2
Average compensation	25.1	10.4	5.6	6.2	5.2	12.4	9.3

Source: Bureau of State Audits' analysis of the payroll file maintained by the State Controller's Office.

* Includes faculty who work an academic year and whose base pay is predicated on 10 months of work. Faculty do have the option of working more.

[†] Campuses did not report housing allowances through the State Controller's Office in fiscal year 2002–03. For purposes of comparison, we adjusted executive compensation to reflect all housing allowance payments that campuses reported were processed through their accounts payable systems.

Changes in the number of employees also varied significantly by employee classification over the five-year period. As shown in Table 3, the total number of university employees, as measured in FTEs, increased by 0.2 percent. However, while executives experienced a negligible decrease of less than one FTE, a 3.1 percent decline, the number of management personnel FTEs and other faculty FTEs increased by 6.7 percent and 5.2 percent, respectively. The number of tenure-track faculty FTEs decreased by 1.5 percent. Finally, we found that the number of FTEs for other employees decreased by an average of 1.3 percent. As a frame of reference, the university reported that the number of full-time equivalent students increased by 5.1 percent over the same period.

Growth in the number of other faculty has outstripped that of tenure-track faculty, and the growth rate of management personnel was higher than that of other employee groups, for fiscal years 2002–03 through 2006–07.

The higher growth rates that we noted for non-tenure-track faculty and management personnel are also evident in an analysis of university staffing trends from 1995 through 2000 that the university prepared in response to legislative questions in 2002. The university's analysis indicated a 0.8 percent decrease in tenure-track faculty FTEs coupled with a 54 percent increase in the number of lecturer and other faculty FTEs. At the time, the university cited two reasons for the higher rate of growth in the number of non-tenure-track faculty: a student population that increased by 13 percent from fiscal years 1995–96 through 2000–01 and an increasing number of tenure-track faculty retirements, which required a temporary expansion in the number of lecturers to provide instruction. The university expected that as enrollment growth leveled off and faculty retirements slowed, the relative number of tenure-track faculty would increase. However, despite enrollment growth slowing to 5 percent from fiscal years 2002–03 through 2006–07, the five-year period upon which our audit focused, the growth in the number of other faculty has continued to outstrip that of tenure-track faculty.

In its 2002 analysis, the university also indicated that both management personnel FTEs and the FTEs of all employees other than management personnel rose by 15 percent from 1995 through 2000. The university excluded from its analysis the four newest campuses because it believed the ratio of administrative staff to faculty at the start-up campuses was an anomaly. The university's report also excluded all growth in management personnel FTEs associated with university fund-raising for similar reasons. We would expect that as the four newest campuses reached full staffing levels after fiscal year 2000–01 and the ratio of administrative staff to faculty achieved a balance, the growth in the number of employees other than management personnel would outpace that of management personnel. However, we see no evidence of such a trend in our analysis. The growth rate of management personnel from fiscal years 2002–03 through 2006–07 remained higher than that of employees other than management personnel.

The Board Determines Executive Compensation

The board determines the appointments and salaries for executives—the chancellor, vice chancellors, general counsel, and campus presidents. The board's committee on university and faculty personnel (committee) is responsible for developing recommendations to the board for establishing executive compensation and personnel policies and procedures. Every year, budget permitting, the committee and the chancellor recommend to the board an average percentage salary increase for executives. In years when the average percentage increase is relatively small, across-the-board increases are recommended because deviations

become too small to cause meaningful changes in salary. In contrast, in years when the average percentage is large, increases are determined individually based on each executive's job performance, complexity of assignment, length of service, assistance to the chancellor's office and board, and national leadership. The board considers evaluations of individual presidents throughout the year in closed sessions. However, the board considers salary increases for all executives in a single open session.

As noted in the previous section, average executive compensation increased by 25.1 percent from July 1, 2002, through June 30, 2007. We examined the components contributing to that increase—salaries, housing allowances, and automobile allowances—over the five-year period to determine the cause of the increase. We found that salary increases contributed the most to the overall growth in total executive compensation. Specifically, from fiscal years 2002–03 through 2006–07, total annual base salaries for executives increased by \$992,274, or 15.5 percent. This increase represents 67.4 percent of the \$1.5 million total increase in executive compensation over the five-year period and, in part, reflects salary growth caused by presidential turnover. For example, when the chancellor appoints a new campus president, the appointee's initial salary may be greater than that of the former president. In one instance, the former president of the Bakersfield campus earned an annual salary of \$204,156, and the succeeding president was appointed effective July 2004 with a starting annual salary of \$220,008.

Increased housing allowances also contributed significantly to the overall growth of executive compensation. Effective July 2005 the board approved increases to the annual housing allowances of campus presidents. Specifically, the board implemented a two-tiered housing allowance to address the increasing costs of housing, house maintenance, and related service costs in California. The adjustment resulted in an annual housing allowance of \$50,000 each for five campus presidents and \$60,000 each for eight other presidents. Total annual housing allowances increased by \$386,226, or 106.2 percent, from fiscal years 2002–03 through 2006–07. This increase represents 26.2 percent of the \$1.5 million total increase in executive compensation. In addition, 10 presidents and the chancellor are currently provided with houses for their use. We considered whether a decrease in the number of houses contributed to the increase in housing allowances over the five-year period and found that the same number of houses was provided in fiscal year 2002–03.

Finally, effective November 2005, the board approved an increase in the automobile allowance from \$750 to \$1,000 per month for campus presidents who choose to accept the allowance instead of a university vehicle to support university-related business travel

Total average executive compensation increased by 25.1 percent from July 1, 2002, through June 30, 2007, with salary increases contributing the most to the growth.

requirements. That same monthly allowance of \$1,000 is provided to the executives working in the chancellor's office, except for the chancellor, who is provided with a vehicle for his use. The increase in the monthly allowance as well as an increase in the number of campus presidents receiving automobile allowances contributed to the growth in total executive compensation. Specifically, automobile allowances increased by \$151,500, or 124.7 percent, from fiscal years 2002–03 through 2006–07.

As we discussed previously, salary increases contributed the most to the overall growth in total executive compensation. During the five-year period beginning July 2002, presidents and system executives received three salary increases. Effective July 2002 the board approved an across-the-board increase of 1.68 percent to all executive salaries. In October 2005 the board approved an average 13.7 percent increase for executives, effective July 2005, with individual salary increases granted in varying percentages based on performance. In January 2007 the board also approved an across-the-board salary increase of 4 percent, effective July 2006.

The board has continually justified increasing executive salaries on the basis that its executives' cash compensation, excluding benefits and perquisites, lags that of comparable institutions.

The board has continually justified increasing executive salaries on the basis that its executives' cash compensation lags that of comparable institutions. In the executive compensation meetings that led to the board's approval of each of the three salary increases discussed previously, the committee cited presidential compensation surveys performed by a consulting firm that showed that average cash compensation for the university's campus presidents lags significantly behind the average salary among the comparison group. For example, committee documents indicate that the board approved the 13.7 percent increase in 2005 after it considered information from the consulting firm's presidential compensation survey indicating a 49.5 percent salary lag. The committee noted that "while it is recognized that it would be extraordinarily difficult to take remedial action to narrow the 49.5 percent salary lag in a single action, it is nonetheless critical that steps be taken to begin to address this serious salary lag." Further, the committee asserted that the ratio of the average percentage increase in executive salary in relation to the average cash compensation lag was the same as the ratio of the faculty salary increase in relation to the reported faculty salary lag.⁵

⁵ The committee cited a 3.5 percent salary increase for faculty and a 13.1 percent faculty salary lag. We note that the faculty salary increase amounted to 26.7 percent of the faculty salary lag, while the 13.7 percent executive salary increase was 27.7 percent of the executive salary lag.

However, the board approved some of these increases after significant concerns had been raised about the methodology used as a basis for the salary increases. The California Postsecondary Education Commission (commission) has historically published executive salary comparisons for the university, using a comparison group of 20 public and private universities that, for purposes of the survey, were considered comparable to the university. The same comparison group was used for separate faculty salary comparisons. In preparing its executive compensation report in October 2004, the commission relied on information provided by the university, including information that the consulting firm referred to previously had obtained on the comparison institutions. When it issued its October 2004 report, which also addressed executive compensation for the University of California and the California community colleges, the commission concluded that the method used in the comparison did not present a complete picture of the value of individual compensation packages because it did not assess the value of benefits and perquisites provided to executives, which can be substantial. The commission recommended that if such a report were to be issued in the future, it convene an advisory committee made up of representatives from various interested parties, including the university, the commission, the Department of Finance, and the Legislative Analyst's Office (legislative analyst), to begin discussion with the goal of identifying a new methodology with a broader scope that encompasses all forms of compensation. However, the commission has not issued a report on executive salaries since the October 2004 report.

Despite the concerns raised by the commission, the university continued to use the consulting firm to perform surveys of the comparison institutions that focused on cash compensation. Further, we saw no indication, in the documents that were presented to the board in open meetings for its approval for the October 2005 and January 2007 salary increases, that there was any discussion of the concerns that had been raised by the commission. Also, we saw no disclosure in the documents that the salary lags being considered were produced solely by the consulting firm used by the university and were not based on published reports of the commission. In fact, these documents described the lag as being in reference to the "[commission] comparison group" and the "[commission] 20 peer institutions."

The legislative analyst has subsequently raised further concerns. In February 2007 the legislative analyst reported on the commission's faculty comparison studies, which are prepared in a manner similar to the one the commission used for its previous executive compensation studies. The legislative analyst noted that the commission's current approach to faculty compensation was flawed and that other forms of compensation besides salary should

The board approved some increases to executive salaries after the California Postsecondary Education Commission raised significant concerns about the methodology used as a basis for the salary increases.

be included. Additionally, the legislative analyst noted that the comparison institutions used for the university were last updated in 1993 and that there are many campuses within the university that differ greatly from the comparison institutions in terms of selectivity, national ranking of programs, and other factors. Rather than recommending that a new group of comparison institutions be established, the legislative analyst recommended that the commission calculate compensation for broad ranges of institutions (both public and private) that reflect the spectrum of campuses within the university. This would allow interested parties, including the Legislature, the governor, and other stakeholders, to draw their own conclusions about the adequacy of faculty compensation using this as contextual information.

In March and June 2007, when the commission issued reports on faculty salaries, the commission again reiterated its concerns about the existing methodology's focus on salary information, stating that it does not present a complete picture of either faculty or executive compensation and reiterating that a new, more comprehensive approach that considers total compensation needs to be taken. Despite the significant concerns that have been raised, the board has continued to make further executive salary decisions and salary policy based on this methodology.

During the September 19, 2007, board meeting, the chancellor recommended that the board adopt a new formal executive compensation policy that would give new board members, the university community, and state lawmakers and policy makers a context for the board's decisions regarding executive compensation. The chancellor also recommended that the board continue to use the average cash compensation for presidents when making comparisons with the commission's 20 comparable institutions. At the conclusion of the meeting, the board adopted the new executive compensation policy and resolved that it aims, by fiscal year 2010–11, to attain parity for its executives and faculty with the average of the 20 comparison institutions previously identified by the commission. To implement this policy, the board directed the chancellor to recommend appropriate salary adjustments for university executives over the next four years, beginning in fiscal year 2007–08. The board resolution also noted that faculty salary adjustments are made in accordance with collective bargaining agreements and that the chancellor is directed to conduct periodic market comparison surveys for employees not addressed in the annual commission analyses.

In its September 2007 meeting, the board resolved to attain parity for its executives and faculty with the average of the 20 comparison institutions by fiscal year 2010–11.

At the same meeting, the chair of the committee and the chancellor recommended, and the board approved, the first of the pledged increases by raising executive salaries an average of 11.8 percent effective July 1, 2007. The chair of the committee

and the chancellor justified the increase by citing the consulting firm's July 2007 presidential compensation survey, which reported that the average university president's salary was 46 percent less than the comparison group's average. Although the consulting firm's previous survey from September 2006 indicated that the lag was reduced significantly, to 12 percent, when total benefits and perquisites were considered,⁶ the July 2007 presidential compensation survey did not convey any calculation of the university's lag in total compensation. The consulting firm did indicate in its 2007 report that none of the other surveyed universities reporting information on benefits and perquisites provide both a tax-qualified defined-benefit pension plan and a transition program to their presidents, as discussed in Chapter 2. Both of these programs are available, and provide significant benefits, to the university's executives. This again calls into question the board's decision to grant university executives an average raise of 11.8 percent based only on a comparison of cash compensation rather than total compensation.

We asked the chancellor's office why the university continued to justify increases in compensation for its executives based on a methodology that had been questioned by the commission and the legislative analyst. The vice chancellor of human resources responded that the university did not believe it appropriate to deviate from a methodology that had been agreed upon years ago by the various interested parties, including the commission and the legislative analyst. However, as these are now the same parties that are raising concerns, we believe it is time for the university to work with the interested parties to develop a more appropriate methodology that considers total compensation.

The University Has Established Various Mechanisms for Increasing the Compensation of Management Personnel

As described in the Introduction, the chancellor determines, and the board approves, broad salary ranges for management personnel. Additionally, the chancellor and campus presidents have the authority to establish initial management personnel salaries at any amount within that range. Campus presidents are required to obtain the approval of the vice chancellor of human resources before paying any management personnel employee a salary above the range maximum for the administrator IV level, which is the highest level in the management personnel classification. The chancellor's office is to receive an annual report of all management personnel

⁶ The 12 percent lag would not have reflected the 4 percent increase the board approved effective July 2006 because this survey included information collected in 2005.

Methods for Increasing Management Personnel Salaries

- **Merit salary increase program:** Performance-based salary increases funded from a merit compensation pool established annually by the chancellor's office.
- **Equity (market) increase program:** Adjustments designed to address discrepancies in pay, both within and outside the university system, for comparable jobs.
- **Reclassification:** Salary increases resulting from changes in administrative classification that reflect changed assignments.

compensation actions taken at the campuses. However, preapproval of these actions, and subsequent disclosure to the board, are not required.

Once the salary of a management personnel employee is established, it may be increased in three ways, as shown in the text box. First, the base salary can be increased annually through the merit salary increase program. Each year, the chancellor decides whether to fund this program. If he chooses to fund the program, the chancellor establishes a systemwide merit compensation pool, which may or may not be augmented with campus funds, depending on the program for that fiscal year. For example, for fiscal year 2006–07, the

chancellor approved a 3 percent merit compensation pool and an additional 0.7 percent to address pay equity issues. Therefore, total increases awarded to management personnel at each campus could not exceed an average of 3.7 percent. However, individual increases can vary because they are based on meritorious performance as documented in annual performance evaluations. Campus presidents are responsible for approving the individual merit increases awarded to management personnel at their respective campuses. Similarly, the chancellor is responsible for approving merit increases for management personnel working in the chancellor's office.

The salary of a management personnel employee can also be increased through the equity increase program, which was designed to address discrepancies in pay for comparable jobs, both within and outside the university system. At the campuses, only presidents have the authority to approve equity salary increases, and that authorization cannot be delegated. According to a July 2002 memo to the presidents from the vice chancellor of human resources, equity salary increases can be approved only in rare circumstances based on appropriate documentation. This memo also stated that presidents are to report equity salary increases to the vice chancellor of human resources by January 31 of each year for the prior calendar year. Finally, the salary of a management personnel employee can be increased through an administrative reassignment or promotion that reflects increased responsibilities.

The merit salary and equity increase programs can significantly raise the salaries of management personnel. Although the July 2002 memo defined the equity salary increase as a rarity, we found that five of the six management personnel in our sample from the Fullerton campus received equity increases in fiscal year 2005–06. All five of these employees received merit increases during the same period or shortly thereafter. For example, in March 2005, a dean at

Fullerton received an equity increase that raised his monthly salary from \$11,579 to \$12,512. Effective June 2006 he received another equity adjustment that increased his monthly salary to \$14,667. Finally, in November 2006, the dean also received a merit salary increase, retroactive to July 2006, that raised his monthly salary to \$15,210. In other words, from March 2005 through November 2006, the dean's base monthly salary increased by \$3,631, or 31 percent.

Similarly, in October 2005, a vice president at Fullerton received a merit salary increase retroactive to July 2005 that increased his monthly salary from \$13,570 to \$14,045. Effective January 2006 the vice president received an equity adjustment, increasing his monthly salary to \$15,917. Subsequently, in November 2006, the vice president received another merit increase that further raised his monthly salary to \$16,506 effective July 2006. Over a one-year period, the vice president's monthly salary increased by \$2,936, or 22 percent. The sixth individual, a head coach at Fullerton, did not receive an equity increase. However, he received a new contract in April 2005 that included a reclassification from the administrator III to administrator IV level. As a result of the new contract, the coach's monthly salary increased from \$10,200 to \$14,584. In addition, in November 2006, the coach received a merit adjustment that further increased his monthly salary to \$15,124 effective July 2006. Therefore, the coach's monthly salary increased by \$4,924, or 48 percent, during this period.

Management personnel can receive compensation increases through means other than salary increases. Campus presidents can request supplemental compensation, including automobiles and automobile allowances, for management personnel. According to the vice chancellor of human resources' July 2002 memo to the campus presidents, supplemental compensation may be appropriate if a benefit to the university can be clearly demonstrated and if funding is available from resources other than the General Fund. However, the memo states that for nonathletic supplemental compensation, funding source exceptions can be requested in the rare instances when it is appropriate to provide supplemental compensation from the General Fund. Presidents must obtain written approval from the chancellor or the vice chancellor of human resources before providing supplemental compensation to nonathletic management personnel. Approval for supplemental compensation for athletic coaches is the responsibility of the campus president, in consultation with the vice chancellor and the general counsel, as appropriate.

For the five campuses that we visited, the most common supplemental compensation for nonathletic management personnel was a monthly automobile allowance. For example, five of the six management personnel whose files we reviewed at the Long Beach campus were

A head coach received supplemental compensation from a campus foundation totaling \$505,000 in fiscal year 2006-07.

provided with either an automobile or a \$600 monthly automobile allowance from the campus foundation's non-General Fund resources. We also found that management personnel athletic coaches can receive substantial amounts of supplemental compensation from resources other than the General Fund. For example, a head coach at the San Diego campus received supplemental compensation from a campus foundation totaling \$505,000 in fiscal year 2006-07. The campus foundation also provided supplemental compensation of \$280,713 to another head coach in fiscal year 2006-07.

Management personnel may also increase their total compensation by accepting additional employment for additional pay. Additional employment is university employment that is in addition to and substantially different from the employee's regular employment. For example, an academic administrator may assume extra teaching assignments or other assignments in addition to his or her regular administrative duties. The additional employment may be funded through the university's payroll or by other sources, such as a foundation that is affiliated with the campus. The university limits additional employment to 25 percent of a full-time position, for a total of 125 percent. The salary rate for additional employment may be the same as that of the primary appointment, although a different salary rate is permitted if allowable by the funding source. If the additional assignment is funded by a federal grant or contract, the rate of pay for the additional work must be the same as the university's base rate for the primary assignment. For instance, the Fullerton campus reported that one of its deans received \$182,520 in base pay and another \$26,300 for additional work in fiscal year 2006-07.

Further, campus presidents have the authority to award merit bonuses to management personnel. To receive a merit bonus, management personnel must meet specific measurable standards that were communicated at the beginning of an evaluation period or a specific and measurable stated objective that was articulated in advance. The policy governing merit bonuses for management personnel states that bonus funding may come from the annual merit salary increase pool, or the pool may be augmented with campus funds by an amount not exceeding 1 percent of the pool. Finally, select police personnel responsible for critical response unit leadership may receive a 5 percent monthly stipend for a period determined by the vice chancellor of human resources.

Salary Increases for Faculty Are Governed by a Collective Bargaining Agreement

The California Faculty Association and the board entered into a new collective bargaining agreement (bargaining agreement) effective May 15, 2007, through June 30, 2010. The bargaining agreement prescribes six ways that the base pay for faculty members can be increased, as described in the text box. According to the bargaining agreement, increases in faculty base pay can occur only when a faculty member receives a market increase; is promoted and receives a salary increase; or receives a general, service salary, equity, or postpromotion increase during the fiscal years in which the California Faculty Association and the university specifically agree to provide those types of salary increases. The previous bargaining agreement also prescribed six ways that base pay could be increased for faculty members; it did not include postpromotion increases but did offer merit increases.

Faculty can significantly increase their total compensation by accepting additional employment for additional pay. Additional employment, as defined in the bargaining agreement, refers to any employment that is compensated by the university or one of its auxiliaries using General Fund money or other funds and is in addition to the faculty member's primary or normal employment. A faculty member is limited to the equivalent of one full-time position in his or her primary university employment and up to 25 percent in additional employment. However, the 25 percent overage is allowed only if the additional employment is substantially different from the faculty member's primary employment, is funded from sources other than the General Fund, or is the result of the accrual of various part-time appointments across more than one campus. Therefore, faculty can accept additional teaching assignments beyond their regular academic-year assignments, including state-supported summer sessions, intersessions, and extension program courses. In fiscal year 2006–07, for example, a professor at the Fullerton campus received \$101,382 in annual base

Methods for Increasing Faculty Salaries

Market increase: Addresses market considerations and must be accompanied by documentation of a market-based salary lag or a valid offer of employment from another university.

Promotion: Salary increases resulting from advancement to a higher academic rank.

General salary increase: An increase affecting all faculty. For fiscal year 2006–07, each faculty member received a 3 percent increase effective July 1, 2006, and an additional 1 percent increase effective June 30, 2007.

Service salary increase: Upward movement on the salary schedules. This type of adjustment is determined annually during university negotiations with the California Faculty Association. For fiscal year 2006–07, the service salary increase for eligible faculty was 2.65 percent.

Equity increase: Equity adjustment increases based on benchmark salaries in defined discipline groups and equity experience stipends for those with the most severe salary inequities. Other equity increases may be developed by January 1, 2008. The total cost of this program is generally limited to \$7 million annually for fiscal years 2007–08 and 2008–09.

Postpromotion increase: Performance-based increases of between 2.5 percent and 3.5 percent available in fiscal years 2008–09 or 2009–10 to senior faculty members who have exhausted their eligibility for service salary increases.

salary and received another \$86,444 in additional pay for performing grant-related work funded by a school district, teaching summer session, and teaching in the extension program.⁷

Faculty members also frequently receive compensation for work related to externally funded grants or contracts. At the five university campuses we visited, three general methods were used to administer externally funded grants and contracts. Using one method, a foundation at the Long Beach campus independently accepts and administers all externally funded grants and contracts for the campus. Therefore, any faculty member assigned to work on an external grant or contract is compensated directly by the foundation and is not paid through the state controller. Using another method, a foundation at the Fullerton campus likewise accepts and administers the grants and contracts that faculty members receive, but the Fullerton campus initially pays faculty any amounts due under these agreements through the state controller. The foundation then reimburses the campus for the assignments, using the external grant or contract funds. Using a third method, the San Francisco campus directly administers the majority of external grants and contracts itself through its Office of Research and Sponsored Programs. Its foundation administers only the few external grants and contracts coming from funding entities that require the recipient to have tax-exempt status under Section 501(c)(3) of the Internal Revenue Code.

Regardless of how a campus or an auxiliary foundation administers externally funded grants and contracts, faculty can considerably increase their total compensation when assignments funded by external sources are considered to be in addition to their primary assignments. Appendix A contains various examples of university faculty members who received compensation for work related to externally funded grants or contracts.

Recommendations

To provide effective oversight of its systemwide compensation policies, the university needs accurate, detailed, and timely compensation data. The university should create a centralized information structure to catalog university compensation by individual, payment type, and funding source. One possibility would be to upgrade and expand the ESP system to make it more

⁷ Upon our inquiry, the campus acknowledged that the additional payments made to this employee were, in part, the result of additional work that was greater than 25 percent of the employee's full-time appointment. The campus stated that one reason for this overage is that staff were not aware of this employee's additional extension program assignments when other pay was submitted for approval. The campus stated that it has implemented procedures to prevent these types of overages from occurring in the future.

complete and accurate. The chancellor's office should then use the data to monitor the campuses' implementation of systemwide policies, such as the prohibition against employees performing additional assignments that would cause them to work more than 125 percent of a full-time position. Additionally, the chancellor's office should use the data to measure the impact of systemwide policies on university finances.

The board should consider total compensation received by comparable institutions, rather than just cash compensation, when deciding on future salary increases for executives, faculty, and other employees. The university should work with interested parties, such as the commission and the legislative analyst, to develop a methodology for comparing itself to other institutions that considers total compensation. If the university believes it needs a statutory change to facilitate its efforts, it should seek it.

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Chapter 2

PROPER ADMINISTRATION OF POSTEMPLOYMENT COMPENSATION REQUIRES CONTINUED OVERSIGHT AND IMPROVED POLICIES

Chapter Summary

The California State University (university) typically offers its departing executives a transition program that often provides a generous postemployment compensation package. This program is in addition to the standard retirement benefits the university provides to eligible executives, including retirement income, medical and dental coverage, and voluntary retirement savings plans.

Although the original transition program has been overhauled a few times, leaving the university with three transition programs currently in use, each departing executive is eligible for the program that was in place at his or her time of appointment. The terms of the transition agreement offered to a departing executive vary with the transition program the executive is eligible for but can include one year of paid leave, lifetime tenure as a trustee professor at a campus, or an alternative agreement negotiated by the chancellor.

In November 2006, after media criticism of existing postemployment compensation packages, the board of trustees (board) passed a resolution requiring the chancellor to provide every board member with a copy of each final transition agreement and to submit an annual report summarizing all existing transition agreements. However, the annual report contains no information on the status of accomplishments or deliverables that former executives may have agreed to provide the university as part of their transition agreements, and disclosure does not occur until after the chancellor has reached a final agreement with a departing executive. Although the board has decided not to participate in negotiating transition agreements, it is important that the board continue to monitor the chancellor's administration of the executive transition program to ensure that the agreements departing employees receive are prudent and that intended cost savings are achieved for the university.

Finally, although a transition program is offered only to departing executives, we noted instances in which Management Personnel Plan employees (management personnel), such as managers and technical professional staff, received questionable compensation after they were no longer providing services to the university or while they were transitioning to faculty positions. For example, we noted one individual who did not return to the university following a leave lasting nearly seven years that was paid \$102,000 during that time period.

Although the board has revamped the transition program a few times, each departing executive is eligible for the program that was in place at his or her time of appointment, not separation.

The University Has Generous Postemployment Compensation Packages for Departing Executives

Since 1981 the university has included an executive transition program in the standard package of benefits available to its 28 executives, including campus presidents. This program is in addition to the retirement benefits the university provides to eligible executives, such as retirement income, medical and dental coverage, and voluntary retirement savings plans. The university asserted that the transition program is intended to help recruit executives, who are not eligible to receive incentive bonuses and whose salaries are capped for retirement calculations, and to compensate for California income and sales taxes, which are often higher than those in other states. Although the board has revamped the transition program a few times, each departing executive is eligible for the program that was in place at his or her time of appointment, not separation. The board approved each transition program at the time of its implementation.

Until November 2006, the University Had Two Transition Programs but Also Offered Alternative Agreements

The Trustee Professor Program and the Executive Transition Program were the first two transition programs created by the university. On November 18, 1981, the board approved a proposal under which executives would be eligible for the Trustee Professor Program. To qualify for a trustee professor position under this transition program, an executive had to have served in an executive capacity with the university for at least five years. The executive would then be eligible for an assignment determined in consultation with the chancellor and with any affected campus or department, at a salary established by the board on the recommendation of the chancellor. To prepare for new duties as a trustee professor, the departing executive was entitled to a paid leave of absence for a period determined by the board.

In November 1984 the Trustee Professor Program was revised for executives with tenure. The resolution for revision does not distinguish between tenure achieved before the appointment to the executive position and tenure achieved during the executive's term. When tenured executives resign, the revised program allows

them automatic assignment, known as automatic retreat rights, to faculty positions as trustee professors. Under the revised program, the trustee professors receive one year of paid transition leave to prepare for faculty assignments, with salaries set at the midpoint between their executive salaries and the top of the 12-month full-professor salary range. Initially, to continue in their positions after age 70, trustee professors had to be certified for continued employment; however, that requirement was removed by board resolution in September 1997. The revised program does not specify whether the five-year service requirement still applies to executives with tenure. Executives without tenure would still qualify for the original Trustee Professor Program.

On November 18, 1992, the board created a new version of the transition program. Under the new program, initially referred to as the Executive Transition Program and later called the Executive Transition I Program, each executive appointed after November 18, 1992, was entitled to one year of paid transition leave after vacating the executive position, with a salary paid by the chancellor's office and set at the midpoint between the executive's highest salary level and the top of the 12-month full-professor salary range. Executives participating in this transition program were no longer granted automatic retreat rights to a campus but were allowed to assume any campus position for which they had obtained retreat rights. The terms of the Executive Transition I Program do not expressly state that the individual must have at least five years of executive service to be eligible; however, the chair of the board told us that it was implied that five years of service as an executive were required to participate. The executives listed in Appendix B (Table B.2) who participated in transition programs all had more than five years of service as executives prior to leaving their positions. The Executive Transition I Program did not apply retroactively to executives who began serving in an executive position before November 18, 1992; these executives were already entitled to the Trustee Professor Program. Table 4 on the following page summarizes these two transition programs as well as the subsequent program, which we describe later in the chapter.

Departing executives eligible for the Executive Transition I Program are entitled to one year of paid leave.

Table 4
Terms of Executive Transition Programs

PROGRAM COMPONENTS	TRUSTEE PROFESSOR		EXECUTIVE TRANSITION I	EXECUTIVE TRANSITION II
	ORIGINAL PROGRAM	1984 REVISION	1992 REVISION	2006 REVISION
Applicable positions	Vice chancellors and presidents	Chancellor, vice chancellors, and presidents	Chancellor, vice chancellors, general counsel, and presidents	Chancellor, vice chancellors, general counsel, and presidents
Executive service requirement	Five years	Not specified	Not specified	Five years
Automatic retreat rights for executives with tenure	No	Yes; to any campus chancellor and executive agree to	No; however, executive may elect to exercise any retreat rights established prior to leaving the executive position	No; however, executive may elect to exercise any retreat rights established prior to leaving the executive position
Initial transition period, assignment, and salary	All negotiated	One year to prepare for return to classroom, with salary set at midpoint between executive pay and top step of 12-month full professor's pay	One year to prepare for future professional activities, with salary set at midpoint between executive pay and top step of 12-month full professor's pay	Negotiated
Subsequent years	Negotiated	Full professor's pay, top of salary scale	Position to which executive has retreat rights (if applicable)	Position to which executive has retreat rights (if applicable)
Board approval	Required	Not required	Not required	Not required
Participation in transition program allowed while not in university employment	No	Yes	Yes	No

Sources: Various documents, such as board agenda items and resolutions.

Note: Each departing executive is eligible for the program that was in place at the time of his or her appointment.

Since at least 2001 both the Trustee Professor and Executive Transition I programs have allowed the chancellor to negotiate alternative agreements with executives. In fact, 10 of the 11 executives who left under these programs between July 1, 2002, and August 31, 2007, were provided alternative agreements. According to the vice chancellor of human resources, alternative agreements are intended to use the executive's expertise as needed and typically provide an overall cost savings to the university. One of the 11 executives left to work for a humanitarian organization and received one year of paid transition leave provided under the executive transition program. One of four additional executives who departed during this period arranged to exercise her retreat rights to a faculty position and then immediately retired, allowing her to take advantage of a faculty retirement incentive program. Her arrangement also provided for a subsequent return to service as a retired annuitant at the university. The final three executives left university service without participating in either a transition program or the faculty retirement incentive program.

Table B.2 in Appendix B provides more detailed information about the executives' departures. For example, instead of a trustee professorship assignment, a former president of the Bakersfield campus entered into an agreement to serve as a special assistant

to the chancellor for one year, participating on the president's council on underserved constituencies, and to provide coordination with the Hispanic Association of Colleges and Universities. The agreement provided him with a \$204,156 annual base salary for this assignment, equivalent to his executive salary. It also provided for his reappointment to other special assistant positions in each of the following two years. In another case, the former president of the Sacramento campus accepted a part-time, five-year position as a special assistant to the chancellor, instead of a trustee professorship, at an initial annual base salary of \$54,372. During the five-year assignment, the former president is to write a history of both the university and public policy concerning higher education.

We also noted that a former chancellor, who resigned effective January 1998, returned to the university in 2006 as a trustee professor at the Los Angeles campus at an initial annual salary of \$163,776, after an eight-year absence. When he resigned as chancellor, he was granted an unpaid leave from the Trustee Professor Program. Correspondence in the university's files stated that he should annually apply for one-year extensions of leave, which would be granted. In April 2006 he received a tenured faculty position at the Los Angeles campus, where he was to work on the urban school leadership program, assist the campaign to complete an integrated sciences complex on campus, work on charter school and biotechnology projects, and teach a course in the English department or "another appropriate" department.

After an eight-year absence, a former chancellor returned to the university in 2006 as a trustee professor at an initial annual salary of \$163,776.

Following Media Criticism of the University's Postemployment Compensation Packages, the University Created a New Transition Program in 2006

Beginning in July 2006 a series of newspaper articles criticized the university for providing departing executives with undisclosed postemployment compensation even after some had accepted employment elsewhere, giving departed executives special assignments that kept them on the university payroll for several years and granting tenured professor rights to departing executives with less teaching experience than the university typically required. The articles faulted the university for paying compensation that was not available to other university employees, when student tuition costs had increased by 76 percent over the prior three years.

For example, one of the newspaper articles noted that a former president of the Monterey Bay campus received a university salary of approximately \$157,930 after resigning and concurrently drew a six-figure salary while working for an international humanitarian organization in Paris. We confirmed some of the details discussed in the article. The former executive resigned as a

campus president effective June 14, 2005, and his agreement letter refers to his planned work with the humanitarian organization. The \$157,930 university salary was the midpoint between the individual's former presidential salary and the highest 12-month professor salary. The transition agreement also stated that to the extent allowed under university policy, the university would reimburse the former president for moving expenses to relocate from the presidential residence to the individual's private residence. In addition, the agreement specified that at the end of the year of paid transition leave, the former executive would be granted a two-year unpaid educational leave of absence, with an option for an additional two-year extension of unpaid leave. Finally, the transition agreement required the former executive to either return to the campus, announce his retirement, or retire before June 15, 2010.

In November 2006 the board created its third version of the transition program. Called the Executive Transition II Program, the latest revision applies to executives hired after November 15, 2006. The new program formally asserts that an executive must have five years of service as an executive to participate, as was the case under the original Trustee Professor Program. However, to be eligible for the Executive Transition II Program, an executive must have a previously identified position at the university to be assigned to, must be in good standing at the commencement of the program, and cannot accept outside employment. In addition, the new transition program does not include an automatic year of paid transition leave; rather, the specific terms of a transition agreement are negotiated between the departing executive and the chancellor. Board approval of a transition agreement is not required. The chair of the board negotiates the terms of the transition program of a departing chancellor.

Unless the chancellor and the executive mutually agree to a retroactive application, the Executive Transition II Program applies only to executives hired after November 15, 2006. Executives hired before that date are still entitled to one of the other two transition programs, based on their hire dates. Table B.1 in Appendix B identifies the transition program that each of the university's 28 executives was eligible for as of August 31, 2007. According to the vice chancellor of human resources, the board did not try to apply the new program to existing executives because those individuals were hired with the expectation of receiving the benefits of the program in place at the time of their hiring. The vice chancellor of human resources also noted that making the program retroactive could have led to employee litigation. The chair of the board stated that it was important for the university to adhere to employment agreements as a matter of policy and law, adding that to do otherwise could have a detrimental effect on the university's future recruiting efforts.

Board Approval of Transition Agreements Is Not Required

According to its chair, the board has instructed the chancellor to try to negotiate the terms of the transition agreement for every departing executive, regardless of the transition program for which the executive is eligible. Consequently, the chancellor has a great deal of discretion in negotiating the terms of transition agreements. Although the board approved the general parameters of the three transition programs, it does not approve the specific transition agreements the chancellor has negotiated. However, in November 2006, after the media criticism discussed earlier, the board passed a resolution requiring the chancellor to provide each trustee with a copy of the final written transition agreement for departing executives and resolved that such agreements would also be an information item at the next meeting of the board's committee on university and faculty personnel. Another resolution required the chancellor to report annually, in March, on all existing transition agreements in an open meeting of the board. According to the university, before these resolutions, the board did not have a policy requiring disclosure of transition agreements.

The chancellor provided the first annual report in March 2007 at the open board meeting. This report lists all former executives who were participating in a transition agreement as of March 2007. It also discloses the names of current executives eligible for future participation in each of the three transition programs. For each former executive, the report discloses the transition program the executive is participating in, the nature of the assignment, and the compensation for the indicated period. However, the report does not include information about what the former executive may have accomplished or what he or she delivered under their new assignments. In addition, the disclosure does not occur until after the chancellor has entered into final agreements with departing executives. Thus, the board does not have the formal opportunity to influence the terms negotiated by the chancellor.

When we discussed the postagreement disclosure with the chair of the board, she responded that the chancellor is the university's chief executive officer responsible for managing its day-to-day operations, and that the board delegates many responsibilities to the chancellor. She further asserted that delegating to the chancellor the authority to negotiate transition agreements with departing executives is a sound policy that was properly noticed publicly and is within the principles of law and the university's human resource policy. She also stated that the board has confidence in the current chancellor and that he has an excellent record of negotiating cost-saving transition agreements with departing executives.

The board approved the general parameters of the three transition programs, but it does not approve the specific agreements the chancellor negotiates.

The board does not require the chancellor to include in an annual report to the board information on the status of accomplishments or deliverables associated with transition agreements.

Specifically, the chair cited the transition agreements the chancellor recently negotiated with two departing executives, both of which, she stated, resulted in significant cost savings to the university. In the case of a president who departed from the Dominguez Hills campus, the chancellor was able to negotiate a reduced payment. After accepting a position in Maryland, the former president agreed to receive a lump-sum payment of \$103,460, which was less than the \$182,094 he was eligible to receive during the one-year paid leave he was entitled to under the Executive Transition I Program. For the recently departed vice chancellor of human resources, the chancellor negotiated a five-month assignment as a special assistant to the chancellor rather than the one year of paid leave she was eligible for under the Executive Transition I Program, thereby saving the university an estimated \$79,300 based on authorized salaries at the time the agreement was negotiated.

The board chair also asserted that the new disclosure requirements included in the Executive Transition II Program improved previous practices by establishing an institutionalized process requiring more public disclosure. The chair stated that before the November 2006 board resolution, no written disclosure policy existed; rather, the chancellor would consult with the chair and vice chair regarding the negotiation of a transition agreement. However, as we discussed earlier, the board does not require the chancellor to include in his annual report information on the status of accomplishments or deliverables associated with transition agreements. In fact, the transition agreements often do not require executives to report on their activities and accomplishments. Although the board has chosen to remain outside the process of negotiating transition agreements and instead delegates that responsibility to the chancellor, it is important that the board continue to monitor the chancellor's administration of the executive transition program to ensure that all agreements are prudent and achieve cost savings for the university. In addition, the board should require the chancellor to include information in his annual report on the status of accomplishments and deliverables associated with transition agreements.

The University Paid Questionable Compensation to Management Personnel No Longer Performing Services for the University

The paid leaves of absence the university provides as part of transition programs are intended only for departing executives. However, we found instances in which management personnel received questionable compensation after they were no longer providing services to the university or while they were transitioning to faculty positions. We also noted that one individual was granted a future leave of absence with pay to transition to a faculty position.

Title 5, Section 43100, of the California Code of Regulations governs leaves of absence without pay granted by the university. The chancellor or campus president, as applicable, may approve an unpaid leave for a period not exceeding a total of two years. However, when an individual requests an extension, the chancellor or campus president may grant one additional year of unpaid leave. Because regulations do not specify the number of extensions that may be granted, this decision is left to the discretion of the chancellor or president.

In addition, the university operates under a very broad policy for granting paid leaves of absence for management personnel. Title 5, Section 42727, of the California Code of Regulations, which addresses professional development, specifies that management personnel may participate in programs and activities that develop, update, or improve their management or supervisory skills. The programs and activities may include “professional leaves, administrative exchanges, academic coursework, and seminars.” Management personnel may participate in such programs and activities only after the chancellor or campus president grants approval and only to the extent that funds are available. The regulations do not sufficiently define the criteria that must be met before a paid leave will be granted, and it does not establish time restrictions for a paid leave.

In contrast, the regulations that govern certain types of leaves granted to university employees clearly provide such criteria and restrictions. Title 5, sections 43000 through 43008, of the California Code of Regulations governs leaves of absence with pay taken by certain university employees for the purpose of study or travel that will benefit the university. Specifically, on the recommendation of the chancellor, the board may grant paid leaves of absence not to exceed one year to executive employees and those serving in academic-administrative assignments in the chancellor’s office. The regulations also permit the chancellor to grant academic employees, executive employees, and employees serving in academic-administrative assignments paid leaves of absence from campuses for up to one year. To be eligible, an applicant must hold a full-time position and must have served in that position for six consecutive academic years.

The regulations also specify that final approval of an application for a leave of absence to engage in study or travel during or for which the applicant is to receive compensation cannot occur until the applicant files with the chancellor a suitable bond indemnifying the university against loss if the employee fails to render service to the university following the leave of absence. Generally, the amount of the bond must equal the total salary that the university expects to pay the employee during the leave. The chancellor can

The regulations governing paid leaves for management personnel do not sufficiently define the criteria that must be met nor establish time restrictions for such leaves.

The chancellor acknowledged that criteria and time limits may be helpful in administering the regulations governing paid leaves for management personnel.

waive the bond requirement if the interests of the university would be sufficiently protected by a written agreement from the employee to return to the university at the conclusion of the leave. However, with the agreement, the employee must provide a statement of assets showing, to the satisfaction of the chancellor, the employee's ability to indemnify the university against loss in the event that the employee fails to fulfill the agreement.

We asked the chancellor why the university has not established specific criteria and time restrictions for paid leaves granted to management personnel. The chancellor responded that because this provision was rarely used and the circumstances vary significantly, the university has relied upon the judgment of what is in its best interest to serve as the criteria. He indicated that working within the existing regulations regarding lengths of leaves had not posed problems. However, he acknowledged that criteria and time limits may be helpful in administering the regulations. Nevertheless, the chancellor believes that a provision in the regulations is needed to allow an exception if the chancellor determines and documents that it is in the best interest of the university. The chancellor stated that this would allow the university to deal with an unusual situation that might not have been considered during the development of criteria.

Our review confirms the need for the university to strengthen its regulations and policies. In reviewing a sample of personnel files at the chancellor's office and various campuses, we found instances in which management personnel received questionable compensation after they were no longer providing services to the university or while they were transitioning to faculty positions. For example, we noted one individual who did not return to the university following a leave lasting nearly seven years and who was paid \$102,000 during that time period. The following sections provide details on this example and others that highlight the need for the university to develop stronger policies regarding paid leave for management personnel.

University Policies Allowed an Employee to Receive \$102,000 Over Nearly Seven Years Without Performing Any Service for the University

In December 1996, the chancellor at that time (former chancellor) approved the request of the university's director of governmental affairs (former director) for a paid professional development leave of absence from his administrator IV position in the chancellor's office. While on leave from his university position, the former director accepted a full-time position with a legislative committee. The paid professional leave provided by the university was designed to close the gap between the former director's university salary and

his new legislative salary. The former director's new salary was to provide his benefits. The university believed that the experience the former director would gain with this legislative committee would significantly enhance the former director's abilities in his management personnel position upon his return to the university. Although this was the justification for the paid leave, the university did not ensure that it would receive that benefit by making the payments contingent on the individual's return.

The former chancellor and the former director agreed that the paid professional development leave would be effective January 1, 1997, to December 31, 1997, with the possibility for a one-year extension. The employee requested and was granted an extension for a second year of paid professional leave. In fact, the former director, through subsequent requests and approvals by the present chancellor, remained on paid professional leave until November 1, 2001. At that time, the individual accepted a new position with a nonprofit association. From January 1, 1997, until November 1, 2001, the university paid the employee between 14 percent and 23 percent of the salary he received while in his former university position. The chancellor stated that he approved the leave extensions based on his belief that there was a memorandum of understanding with the Legislature regarding this arrangement. However, he acknowledged that the university could not locate any documentation of a written memorandum of understanding.

In a September 2001 letter to the chancellor, the former director indicated that he was leaving his position with the legislative committee to take a position with a nonprofit association and requested that his leave be extended, but on an unpaid basis. In a January 2002 letter, the chancellor denied the request for additional leave stating, "Because you left the service of the [Legislature] and because your cumulative leave was nearly five years, I am unable to continue the partial pay under the management personnel plan. Also, staff advises me that further leaves, even without pay, should not be given in view of the timeframe." Accordingly, in late January 2002, the vice chancellor of human resources instructed the senior director of human resource services to process the former director's resignation.

Nevertheless, in an April 2002 letter, the vice chancellor of human resources notified the former director that the chancellor had subsequently decided to extend the leave of absence without pay for a final year, from November 1, 2002, through November 1, 2003. The conditions of the unpaid leave were that the individual would resign at the conclusion of the leave and would receive a lump-sum payment equal to three months' pay at his final partial

salary—a total of \$5,798. In late December 2003 the former director submitted a resignation letter effective November 1, 2003, to the vice chancellor of human resources.

However, there was internal confusion regarding this employee's status. The human resources staff who had been instructed to process the former director's resignation two years previously were apparently not informed of the subsequent events, including the April 2002 letter, until early January 2004, and thus considered the individual to have resigned. After learning of the final year of unpaid leave beginning November 1, 2002, the senior director of human resource services asked the vice chancellor of human resources if she could "shed any light" on the individual's employment status from January 1, 2002, through October 31, 2002. The vice chancellor responded that "although the paper trail does not make this clear, the employee was on leave without pay" during the 10-month period. Consequently, in January 2004, human resources staff reportedly voided the former director's resignation they had processed two years earlier and made his resignation effective November 1, 2003.

Ultimately, the former director received more than \$96,000 in salary during the paid professional leave between January 1, 1997, and November 1, 2001. In addition, documents indicate that during this time period the former director received service credits toward his state retirement. Adding the lump-sum payment of \$5,798 and salary increases, we calculate that this individual received a total of \$102,000 over nearly seven years without performing any service for the university. Although the employee never returned to the university, the chancellor could not require him to pay back any of this compensation because the payments were not made contingent on his return.

When asked about this arrangement, the senior director of human resource services said that the regulations related to professional development leaves do not set any limit on how long that type of leave can continue and that the employee's extensions were based on his annual requests to do so. These requests were approved at the discretion of the chancellor, and the vice chancellor of human resources acknowledged that leaves of absence, including those taken for professional development, are not disclosed to the board. The vice chancellor of human resources further stated that management personnel provisions neither require nor prohibit lump-sum payments similar to the \$5,798 that the employee received. She stated that the payment was made to resolve issues regarding whether the employee was entitled to continued employment with the university.

The former director received a total of \$102,000 over nearly seven years without performing any services for the university and without ever returning to the university.

The chancellor added that the university believes that it garnered some value while the employee was on paid leave, given the university's working relationship with the Legislature. Specifically, the chancellor stated that the value was derived from the understanding of the major policy issues in higher education that the employee provided to the legislative committee. However, the fact remains that the university paid this person \$102,000 over nearly seven years without receiving any direct benefit in return.

The University's Actions Allowed an Individual to Remain on the Payroll for Nearly Seven Weeks Without Providing Any Documented Services

In an April 2002 letter, the vice chancellor of human resources outlined the terms of resignation for the university's director of federal relations. The letter stated that the terms reflected the university's appreciation for the employee's service. According to the letter, the employee's resignation would be effective August 16, 2002, which would permit the employee to vest in California's Public Employees' Retirement System. Although the employee's last day in the chancellor's office was to be May 6, 2002, she was to receive a full salary, amounting to more than \$15,000, between May 6 and June 30, 2002. The terms of the resignation provide that the employee would work from home during that time and be available to the university for advice. However, when we requested documentation to describe what services the individual provided to the university during the period when she was supposed to be working from home, the chancellor's office was unable to produce any support for any work the employee may have completed. Further, the resignation terms called for the employee to be placed on vacation from July 1 through August 16, 2002, with unused vacation paid in a lump sum at the conclusion of the time off. This individual was to continue to accrue additional vacation through August 16, 2002.

The employee resigned her university position to assume a new position with another entity. Although the chancellor's office could not tell us when the employee began her new employment, available documentation indicated that it was at least in June 2002 and may have been as early as May 2002. Thus, it is apparent that the individual began her new employment while the university was still paying her a full salary to work at home and be available to advise the university. When we questioned this situation, the senior director of human resource services responded that the university has no policy that prevents management personnel from being employed by an entity outside the university but that appropriate action would be pursued if such employment interfered with the employee's performance of university duties. Further, when asked about the propriety of continuing to pay the employee's

The resignation terms for one employee allowed the individual to be paid a full salary while working from home for nearly seven weeks and being available to the university for advice.

full salary from May 6 to June 30, 2002, the chancellor responded that although regulations governing the university do not require such payment in the case of a resignation, they do not prohibit such payment. The chancellor stated that he believed the arrangement was the best way to attain closure on all employment-related issues and that it was in the best interest of the university. Further, he stated that the payment was not disclosed to the board because disclosure was not required.

The University Granted Management Personnel Paid Leaves to Transition Into Faculty Positions

We also noted leave arrangements that related to individuals changing from one university position to another. For example, in May 2002 the director of academic technology applications in the academic affairs division of the chancellor's office resigned to resume duties in the fall of 2002 as a full-time faculty member at the Long Beach campus. The employee's last day at the chancellor's office was May 15, 2002, which was followed by 10 days of vacation and nearly two months of paid administrative leave until August 23, 2002, at which point the employee officially left the chancellor's office position. While on administrative leave, the individual was paid at a full-salary rate, amounting to more than \$23,000. The chancellor's office reported that the employee also continued to receive normal benefits for management personnel while on paid leave. For example, during the paid administrative leave, the individual received a monthly salary increase from \$8,273 to \$8,412, effective July 1, 2002. In response to our inquiry, the vice chancellor of human resources commented that the chancellor's office had no documentation showing why the individual was granted paid administrative leave. After looking into the matter, the vice chancellor of human resources was told by administrators that the leave was granted for the employee's preparation to return to the classroom.

An interim campus president was granted a four-month paid administrative leave, receiving more than \$63,000 to transition to teaching.

In another case, the interim president of the Monterey Bay campus was granted a four-month paid administrative leave from July 1 to November 2, 2006, receiving a total of more than \$63,000 to transition to teaching. According to the vice chancellor of human resources, the employee had served in an executive position for less than five years and thus was not eligible to participate in an executive transition program. At the time he granted the paid administrative leave, the chancellor noted the employee's intent to use accrued vacation for an additional two months before assuming the faculty position, resigning the same day and retiring the next. This would enable the employee to teach part time under the university's early retirement program for faculty. The vice chancellor of human resources indicated that it was not unusual for an administrator to be granted an administrative leave to prepare to return to the classroom.

Finally, we identified a situation in which the provost and vice president of the San Francisco campus (vice president) has been promised paid leave in the future to transition from an administrative position to a faculty position. In the vice president's March 2003 appointment letter, the campus president stated that, in accordance with the Management Personnel Plan, the employee will be granted a one-year paid leave of absence for the purpose of professional development, provided the vice president serves in the position for at least five years. According to the letter, the year of paid leave would be taken during the employee's final year before retreating to a tenured faculty position in the department of economics. When we asked the campus for its justification in offering the vice president a year of paid leave at the end of this appointment, the associate vice president of human resources, safety, and risk management (associate vice president) responded that the Management Personnel Plan gives the president the authority to offer professional development leaves. When asked how the president determined the duration of the future paid leave, the associate vice president again responded that one year of paid leave was offered based on the president's discretion under the guidelines of the Management Personnel Plan.

The chancellor stated that the university does not have a policy addressing paid leaves for management personnel who are making the transition to faculty positions. Instead, the university has interpreted such leaves as falling within the scope of the existing administrative leave policy. He explained that absence from active work in an academic discipline may necessitate significant work to become current and thus able to teach in that discipline; therefore, providing time for preparation has been viewed as an appropriate use of administrative leave. The chancellor further stated that the need for this kind of leave and the length of the leave would normally be determined by considering several factors, including, but not limited to, the length of time the employee has been out of the classroom, the discipline of study involved, the academic cycle, and the course load the employee will undertake. Finally, the chancellor commented that he discussed the paid leave granted to the interim campus president with the chair of the board because the individual was leaving an interim presidency. He indicated that the remaining two leaves of absence granted for the purpose of transitioning to faculty positions were not disclosed to the board.

In summary, we recognize that the university may benefit in certain instances by granting leave to its management personnel, whether it is for transitioning to faculty positions or for other purposes, such as professional development. However, it is important that the university ensure that it is acting consistently and in a prudent manner that appropriately protects the State's interests. The

A campus provost and vice president has been promised a one-year paid leave of absence to transition to a faculty position provided the individual serves in the appointed position for at least five years.

regulations that govern the university's administration of paid leaves for the purpose of study and travel contain various provisions, such as eligibility criteria, time restrictions, and provisions designed to protect the university from financial loss. Strengthening the regulations for granting paid leaves to management personnel by including similar provisions would help ensure that the university acts in a consistent and prudent manner.

Further, although we recognize the university's desire to have flexibility by allowing the chancellor discretion to grant exceptions to any policy that is established, such flexibility should not be at the expense of maintaining a consistent and equitable policy. Finally, because of the potential magnitude of the paid leaves of absence, it would be prudent for the board to establish a policy that defines the extent to which it wants to be informed of such leaves.

Recommendations

The board should continue to monitor the chancellor's administration of the executive transition program to ensure that it is conducted in a prudent manner and that intended cost savings are achieved for the university. In addition, the board should require the chancellor to include in the transition agreements clear expectations of specific duties to be performed, as well as procedures for the former executives to report on their accomplishments and status of deliverables. Further, the board should require the chancellor to include information in his annual report on the status of accomplishments and deliverables associated with transition agreements.

The university should work through the regulatory process to develop stronger regulations governing paid leaves of absence for management personnel. The improved regulations should include specific eligibility criteria, time restrictions, and provisions designed to protect the university from financial loss if an employee fails to render service to the university following a leave. For example, the regulations should require all employees applying for a paid leave of absence to submit a bond that would indemnify the university if the employee fails to render service to the university following a leave of absence. The university should also maintain appropriate documentation supporting any leaves of absence it grants. Finally, the board should establish a policy on the extent to which it wants to be informed of such leaves of absence for management personnel.

Chapter 3

CURRENT POLICIES ON MOVING AND RELOCATION EXPENSES AND DUAL EMPLOYMENT ARE INADEQUATE

Chapter Summary

The California State University (university) exercises considerable discretion in paying costs related to moving and relocation (collectively referred to here as relocation) for its employees. The university's broad policy provides that incoming employees may receive reimbursement for actual, necessary, and reasonable expenses but includes few monetary limits for reimbursable expenses. Further, although the policy identifies the types of expenses that can be reimbursed, it contains clauses permitting the chancellor or campus presidents to grant exceptions. The chancellor determines the amounts of relocation reimbursements for executives, campus presidents, and Management Personnel Plan employees (management personnel) in the chancellor's office, and the campus presidents determine the amounts for management personnel and faculty at their respective campuses. Neither the chancellor nor the campus presidents are required to obtain the approval of the board of trustees (board) for relocation reimbursements, and they typically do not disclose these payments to the board. The discretionary nature of the university's policy can result in questionable reimbursements for costs, such as those for moving household goods and closing costs associated with selling and purchasing residences.

The university has also established a dual-employment policy stating that its employees may be employed outside the university system but that conflicts of interest are not permitted. However, the policy does not require employees to obtain prior approval for outside employment, nor does it require employees to disclose that they have such employment. Thus, the university is unable to adequately determine whether employees have outside employment that conflicts with their positions at the university.

The University Exercises Considerable Discretion in Paying Relocation Costs for New Employees

The university has established a broad policy for reimbursing employees for relocation costs. The policy provides that the university may reimburse actual, necessary, and reasonable relocation expenses for new employees who have been offered positions within the university and current employees who must change residences because of changes in assignment, promotions, or other reasons that are related to the employees' duties and in the university's best interest. For a current employee, the new job

location must be at least 50 miles farther from the employee's former home than the old job location to qualify for relocation benefits.

Relocation Expenses Eligible for Reimbursement by the University

- Packing.
- Insurance.
- Transportation.
- Storage in transit (not to exceed 60 days).
- Unpacking and installation of household goods.
- Various costs related to selling prior residence.
- Relocation travel, defined as a one-way trip from the former residence to the general area of the new campus or other job location for the employee and spouse or domestic partner.
- Lodging, meals, and incidentals for the employee and spouse or domestic partner.

The policy indicates that the chancellor determines the amounts of relocation reimbursements offered to executives, campus presidents, and management personnel in the chancellor's office, while the campus presidents determine the amounts of relocation reimbursements, if any, for management personnel and faculty members at their respective campuses. The text box lists the types of expenses that the policy identifies as allowable for reimbursement. The policy does not establish monetary limits for several types of relocation costs, but it does state that reimbursements for lodging, meals, and incidentals will not be paid for more than 60 days. Further, the policy states that a temporary relocation allowance to defer the cost of housing may be authorized at a daily rate not to exceed \$51, which is 75 percent of the long-term in-state travel subsistence allowance of \$68. Moreover, the policy contains clauses that permit the chancellor or campus presidents to

grant exceptions. For example, the chancellor or a campus president can grant an exception to the 60-day limit on the allowance for lodging, meals, and incidentals if he or she determines that the employee and spouse or domestic partner might undergo unusual and unavoidable hardship in their search for a new residence. Finally, the board is not required to approve these arrangements, nor is the board typically informed of the payment amounts.

The relocation policy includes a provision stating that an employee may be reimbursed for actual and necessary costs associated with the sale of a residence. These selling costs include brokerage commissions; title insurance; escrow fees; prepayment penalties; taxes, charges, and fees fixed by the local authority responsible for finalizing the sale; and miscellaneous seller's costs customary to the area. Finally, the policy provides that an employee may receive reimbursement for the actual and necessary cost of settling an unexpired lease for a maximum of one year.

The discretionary nature of the university's relocation policy can result in questionable reimbursements of relocation costs. In reviewing the initial appointment letters and other documentation contained in the personnel files of our sample of 76 highly paid university employees, we noted that many of them received employment inducements at the time of their appointments that

sometimes included generous reimbursements for relocation costs. Additionally, although the policy specifically states that an employee may be reimbursed for the sale of a residence, we identified two executives who received reimbursements for costs associated with the purchase of their residences as well. Appendix A lists the amounts of any reimbursements received by the 76 employees. The following examples highlight the need for a stronger policy and greater board oversight of relocation expense reimbursements.

A Campus President Was Reimbursed for Substantial Closing Costs and Received a Home Loan

In 2003 the chancellor's office offered an individual the position of president of the Sacramento campus. In addition to perquisites such as entertainment allowances to which executives are entitled, the chancellor stated that the university would cover the individual's reasonable and necessary relocation expenses and reimburse actual and necessary costs associated with the sale of the individual's current residence. The individual accepted the position effective July 2003. From August 2003 through August 2004, the Sacramento campus reported that it reimbursed the new campus president nearly \$65,000 in closing costs for his former and new residences and approximately \$19,000 in moving expenses. In addition, a campus foundation loaned the new president \$164,000 for escrow costs and another \$69,000 for mortgage payments.

The chancellor's office informed us that the new president could not have sold his former residence at the time he accepted the position at the university without taking a significant financial loss. Therefore, the purpose of the loans from the campus foundation was to enable the new president to cover the costs of his new home while continuing to make payments on his former house until it was financially viable for him to sell it. The campus foundation provided the loans at a below-market annual interest rate of 1.697 percent. The new president fully repaid the loans, which, including outstanding interest of \$8,000, totaled \$241,000, approximately two years and four months later. The chancellor's office asserted that the loans were not typical.

In addition to providing low-interest loans to the new president, the campus foundation paid more than \$27,000 to remodel the president's kitchen to accommodate the foundation's future catering of presidential guests, such as those attending fund-raising events. Documentation of the expenses indicates that the kitchen was also remodeled to meet state health and safety codes.

A campus reported reimbursing its president nearly \$65,000 in closing costs and approximately \$19,000 in moving expenses, while its foundation loaned the president \$233,000 for escrow costs and mortgage payments at a below-market interest rate.

When we asked if the board was made aware of the relocation expenses, closing cost reimbursements, and housing loans, the vice chancellor of human resources stated that, in general, reimbursements of relocation costs, including closing costs on new and former residences, are within the existing relocation policy and would not normally be included as an agenda item at a board meeting. Although the meeting minutes show that the board approved the president's starting annual salary of \$221,004, as well as his \$36,804 initial annual housing allowance, the minutes do not mention the relocation costs. The chancellor stated that in this case, he did not discuss the details of the new president's relocation expenses at the time this item was presented to the board, but he did discuss the details in a closed session with the board.

Although the university's policy explicitly states that an employee may be reimbursed for actual and necessary selling costs for the sale of a residence, it does not include language that addresses reimbursement for the purchase of a residence. When we asked the vice chancellor of human resources about the reimbursement of costs associated with the purchase of a residence, she stated that the policy gives the chancellor the authority to determine what costs are reasonable and necessary; therefore, the university has determined that the policy covers closing costs for both selling and buying a residence. Similarly, the chancellor responded that the relocation policy gives him the flexibility to determine what are "reasonable and necessary" expenses related to the relocation of an individual accepting an executive position. Finally, the chancellor contended that the expenses outlined were necessary to accomplish the president's move.

The Chancellor's Office Reimbursed a Vice Chancellor for Significant Relocation Payments

The vice chancellor of human resources was reimbursed for relocation costs of nearly \$62,000, including \$31,000 in closing costs, \$18,000 to ship household items, \$9,579 for temporary housing, and the remainder for miscellaneous relocation costs.

The chancellor appointed the vice chancellor of human resources in April 1999, and the chancellor's office reimbursed her nearly \$62,000 to relocate from another state. This included \$31,000 in closing costs on the vice chancellor's former and new residences, \$18,000 to ship household items, \$9,579 for temporary housing, and the remainder for miscellaneous relocation costs. As in the previous example, the chancellor stated that he believed it was within his discretion to pay the closing costs on the purchase of the vice chancellor's new home because he deemed the costs reasonable and necessary. Further, although the board set the vice chancellor's initial salary and automobile allowance in 1999, the minutes from that board meeting do not mention the relocation costs.

At the time of the appointment in 1999, the university's moving and relocation policy set a 60-day limit on allowances for lodging, meals, and incidentals and a daily rate of \$43.50 for temporary relocation allowances. However, the university paid temporary housing costs of \$9,579 over three months at a rate of \$102 per day for this individual when she relocated to California in 1999. When we asked why the university would pay costs that were not in compliance with the policy, the vice chancellor stated that a section in the policy grants the chancellor the authority to make exceptions to the general rules, and that this authority applies to both the daily allowance and the time limit. The chancellor specified that he granted an exception to the general rule because the vice chancellor could not relocate until September, but the university needed her to report in June. Consequently, the chancellor decided to pay for temporary housing for the vice chancellor for three months.

In addition, the chancellor's office agreed to pay the relocation costs associated with the vice chancellor's recent transition to a campus. The chancellor's office reported paying a total of \$8,497 for these relocation costs. Although the board was informed of the vice chancellor's transition to the campus during the July 2007 meeting, the minutes from that board meeting do not mention the relocation costs. The chancellor indicated that the agreement to pay this employee's relocation costs at the end of the executive appointment was based on the employee's intent to teach on a campus and was discussed with the chair of the board in 2005 when the commitment was made.

Another Campus Made Relocation Payments Beyond the Terms of Its Employment Agreement With a Coach

The San Diego campus appointed a new head coach for one of its athletics programs in March 1999. According to the employment agreement, the coach was entitled to reimbursements for relocation expenses consistent with the university's policy. The campus travel manual parallels the university's relocation policy in place in 1999 and states, "Reimbursement may be allowed for necessary and reasonable moving and relocation expenses for an individual who has been offered a position with [the university] and has accepted such appointment." Additionally, the coach's agreement stated that the campus would provide lodging for a period of 60 days. According to campus documents, the executive director for intercollegiate athletics and special assistant to the president (athletic director) promised during the recruitment process that the campus would reimburse the coach for certain expenses the athletic director termed "normal moving expenses for someone of [the coach's] stature." Documents also indicate that the campus subsequently reimbursed the coach's normal moving expenses,

which totaled \$10,218. These expenses included transportation for the coach's spouse and son to and from San Diego for the purpose of house hunting, as well as a rental car and housing expenses incurred before the coach purchased a new home.

In a letter to the campus president, the athletic director stated that the campus business office took the position that this reimbursement was reportable income, and the coach was so advised. According to the letter, the coach indicated that payment of \$4,079 in income taxes was required related to the reimbursed relocation and transitional housing expenses. The campus's policy states, "Some reimbursements for moving expenses will be reportable to the [Internal Revenue Service] and/or are taxable to the individual . . . including costs such as meals connected with a move, pre-move house hunting trips, and travel expenses incurred with respect to a spouse or other dependent." However, the athletic director asserted to the president that the campus had a "moral obligation" to reimburse the coach for the taxes paid and the amount of taxes the coach would be required to pay on the reimbursement for the initial taxes.

After the president acknowledged that any additional payment made to compensate the coach for the taxes would also be considered reportable income to the Internal Revenue Service, the president, on the athletic director's request, approved supplemental compensation in the form of a one-time "bonus" payment of \$6,449 to the coach. The bonus was fully funded by a campus foundation and consisted of \$4,079 for the taxes paid on the initial reimbursement and \$2,370 for the taxes the coach would be required to pay on the bonus. Campus documents indicate that ultimately the coach received a total of \$16,667, including the original \$10,218 in relocation reimbursements from the campus and its foundation.

The campus's payment of \$6,449 to relieve a coach's tax liability appears to conflict with the terms of the employment agreement which states that he is responsible for payment of taxes due on applicable bonuses.

The campus's payment of \$6,449 to relieve the coach's tax liability appears to conflict with the terms of the official employment agreement. Specifically, the agreement states, "The coach shall be responsible for payment of withholdings and taxes due on applicable bonuses . . . which are in effect during the term of this agreement." The agreement also clarifies that "the terms of the coach's appointment and service are governed by this employment agreement and the management personnel plan . . . Any commitment to [the] coach regarding service or appointment not expressly contained in this employment agreement, or in the [management personnel plan], is void." Therefore, any verbal promises made to the coach during the recruitment process were nonbinding, and the campus was not required to pay any tax liability resulting from relocation reimbursements made to the coach.

We asked the campus president why he authorized the \$6,449 payment to cover the employee's taxes. The president stated that he "agreed [with the athletic director] that as a university and employer, we should do all we could do to fulfill obligations" and therefore authorized the reimbursement in concept. However, the president stated that he "then deferred to his staff to work out the details to effect a reimbursement that was consistent with the representations [the athletic director] had made." The campus's associate vice president of administration, business, and financial affairs stated, "The campus has refined the contracts that coaches receive to clearly state that there may be tax consequences and the coach is responsible for this at his or her own expense." Nevertheless, as previously described, the coach's employment agreement clearly stated his obligation to pay withholdings and taxes due on applicable bonuses.

When we apprised the chancellor of this situation, he stated that he was not previously aware of the actions taken at the campus. He also commented that it appeared that the president was using foundation rather than public funds to honor a verbal commitment to which he felt bound. However, although the additional \$6,449 payment to cover the coach's taxes was paid from foundation funds, the original relocation reimbursement of \$10,218 was paid using campus funds.

As we described earlier, the university has established a broad policy for reimbursing employees for relocation expenses. In addition, clauses in the policy that allow the chancellor or campus presidents to grant exceptions to the policy weaken it even further. Finally, the board is not required to approve relocation reimbursements, nor is it typically informed of the payment amounts. Consequently, these conditions create an environment that allows questionable reimbursements of relocation costs.

The University's Policy on Dual Employment Is Limited

In 2002 the university issued a policy stating that university employees may, consistent with campus policies governing outside activities, be employed outside the university system. The policy further states that conflicts of interest are not permitted. However, the policy does not require employees to obtain prior approval for outside employment and does not require employees to disclose that they have such employment. The university does require employees in specified positions to file annual Statement of Economic Interests forms. According to the vice chancellor of human resources, the form would identify certain types of conflicts of interest, such as someone having an interest in a business that offers services the university might need. However, the form does not include sufficient information about a reporting

The university's dual-employment policy does not require employees to obtain prior approval for outside employment or to disclose such employment.

employee's time commitments to an outside business that would allow the university to identify conflicts with the employee's university commitments.

In 2003 the university sponsored a bill to require executives, management personnel, and full-time faculty to report outside employment; however, the Legislature did not ultimately pass the Senate bill. Additionally, the chancellor's office told us that the university has sought to establish prior-approval and disclosure policies for outside employment through negotiations with the California Faculty Association, the collective bargaining group that represents university faculty members. However, the university has not succeeded in its bid to include these policies in the collective bargaining agreement for faculty. The chancellor's office has chosen not to impose a similar requirement on other staff, such as management personnel, because it believes that it would be unfair to do so in the absence of a faculty requirement. However, the university does not currently have enough information to determine whether employees have outside employment that conflicts with their university employment.

Recommendations

The university should strengthen its policy governing the reimbursement of relocation expenses. For example, the policy should include comprehensive monetary thresholds above which board approval is required. In addition, the policy should prohibit reimbursements for any tax liabilities resulting from relocation payments. Finally, the board should require the chancellor to disclose the amounts of relocation reimbursements to be offered to incoming executives.

The university should continue to work with California Faculty Association representatives during the collective bargaining process to strengthen its dual-employment policy by imposing disclosure and approval requirements for faculty. It should also impose similar requirements for other employees, including management personnel. If the university believes it needs a statutory change to facilitate its efforts, it should seek it.

We conducted this review under the authority vested in the California State Auditor by Section 8543 et seq. of the California Government Code and according to generally accepted government auditing standards. We limited our review to those areas specified in the audit scope section of this report.

Respectfully submitted,



ELAINE M. HOWLE
State Auditor

Date: November 6, 2007

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Appendix A

COMPENSATION AND EMPLOYMENT INDUCEMENTS FOR 76 HIGHLY PAID EMPLOYEES

Table A on the following pages details the compensation and employment inducements received by a sample of 76 highly paid employees at the California State University (university) during fiscal year 2006–07. We focused our selection on employees at the chancellor’s office and the five campuses we visited during the audit: Fullerton, Long Beach, Sacramento, San Diego, and San Francisco. From these locations, we selected 30 faculty members and 36 Management Personnel Plan employees (management personnel), all of whom held administrator IV positions, and we included all 10 executives working in the chancellor’s office and at the five campuses.

To select our sample, we used the payroll file maintained by the State Controller’s Office (payroll file) to identify payments issued during the first 10 months of fiscal year 2006–07 (July 2006 through April 2007).⁸ We then identified the portion of that compensation received by each employee that related to pay periods within fiscal year 2006–07, along with the campus at which each individual last worked and the employee classification under which each individual last received pay. From this list we selected executives from all six locations, including five from the chancellor’s office and the presidents of each of the five campuses. We also selected the six highest-paid faculty and the six highest-paid management personnel from each campus. Because no highly paid faculty worked at the chancellor’s office, we selected only the top six management personnel from that location.

We later obtained the payroll files for the full fiscal year 2006–07. The compensation listed at the top of each “report card” in Table A therefore represents all payments issued during the fiscal year as reported in the payroll file. The categories of pay shown are those used in tables 1 and 2 in Chapter 1. As described in the Scope and Methodology section of the Introduction, we recategorized the payment types used in the payroll file to present the data in a more concise form. Further, we reclassified certain transactions, such as automobile allowances, to more accurately reflect the transactions when they were included in other categories.

⁸ We used only 10 months of data to select our sample because information for the full fiscal year was not yet available. However, the data appearing in Table A represent the full year of payment information.

Each report card also lists any additional compensation and employment inducements present in an employee's campus personnel file or reported to us by staff at auxiliaries, including foundations. As we discussed in Chapter 1, the payroll file does not include compensation paid directly by auxiliaries. Additionally, it does not indicate that, in some instances, compensation initially paid by the university was subsequently reimbursed by an auxiliary or other source. Thus, we had to seek this information from additional sources. When an employee received a payment from the university that was later reimbursed to the university by an auxiliary or external source, we footnote the payment in the report card. However, because of the large number of auxiliaries and potential outside sources of income, we cannot be certain that we identified all additional compensation.

The report cards also do not include standard benefits that all employees receive, such as health, vision, and dental insurance. However, they do include life and accidental death and dismemberment insurance (life insurance) because the amount of coverage differs by type of employee. Specifically, each executive receives a \$250,000 policy, each management personnel employee receives a \$100,000 policy, and each faculty member receives a \$50,000 policy. Further, when the university did not have information on the actual amount it reimbursed for relocation or other expenses that we categorize as an employment inducement, we present the maximum allowable amount as documented in the employment appointment letter.

Table A

Dr. Charles B. Reed Chancellor	Chancellor's Office Executive
Compensation	Fiscal Year 2006-07
Base pay	\$377,000
Additional Compensation	
Supplemental*	30,000
Total	\$407,000
Employment Inducements	
<p>The chancellor's office reports that it paid \$29,001 of the employee's moving and relocation costs, including closing costs of \$9,345 and storage costs of \$7,071.</p>	
Other Benefits	
<p>Receives life insurance policy of \$250,000.</p> <p>Provided up to \$900 for an annual physical examination at the university's expense.</p> <p>The university provides the employee with a house that is equipped with an office, a telephone connected to the chancellor's office, and appropriate facilities for entertainment and meetings.</p> <p>The employee's October 1997 offer letter states that both state and nonstate funds will be made available to the chancellor for a variety of discretionary purposes connected with the performance of his official duties, and that friends and supporters of the university, including its foundation, will defray, to the extent possible, the costs, including but not limited to travel expenses, for the presence of the chancellor's spouse at official functions using nonstate funds. The chancellor's office reports that for fiscal year 2006-07, it provided \$1,479 from the State's General Fund to the employee for entertainment expenses. Additionally, the university foundation reports that it provided \$43,786 for the chancellor's use for entertainment purposes during the same period. However, only \$8,629 of these funds were paid directly to the chancellor. The remaining funds were used to reimburse vendors and other university employees for hospitality expenses. The foundation also reports that it paid the chancellor \$2,750 for his spouse's travel expenses.</p> <p>The university provides a university-owned vehicle and pays for the cost of maintenance, insurance, a telephone, gasoline, and oil. In addition, on occasion, the university provides the chancellor with a driver service.</p> <p>Entitled to one year of paid leave of absence under the Executive Transition I Program on leaving the position, at a salary set at the midpoint between the former executive salary and the top-step 12-month full-professor salary.</p> <p>The Long Beach campus granted the employee tenure as a professor with retreat rights to its department of teacher education.</p>	
<p>* In consideration of the federal Internal Revenue Service cap on eligible California Public Employees' Retirement System retirement compensation, the board of trustees approved an executive compensation plan for the chancellor that provides \$30,000 in supplemental compensation from the university foundation.</p>	

Christine Helwick General Counsel	Chancellor's Office Executive	
Compensation	Fiscal Year 2006-07	
Base pay	\$239,202	
Automobile allowance	12,000	
Additional Compensation		
None noted		
Total	\$251,202	
Employment Inducements		
The chancellor's office reports that it paid \$7,048 in moving costs for this employee's relocation to Southern California.		
Other Benefits		
Receives life insurance policy of \$250,000 .		
Provided up to \$900 for an annual physical examination at the university's expense.		
The employee's March 1996 offer letter states that the general counsel is entitled to perquisites such as entertainment allowances and other entitlements of executives. The university foundation reports that it provided \$1,986 to the employee for entertainment expenses for fiscal year 2006-07.		
Entitled to one year of paid leave of absence under the Executive Transition I Program on leaving the position, at a salary set at the midpoint between the former executive salary and the top-step full-professor salary.		
The Long Beach campus granted the employee tenure as a professor with retreat rights to its department of finance, real estate, and law.		

Jackie R. McClain* Vice Chancellor, Human Resources	Chancellor's Office Executive	
Compensation	Fiscal Year 2006-07	
Base pay	\$256,033	
Automobile allowance	12,000	
Additional Compensation		
None noted		
Total	\$268,033	
Employment Inducements		
The chancellor's office reports that it paid \$61,777 of the employee's moving and relocation costs, which includes \$30,688 in closing costs for her former and new residences and \$9,579 for transitional housing costs. In addition, the chancellor's office reports that it paid \$8,497 for the employee's relocation costs associated with her recent transition to the Chico campus.		
Other Benefits		
Receives life insurance policy of \$250,000 .		
Provided up to \$900 for an annual physical examination at the university's expense.		
The chancellor's office reports that it provided \$303 from the State's General Fund to the employee for entertainment expenses for fiscal year 2006-07. Additionally, the university foundation reports that it provided \$689 to the employee for entertainment costs.		
The Chico campus granted the employee tenure in its department of management within the college of business.		
* On August 1, 2007, this employee departed her position as vice chancellor of human resources. Refer to Table B.2 in Appendix B for the terms of her transition from this executive position.		

Dr. Gary W. Reichard		Chancellor's Office
Executive Vice Chancellor and Chief Academic Officer		Executive
Compensation	Fiscal Year 2006-07	
Base pay	\$272,488	
Automobile allowance	12,000	
Additional Compensation		
None noted		
Total	\$284,488	
Employment Inducements		
None noted.		
Other Benefits		
Receives life insurance policy of \$250,000 .		
Provided up to \$900 for an annual physical examination at the university's expense.		
The employee's February 2006 offer letter states that the executive vice chancellor is entitled to perquisites such as entertainment allowances and other entitlements of executives, and that it is permissible to expend state resources and university foundation funds for community relations purposes under the university's hospitality policy.		
Entitled to one year of paid leave of absence under the Executive Transition I Program on leaving the position, at a salary set at the midpoint between the former executive salary and the top-step full-professor salary.		
The Long Beach campus granted the employee tenure as a professor with retreat rights to its department of history.		

Richard P. West		Chancellor's Office
Executive Vice Chancellor and Chief Financial Officer		Executive
Compensation	Fiscal Year 2006-07	
Base pay	\$291,258	
Automobile allowance	12,000	
Additional Compensation		
None noted		
Total	\$303,258	
Employment Inducements		
The chancellor's office reports that it paid \$11,787 of the employee's moving and relocation costs, including closing costs of \$6,911.		
Other Benefits		
Receives life insurance policy of \$250,000 .		
Provided up to \$900 for an annual physical examination at the university's expense.		
The employee's November 1993 offer letter states that the employee is entitled to perquisites such as access to the chancellor's community relations fund and other entitlements of executives. The university foundation reports that it provided \$661 to the employee for entertainment expenses for fiscal year 2006-07.		
Entitled to one year of paid leave of absence under the Executive Transition I Program on leaving the position, at a salary set at the midpoint between the former executive salary and the top-step full-professor salary.		
The Sonoma campus granted the employee tenure as a professor with retreat rights to the department of business administration.		

Dr. Keith Boyum Associate Vice Chancellor, Academic Affairs	Chancellor's Office Management Personnel
Compensation	Fiscal Year 2006-07
Base pay	\$180,948
Additional Compensation	
None noted	
Total	\$180,948
Employment Inducements	
None noted.	
Other Benefits	
Receives life insurance policy of \$100,000 .	
The chancellor's office reports that it provided \$123 from the State's General Fund and \$42 from other state funds to the employee for entertainment expenses for fiscal year 2006-07.	
Retains retreat rights as a full-time tenured professor in the department of political science at the Fullerton campus.	

David J. Ernst Assistant Vice Chancellor, Information Technology Services	Chancellor's Office Management Personnel
Compensation	Fiscal Year 2006-07
Base pay	\$188,832
Additional Compensation	
None noted	
Total	\$188,832
Employment Inducements	
None noted.	
Other Benefits	
Receives life insurance policy of \$100,000 .	
The chancellor's office reports that it provided \$15,947 to the employee for entertainment expenses* for fiscal year 2006-07, of which only \$491 was paid from the State's General Fund. The remaining \$15,456 was generally paid from a special project fund that was established to provide fiscal support for the assistant vice chancellor of information technology services for such activities as strategic planning, logistics, networking events, knowledge transfer, travel, receptions, and other purposes in support of university information technology. The special project fund's sources of revenue include honoraria, payments for specialized services and commodities, and interest earnings. Additionally, the university foundation reports that it reimbursed this employee \$2,935 for business meals attended by various university employees for fiscal year 2006-07.	
* We reviewed documentation supporting a sample of these entertainment expenses totalling \$8,459, and found that the payments were to reimburse this employee for paying for working dinners for the university's common management system executive committee members.	

William D. Hordyk		Chancellor's Office
Assistant Vice Chancellor, Financial Services		Management Personnel
Compensation	Fiscal Year 2006-07	
Base pay	\$149,780	
Leave	44,934	
Additional teaching and special assignments*	4,900	
Additional Compensation		
None noted		
Total	\$199,614	
Employment Inducements		
The chancellor's office reports that it paid \$8,800 of the employee's moving and relocation costs.		
Other Benefits		
Receives life insurance policy of \$100,000 .		
The chancellor's office reports that it provided \$803 from the State's General Fund to the employee for entertainment expenses for fiscal year 2006-07.		
* The employee retired from his position on May 1, 2007. The \$4,900 he received was for work performed as a retired annuitant.		

Larry M. Mandel		Chancellor's Office
University Auditor		Management Personnel
Compensation	Fiscal Year 2006-07	
Base pay	\$204,996	
Additional Compensation		
None noted		
Total	\$204,996	
Employment Inducements		
None noted.		
Other Benefits		
Receives life insurance policy of \$100,000 .		
The chancellor's office reports that it provided \$71 from the State's General Fund and \$71 from other state funds to the employee for entertainment expenses for fiscal year 2006-07.		

Dr. Robert C. Maxson		Chancellor's Office
Special Assistant to the Chancellor		Management Personnel
	Compensation	Fiscal Year 2006-07
	Base pay	\$277,896
	Leave	57,895
	Overtime	1,103
	Additional Compensation	
	None noted	
	Total	\$336,894
Employment Inducements		
None noted.		
Other Benefits		
Receives life insurance policy of \$100,000 .		
In his June 2006 appointment letter, the chancellor's office offered the employee an annual salary above the maximum range for a management personnel position at the administrator IV level.		
The Long Beach campus granted the employee retreat rights as a tenured professor to its department of educational psychology and administration.		

Theresa Mendoza		Chancellor's Office
Senior Advisor, Campus Advancement Programs		Management Personnel
	Compensation	Fiscal Year 2006-07
	Base pay	\$192,679
	Leave	19,832
	Overtime	740
	Additional Compensation	
	None noted	
	Total	\$213,251
Employment Inducements		
None noted.		
Other Benefits		
Receives life insurance policy of \$100,000 .		
The university foundation reports that it provided \$35 to the employee for entertainment expenses for fiscal year 2006-07.		

Dr. Milton A. Gordon President		Fullerton Executive
	Compensation	Fiscal Year 2006-07
	Base pay	\$265,225
	Automobile allowance	12,000
	Additional Compensation	
	None noted	
	Total	\$277,225
Employment Inducements		
The campus reports that it paid \$4,519 of the employee's moving and relocation costs when the president was hired in 1990.		
Other Benefits		
Receives life insurance policy of \$250,000 .		
Provided up to \$900 for an annual physical examination at the university's expense.		
Entitled to entertainment allowance of \$300 per month from the State's General Fund. Funds are also available from the General Fund for community relations expenses, and campus foundations may supplement General Fund entertainment allowances and funding for community relations activities.		
Entitled to one year of paid leave of absence at the end of presidency, with a salary at the midpoint between the former executive salary and the top-step full-professor salary. On completion of paid leave, the former executive is entitled to assume a trustee professor position at the campus, with a salary set at the top of the salary range for a full professor, academic or 12-month, as elected by the trustee professor. The chancellor's office funds the trustee professor's salary until the individual decides to leave the position.		
The campus provides the employee with a donated house.		
The campus granted the employee tenure as professor with retreat rights to its department of mathematics and department of afro-ethnic studies.		

Robert McKay Burton, Jr. Head Men's Basketball Coach		Fullerton Management Personnel
	Compensation	Fiscal Year 2006-07
	Base pay	\$181,488
	Additional Compensation	
	Automobile allowance*	5,000
	Total	\$186,488
Employment Inducements		
None noted.		
Other Benefits		
Receives life insurance policy of \$100,000 .		
Receives \$1,500 annually in promotional merchandise under an agreement with Adidas for the period of July 1, 2006, through June 30, 2009.		
Eligible for bonus pay based on team performance. In addition, the campus will provide airfare and per diem for the employee's spouse in the postseason.		
* A campus foundation provides accounting services to the campus athletics department. According to this campus foundation, in fiscal year 2006-07, it wrote checks to this employee for monthly automobile allowances totaling \$5,000. The campus subsequently reimbursed this campus foundation for these payments using nonstate sources such as gate receipts and fund-raising proceeds.		

Dr. Willie J. Hagan		Fullerton
Vice President, Administration		Management Personnel
	Compensation	Fiscal Year 2006-07
	Base pay	\$192,036
	Additional Compensation	
	None noted	
	Total	\$192,036
Employment Inducements		
The campus reports that it paid \$4,653 directly to the employee for moving and relocation costs in July and August 1996. This does not include any amounts that may have been paid directly to vendors, such as moving and storage companies, because the campus was unable to identify such payments.		
Other Benefits		
Receives life insurance policy of \$100,000 .		

Pamela Hillman		Fullerton
Vice President, University Advancement		Management Personnel
	Compensation	Fiscal Year 2006-07
	Base pay	\$180,084
	Automobile allowance*	7,200
	Additional Compensation	
	None noted	
	Total	\$187,284
Employment Inducements		
None noted.		
Other Benefits		
Receives life insurance policy of \$100,000 .		
* Employee's monthly automobile allowance was reimbursed by a campus foundation.		

Dr. Robert L. Palmer, Jr.		Fullerton
Vice President, Student Affairs		Management Personnel
	Compensation	Fiscal Year 2006-07
	Base pay	\$180,072
	Additional Compensation	
	None noted	
	Total	\$180,072
Employment Inducements		
The employee's June 1997 offer letter states that the campus would reimburse up to \$5,000 of the employee's moving expenses. However, the campus reported that it actually paid \$7,900 directly to the employee for moving and relocation expenses. This does not include any amounts that may have been paid directly to vendors, such as moving and storage companies, because the campus was unable to identify such payments.		
Other Benefits		
Receives life insurance policy of \$100,000 .		

Dr. Anil Puri		Fullerton
Dean, College of Business and Economics		Management Personnel
Compensation	Fiscal Year 2006-07	
Base pay	\$182,520	
Additional teaching and special assignments*	26,300	
Additional Compensation		
None noted		
Total	\$208,820	
Employment Inducements		
None noted.		
Other Benefits		
Receives life insurance policy of \$100,000 .		
Retains retreat rights as a tenured professor in the department of economics at the campus.		
* The campus reports that at least \$11,301 of this employee's compensation was reimbursed by a campus foundation.		

Dr. Ephraim P. Smith		Fullerton
Vice President, Academic Affairs		Management Personnel
Compensation	Fiscal Year 2006-07	
Base pay	\$198,072	
Additional Compensation		
None noted		
Total	\$198,072	
Employment Inducements		
The campus reports that it paid \$8,000 directly to the employee for moving and relocation costs in November 1990. This does not include any amounts that may have been paid directly to vendors, such as moving and storage companies, because the campus was unable to identify such payments.		
Other Benefits		
Receives life insurance policy of \$100,000 .		
Retains retreat rights as a tenured professor in the department of accounting at the campus.		

Dr. Victoria Costa		Fullerton Faculty
Acting Chair, Department of Special Education; Chair, Department of Secondary Education		
Compensation	Fiscal Year 2006-07	
Base pay	\$102,011	
Additional teaching and special assignments*	54,623	
Bonus pay	3,108	
Additional Compensation		
None noted		
Total	\$159,742	
Employment Inducements		
None noted.		
Other Benefits		
Receives life insurance policy of \$50,000 .		
* The campus reports that \$13,751 of this employee's compensation was reimbursed by a campus foundation using grant funds provided by the California Postsecondary Education Commission.		

Dr. Anthony R. Fellow		Fullerton Faculty
Chair, Department of Communications		
Compensation	Fiscal Year 2006-07	
Base pay	\$109,859	
Additional teaching and special assignments	35,184	
Stipends	1,800	
Additional Compensation		
None noted		
Total	\$146,843	
Employment Inducements		
None noted.		
Other Benefits		
Receives life insurance policy of \$50,000 .		

Dr. Charles T. Grant		Fullerton
Professor of Accounting		Faculty
Compensation	Fiscal Year 2006-07	
Base pay	\$115,128	
Additional teaching and special assignments	41,534	
Stipends	900	
Additional Compensation		
None noted		
Total	\$157,562	
Employment Inducements		
The campus reports that it paid \$3,500 of the employee's moving and relocation costs in August 2005.		
The employee was granted two years of higher education service credit as probationary service at the campus.		
Other Benefits		
Receives life insurance policy of \$50,000 .		

Dr. Brian H. Kleiner		Fullerton
Professor of Management		Faculty
Compensation	Fiscal Year 2006-07	
Base pay	\$107,784	
Additional teaching and special assignments	41,856	
Stipends	1,800	
Additional Compensation		
None noted		
Total	\$151,440	
Employment Inducements		
None noted.		
Other Benefits		
Receives life insurance policy of \$50,000 .		

Dr. Morteza Rahmatian		Fullerton
Chair, Department of Economics		Faculty
Compensation	Fiscal Year 2006-07	
Base pay	\$105,624	
Additional teaching and special assignments	42,642	
Additional Compensation		
None noted		
Total	\$148,266	
Employment Inducements		
None noted.		
Other Benefits		
Receives life insurance policy of \$50,000 .		

Dr. Helen P. Taylor		Fullerton
Professor of Secondary Education		Faculty
Compensation	Fiscal Year 2006-07	
Base pay	\$101,382	
Additional teaching and special assignments*	86,444	
Additional Compensation		
None noted		
Total	\$187,826	
Employment Inducements		
None noted.		
Other Benefits		
Receives life insurance policy of \$50,000 .		
* The campus reported that \$33,286 of this employee's compensation was reimbursed by a campus foundation using grant funds provided by the Anaheim Unified School District.		

Dr. F. King Alexander President	Long Beach Executive
Compensation	Fiscal Year 2006-07
Base pay	\$291,208
Additional Compensation	
None noted	
Total	\$291,208
Employment Inducements	
The campus paid \$12,911 of the employee's moving and relocation expenses.	
Other Benefits	
Receives life insurance policy of \$250,000 .	
Provided up to \$900 for an annual physical examination at the university's expense.	
Entitled to entertainment allowance of \$300 per month from the State's General Fund. Funds are also available from the General Fund for community relations expenses, and campus foundations may supplement General Fund entertainment allowances and funding for community relations activities.	
Entitled to one year of paid leave of absence under the Executive Transition I Program on leaving the presidency, at a salary set at the midpoint between the former executive salary and the top-step full-professor salary.	
The campus provides housing and pays for the cost of maintenance, utilities, and other services, including a housekeeper.	
Provided with a campus foundation-owned automobile. The employee's personal use of the automobile during calendar year 2006 resulted in reportable income of \$2,276 .	
In January 2007, the campus granted the employee tenure at the rank of professor with retreat rights to its department of educational psychology, administration, and counseling.	

Dr. Dorothy D. Abrahamse Interim Provost and Vice President, Academic Affairs	Long Beach Management Personnel
Compensation	Fiscal Year 2006-07
Base pay*	\$109,032
Leave	42,007
Overtime	2,118
Additional Compensation	
Automobile allowance [†]	3,600
Total	\$156,757
Employment Inducements	
None noted.	
Other Benefits	
Receives life insurance policy of \$100,000 .	
Retained retreat rights as a tenured professor to the department of history at the campus.	
* Reflects six months of salary, as well as \$15,840 in wages earned as a retired annuitant.	
[†] Provided by various campus foundation program funds until the employee retired in December 2006.	

Victor Cegles Director of Athletics	Long Beach Management Personnel
Compensation	Fiscal Year 2006-07
Base pay	\$160,614
Additional Compensation	
None noted	
Total	\$160,614
Employment Inducements	
In 2006 the campus reimbursed \$25,647 of the employee's moving and relocation costs, including \$3,772 for meals and \$10,096 for temporary living expenses. In 2007 the campus also reimbursed this employee \$3,704 for expenses related to the sale of his residence.	
Other Benefits	
Receives life insurance policy of \$100,000 .	
Provided with a donated automobile by the campus foundation. The employee's personal use of the donated automobile during calendar year 2006 resulted in reportable income of \$1,088 .	

William H. Griffith Vice President, Administration and Finance	Long Beach Management Personnel
Compensation	Fiscal Year 2006-07
Base pay	\$201,484
Additional Compensation	
Automobile allowance*	7,200
Total	\$208,684
Employment Inducements	
The employee's November 1988 offer letter stated that the campus would reimburse the employee's necessary and reasonable relocation expenses in accordance with state regulations. In addition, the campus agreed to reimburse the employee for local living expenses (i.e. lodging and per diem) for a period of 90 days. The campus was not able to provide the actual reimbursement amount because it maintains these records only as far back as 1999.	
Other Benefits	
Receives life insurance policy of \$100,000 .	
* Provided by various campus foundation program funds.	

Dr. Michael K. Mahoney* Dean, College of Engineering		Long Beach Management Personnel
Compensation	Fiscal Year 2006-07	
Base pay	\$166,504	
Leave	24,168	
Overtime	604	
Additional Compensation		
None noted		
Total	\$191,276	
Employment Inducements		
None noted.		
Other Benefits		
Receives life insurance policy of \$100,000 .		
Retained retreat rights as a tenured professor in the department of computer engineering and computer science at the campus.		
* Employed at the East Bay campus as of June 30, 2007.		

Dr. Douglas W. Robinson Vice President, Student Services		Long Beach Management Personnel
Compensation	Fiscal Year 2006-07	
Base pay	\$186,732	
Additional Compensation		
Automobile allowance*	7,200	
Total	\$193,932	
Employment Inducements		
None noted.		
Other Benefits		
Receives life insurance policy of \$100,000 .		
* Provided by various campus foundation program funds.		

Andrea Taylor Vice President, University Relations and Development		Long Beach Management Personnel
Compensation	Fiscal Year 2006-07	
Base pay	\$171,204	
Additional Compensation		
Automobile allowance*	7,200	
Total	\$178,404	
Employment Inducements		
None noted.		
Other Benefits		
Receives life insurance policy of \$100,000 .		
* Provided by campus foundation donated program funds.		

Dr. Robert T. Chi		Long Beach
Chair, Department of Information Systems, College of Business Administration		Faculty
Compensation	Fiscal Year 2006-07	
Base pay	\$111,421	
Leave	9	
Additional teaching and special assignments	54,365	
Stipends	1,530	
Additional Compensation		
Grant*	3,914	
Total	\$171,239	
Employment Inducements		
<p>The campus initially hired this employee as an assistant professor. The original offer letter, dated May 1991, stated that the campus would reimburse up to \$4,500 of the employee's actual and necessary relocation costs, including up to five days of lodging and subsistence expenses. The campus was not able to provide the actual reimbursement amount because it maintains these records only as far back as 1999.</p>		
Other Benefits		
<p>Receives life insurance policy of \$50,000.</p> <p>Assigned the equivalent of one full-time graduate assistant per year as department chair to enable continuing professional development, including scholarly and creative activities. In addition, the employee will receive assigned time in the first academic year of his return to full-time instructional faculty status. This assigned time award will be calculated as three weighted teaching units (WTUs) for every full year (or fraction thereof) of service as department chair for a maximum of 12 WTUs.</p>		
* Provided through the campus foundation using funds from two grants from the U.S. Department of Education.		

Dr. H. Michael Chung		Long Beach
Director, Graduate Programs and Executive Education, College of Business Administration		Faculty
Compensation	Fiscal Year 2006-07	
Base pay	\$107,517	
Additional teaching and special assignments	52,791	
Stipends	900	
Additional Compensation		
None noted		
Total	\$161,208	
Employment Inducements		
<p>The campus initially hired this employee as an associate professor. The original offer letter, dated June 1994, stated that the campus would reimburse up to \$3,000 of the employee's actual and necessary relocation expenses, including up to four days of lodging and subsistence expenses. The campus was not able to provide the actual reimbursement amount because it maintains these records only as far back as 1999.</p>		
Other Benefits		
<p>Receives life insurance policy of \$50,000.</p> <p>Assigned the equivalent of one full-time graduate assistant each year during his term as program director to enable continuing professional development, including scholarly and creative activities. In addition, the employee will receive two three-WTU assigned time awards each semester during his term as program director.</p>		

Dr. Steven A. Fisher		Long Beach
Chair, Department of Accountancy, College of Business Administration		Faculty
Compensation	Fiscal Year 2006-07	
Base pay	\$117,771	
Additional teaching and special assignments	36,856	
Stipends	1,200	
Additional Compensation		
None noted		
Total	\$155,827	
Employment Inducements		
<p>The campus initially hired this employee as an associate professor. The original offer letter, dated April 1990, stated that the campus would reimburse up to \$3,700 of the employee's actual and necessary relocation costs, including up to six days of lodging and subsistence expenses. The campus was not able to provide the actual reimbursement amount because it maintains these records only as far back as 1999.</p>		
Other Benefits		
<p>Receives life insurance policy of \$50,000.</p> <p>Provided three WTUs of assigned time every semester for student advising responsibilities. The employee is also assigned the equivalent of one full-time graduate assistant each year during his term as department chair to enable continuing professional development, including scholarly and creative activities. In addition, the employee will receive a total of six WTUs of assigned time in the first academic year of his return to full-time instructional faculty status.</p>		

Dr. Sal Kukalis		Long Beach
Professor, Department of Management/Human Resources Management, College of Business Administration		Faculty
Compensation	Fiscal Year 2006-07	
Base pay	\$102,396	
Additional teaching and special assignments	62,715	
Stipends	6,765	
Additional Compensation		
None noted		
Total	\$171,876	
Employment Inducements		
<p>The campus initially hired this employee as an assistant professor. The original offer letter, dated May 1986, stated that the campus would reimburse up to \$4,000 of the employee's actual and necessary relocation costs, including up to three days of lodging and subsistence expenses. The campus was not able to provide the actual reimbursement amount because it maintains these records only as far back as 1999.</p>		
Other Benefits		
<p>Receives life insurance policy of \$50,000.</p>		

Dr. Charles Noble		Long Beach
Chair, Department of Political Science		Faculty
Compensation	Fiscal Year 2006-07	
Base pay	\$127,912	
Additional teaching and special assignments	35,542	
Additional Compensation		
None noted		
Total	\$163,454	
Employment Inducements		
The campus initially hired this employee as an associate professor. The original offer letter, dated April 1987, stated that the campus would reimburse up to \$3,000 of the employee's actual and necessary relocation costs, including up to seven days of lodging and subsistence expenses. The campus was not able to provide the actual reimbursement amount because it maintains these records only as far back as 1999.		
Other Benefits		
Receives life insurance policy of \$50,000 .		

Dr. Jae K. Shim		Long Beach
Professor, Department of Accountancy, College of Business Administration		Faculty
Compensation	Fiscal Year 2006-07	
Base pay	\$95,340	
Additional teaching and special assignments	53,899	
Stipends	1,800	
Additional Compensation		
None noted		
Total	\$151,039	
Employment Inducements		
None noted.		
Other Benefits		
Receives life insurance policy of \$50,000 .		

Dr. Alexander Gonzalez President	Sacramento Executive
Compensation	Fiscal Year 2006-07
Base pay	\$265,225
Housing allowance	60,000
Automobile allowance	12,000
Additional Compensation	
None noted	
Total	\$337,225
Employment Inducements	
<p>The employee's March 2003 offer letter stated that the campus would cover the employee's reasonable and necessary relocation expenses in accordance with board policy. The campus paid \$18,988 for the employee's moving expenses.</p> <p>The offer letter also stated that executive benefits include reimbursement for actual and necessary costs associated with the selling of the employee's current residence. In a May 2003 letter, the chancellor stated the university would pay between \$10,000 and \$13,500 in closing costs resulting from the employee's purchase of a Sacramento residence. However, the campus actually paid \$64,698 to the employee for closing costs, which included \$56,924 for closing costs associated with selling his San Marcos residence and \$7,774 for purchasing a Sacramento residence.</p> <p>On August 25, 2003, the campus foundation made a housing loan to the employee in the amount of \$164,050 for escrow costs. Additionally, the campus foundation loaned the employee another \$68,772 for mortgage payments. The purpose of the loans was so the employee could continue making mortgage payments on his former residence until it was financially viable for him to sell the property. The campus foundation provided the loans at a below-market annual interest rate of 1.697 percent. The campus reports that both loans, including interest of \$8,142, were repaid in full in December 2005.</p> <p>The campus reports that its foundation also paid \$27,615 to remodel the employee's kitchen to accommodate the foundation's future catering of presidential guests, such as those attending fund-raising events, and to meet California Health and Safety codes.</p> <p>Documentation indicates that the campus granted the employee tenure as professor in its psychology department.</p>	
Other Benefits	
<p>Receives life insurance policy of \$250,000.</p> <p>Provided up to \$900 for an annual physical examination at the university's expense.</p> <p>Entitled to entertainment allowance of \$300 per month from the State's General Fund. Funds are also available from the General Fund for community relations expenses, and campus foundations may supplement General Fund entertainment allowances and funding for community relations activities.</p> <p>Entitled to one year of paid leave of absence under the Executive Transition I Program on leaving the presidency, at a salary set at the midpoint between the former executive salary and the top-step 12-month full-professor salary.</p>	

Dr. Richard Brown		Sacramento
Provost and Vice President, Academic Affairs;		Management Personnel
Special Assistant to the President		
Compensation	Fiscal Year 2006-07	
Base pay	\$139,888	
Leave	15,781	
Additional Compensation		
None noted		
Total	\$155,669	
Employment Inducements		
The employee's April 1995 offer letter stated that the campus would assist with the employee's moving expenses up to \$8,000 . The campus was not able to provide the actual reimbursement amount because it maintains these records for only four years.		
The campus granted the employee tenure as professor in its department of educational administration and policy studies.		
Other Benefits		
Receives life insurance policy of \$100,000 .		
The campus president conferred emeritus standing on the employee at the time of the employee's April 2007 retirement. Emeritus standing privileges include participation in academic events, courtesy parking privileges, and the use of the library and physical education facilities.		

Stephen Garcia		Sacramento
Vice President, Administration and Business Affairs		Management Personnel
Compensation	Fiscal Year 2006-07	
Base pay	\$179,328	
Additional Compensation		
None noted		
Total	\$179,328	
Employment Inducements		
The campus reports that it paid moving expenses of \$8,907 for this employee, who was hired effective May 2004.		
Other Benefits		
Receives life insurance policy of \$100,000 .		

Carole Hayashino		Sacramento
Vice President, University Advancement		Management Personnel
Compensation	Fiscal Year 2006-07	
Base pay	\$179,712	
Additional Compensation		
None noted		
Total	\$179,712	
Employment Inducements		
The campus reports that it paid \$1,672 for this employee's moving expenses, who was hired effective October 2004.		
Other Benefits		
Receives life insurance policy of \$100,000 .		

Dr. Joseph F. Sheley		Sacramento
Provost and Vice President, Academic Affairs		Management Personnel
		Fiscal Year 2006-07
Compensation		
Base pay		\$181,459
Additional Compensation		
None noted		
Total		\$181,459
Employment Inducements		
<p>The employee's July 1996 offer letter stated that the campus would assist with the employee's moving expenses up to \$16,000. The campus was not able to provide the actual reimbursement amount because it maintains these records for only four years.</p> <p>The campus granted the employee tenure as professor in its department of sociology.</p>		
Other Benefits		
Receives life insurance policy of \$100,000 .		

Dr. Sanjay Varshney		Sacramento
Dean, College of Business Administration		Management Personnel
		Fiscal Year 2006-07
Compensation		
Base pay		\$175,116
Additional Compensation		
None noted		
Total		\$175,116
Employment Inducements		
<p>The employee's March 2004 offer letter stated that the campus would provide the employee with a moving expense allowance of up to \$10,000 to be used in accordance with university regulations. The campus reports that it subsequently agreed to pay moving expenses of \$13,056, and house-hunting expenses of \$2,276, for this employee.</p> <p>The campus granted the employee tenure as professor in its department of management.</p>		
Other Benefits		
Receives life insurance policy of \$100,000 .		

David Wagner		Sacramento
Vice President for Human Resources		Management Personnel
		Fiscal Year 2006-07
Compensation		
Base pay		\$191,172
Additional Compensation		
None noted		
Total		\$191,172
Employment Inducements		
None noted.		
Other Benefits		
Receives life insurance policy of \$100,000 .		
Retains retreat rights to a faculty position in the department of communication studies.		

Keirsten Casey		Sacramento
Instructor, College of Continuing Education		Faculty
Compensation	Fiscal Year 2006-07	
Additional teaching and special assignments	\$138,150	
Additional Compensation		
None noted		
Total	\$138,150	
Employment Inducements		
None noted.		
Other Benefits		
None noted.		

Dr. Margaret A. Cleek		Sacramento
Professor, College of Business Administration		Faculty
Compensation	Fiscal Year 2006-07	
Base pay	\$95,148	
Additional teaching and special assignments	33,300	
Additional Compensation		
None noted		
Total	\$128,448	
Employment Inducements		
<p>The employee's May 1990 offer letter stated the school of business administration would provide the employee a moving expense allowance of up to \$3,000 in accordance with university moving expense regulations. The campus was not able to provide the actual reimbursement amount because it maintains these records for only four years.</p> <p>The employee's offer letter also stated the school of business administration would provide \$4,000 in research grants in each of the first two summers of employment as well as a teaching load of nine units per semester for the first two years of the employee's appointment, if the employee met certain criteria. The campus was not able to provide documentation to confirm whether these amounts were paid because it no longer maintains these records.</p>		
Other Benefits		
Receives life insurance policy of \$50,000 .		

Dr. Ernest Cowles		Sacramento
Director, Institute for Social Research		Faculty
Compensation		
Fiscal Year 2006-07		
Base pay*		\$143,184
Additional Compensation		
Supplemental†		29,689
Total		\$172,873
Employment Inducements		
<p>The employee's June 2004 offer letter stated the college of social sciences and interdisciplinary studies would provide the employee with a moving expense allowance of up to \$13,000 to be used in accordance with moving expense regulations. The campus reports that it paid \$13,000 of the employee's relocation expenses.</p> <p>The campus granted the employee tenure as professor in its department of sociology.</p>		
Other Benefits		
Receives life insurance policy of \$50,000 .		
<p>* A campus foundation reports that it reimbursed the campus \$73,024 of this employee's base pay.</p> <p>† Provided by a campus foundation. The primary sources of the funds were as follows: \$10,398 from the California Department of Social Services, \$10,079 from the college of continuing education and the California Department of Social Services, \$7,525 from the California Respiratory Care Board, and \$1,687 from various entities.</p>		

Dr. Lindle Hatton		Sacramento
Professor of Strategic Management, College of Business Administration		Faculty
Compensation		
Fiscal Year 2006-07		
Base pay		\$96,888
Additional teaching and special assignments		56,383
Stipends		450
Additional Compensation		
None noted		
Total		\$153,721
Employment Inducements		
<p>The employee's January 1990 offer letter stated that the school of business administration would provide the employee a moving expense allowance of up to \$3,000 in accordance with moving expense regulations. The campus was not able to provide the actual reimbursement amount because it maintains these records for only four years.</p> <p>The employee's offer letter also stated the school of business administration would provide \$4,000 in research grants in each of the first two summers of employment as well as a teaching assignment of nine units per semester for the first two years of the employee's appointment, if the employee met certain conditions. The campus was not able to provide documentation to confirm whether these amounts were paid because it no longer maintains these records.</p>		
Other Benefits		
Receives life insurance policy of \$50,000 .		

Dr. Chris J. Sablynski		Sacramento Faculty
Assistant Professor of Human Resource Management, College of Business Administration		
Compensation	Fiscal Year 2006-07	
Base pay	\$77,292	
Additional teaching and special assignments	83,358	
Stipends	5,000	
Additional Compensation		
None noted		
Total	\$165,650	
Employment Inducements		
<p>The employee's December 2001 offer letter from the college of business administration provided the employee with a moving expense allowance up to \$3,000 to be used in accordance with university regulations. The campus was not able to provide the actual reimbursement amount because it maintains these records for only four years.</p> <p>The college of business administration also conditionally awarded the employee with \$5,834 in research grants for each of the 2003 and 2004 summers as well as a teaching assignment of nine units per semester throughout probationary years until tenured. The college of business administration reports that it actually paid the employee \$6,048 for 2003 and \$6,045 for 2004 for the research grants.</p>		
Other Benefits		
Receives life insurance policy of \$50,000 .		

Dr. Richard Shek		Sacramento Faculty
Resident Director, International Programs in Japan; Professor, Humanities and Religious Studies		
Compensation	Fiscal Year 2006-07	
Base pay	\$126,360	
Additional teaching and special assignments	9,267	
Stipends	450	
Additional Compensation		
None noted		
Total	\$136,077	
Employment Inducements		
None noted.		
Other Benefits		
Receives life insurance policy of \$50,000 .		

Dr. Stephen L. Weber President		San Diego Executive
	Compensation	Fiscal Year 2006-07
	Base pay	\$272,214
	Automobile allowance	12,000
	Additional Compensation	
	None noted	
	Total	\$284,214
Employment Inducements		
<p>The employee's December 1995 offer letter stated that the campus would cover the reasonable and necessary relocation expenses in accordance with board policy, and the university would reimburse travel expenses associated with house hunting. The campus reported that \$5,387 was reimbursed to the employee for moving and relocation expenses.</p> <p>The employee was appointed as management personnel for approximately one month prior to becoming president in July 1996. His salary was \$10,167 per month for participating in an intensive language and culture institute, in addition to performing other duties in preparation for the assumption of presidency.</p>		
Other Benefits		
<p>Receives life insurance policy of \$250,000.</p> <p>Provided up to \$900 for an annual physical examination at the university's expense.</p> <p>Entitled to entertainment allowance of \$300 per month from the State's General Fund. Funds are also available from the General Fund for community relations expenses, and campus foundations may supplement General Fund entertainment allowances and funding for community relations activities.</p> <p>Entitled to one year of paid leave of absence under the Executive Transition I Program on leaving the presidency, at a salary set at the midpoint between the former executive salary and the top-step full-professor salary.</p> <p>Provided with a house donated by a campus foundation in 2000.</p> <p>The campus granted the employee tenure with retreat rights to its philosophy department.</p>		

Steve Fisher Head Coach, Men's Basketball Program		San Diego Management Personnel
	Compensation	Fiscal Year 2006-07
	Base pay	\$208,620
	Additional Compensation	
	Supplemental*	280,713
	Total	\$489,333
Employment Inducements		
<p>The employee's March 1999 contract states that the employee is entitled to relocation expenses consistent with university policies. Campus documents indicate the campus paid the employee's relocation and transitional expenses of \$10,218, while the campus foundation paid associated taxes the employee asserted he would have to pay in the amount of \$4,079, and taxes on the tax reimbursement in the amount of \$2,370.</p>		
Other Benefits		
<p>Receives life insurance policy of \$100,000.</p> <p>Entitled to \$2,000 per year for air travel of his spouse to games or to other destinations that are part of his coaching responsibilities.</p> <p>Provided with two automobiles from the athletic department courtesy car program.</p>		
<p>* Provided by a campus foundation. Amount includes a \$10,000 team performance bonus, \$37,000 for the employee's basketball camp, and \$25,000 provided by Nike, Inc. for shoes and apparel.</p>		

Chuck Long Head Football Coach	San Diego Management Personnel
Compensation	Fiscal Year 2006-07
Base pay	\$200,856
Additional Compensation	
Supplemental*	505,000
Total	\$705,856
Employment Inducements	
The employee's July 2006 contract states that the campus will reimburse allowable moving expenses up to \$20,000, temporary housing for up to three months, and travel expenses for the employee and his spouse for two house-hunting trips to San Diego. The campus reports that as of August 2007, expenses of \$16,855 had been submitted for reimbursement.	
Other Benefits	
Receives life insurance policy of \$100,000 .	
Provided with an automobile through the athletic department courtesy car program.	
Eligible for bonus pay based on team performance.	
* Funded by a campus foundation.	

Dr. Nancy A. Marlin Provost, Office of Academic Affairs	San Diego Management Personnel
Compensation	Fiscal Year 2006-07
Base pay*	\$208,620
Bonus pay	15,000
Additional Compensation	
None noted	
Total	\$223,620
Employment Inducements	
The employee's April 1998 offer letter stated that the campus would reimburse up to \$10,000 for moving expenses plus temporary lodging expenses of \$1,000 per month for three months, and that the campus would cover the cost of a trip to San Diego to look at real estate. The campus was not able to provide the actual reimbursement amount because it maintains these accounting records for only four years.	
The campus granted the employee tenure with retreat rights as a professor in its psychology department.	
Spouse received offer of employment as tenure-track associate professor.	
Other Benefits	
Receives life insurance policy of \$100,000 .	
* Includes a \$10,000 housing allowance that was reimbursed by a campus foundation.	

Douglas L. Myrland		San Diego
General Manager, KPBS Public Radio/Television		Management Personnel
	Compensation	Fiscal Year 2006-07
	Base pay	\$192,744
	Additional Compensation	
	Automobile allowance*	11,178
	Total	\$203,922
Employment Inducements		
None noted.		
Other Benefits		
Receives life insurance policy of \$100,000 .		
* Funded by a campus foundation.		

Sally F. Roush		San Diego
Vice President, Business and Financial Affairs		Management Personnel
	Compensation	Fiscal Year 2006-07
	Base pay	\$204,936
	Additional Compensation	
	None noted	
	Total	\$204,936
Employment Inducements		
The employee's September 1981 offer letter stated that the campus would cover moving expenses up to \$3,000 and the cost of two trips to the university. The campus was not able to provide the actual reimbursement amount because it maintains these accounting records for only four years.		
Other Benefits		
Receives life insurance policy of \$100,000 .		

Dr. Thomas Scott		San Diego
Vice President for Graduate and Research Affairs; Interim CEO, San Diego State University Research Foundation		Management Personnel
	Compensation	Fiscal Year 2006-07
	Base pay*	\$190,000
	Additional Compensation	
	None noted	
	Total	\$190,000
Employment Inducements		
The employee's April 2000 offer letter stated that the campus would provide reimbursement for moving expenses. The campus was not able to provide the actual reimbursement amount because it maintains these accounting records for only four years.		
The campus granted the employee tenure as professor in its psychology department.		
The employee's offer letter also stated that his spouse would be appointed as a full professor with tenure in the campus's women's studies department.		
Other Benefits		
Receives life insurance policy of \$100,000 .		
* Includes \$30,000 supplemental compensation reimbursed by a campus foundation.		

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Dr. James R. Beatty		San Diego
Professor, Department of Information and Decision Systems, College of Business Administration		Faculty
Compensation	Fiscal Year 2006-07	
Base pay	\$116,736	
Additional teaching and special assignments	35,668	
Stipends	900	
Additional Compensation		
None noted		
Total	\$153,304	
Employment Inducements		
In 1973 the school of business agreed to pay half of the employee's moving expenses up to \$1,000 . The campus was not able to provide the actual reimbursement amount because it maintains these accounting records for only four years.		
Other Benefits		
Receives life insurance policy of \$50,000 .		

Dr. Walter C. Oechel		San Diego
Professor of Biology and Director of Global Change Research Group, College of Sciences		Faculty
Compensation	Fiscal Year 2006-07	
Base pay*	\$167,592	
Other pay	1,000	
Additional Compensation		
Research grant [†]	40,677	
Research support [‡]	13,559	
Total	\$222,828	
Employment Inducements		
None noted.		
Other Benefits		
Receives life insurance policy of \$50,000 .		
* A campus foundation reports that it reimbursed the campus \$74,487 for the employee's grant-related work. This amount includes \$32,587 in foundation funds provided for research and \$41,900 in grants from the National Science Foundation.		
[†] Provided by a campus foundation. The source of those funds was as follows: \$18,644 research grant from the National Science Foundation, Office of Polar Programs; \$13,559 research grant from the NASA Goddard Space Flight Center; and \$8,474 research grant from the National Science Foundation, Directorate for Education and Human Resources.		
[‡] Funded by a campus foundation.		

Dr. Bruce A. Reinig		San Diego
Professor and Chair, Department of Information and Decision Systems, College of Business Administration		Faculty
Compensation	Fiscal Year 2006-07	
Base pay	\$126,499	
Additional teaching and special assignments	20,702	
Stipends	900	
Additional Compensation		
None noted		
Total	\$148,101	
Employment Inducements		
<p>The employee's March 2000 offer letter stated that the campus would pay the employee's moving expenses up to \$3,000. Campus documents indicate the campus paid \$2,996 of the employee's moving expenses.</p> <p>The offer letter also stated that the employee would receive research stipends in the amounts of \$6,500 in each of the first two summers of employment. The campus reported that the stipends were paid with state funds.</p> <p>In addition, the offer letter stated that the employee would receive \$2,500 for new office furniture and was guaranteed a minimum of \$2,500 for travel in his first year.</p>		
Other Benefits		
Receives life insurance policy of \$50,000 .		

Dr. Edward P. Riley		San Diego
Professor, Department of Psychology, College of Sciences		Faculty
Compensation	Fiscal Year 2006-07	
Base pay*	\$160,140	
Additional Compensation		
Research grant [†]	76,177	
Research support [‡]	38,327	
Total	\$274,644	
Employment Inducements		
<p>The employee's April 1988 offer letter stated that the college of sciences would pay for the truck rental and incidental expense in moving the employee's laboratory equipment and personal goods, up to \$9,400. The campus was not able to provide the actual reimbursement amount because it maintains these accounting records for only four years.</p> <p>The offer letter also stated that up to \$10,000 would be made available to establish a laboratory and 1,600 square feet of renovated space would also be made available for research.</p> <p>In addition, the offer letter stated that the college of sciences would guarantee \$18,000 for summer support during the first year of employment, based on certain conditions. The campus was not able to confirm that the employee received the summer support.</p>		
Other Benefits		
Receives life insurance policy of \$50,000 .		
<p>* A campus foundation reports that it reimbursed the university \$105,276 for grant-related work. This amount includes \$35,882 in foundation funds provided for research and \$69,394 in grants from the National Institute on Alcohol Abuse and Alcoholism.</p> <p>[†] A campus foundation reports that this pay was funded with research grants from the National Institute on Alcohol Abuse and Alcoholism.</p> <p>[‡] Funded by a campus foundation.</p>		

Dr. Gangaram Singh		San Diego
Professor, Department of Management, College of Business Administration		Faculty
	Compensation	Fiscal Year 2006-07
	Base pay	\$109,569
	Leave	22,493
	Additional teaching and special assignments	27,012
	Additional Compensation	
	Research grant*	32,514
	Total	\$191,588
Employment Inducements		
Campus documents state that the employee may receive \$1,500 in moving expenses and summer support of \$10,000 . The campus was not able to provide the actual reimbursement amount for moving expenses because it maintains these accounting records for only four years. The campus reported that the summer research support was provided; however, it was unable to confirm the funding source.		
Other Benefits		
Receives life insurance policy of \$50,000 .		
* The campus foundation reports that this pay was funded by a grant from the U.S. Department of Education, Office of Postsecondary Education.		

Dr. Nikhil P. Varaiya		San Diego
Professor and Chair, Finance Department, College of Business Administration		Faculty
	Compensation	Fiscal Year 2006-07
	Base pay	\$120,528
	Additional teaching and special assignments	42,700
	Additional Compensation	
	None noted	
	Total	\$163,228
Employment Inducements		
The employee's February 1988 offer letter stated that all state-approved moving expenses would be reimbursed by the university. The campus was not able to provide the actual reimbursement amount because it maintains these accounting records for only four years.		
The offer letter also stated that the employee would receive \$5,000 in instructional-related research support for the first two summers of employment. The campus reported that the compensation was paid but it was unable to determine the source of funding.		
Other Benefits		
Receives life insurance policy of \$50,000 .		

Dr. Robert A. Corrigan President		San Francisco Executive
	Compensation	Fiscal Year 2006-07
	Base pay	\$271,590
	Housing allowance	60,000
	Automobile allowance	12,000
	Additional Compensation	
	None noted	
	Total	\$343,590
Employment Inducements		
The campus reports that it reimbursed the employee for relocation expenses in 1989. However, the campus was not able to provide the actual reimbursement amount because it no longer maintains these accounting records.		
Other Benefits		
Receives life insurance policy of \$250,000 .		
Provided up to \$900 for an annual physical examination at the university's expense.		
Entitled to entertainment allowance of \$300 per month from the State's General Fund. Funds are also available from the General Fund for community relations expenses, and campus foundations may supplement General Fund entertainment allowances and funding for community relations activities.		
Entitled to one year of paid leave of absence on leaving the presidency, at a salary set at the midpoint between the former executive salary and the top-step full-professor salary. On completion of paid leave, the former executive is entitled to assume a trustee professor position at the campus with a salary set at the top of the salary range for a full professor, academic or 12-month, as elected by the trustee professor. The chancellor's office funds the trustee professor's salary until the employee decides to leave the position.		
The campus granted the employee tenure as a professor in its departments of humanities and english.		

Albert Lee Blich Vice President, University Advancement		San Francisco Management Personnel
	Compensation	Fiscal Year 2006-07
	Base pay	\$225,000
	Additional Compensation	
	None noted	
	Total	\$225,000
Employment Inducements		
The employee's June 2005 appointment letter stated that the employee would receive an annual salary of \$225,000, which was above the maximum range for a management personnel position at the administrator IV level. The vice chancellor of human resources approved this salary.		
Other Benefits		
Receives life insurance policy of \$100,000 .		
Provided with an automobile that was purchased with General Fund monies.		

Dr. John M. Gemello		San Francisco
Provost and Vice President, Academic Affairs		Management Personnel
	Compensation	Fiscal Year 2006-07
	Base pay	\$208,620
	Automobile allowance	7,200
	Additional Compensation	
	None noted	
	Total	\$215,820
Employment Inducements		
None noted.		
Other Benefits		
Receives life insurance policy of \$100,000 .		
In his March 2003 appointment letter, the employee was granted a future one-year leave of absence with pay for the purpose of professional development provided that he serves in the position of provost and vice president of academic affairs for at least five years, with the leave to be taken during his final year before returning to his faculty rank.		
Retains retreat rights as a tenured professor to the department of economics at the campus.		

Nancy K. Hayes		San Francisco
Dean, College of Business		Management Personnel
	Compensation	Fiscal Year 2006-07
	Base pay	\$187,440
	Additional Compensation	
	None noted	
	Total	\$187,440
Employment Inducements		
The campus reports that it paid moving expenses of \$4,194 for this employee, who was hired effective August 2005.		
Other Benefits		
Receives life insurance policy of \$100,000 .		

Dr. Leroy M. Morishita		San Francisco
Vice President, Administration and Finance		Management Personnel
	Compensation	Fiscal Year 2006-07
	Base pay	\$208,620
	Automobile allowance	7,200
	Additional Compensation	
	None noted	
	Total	\$215,820
Employment Inducements		
None noted.		
Other Benefits		
Receives life insurance policy of \$100,000 .		

Dr. Jessellyn E. Saffold		San Francisco
Vice President, Dean of Students, Student Affairs		Management Personnel
		Fiscal Year 2006-07
Compensation		
Base pay		\$208,620
Additional Compensation		
None noted		
Total		\$208,620
Employment Inducements		
The employee's April 1981 offer letter stated that the campus would reimburse up to 50 percent of the employee's moving costs with the maximum payment not to exceed \$500 . However, the campus was not able to provide the actual reimbursement amount because it no longer maintains these accounting records.		
Other Benefits		
Receives life insurance policy of \$100,000 .		

Larry J. Ware		San Francisco
Associate Vice President, Fiscal Affairs and Controller		Management Personnel
		Fiscal Year 2006-07
Compensation		
Base pay		\$186,204
Additional Compensation		
None noted		
Total		\$186,204
Employment Inducements		
None noted.		
Other Benefits		
Receives life insurance policy of \$100,000 .		

Dr. Frank T. Bayliss		San Francisco
Professor, Department of Biology		Faculty
		Fiscal Year 2006-07
Compensation		
Base pay*		\$156,864
Additional Compensation		
None noted		
Total		\$156,864
Employment Inducements		
The employee's May 1975 offer letter stated that the campus would reimburse up to 50 percent of the employee's moving costs with the maximum payment not to exceed \$500 . However, the campus was not able to provide the actual reimbursement amount because it no longer maintains these accounting records.		
Other Benefits		
Receives life insurance policy of \$50,000 .		
* The campus reports that \$46,873 of this employee's base pay was for projects funded by the National Institutes of Health.		

Dr. Marci J. Hanson		San Francisco
Professor, Elementary Education and Special Education		Faculty
Compensation	Fiscal Year 2006-07	
Base pay*	\$168,782	
Leave	3,276	
Additional Compensation		
None noted		
Total	\$172,058	
Employment Inducements		
None noted.		
Other Benefits		
Receives life insurance policy of \$50,000 .		
* The campus reports that \$27,192 of this pay was for a project funded by Indiana University and the National Institutes of Health and \$36,722 was for various projects funded by the U.S. Department of Education.		

Dr. Gilbert Herdt		San Francisco
Professor, Department of Anthropology and Director of the Human Sexuality Studies Program		Faculty
Compensation	Fiscal Year 2006-07	
Base pay	\$151,376	
Additional teaching and special assignments	1,079	
Additional Compensation		
None noted		
Total	\$152,455	
Employment Inducements		
The campus reports that it paid moving expenses of \$4,500 for this employee, who was hired effective August 1998. Appointed professor with tenure in the department of anthropology with a concurrent assignment as director of the human sexuality studies program upon hiring.		
Other Benefits		
Receives life insurance policy of \$50,000 .		

Dr. Mary E. Love		San Francisco
Chair, Department of Health Education		Faculty
Compensation	Fiscal Year 2006-07	
Base pay*	\$131,893	
Leave	1,143	
Additional teaching and special assignments [†]	18,920	
Stipends	915	
Additional Compensation		
Supplemental [‡]	4,320	
Total	\$157,191	
Employment Inducements		
None noted.		
Other Benefits		
Receives life insurance policy of \$50,000 .		
* The campus reports that \$12,091 of this pay was for a project funded by the U.S. Department of Education.		
[†] The campus reports that \$7,091 of this pay was for a project funded by the California Department of Health Services.		
[‡] A campus foundation reports that it provided this compensation.		

Dr. Bruce A. Macher		San Francisco
Professor, Department of Chemistry		Faculty
Compensation	Fiscal Year 2006-07	
Base pay*	\$140,750	
Leave	525	
Additional teaching and special assignments [†]	37,468	
Additional Compensation		
None noted		
Total	\$178,743	
Employment Inducements		
None noted.		
Other Benefits		
Receives life insurance policy of \$50,000 .		
* The campus reports that \$61,569 of this employee's base pay was paid from grants funded by the National Institutes of Health.		
[†] The campus reports that this pay was funded by grants from the National Institutes of Health.		

Dr. Joel Nicholson Chair, Department of International Business	San Francisco Faculty
Compensation	Fiscal Year 2006-07
Base pay	\$120,190
Additional teaching and special assignments	31,899
Stipends	1,350
Additional Compensation	
None noted	
Total	\$153,439
Employment Inducements	
The campus reports that it paid moving expenses of \$7,464 for this employee, who was hired effective August 1996.	
Other Benefits	
Receives life insurance policy of \$50,000 .	

Appendix B

POSTEMPLOYMENT COMPENSATION PACKAGES FOR CALIFORNIA STATE UNIVERSITY EXECUTIVES

As we described in Chapter 2, the California State University (university) has typically offered various transition programs that have often provided generous postemployment compensation packages to departing executives since 1981. The university currently has three transition programs: the Trustee Professor Program, the Executive Transition I Program, and the Executive Transition II Program. A departing executive is eligible for the program in effect at the time of his or her appointment. In addition, the university has often negotiated various alternative agreements that departing executives have accepted instead of these programs.

We identified the specific transition program applicable to each of the university's 28 executives as of August 31, 2007, by reviewing various documents, including a report submitted by the chancellor to the board of trustees in March 2007. Other than retired executives, who receive retirement benefits, the executives in the program are appointed as Management Personnel Plan employees (management personnel) and receive the same benefits as other employees in this classification. As shown in Table B.1 on the following page, six executives are eligible for the Trustee Professor Program, 20 are eligible for the Executive Transition I Program, and one is eligible for the Executive Transition II Program. When a permanent replacement is appointed to the remaining, recently vacated, executive position, the executive will be eligible for the Executive Transition II program.

Through discussions with the chancellor's office and a review of past transition agreements, we determined that 15 individuals departed their executive positions with the university from July 1, 2002, through August 31, 2007. Besides the initial transition agreement, subsequent agreements typically provide updates with more specific definitions of services to be provided and updated salaries. For convenience, we do not distinguish between initial and subsequent transition agreements for each individual. Table B.2 beginning on page 107 shows the results of our review of the transition agreements for the 15 individuals and identifies the postemployment compensation they received.

Table B.1
Executive Transition Programs Applicable to 28 Executive Positions as of August 31, 2007

EXECUTIVE	POSITION	LOCATION	PROGRAM		
			TRUSTEE PROFESSOR	EXECUTIVE TRANSITION I	EXECUTIVE TRANSITION II
Charles Reed	Chancellor	Chancellor's Office		X	
Gary Reichard	Executive Vice Chancellor and Chief Academic Officer	Chancellor's Office		X	
Richard West	Executive Vice Chancellor and Chief Financial Officer	Chancellor's Office		X	
Vacant*	Vice Chancellor of Human Resources	Chancellor's Office			X
Christine Helwick	General Counsel	Chancellor's Office		X	
Horace Mitchell	President	Bakersfield		X	
Richard Rush	President	Channel Islands		X	
Paul Zingg	President	Chico		X	
Mildred Garcia	President	Dominguez Hills			X
Mohammad Qayoumi	President	East Bay		X	
John Welty	President	Fresno	X		
Milton Gordon	President	Fullerton	X		
Rollin Richmond	President	Humboldt		X	
F. King Alexander	President	Long Beach		X	
James Rosser	President	Los Angeles	X		
William Eisenhardt	President	Maritime Academy		X	
Dianne Harrison	President	Monterey Bay		X	
Jolene Koester	President	Northridge		X	
J. Michael Ortiz	President	Pomona		X	
Alexander Gonzalez	President	Sacramento		X	
Albert Karnig	President	San Bernardino		X	
Stephen Weber	President	San Diego		X	
Robert Corrigan	President	San Francisco	X		
Don Kassing	President	San Jose		X	
Warren Baker	President	San Luis Obispo	X		
Karen Haynes	President	San Marcos		X	
Ruben Armiñana	President	Sonoma	X		
Hamid Shirvani	President	Stanislaus		X	

Sources: Various university documents, including appointment letters and March 2007 report to the board of trustees.

* The vice chancellor of human resources left her position on August 1, 2007, and a permanent replacement had not been appointed as of August 31, 2007. The replacement will be eligible for the Executive Transition II Program.

TABLE B.2
Terms and Conditions of Executive Transition Agreements for Executives
Leaving Positions Between July 1, 2002, and August 31, 2007

EXECUTIVE	PROGRAM	ALTERNATIVE AGREEMENT	TIME PERIOD	PROVISIONS OF TRANSITION AGREEMENTS
Tomas Arciniega	Trustee Professor	X	July 1, 2004– June 30, 2005	Employee to serve as special assistant to the chancellor, accommodating underserved students; participate on President’s Council on Underserved Constituencies; and provide coordination with Hispanic Association of Colleges and Universities. Annual salary is to be \$204,156, adjusted by the average presidential salary increase for fiscal year 2004–05. Agreement also provides for a \$750 per month automobile allowance and states he will receive reimbursement from the San Marcos campus for relocation costs to move to the campus, as well as operating and clerical support of \$36,000 per year.
			July 1, 2005– June 30, 2006	Employee is to assume position of director of leadership at annual \$232,128 salary, with the chancellor to assign specific services. Provided operating and clerical support of \$36,000 per year.
			July 1, 2006– June 30, 2007	Employee is to assume 45 percent position as special assistant to the chancellor at a \$104,460 annual salary. Provided operating and clerical support of \$36,000 per year. Duties are to provide specific services as assigned by the chancellor.
Manuel Esteban	Executive Transition I	X	August 2003– July 29, 2004	Duties as special assistant to chancellor are to provide advice and perform certain consulting assignments determined by the chancellor. Salary is to be \$208,248 and an automobile allowance. Agreement indicates his intention to retire on August 2, 2004.
			July 29, 2004– August 1, 2005	Agreement also discusses a 45 percent postretirement position as a special assistant with a salary of \$93,711 for the period October 2004 through May 2005. Responsibilities include assisting with presidential evaluations and working with the MacConnell Foundation, Shasta Community College, the University of California, and the California State University to study how best to serve students in the northern part of California. The agreement is renewable annually at the chancellor’s discretion and with the executive’s agreement.
Donald Gerth	Trustee Professor	X	September 1, 2003– August 31, 2008	Agreement provides for a postretirement 45 percent position as special assistant to the chancellor, beginning September 1, 2003. Primary assignment, which is expected to last no longer than five years, is to write a history of the university and public policy concerning higher education. Agreement provides an annual salary of \$54,372 and \$36,000 for operating expenses and clerical support through August 2008.
James Lyons	Executive Transition I	X	March 1, 2007	Agreement states that he will receive a lump-sum payment of \$103,460; he agrees to retire from the university system effective March 1, 2007; and he has accepted a position in Maryland.
Robert Maxson	Executive Transition I	X	January 2006– June 2008	Agreement provides for a position as special assistant to the chancellor, serving as an executive mentor and coach for two years at his presidential salary, and indicates that he would retire at end of the two-year assignment. Subsequent documentation indicated that his assignment was to continue to June 2008.
Jackie McClain	Executive Transition I	X	August 1, 2007– December 31, 2007	Agreement states that she resigned her position as vice chancellor of human resources as of August 1, 2007, and will be special assistant to the chancellor for five months. During that time, she will provide assistance with transition within the labor relations unit and continue to coordinate the audit of the university by the Bureau of State Audits. She will continue to be paid at her ending salary as vice chancellor and, per an earlier memorandum, be reimbursed for moving expenses to Chico, California. On January 1, 2008, she will exercise retreat rights to the Chico campus. The agreement also provides for transfer of 10 days of vacation and payment of her remaining accrued vacation balance up to 480 hours.
Alistair McCrone	Trustee Professor	X	July 1, 2002– June 30, 2003	Agreement indicates a special assignment at a salary of \$203,088 to advise the chancellor on the emergency preparedness of campuses within the university system. Final transition agreement indicates that he would retire on June 30, 2003, and be paid a lump sum of \$142,749 for accrued vacation and holiday credit, less the value of any vacation taken between the agreement and retirement dates.

continued on next page

EXECUTIVE	PROGRAM	ALTERNATIVE AGREEMENT	TIME PERIOD	PROVISIONS OF TRANSITION AGREEMENTS
Norma Rees	Trustee Professor	X	July 1, 2006– June 30, 2007	She is to assume a position as special assistant to the chancellor, assisting in the process of developing and implementing the Education Doctorate Program and assisting in the development and work to plan a new 10-year strategic plan for the university. The agreement states that she will continue to receive her presidential salary and that she will retire as of June 2007.
			July 1, 2007– June 30, 2008	Agreement indicates a 45 percent position at a salary of \$105,900 to continue duties.
Peter Smith	Executive Transition I		June 15, 2005– June 14, 2006	Agreement states that he left his position on June 14, 2005, and provides for one year of paid transitional leave at a salary of \$157,926 from June 15, 2005, through June 14, 2006. The agreement also indicates that he will be reimbursed for relocation costs as a result of moving from the presidential home to a private local residence and that he took a position with an international humanitarian organization.
			Unpaid leave June 15, 2006– June 14, 2008, with option to extend to June 2010	Agreement provides a two-year unpaid educational leave of absence granted for the period June 15, 2006, to June 14, 2008. After the leave period, he is required to return to the Monterey Bay campus as a senior tenured faculty member or request a second two-year leave of absence. In any case, on or about June 15, 2010, he must return to the Monterey Bay campus or announce his retirement.
David Spence	Executive Transition I	X	August 1, 2005– July 31, 2006	Agreement provides paid leave from August 1, 2005, to July 31, 2006, at annual salary of \$173,952 for consultation and assistance regarding various academic initiatives, including the Early Assessment Program. It also refers to his new position with the Southern Regional Educational Board and his intent to retire effective August 1, 2006.
Bob Suzuki	Trustee Professor	X	August 1, 2003– July 31, 2004	Agreement provides for a position as a special assistant to the chancellor at an annual salary of \$207,468, plus an automobile allowance. Responsible for providing advice when needed and certain consulting assignments. Agreement also indicates his intention to retire on August 1, 2004.
			August 1, 2004– July 31, 2006	Agreement provides for a 45 percent position as a special assistant at an annual salary of \$48,934. Also provides for \$25,000 annually for operating expenses and clerical support. The agreement states that he must be available for teaching, advice, or consulting assignments at the Los Angeles campus. He is also to assist the chancellor with projects, including serving on a state commission, development and support of the biological science center at Pasadena, developing relationships with Vietnamese universities, and developing Asian Academic leadership.

Executives Without Transition Agreements

Marvalene Hughes			July 2004– June 2005	The document describing her departure indicates that she will exercise her faculty retreat rights as of July 28, 2004, allowing her to retire as of the same date under a faculty retirement incentive program. Document also provides for her to be rehired as a retired annuitant at an annual salary of \$204,252, to serve as interim president of the Stanislaus campus while a new president is being recruited; continue to receive her housing and automobile allowances; and receive other benefits, such as dental and medical, as a retired annuitant. Total hours worked as interim president were to be restricted to 960 per calendar year to maintain her Public Employees' Retirement System retirement status.
Louis Caldera				The vice chancellor of human resources indicated that because the executive did not request a transition agreement when he left, he was not offered one.
Robert Caret				The vice chancellor of human resources indicated that because the executive did not request a transition agreement when he left, he was not offered one.
Paul Yu				This executive was a president for a very short time and, according to the vice chancellor of human resources, the university has no documentation of his participation in a transition program.

Sources: Various university documents, including transition agreements and other correspondence.

(Agency response provided as text only.)

The California State University
Office of the Chancellor
401 Golden Shore
Long Beach, CA 90802-4210

October 23, 2007

Ms Elaine Howle
State Auditor
Bureau of State Audits
555 Capitol Mall Suite 300
Sacramento, California 95814

Dear Ms. Howle:

The California State University welcomes the opportunity to respond to the draft audit of various aspects of university compensation. The Bureau of State Audits' time and efforts dedicated to the comprehensive review of the California State University's compensation policies and practices is appreciated.

The auditor's recommendations will be helpful to the university in our efforts to improve compensation policies and practices. We will begin implementation of some recommendations immediately and will be acting on others as soon as feasible.

The attached document provides responses to each of the auditor's recommendations.

Sincerely,

(Signed by: Charles B. Reed)

Charles B. Reed
Chancellor

California State University Response to Compensation Audit

The California State University (CSU) appreciates the time and effort dedicated by the Bureau of State Audits to the comprehensive review of the CSU's Compensation Management. The auditor's recommendations will assist us in improving Compensation Management in the CSU. The CSU further appreciates this opportunity to respond to the draft audit of its Compensation Management. We have reviewed the draft and find that the facts are correctly reported in the audit. We do however have concerns about the conclusions others might reach when reading the report.

The CSU agrees in nearly all cases with the auditor's recommendations and will explore the appropriate manner to address the issues which have been raised. We will be acting on some recommendations immediately and on the others as soon as feasible. Many of these recommendations will be discussed with the Board of Trustees in order to determine whether policy changes will be made and/or whether there will be additional trustee involvement in the oversight process. We have provided responses to each of the auditor's recommendations and have organized those responses in the same order that they were presented in the audit.

The CSU takes seriously its obligation to effectively manage all aspects of its compensation program. This audit addresses three general aspects of the compensation program: 1) Monitoring of Compensation Policy and Practices 2) Administration of Executive Transition and Post-employment Compensation, and 3) Administration of Moving, Relocation, and Dual Employment Policies.

One issue which is raised throughout the audit report is the decision by the CSU administration to delegate most of the operational compliance responsibility for various aspects of the compensation program to the campus presidents and staff. We continue to believe that in a system as large and complex as the CSU such delegation is the best administrative practice. We do, however, recognize the importance of consistency and prudent decision making. We are committed to improving the manner in which we monitor compliance with both legal requirements and policy regarding all aspects of compensation administration.

The majority of the issues raised in chapter two and chapter three of the report involve the exercise of discretion either by a campus president or by the chancellor within existing university policy. We agree that more written guidelines would help clarify the scope of such discretion and reduce the possibility that discretionary decisions are perceived as questionable. However, we firmly believe that not every potential situation which may arise can be anticipated and covered by written guidelines or criteria. We further believe that some degree of administrative flexibility must be provided to address these situations. The administrators exercising such discretion must continue to be held accountable for the decisions they make.

CHAPTER ONE: MONITORING OF COMPENSATION POLICIES AND PRACTICES

- **RECOMMENDATION:** To provide effective oversight of its systemwide compensation policies, the university needs accurate, detailed, and timely compensation data. The university should create a centralized information structure to catalog university compensation by individual, payment type, and funding source. One possibility would be to upgrade and expand the Employee Salary Projection (ESP) system to make it more complete and accurate. The chancellor's office should then use the data to monitor the campus' implementation of systemwide policies, such as the

prohibition against employees performing additional assignments that would cause them to work more than 125 percent of a full-time position. Additionally, the chancellor's office should use the data to measure the impact of systemwide policies on university finances.

- o **RESPONSE: Agree in concept.** The CSU will explore the best way to address these issues including making appropriate coding changes to improve the accuracy and detail provided by the existing systems. The central administration will also develop and implement training to improve the consistency in coding and reporting of compensation matters by campus personnel. Finally, we will enhance monitoring at the system level through more frequent review of campus practices and will discuss with the Board of Trustees the degree to which they want centralized monitoring to occur.
- **RECOMMENDATION:** The board should consider total compensation received by comparable institutions, rather than just cash compensation, when deciding on future salary increases for executives, faculty, and other employees. The university should work with interested parties, such as the commission and the legislative analyst, to develop a methodology for comparing itself to other institutions that consider total compensation. If the university believes it needs a statutory change to facilitate its efforts, it should seek it.
 - o **RESPONSE: Agree.** The CSU will continue to work with interested parties in an effort to develop a methodology for use of total compensation analysis for executives, faculty and other employees. We are committed to using the best tools available as long as lag comparisons for executives, faculty and other employees are all based on the same compensation elements.

RESPONSE TO CHAPTER ONE FINDINGS:

Figure two accurately reflects the overall growth in compensation for all groups within the system. The Golden Handshake offered to faculty and which was approved by the state in 2004 had an immediate visible impact on turnover among faculty. Approximately 700 faculty members retired in 2004. Of those, 432 did so in response to this legislative action which was intended to reduce the compensation base in a time of budget crisis. This turnover had a negative influence on overall faculty salary growth because, as intended, higher-paid senior faculty left and were replaced with lower-paid junior faculty. In fact, in order to garner the anticipated savings many were replaced with temporary faculty at least for the first year.

In Table three, the audit team shows figures in the final line cited throughout this chapter as the average compensation increase for various employee groups. Although this figure does represent the average cost of compensation per employee for each group, the figure is impacted by such factors as the number of vacancies in an employee group and the replacement of terminating employees by those paid at a different rate. Thus for faculty as an example, the average increase percentage shown represents neither the percent of salary pool available for faculty increases during this period nor the actual percent of individual salary increase for continuing faculty.

It is also important to note that at least half of the growth in Management Personnel Plan (MPP) counts reflected in the findings was growth in non-state funded positions.

The ESP system does have available both data regarding the type of compensation and the fund source. This data currently lacks sufficient detail to perform monitoring of every type of pay made to employees. We will explore the addition of detail as a means of enhancing our monitoring ability. The system has made a conscious decision to decentralize operational compliance monitoring and while we agree that stronger checks and balance should be achieved, we believe it should be accomplished through improved coding and training of campus personnel.

As noted in the audit findings, a variety of reports and audits are currently utilized to monitor campus compliance with systemwide policies and guidelines. Although we agree that this process can and should be improved, we would note that the audit did not identify major violations of policy.

Also as noted in the findings, the Board of Trustees currently approves executive compensation. In an effort to improve management of compensation for highly compensated employees the chancellor will discuss with the trustees the possible expansion of their approval process to include compensation for vice presidential level positions at all campuses.

When considering the issue of comparison of compensation increases, factors which must be taken into consideration are the size of the groups, the "normal" turnover, turnover in response to the Golden Handshake program, as well as the cost of each percent of increase for each group. Each percent of increase for faculty results in an increase expenditure of \$15,659,000 while one percent for executive results in a cost of \$99,000. Obviously another important factor is the market lag for each group.

The CSU favors use of total compensation to calculate salary lag so long as it is used not only for executives but also for faculty and staff. In the highly unionized CSU environment, group to group comparisons occur on a regular basis making apple to apple comparison a necessity.

Although both California Postsecondary Education Commission (CPEC) and the legislative analyst have expressed concern about the current methodology used for faculty and executive lag calculations; these criticisms have resulted in neither a legislative mandate for change nor legislative funding to facilitate achievement of a change in methodology. In fact, the legislature did not even discuss these concerns. We are, however, committed to continue to work with all concerned parties to develop and implement an improved methodology.

CHAPTER TWO: EXECUTIVE TRANSITION AND POST EMPLOYMENT COMPENSATION

- **RECOMMENDATION:** The board should continue to monitor the chancellor's administration of the executive transition program to ensure that it is conducted in a prudent manner and that intended cost-savings are achieved for the university. In addition, the board should require the chancellor to include in the transition agreements clear expectations of specific duties to be performed, as well as procedures for the former executives to report on their accomplishments and status of deliverables. Further, the board should require the chancellor to include information in his annual report on the status of accomplishments and deliverables associated with transition agreements.

- o **RESPONSE: Agree.** The chancellor already has begun to include in transition agreements clear expectations regarding specific duties to be performed by executives. A report of accomplishments and deliverables will be added to the annual report. The trustees will consider whether they wish to take specific action on this matter.
- **RECOMMENDATION:** The university should work through the regulatory process to develop stronger regulations governing paid leave of absences for management personnel. The improved regulations should include specific eligibility criteria, time restrictions, and provisions designed to protect the university from financial loss if an employee fails to render service to the university following a leave. For example, the regulations should require all employees applying for a paid leave of absence to submit a bond that would indemnify the university if the employee fails to render service to the university following a leave of absence. The university should also maintain appropriate documentation supporting any leave of absences it grants. Finally, the board should establish a policy on the extent to which it wants to be informed of such leave of absences for management personnel.
 - o **RESPONSE: Agree.** While balancing the need for consistency with the need for some administrative flexibility the CSU Board of Trustees will consider actions which can strengthen the process for granting leave of absences for management personnel. They will consider development of criteria regarding eligibility, time limitations, and fiscal protective measures.

RESPONSE TO CHAPTER TWO FINDINGS

Discussion in this chapter reflects the improvements made in the Executive Transition Program over time. In accordance with the November 2006 action of the Board of Trustees, the university is committed to reducing the cost of such transitions while honoring the commitments made to executives at the time of hire.

The issues related to the granting of leave of absences is one example of the many situations in which executives are required to exercise judgment in matters which have financial consequences for the institution. In these instances executives must balance a variety of factors and exercise their very best judgment to make a final decision which they believe is the best for the institution.

Three of the instances of administrative leave cited in the findings represented leave for preparation of academic administrators returning to the classroom. The provision of such leave is utilized throughout higher education to insure currency of those individuals who may have been away from their academic discipline for a significant period of time. While we agree that we can and should clarify the criteria and limitations which apply to such leave, we would note that the leaves granted in these instances were judged to be in the best interest of the university by the deciding executive based on all factors.

The fourth example of a leave cited in the findings represented a commitment made to the legislature. In fact, the university responded to annual requests from the chairperson of the legislative committee which employed this individual in granting extensions of this individual's leave of absence. Although no direct work was performed for the CSU during this extended leave, the CSU and other higher education segments benefited from this individual's work with this committee.

CHAPTER THREE: MOVING AND RELOCATION COMPENSATION

- **RECOMMENDATION:** The University should strengthen its policy governing the reimbursement of relocation expenses. For example, the policy should include comprehensive monetary thresholds above which board approval is required. In addition, the policy should prohibit reimbursements for any tax liabilities resulting from relocation payments. Finally, the board should require the chancellor to disclose the amounts of relocation reimbursements to be offered to incoming executives.
 - **RESPONSE: Agree.** The Board of Trustees will consider means of strengthening the controls related to reimbursement of relocation expenses. They will review the amount of discretion given to system executives and determine the extent to which the board wishes to review or approve any such expenses. The chancellor will disclose the amounts of reimbursements offered to incoming executives.

- **RECOMMENDATION:** The university should continue to work with California Faculty Association representatives during the collective bargaining process to strengthen its dual-employment policy by imposing disclosure and approval requirements for faculty. It should also impose similar requirements for other employees, including management personnel. If the university believes it needs a statutory change to facilitate its efforts, it should seek it.
 - **RESPONSE: Agree.** The CSU will continue to work through the collective bargaining and regulatory processes to strengthen the outside employment policy for faculty. We strongly favor an information process which will allow for the identification of any conflict of commitment prior to the start of any outside employment. The CSU will adopt for management personnel similar requirements to those adopted for faculty.

RESPONSE TO CHAPTER THREE FINDINGS

Although the CSU is committed to making the improvements recommended in the audit, we would note that in each situation outlined in this segment of the audit, the discretion exercised resulted in a decision that was in the best interest of the university.

cc: Members of the Legislature
Office of the Lieutenant Governor
Milton Marks Commission on California State
Government Organization and Economy
Department of Finance
Attorney General
State Controller
State Treasurer
Legislative Analyst
Senate Office of Research
California Research Bureau
Capitol Press