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ABSTRACT

In response to legislative directive, this report presents information on the total compensation packages paid to CEO's, presidents, chancellors, and top level executives in California institutions of higher education for 1992-93 and the extent to which compensation compares to that earned by executives of similar institutions across the country. Following introductory materials on the legislative mandate, section 2 explores the roles and responsibilities of executives to provide a context for the discussion of compensation. Section 3 provides data on executive compensation in the California Community Colleges (CCC), indicating that the mean salary received by the system's 21 chancellors was $112,775, while that received by the 50 presidents of single-campus districts was $98,524. Section 4 provides compensation data for the California State University (CSU) system, indicating that the mean salary for the 20 presidents of the system was $120,075, plus assistance with housing expenses, a car or car allowance, benefits, and entertainment allowances of $3,600 per year. Finally, section 5 describes compensation for University of California (UC) chancellors as of January 1994 after elimination of a deferred compensation program, indicating that the mean compensation was $188,400, which also includes housing and automobiles or allowances and benefits. Sections 4 and 5 include comparisons of executive compensation in California to that in other states, indicating that State University presidents were paid 20.7% less than the average for 16 similar institutions nationwide and University of California's chancellors received 14.5% less than the mean for selected universities nationwide. Detailed reports for the CCC, CSU, and UC are appended. Contains 12 references.) (KP)

June 6, 1994, Draft

ATTACHMENT D

EXECUTIVE COMPENSATION IN CALIFORNIA PUBLIC HIGHER EDUCATION, 1993-94

The Second in a Series of Annual Reports to the Governor and Legislature in Response to the 1992 Budget Act

CALIFORNIA POSTSECONDARY EDUCATION COMMISSION
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CALIFORNIA POSTSECONDARY EDUCATION COMMISSION

Contents

1 Background and Organization of the Report

WHEN adequate resources were available and student charges low, there was less interest in the salaries paid to executives and the perquisites that they received, except when the process by which these compensation levels were set was deemed to disregard or violate the public trust. In those instances, the furor revolved around the perceived arrogance of the executives and the presumed irresponsibility and secretiveness of the governing boards' actions and not the actual salaries and benefits earned by higher education leaders. However, one consequence of the current constrained resource environment for higher education -- during which student fees have increased precipitously -- has been escalating concern about the actual compensation for executives and the rationale and methodology by which compensation levels are established. This report discusses both of these topics with respect to each of California's three public higher education systems.

The Commission's prior analyses of executive compensation

The Commission's reports on executive compensation began in 1981 with supplemental language to the Budget Bill that directed the Commission to present "comparative information on salaries of administrators within the University of California and the California State University." These annual reports over the past 14 years have detailed the extent to which the salaries (but not the total compensation) of administrators in California's public universities compare to those in similar institutions nationally

However, the recent intense interest in executive compensation issues resulted in the Legislature directing the Commission to examine in more detail the compensation received by California's public higher education executives. The 1992-93 Budget Bill contained the following language:

> It is the intent of the Legislature that the University of California and the California State University report to the California Postsecondary Education Commission on January 1 of each year, beginning on January 1, 1993, on the level of the total compensation package for executives of the University of California (including the president, senior and vice presidents, and campus chancellors) and the California State University (including the chancellor, senior and vice chancellors, and campus presidents), respectively. Information on the total compensation package shall include detail concerning all of the following:
>
> (1) The structure and amount of salary compensation (current and deferred cash benefits), including but not limited to, all special supplemental income plans and nonqualified deferred income plans.
>
> (2) Actual expenditure data associated with health and retirement benefit and perquisites by all funding sources (including non-General Funds), including, but

> not limited to, salary, insurance benefits, payment of federal and state income taxes, payment of property taxes, housing allowances, house maintenance allowances, benefits to spouses, subsidized interest rates, and expense accounts.
>
> It is the intent of the Legislature that the California Postsecondary Education Commission review the information provided and transmit its comments thereon to the Joint Budget Committee, the fiscal committees of each house, the appropriate policy committees of each house, and the Governor on or before March 1 of each year, beginning on March 1, 1993.

Although this language was vetoed by the Governor, the California State University and the University of California have submitted reports to the Commission during the past two years.

This report responds to both the 1981 and 1992 legislative directives by presenting information on the to ' compensation packages paid to higher education executives in California and the extent to which the base salaries of campus executives compare to those earned by executives of comparable institutions across the country. Like last year's report, it presents information on executive-level positions only, whereas previous reports on administrative salaries had included information on various campus administrative positions, including deans, directors, vice presidents, and vice chancellors.

For the first time, this report includes information not only on California's two public universities but also on its community colleges, in that it describes the compensation of executives both at the campus and district level and in the statewide Chancellor's Office.

Organization of the rest of the report

Section Two provides a context in which to examine issues of executive compensation by exploring the role and responsibilities of those who hold those positions.

Section Three presents information on the compensation earned by chief executives on community college campuses and in the statewide Chancellor's Office.

Section Four discusses the compensation program of the California State University, including recent changes in the way compensation is set for campus presidents. It compares these base salaries with those received by chief executives on comparable campuses nationally and then analyzes the compensation earned by seven executives in the State University's Office of the Chancellor as of April 1994.

Section Five describes the recent evolution of the University of California's executive compensation program, the compensation packages currently in place for the campus chancellors, the salaries paid to their counterparts at comparable institutions nationally, and the compensation received by ten executives at the systemwide Office of the President as of January 1994.

2 Context of the Report

IN traditional economic terms, within a free-market system, an individual's salary is closely related to the value that others place on the individual's work in terms of productivity, complexity, required technical expertise, and level of responsibility. Examining the level of compensation for public higher education executives thus involves analyzing these four factors, with particular attention to answering the question, *What are the major responsibilities of executives in public colleges and universities?*

Responsibilities of public higher education executives

Former Legislative Analyst A. Alan Post, in his 1992 report on executive compensation to the Regents of the University of California, identified three distinct areas in which college and university executives should demonstrate leadership qualities and sound judgment: academe, business, and government (p. 16). These three areas of expertise encompass the three principle responsibilities of public higher education executives -- educational leader, corporate administrator, and public servant:

1. *Educational leader:* Chancellors, presidents, and superintendents of California's public universities and community college districts are, first and foremost, educational leaders whose responsibility is to help students develop the skills, competencies, and knowledge they need for success and for ensuring the economic, social, and political health of the State. Moreover, educational executives serve as catalysts in coalescing faculty and staff members to fulfill their institutions' academic mission and in providing the physical, financial, and personnel resources necessary to accomplish its educational purposes.

2. *Corporate administrator:* California's public higher education executives operate enterprises of various sizes and complexities. Many campuses have budgets in the tens of millions of dollars, workforces in the thousands of faculty and staff members, and outcomes in the hundreds or thousands of educated students and graduates. Moreover, higher education executives raise revenue from multiple sources, establish priorities for the allocation of those resources, and administer myriad programs in light of disparate and often contradictory federal, state, and local regulations and laws.

3. *Public servant:* As Mr. Post notes in his report, executives of public colleges and universities function in a governmental capacity and are the custodians of a public trust rather than of "a moneymaking enterprise governed by the 'invisi-

ble hand' of Adam Smith." As such, according to Mr. Post, they require "the intellectual and moral qualities which foster and sustain the collegiality of the academic community, including both faculty and students, and maintain the support of the alumni, the political bodies, and the public" (ibid.).

Policy issues in considering executive compensation

These three academic, corporate, and government responsibilities are often mutually complementary and supportive, but inherent disparities among them tend to become foci of discussions about the appropriate level of compensation for public higher education executives -- and about the policies, criteria, and methodologies that should govern the establishment and review of those compensation levels. These contradictions are exemplified in questions such as these:

1. Should presidents and chancellors be compensated at levels significantly higher than senior faculty?

2. Should presidents and chancellors receive higher salaries than some State elected officials or State-level agency directors?

3. What influence should the compensation of executives in non-academic but equally responsible positions have on that of presidents and chancellors?

4. Should presidents and chancellors receive salary increases at a time when student fees are escalating? If those salary increases were not granted, could student fees be maintained at their current levels or even reduced?

Particularly when these discussions are conducted in a high-profile atmosphere characterized by examples of perceived abuse -- either by executives themselves or by governing boards -- the opportunity for rational and constructive dialogue becomes remote, as has been evident over the last few years in California.

The Commission hopes that this context for the analysis that follows will contribute to a more constructive discussion about the policies, guidelines, and methodology for determining and reviewing the compensation levels of California's public higher education executives. As Mr. Post implies, the policy issues surrounding compensation for higher education executives are complex because these executives function in multiple roles with mutually complementary, albeit sometimes disparate, expectations and responsibilities.

- On the one hand, they manage a highly trained and experienced workforce and multi-million dollar budgets to accomplish an extraordinarily vital mission and, as such, they should be appropriately and well compensated.

- On the other hand, they hold a public trust and serve the public interest and, as Mr. Post notes, "many features of public service and academic leadership . . . provide psychic income or job satisfaction apart from monetary considerations."

In actuality, as will be seen, these two views are reflected in the policies of California's public systems of higher education that are described in the final sections of this report.

The Commission's perspective on executive compensation

The Commission views the topic of executive compensation on three levels:

1. As a small element of higher education finance, because of the relatively insignificant amount or proportion of resources invested in higher education that are dedicated to the salaries or perquisites for executives;

2. As a significant contribution to quality in higher education, because of the crucial role that executives play in leading campuses and setting institutional priorities; and,

3. As a major public relations challenge, because of its potential to generate misunderstanding and a high degree of negative emotion -- whether justified and reasoned or not -- that has the capacity to endanger public confidence and trust in the entire higher education enterprise.

The Commission's activities with respect to executive compensation have concentrated, and continue to focus, on the contributions to educational quality that executives can ensure and the impact of compensation levels on the financing of higher education. To that end, the Commission has identified the following fundamental public policy issues with respect to executive compensation:

1. What should be the criteria for setting compensation levels for higher education executives?

2. How should those criteria be measured and assessed?

3. If a comparative methodology is determined by governing boards to be the appropriate strategy for setting compensation levels, who should be the comparators and on what basis should they be selected?

4. How should the mutual roles and responsibilities described above be reflected in compensation levels? That is, should the comparators be other higher education executives, corporate chief executive officers, or governmental officials?

5. What are the standards of performance expected from higher education executives and by what criteria should compensation levels be established for incumbents?

This report and subsequent studies in this series will focus on generating discussion related to these issues.

The Commission's responsibility regarding executive compensation

The responsibility for establishing policy and setting executive compensation levels in California public higher education rests with the governing boards of each community college district and the statewide boards for the public universities. Moreover, each community college district and public university system's governing board identifies the methodology that it believes appropriate to implement its policies and determines the specific level of compensation to be earned by each executive in the district or the system. Finally, the governing board has the responsibility of reviewing on a regular basis the salaries of its executives and deciding whether those salaries should be modified.

The Commission's primary role with respect to executive compensation is to present information on three issues: (1) the policies adopted by the governing boards; (2) the levels of compensation that have been set; and, (3) when appropriate, the extent to which those levels compare to similar institutions nationally. Additionally, through its staff, the Commission participates in discussions leading to the identification of the sets of institutions comprising the comparison groups for the California State University and University of California that are described in Parts Four and Five of this report. Finally, the Commission seeks to focus attention on those aspects of the issue of executive compensation that are relevant to the enhancement of educational quality within acceptable fiscal parameters.

Readers are encouraged to review the three remaining sections of this report from this vantage point. In so doing, executive compensation can be placed in its appropriate context within the myriad challenges and issues facing California higher education as the twenty-first century approaches.

3 Executive Compensation in the California Community Colleges

THE legislative directive to the Commission for this report did not require inclusion of information on executive compensation in the California Community Colleges, but the staff of the Community College Chancellor's Office asked that the Commission include information on compensation at the district and statewide levels in this report. The Commission acceded to this request and reproduces the document prepared by the Chancellor's Office in Appendix A on pp. 27-34 below. Here, the Commission summarizes the content of that document and comments on the personnel configuration and salary levels in the community colleges.

Compensation for executives in community college districts

Display 1 on page 8 presents information on the base salaries received by the chief executive officer in each of California's 71 community college districts. Display 2 at the bottom of that page summarizes the range and mean compensation levels for these chief executives by district configuration: in multi-campus districts, the chief executive is a chancellor; in single-campus districts, the chief executive is a president.

As is evident from these two displays, considerable variation exists in the level of compensation received by the chief executives in community college districts. For the 21 multi-campus districts, the range spans $28,750 -- from $100,000 in the Yosemite District, which operates two colleges, to $128,750 in the Contra Costa District, which operates three. The mean salary received by the 21 chancellors in 1992-93 was $112,775.

With respect to the salaries paid to college presidents of the 50 single-campus districts, the range spans $56,459; with the lowest salary ($73,150) paid at West Hills College and the highest ($129,609) paid at Santa Monica College. The mean salary received by presidents in all 50 of these single-campus districts in 1992-93 was $98,524.

Compensation for systemwide community college executives

The Chancellor's Office of the California Community Colleges is considered to be part of State government. As such, the rules, regulations, and procedures that apply are those set by the Department of Personnel Administration, the State Personnel Board, and the Department of Finance rather than those under the purview of the Board of Governors -- the statewide governing board of the community colleges.

Classification of executives and managers in the Chancellor's Office fall under two State Civil Service designations: (1) exempt positions, whose incumbents

DISPLAY 1 *California Community College Chief Executive Officers' Salaries, 1992-93*

District	Title	Salary
Allan Hancock	President	$ 95,000
Antelope Valley	President	105,464
Barstow	President	84,000
Butte	President	95,765
Cabrillo	President	95,000
Cerritos	President	106,260
Chabot-Las Positas	Chancellor	105,000
Chaffey	President	102,940
Citrus	President	95,411
Coast	Chancellor	119,309
Compton	President	88,760
Contra Costa	Chancellor	128,750
Desert	President	91,575
El Camino	President	100,000
Feather River	President	87,450
Foothill-DeAnza	Chancellor	113,432
Fremont-Newark	President	98,084
Gavilan	President	100,000
Glendale	President	101,000
Grossmont	Chancellor	102,500
Hartnell	President	96,831
Imperial	President	81,875
Kern	Chancellor	107,911
Lake Tahoe	President	84,975
Lassen	President	84,048
Long Beach	President	105,999
Los Angeles	Chancellor	119,214
Los Rios	Chancellor	110,000
Marin	President	100,000
Mendocino-Lake	President	84,018
Merced	President	92,880
Mira Costa	President	101,422
Monterey Peninsula	President	90,698
Mt. San Antonio	President	123,900
Mt. San Jacinto	President	103,896
Napa Valley	President	$ 89,934
North Orange	Chancellor	107,728
Palomar	President	111,175
Palo Verde	President	83,000
Pasadena	President	115,000
Peralta	Chancellor	119,548
Rancho Santiago	Chancellor	102,893
Redwoods	President	93,500
Rio Hondo	President	104,635
Riverside	President	115,000
Saddleback	Chancellor	122,939
San Bernardino	Chancellor	106,464
San Diego	Chancellor	121,705
San Francisco	Chancellor	119,500
San Joaquin Delta	President	110,854
San Jose/Evergreen	Chancellor	110,000
San Luis Obispo	President	88,240
San Mateo County	Chancellor	110,160
Santa Barbara	President	98,439
Santa Clarita	President	105,000
Santa Monica	President	129,609
Sequoias	President	98,584
Shasta-Tehama-Trinity	President	93,200
Sierra Joint	President	105,526
Siskiyous	President	81,200
Solano	President	87,825
Sonoma	President	112,000
Southwestern	President	109,133
State Center	Chancellor	121,992
Ventura	Chancellor	112,500
Victor Valley	President	124,824
West Hills	President	73,150
West Kern	President	87,675
West Valley-Mission	Chancellor	106,725
Yosemite	Chancellor	100,000
Yuba	President	111,490

Source: Adapted from material submitted by the Chancellor's Office, California Community Colleges.

DISPLAY 2 *Salaries of Chief Executives in California Community Colleges, 1992-93*

	Single-Campus Districts	Multi-Campus Districts
Number of Districts	50	21
Minimum Base Salary	$73,150	$100,000
Maximum Base Salary	$129,609	$128,750
Range of Salary	$56,459	$28,750
Mean Base Salary	$98,524	$112,775

Source: Adapted from material submitted by the Chancellor's Office, California Community Colleges.

are either "appointed by the Governor" or for which no permanent civil service status or tenure exists; and (2) Career Executive Assignment (CEA) positions, in which incumbents serve at the discretion of a supervisor, but upon removal, may return to their previous permanent civil service classification.

Display 3 presents information on the designations and salaries of the 12 executive positions currently filled in the Chancellor's Office. As this display indicates, six

DISPLAY 3 Designated Compensation for California Community College Chancellor's Office Executive Staff, 1992-93

Title	Designation	Salary
Chancellor	Exempt	$106,404
Deputy Chancellor	Interjurisdictional Exchange	95,400*
Vice Chancellor - Fiscal Policy	Exempt	91,224
Vice Chancellor - Legal Affairs	Career Executive Assignment	84,192
Vice Chancellor - Human Resources	Exempt	83,952
Vice Chancellor - Economic Development / Vocation Education	Exempt	83,952
Vice Chancellor - Student Services and Special Programs	Exempt	74,664
Vice Chancellor - Curriculum and Instructional Resources	Career Executive Assignment	74,508
Vice Chancellor - Strategic Issues and Resource Development	Exempt	71,220
Vice Chancellor - Governmental Relations	Career Executive Assignment	67,788
Vice Chancellor - Management Information Systems	Career Executive Assignment	67,788
Vice Chancellor - Policy Analyses and Development	Career Executive Assignment	67,752

*Salary not subject to 5 percent reduction implemented July 1, 1990. All other salaries listed do not reflect the reduction in actual compensation.

Source: Adapted from material submitted by the Chancellor's Office, California Community Colleges.

of the positions are presently designated as exempt, with the incumbents not being permanent civil servants. Five executive-level positions carry CEA designations, with the incumbents having permanent civil service tenure. The remaining position -- deputy chancellor -- is currently occupied by an individual on an Interjurisdictional Exchange (IJE). This individual retains a permanent position in a community college district but is on loan to the Chancellor's Office, which reimburses the district for an agreed-upon amount in salary and benefits.

Compensation of the chancellor: The chancellor's designated base salary is $106,404. Because the Chancellor's Office is a State government agency subject to the policies of State Civil Service, the chancellor is not eligible to participate in any deferred compensation program beyond that to which every State employee is entitled. The chancellor receives health, welfare, and retirement benefits identical to those for all exempt State service employees. He receives no housing allowance, but he does have the use of a State car for the conduct of State business, and, as a State employee, he receives General Fund revenue on a reimbursement basis to cover travel costs when incurred on State business. No information is available from the report in Appendix A about the existence or extent of any other expense allowance.

Compensation of the deputy chancellor: The current deputy chancellor remains an employee of his home district, and the Chancellor's Office reimburses that district at the level of $95,400 in salary. His benefits and perquisites are set by his home district.

Compensation of vice chancellors: The ten vice chancellors who comprise the remainder of the executive staff have designated compensation levels ranging from $67,752 to $91,224, with a range of $23,472. In 1992-93, their average compensation was $76,704. They receive the same health, welfare, and retirements benefits as other State managers, and they have the use of a State car when conducting State business.

Commission comments on executive compensation in the California Community Colleges

Displays 1 and 2 illustrate the fundamental principle underlying executive compensation in the California Community Colleges -- district autonomy and flexibility. Unlike California's public universities, whose governing boards set compensation levels for faculty and executives on a systemwide basis, responsibility for determining and reviewing compensation for both faculty and executives of the community colleges is vested in each of the 71 districts' governing board. Each district makes its own determination of appropriate compensation levels, presumably based upon its financial condition, performance of the incumbent, measures of local costs of living, and governing board prerogatives.

Because of this local autonomy, several anomalies are evident, including: (1) the presidents of several single-campus districts are compensated at nearly the same or higher levels than chancellors in multi-campus districts; and (2) the chancellor in the Los Angeles district -- the largest in the State in terms of number of colleges and students -- receives a smaller salary than those of nine smaller districts. While solid rationales may exist for these anomalies, the information contained in these displays raises questions about the efficacy and equity of executive compensation policies on a statewide basis within the community colleges.

While autonomy at the community college district level is highly valued and certainly has myriad beneficial aspects, it contributes to the perception at the statewide policy level, particularly with respect to compensation levels, that the community colleges are not yet a higher education "system," even though Assembly Bill 1725 of 1988 called for such a configuration. In its recently released report, *Choosing the Future*, the Board of Governors' Commission on Innovation presents an action agenda to move the community colleges into the next century, including (1) creation of a statewide system of compensation for community college faculty and administrators, and (2) removal of the Chancellor's Office from the State Civil Service System and its placement under the Board of Governors The California Postsecondary Education Commission views the first of these two recommendations as deserving immediate discussion among the various community college constituencies to determine its advantages and disadvantages in terms of fiscal, governance, personnel, and programmatic considerations.

With respect to compensation for systemwide executives, the combination of exempt, CEA, and Interjurisdictional Exchanges creates a complex and perhaps overly complicated configuration of personnel and salary levels. The Postsecondary Education Commission supports the efforts of the Chancellor's Office in continuing to simplify and reduce the complexity of its personnel arrangements. Moreover, the Commission views the Commission on Innovation's recommendation to remove the Chancellor's Office from the State Civil Service System and place it under the Board of Governors as worthy of consideration, particularly because of its potential to both reduce the complexities of the current arrangement and to develop a more direct and centralized locus of accountability for the Chancellor's Office.

4 Executive Compensation in the California State University

THE California State University's report on executive compensation -- reproduced in Appendix B on pp. 35-52 -- describes the changes in the State University's policies over the last year as well as the specific compensation levels that it has set for campus presidents and systemwide executives effective as of April 1, 1994. In addition, it presents information on presidential salaries at comparison institutions nationally. Here, the Commission summarizes and comments on that report.

Changes in the State University's executive compensation policy during the last year

In September 1993, the Trustees adopted an executive compensation policy "to maintain a competitive market position and recognize individual performance." Specifically for campus presidents, this policy calls on the State University to:

- Establish compensation levels for presidents based upon the average compensation received by the chief executives at the 20 campuses that the Commission uses for faculty salary comparisons;
- Set the average total cash compensation for State University presidents at approximately the mean of the presidential salaries at the comparison institutions;
- Determine the actual compensation paid to individual presidents on the basis of "mission, scope, size, complexity, and programs of each campus" in addition to an appraisal of individual performance and experience as well as recruitment and retention experience; and,
- Consider regional cost-of-living differentials in setting the housing allowance for presidents at different campuses.

The Trustees' policy further stipulates that systemwide executives should have their compensation levels established on the basis of an appraisal of their performance and experience as well as comparable levels of compensation for individuals in similar positions nationally. Housing allowances for systemwide executive entitled to them should be based upon regional housing costs.

Three additional aspects of the new policy warrant mention:

1. The Trustees intend to hold open and full discussions on matters of executive compensation in anticipation that this dialogue will further recognize the importance of presidents and systemwide executives in providing leadership for the system.
2. The process by which performance appraisals of executives in the State University will be conducted is undergoing review. The specific criteria upon which executives will be appraised are:

general administrative effectiveness, working relations within the system and campus, educational leadership and effectiveness, community relations, personal characteristics, and management performance, . . . diversity of faculty, staff and students; graduation and retention rates of students; institutional advancement, including fund raising; and maintenance and preservation of the State's financial investment in the physical plant.

3. While performance reviews will continue to occur triennially, the Trustees have agreed to permit greater participation in the process by various campus constituencies. Henceforth, upon completion of a review, the Chancellor will issue an open letter to the campus detailing the major findings of the review and establishing goals for presidential performance over the next three years.

Compensation for State University presidents

Display 4 below presents information on the compensation received by presidents of the State University over the past two years. Through the first three-quarters of the 1993-94 fiscal year, presidential salaries ranged from $115,956 for the presidents of the Chico, Fresno, Fullerton, Hayward, Pomona, San Jose, and San Marcos campuses to $134,800 for the Northridge president. The mean salary for all 20 presidents was $120,075.

As the display indicates, 18 of the presidents -- those who have regular appointments -- received base salary increases as of April 1994. Currently, the base salary for regularly appointed State University campus chief executives range from $121,753 at Chico to $146,343 at San Luis Obispo, or a $24,590 span. The mean base salary for all presidents, including the two current interim presidents at Long Beach and Stanislaus, is $130,462.

DISPLAY 4 Compensation for California State University Presidents, 1993-94

Campus	Base Salary Prior to April 1994	Base Salary Since April 1994[1]	Housing Allowance or Provision[2]
Bakersfield	$118,212	$130,033	$12,000
Chico	115,956	121,753	18,000
Dominguez Hills	116,760	127,268	15,000
Fresno	115,956	132,189	Provided
Fullerton	115,956	128,711	Provided
Hayward	115,956	129,870	18,000
Humboldt	122,880	132,096	12,000
Long Beach (Interim)	117,768	117,768	Provided
Los Angeles	124,020	136,422	18,000
Northridge	134,800	138,844	Provided
Pomona	115,956	125,232	Provided
Sacramento	124,020	140,142	18,000
San Bernardino	118,764	128,265	15,000
San Diego	122,292	136,967	18,000
San Francisco	120,012	134,413	30,000
San Jose	115,956	124,072	18,000
San Luis Obispo	124,020	146,343	Provided
San Marcos	115,956	122,913	22,800
Sonoma	117,960	127,632	15,000
Stanislaus (Interim)	128,304	128,304	12,000
Mean Salary	$120,075	$130,462	

1. Adopted by the Board of Trustees on January 26, 1994.

2. Includes General Fund and non-General Fund allowances.

Source: Adapted from material submitted by the Office of the Chancellor, the California State University.

The base salary increases approved by the Trustees at their January 1994 meeting averaged $10,387, or an 8.7 percent average adjustment per presidential position. In total, the increase amounts to $207,740 on an annual basis. However, because this adjustment did not take effect until the last quarter of the 1993-94 fiscal year, the total amount directed to presidential salary increases for the current year equals $51,935.

In addition to base salaries, State University presidents receive assistance with housing expenses because they conduct "essential business and institutional advancement" activities in their homes. The State University either provides housing or a housing allowance that is adjusted based upon the regional cost-of-living differentials in the California housing market. As Display 4 shows, six presidents -- those at Fresno, Fullerton, Long Beach, Northridge, Pomona, and San Luis Obispo -- live in homes provided by the State University, while the remaining 14 receive housing allowances ranging from $12,000 at Bakersfield, Humboldt, and Stanislaus to $30,000 at San Francisco. The mean housing allowance currently is $17,271 from both State General Funds and other sources. Prior to the November 1993 Board of Trustees meeting in which housing allowances were increased for campus presidents, the average housing allowance was $12,080.

State University presidents receive three additional perquisites:

1. Either a State-owned automobile or a car allowance;
2. Standard health, welfare, and retirement benefits that are similar to those received by all management employees in the system; and,
3. A reimbursable entertainment allowance of $3,600 a year maximum to defray the cost of State University business expenses.

State University presidential compensation compared to that at similar institutions nationally

For several years, the Commission has analyzed the relationship between the compensation received by State University presidents and their counterparts at a set of 20 institutions nationally that the Commission uses for comparing faculty salaries:

Arizona State University	Public
Bucknell University	Independent
Cleveland State University	Public
George Mason University	Public
Georgia State University	Public
Illinois State University	Public
Loyola University-Chicago	Independent
North Carolina State University	Public
Reed College	Independent
Rutgers University-Newark	Public
State University of New York-Albany	Public
Tufts University	Independent
University of Colorado-Denver	Public
University of Connecticut	Public
University of Maryland-Baltimore	Public
University of Nevada-Reno	Public
University of Southern California	Independent
University of Texas-Arlington	Public
University of Wisconsin-Milwaukee	Public
Wayne State University	Public

Through the annual survey conducted by the College and University Personnel Association (CUPA) in Fall 1992 -- the last period for which relatively complete information is available -- the State University was able to report to the Commission the salaries for the chief executives of 16 of the 20 institutions in the comparison group. The salaries of the chief executives at those comparison institutions ranged from $112,116 to $240,000, or a span of $127,884. Their mean salary was $144,908.

The executive compensation policy of the State University calls for its average presidential salary to be set at approximately the mean of the salary of chief executives at the 20 comparable institutions nationally. In comparing the $144,908 mean salary received by 16 of those presidents in Fall 1992 with that of the State University's presidents prior to this April when the new salaries took effect, the 16 presidents received, on average, $24,833 more than the State University presidents, whose mean salary was $120,075. No State University president received a salary comparable to the mean of the 16, and the average salary for State University presidents lagged the average of their comparators by 20.7 percent.

In April 1994, when the State University instituted its new presidential salaries -- the mean of which was $130,462 -- this lag was reduced to an average of $14,446, or 11.1 percent. Nonetheless, only the president at San Luis Obispo currently receives a salary equivalent to or greater than the mean compensation received by the executives of the other institutions.

Compensation for State University systemwide executives

The executive staff in the Office of the Chancellor at the State University consists of seven positions. Display 5 presents information on their current compensation.

The chancellor receives an annual salary of $175,000 and is the only State University employee to participate in a deferred compensation program in the amount of $10,000 from non-General Fund sources. Salaries for the other executive staff range from $120,504 for the vice chancellors responsible for human resources and university advancement to $138,504 for the Executive Vice Chancellor.

DISPLAY 5 Compensation of State University Systemwide Executive Staff, 1993-94

Title	Current Base Salary	Housing Allowance or Provision[1]	Car Allowance or Provision[2]
Chancellor[3]	$175,000	Provided	Provided
Executive Vice Chancellor	$138,504	$18,000	$9,000
Senior Vice Chancellor, Academic Affairs	$131,502	$18,000	$9,000
Vice Chancellor, Business and Finance	$135,000	0	0
Vice Chancellor, Human Resources/Operations	$120,504	0	0
Interim Vice Chancellor, University Advancement	$120,504	0	0
General Counsel	$129,996	0	0

1. Includes General Fund and non-General Fund allowances.

2. Executive staff without a specified allowance may use a state-owned vehicle for business purposes.

3. Also receives an additional $10,000 in non-State deferred compensation.

Source: Adapted from material submitted by the Office of the Chancellor, the California State University.

Other benefits that accrue to executive staff in the Office of the Chancellor include:

1. Housing that is provided or a housing allowance for the chancellor, executive vice chancellor, and senior vice chancellor;
2. An automobile that is provided to the chancellor and automobile allowances of $9,000 per year for the executive and senior vice chancellors;
3. Health, welfare, and retirement benefits similar to those of the State University's management staff; and,
4. A maximum of $3,600 per year reimbursable entertainment allowance for the chancellor and a maximum of $1,000 a year in reimbursable expenses for the six other executives.

Commission comments on executive compensation in the State University

The Trustees' new policy on executive compensation does not result in across-the-board salary increments of either a fixed amount or percentage but instead in salary increases that appear to reflect judgments made on an individual basis, taking into account variations among campuses and presidential experience, longevity, and performance. The Commission views this change in policy as desirable and consistent with its recommendation in *Executive Compensation in California's Public Universities 1992-93,* that encouraged the systems to "delineate the factors that influence the development of, and differences between, compensation packages for their executives" (p. 2). The Commission believes that this change reflects a more understandable, deliberate, and rational strategy for reviewing and adjusting executive compensation levels.

In comparing presidential salaries in the State University and similar institutions nationally, the conclusions that arise from this analysis should be understood in terms of the probable significance of differences in reporting periods. That is, the latest CUPA survey from which nearly complete information was available occurred in the Fall of 1992 -- well over a year ago. The likelihood is great that the gap has grown between presidential salaries at the set of comparable institutions nationally -- as reported in Fall, 1992 -- and those earned by State University presidents today. Therefore, while the actions of the Board of Trustees in raising presidential salaries effective this spring represented a first step in implementing its Executive Compensation Policy, the lag remains substantial and is, undoubtedly, larger than the 11.1 percent reported above. As a consequence, the goal of the executive compensation policy with respect to comparability in mean salaries between the State University and its national comparators will probably only be achieved over an extended period of time.

The State University expresses concern in its report about its ability to recruit highly qualified presidents from outside the system and to retain those that are recruited, if the present salary differentials between the system and its comparison institutions remain unchanged. Its concern is particularly strong with respect to the recruitment and retention of presidents from backgrounds historically underrepresented in higher education. Diversifying the composition of postsecondary education is among the Commission's highest priorities, and it shares the concern of the State University in this regard. The unfortunate fact remains that still too few individuals from Asian, Black, Latino, and Native American backgrounds, as well as White women, have the traditional range and pattern of experience regarded by search committees as meeting the standard recruitment criteria for presidential positions. Therefore, the difference in salaries between the State University and its comparison institutions may limit the State University from further diversifying its executive ranks, despite its substantial progress in the last decade in this area.

5 Executive Compensation at the University of California

THIS last section of the Commission's report presents information on the executive compensation policy of the University of California, changes in this policy over the last two years, the compensation currently received by the University's nine campus chancellors compared to that received by similar executives in comparable institutions nationally, and the compensation provided to executive staff in the Office of the President. Information for this section is based upon the University's report, which is reproduced in Appendix C on pp. 53-80 of this document.

The University's policy on executive compensation

The University's policy on executive compensation is similar in several respects to that of the State University:

- Compensation should "serve to maintain a competitive market position and recognize individual performance."
- The methodology to set and review compensation levels includes an analysis of market surveys of chief executives in comparable institutions nationally, review of relationships internal to the University, and recruitment and retention experience.
- The mean compensation for chancellors should approximate that of the average for chief executives at comparable institutions nationally, with the actual amount of compensation received by an individual chancellor determined by the "scope, size, complexity, and quality of each campus" as well as the performance and experience of the chancellor.

In addition, the University's policy contains two additional aspects of note:

- It states: "compensation programs shall be clear and simple to enhance internal and external understanding of the basis for and components of compensation."
- It assumes creation of internal relationships among and between the set of chancellor positions and executive positions at the systemwide level.

Recent changes in executive compensation policy at the University

As the Commission indicated in its 1993 report, *Executive Compensation in California Public Universities, 1992-93*, the University changed its executive compensation policy substantially between 1992 and 1993, and additional modifications have occurred recently. These major alterations include:

- Deferred compensation as a separate element in the executive compensation program was eliminated as of December 31, 1993. Currently, the base salaries of all executives, except the president, include the portion of total compensation that had been previously deferred, and President Pel.ason has relinquished his claim to deferred compensation upon retirement.

- Chancellors are required to live in University-provided housing, if available, or receive a housing allowance;
- Several supplemental perquisites have been eliminated, including the Tax and Financial Planning Program, an augmentation to a severance pay plan for spouses of the president and chancellors, and supplemental vacation benefits;
- A reduction has occurred in the rate of insurance coverage available to executives participating in the Life Insurance Program; and,
- Most recently, elimination of paid leaves for executives transferring from administration to the professorate.

Compensation for University chancellors

Display 6 below details the total compensation received by the nine chancellors in July 1993 -- before the total elimination of the deferred compensation program -- and in January 1994. As indicated, for those who participated in this program,

DISPLAY 6 Compensation for Chancellors at the University of California as of July 1993 and January 1994

Campus Chancellor	Total Compensation, July 1, 1993: Base Salary	Deferred Compensation [1,2]	Total Cash Compensation [3]	Compensation, January 1, 1994	Retirement Total Substitute for 403(B), Vested January 1, 1994 [1,4]	Annual NDIP#3 Supplemental Retirement Program [1]	Special University Housing Provided
Berkeley	$175,000	$16,500	$191,500	$191,500	$ 0	No	Yes
Davis	167,000	14,600	181,600	181,600	15,388	No	Yes
Irvine	179,900	0	179,900	179,900	0	No	Yes
Los Angeles	188,400	16,500	204,900	204,900	27,542	Yes[5]	No[6]
Riverside	150,000	15,000	165,000	165,000	0	No	Yes
San Diego	174,200	15,200	189,400	189,400	20,634	No	Yes
San Francisco	240,000	0	240,000	240,000	0	No	Yes
Santa Barbara	164,000	14,300	178,300	178,300	14,650	No	Yes
Santa Cruz	150,000	15,000	165,000	165,000	0	No	Yes
Mean			$188,400	$188,400			

1. Non-State funds.
2. Current estimated annual amount accrued if no forfeiture occurs. The remaining NDIPs will convert to base salary effective December 31, 1993. Total cash compensation will remain the same. No new NDIPs will be provided.
3. Subject to the annualized 3.5 percent temporary salary reduction in effect at the University in 1993-94 for which employees receive an equivalent credit at retirement or separation under the Capital Accumulation Provision account.
4. Provisions of the 1986 Tax Reform Act eliminated employer contributions to the 403(B) Supplemental Plan as of January 1, 1989. NDIP#3 substitutes for the former 403(B) plan, but is at risk of forfeiture and remains the same value as in effect on December 31, 1988. This amount is the annual contribution which earns interest. NDIP#3 expired January 1, 1994.
5. The UCLA Chancellor's SSR 1 benefit is a lump-sum payment equal to 10 percent of one-twelfth of the highest average plan compensation, for the number of months served as chancellor and is discounted to present value. An additional benefit – SSR 2 – indemnifies UCLA's Chancellor for the difference between retirement benefits under the applicable University defined benefit retirement plan and the maximum benefits permitted by Internal Revenue Code Sections 401(a)(17) and 415. These benefits are at risk until retirement.
6. The UCLA Chancellor receives an annual non-State fund housing allowance of $41,710, rather than University housing.

Source: Adapted from material submitted by the Office of the President, University of California.

their base salary was augmented by the annual amount of the deferred compensation that they had received.

Salaries for University chancellors as of January 1994 ranged from $165,000 for the chief executives at Riverside and Santa Cruz to $204,900 at UCLA -- a difference of nearly $40,000. The mean compensation for all nine chancellors was $188,400, but if the salary of the chancellor at the exclusively health-science campus in San Francisco is excluded, the mean for the remaining eight was $181,950.

In addition to their base salary, University chancellors received the following benefits:

- The four chancellors who previously participated in the deferred compensation program for five or more years and, therefore, are vested in the program will receive, upon retirement, a lump-sum payment in the amount indicated in the "Retirement" column of Display 6. Support for this benefit comes from non-General Fund revenue.
- The chancellor at the Los Angeles campus -- if he remains chancellor until 1999 -- will receive, upon retirement, a lump-sum payment computed on the basis of his highest salary because he participates in a Special Supplemental Retirement Program. Support for this program is from non-State funds.
- Eight chancellors live in University-owned housing; one chancellor receives a $41,710 per year housing allowance;
- All chancellors have University-owned automobiles;
- All chancellors receive health, welfare, and retirement benefits identical to those available for all permanent University employees; and,
- Chancellors receive reimbursement for expenses incurred in conjunction with University business through procedures consistent with University and Administrative Fund guidelines.

University chancellors' compensation compared to that at similar institutions nationally

In analyzing the comparability of the compensation for University chancellors with that received by chief executives at comparable universities nationally, the Commission has used two sets of institutions over the past few years: (1) the same eight institutions that comprise the faculty-salary comparison group and (2) an "all university" set of 26 institutions -- 14 public and 12 independent -- that the Commission and University have agreed is an appropriate group for comparing executive compensation and which includes, but expands, the faculty-salary comparison group. This "all university" comparison group includes these institutions (with the eight faculty-salary comparison institutions asterisked):

Brown University	Independent
California Institute of Technology	Independent
Columbia University	Independent
Cornell University	Independent
Duke University	Independent

Harvard University*	Independent
Johns Hopkins University	Independent
Massachusetts Institute of Technology*	Independent
Northwestern University	Independent
Stanford University*	Independent
State University of New York-Buffalo*	Public
State University of New York-Stony Brook	Public
University of Colorado-System	Public
University of Colorado-Boulder	Public
University of Illinois-Chicago	Public
University of Illinois-Urbana/Champaign*	Public
University of Michigan*	Public
University of Minnesota	Public
University of Pennsylvania	Independent
University of Texas-Austin	Public
University of Virginia*	Public
University of Washington	Public
University of Wisconsin	Public
Yale University*	Independent

Comparisons with the "all university" group of 26: The University's policy establishes the mean of the compensation received by the chief executives in the "all-university" set of institutions as the appropriate average compensation to be paid to its chancellors. In 1992-93, the 26 "all university" chief executives received compensation ranging from $113,000 to $385,000 -- a span of $272,000, with a mean of $215,765. As of January 1, 1994, the University of California's chancellors received, on average, a base salary of $188,400, or $27,365 less than the mean salary paid to their comparable chief executives nationally. Further, no chancellor, except at the San Francisco campus, received an amount equal to the mean for their comparators. In percentage terms, mean salaries for University chancellors lagged their comparators by 14.5 percent.

Comparisons with the eight faculty-salary comparison group: For the eight faculty salary institutions, the mean compensation for chief executives in 1992-93 was $212,148. When compared with the $188,400 for University chancellors as of January 1, 1994, the difference amounts to an average of $23,748 -- a lag of 12.4 percent for the University.

Internal alignment of compensation levels among University executives

One of the principles in the University's executive compensation program holds that internal relationships and alignment should exist between compensation for chancellors and executives in the systemwide Office of the President. Display 7 on the opposite page illustrates that functional alignment and provides the current compensation associated with each of the levels.

Compensation for University system executives

The executive staff at the University's Office of the President described in this report includes ten positions. Display 8 details the compensation received by the incumbents in these ten positions.

DISPLAY 7 *Internal Alignment Among University Executives and Their Associated Compensation Levels as of January 1, 1994*

PRESIDENT - $280,000

CHANCELLORS ON LARGE CAMPUSES
Berkeley - $191,500 ◆ Los Angeles - $204,900

SENIOR VICE PRESIDENTS
Academic Affairs - $190,000 ◆ Business and Finance - $187,500

CHANCELLORS ON MEDIUM-SIZED CAMPUSES
Davis - $181,600 ◆ San Diego - $189,400 ◆ Irvine - $179,900 ◆ Santa Barbara - $178,300

VICE PRESIDENTS
Agriculture - $172,900 ◆ University and External Relations - $180,000 ◆ Health Affairs - $178,100

CHANCELLORS ON SMALL CAMPUSES
Riverside - $165,000 ◆ Santa Cruz - $165,000

Source: Adapted from materials submitted by the Office of the President, University California.

DISPLAY 8 *Compensation for Statewide Executives of the University of California as of July 1993 and January 1994*

Systemwide Position	Total Compensation, July 1, 1993: Base Salary	Total Compensation, July 1, 1993: Deferred Compensation[1,2]	Total Compensation, July 1, 1993: Total Cash Compensation[3]	Total Compensation, January 1, 1994	Retirement Annual NDIP#3 Substitute for 403(B), Vested January 1, 1994[1,4]	Special Supplemental Retirement Program[1]	University Housing Provided
President	$243,500	$36,500	$280,000	$280,000	$0	Yes[5]	Yes
Provost/Senior Vice President - Academic Affairs	190,000	0	190,000	190,000	0	No	No
Senior Vice President - Business/Finance	187,500	0	187,500	187,500	0	No	No
Vice President - Agriculture and Natural Resources	160,300	12,600	172,900	172,900	11,984	No	No
Vice President - University and External Affairs	166,800	13,200	180,000	180,000	22,806	No	No
Vice President - Health Affairs	165,000	13,100	178,100	178,100	15,284	No	No
General Counsel	183,900	12,300	196,200	196,200	19,674	No	No
Treasurer of the Regents	219,600	18,800	238,400	238,400	27,356	No	No
Associate Treasurer	162,900	11,700	174,600	174,600	16,178	No	No
Secretary of the Regents	NA	NA	NA	$102,700	0	No	No

1. Non-State funds.
2. Current estimated annual amount accrued if no forfeiture occurs. The remaining NDIPs will convert to base salary effective December 31, 1993. Total cash compensation will remain the same. No new NDIPs will be provided.
3. Subject to the annualized 3.5 percent temporary salary reduction in effect at the University in 1993-94 for which employees receive an equivalent credit at retirement or separation under the Capital Accumulation Provision account.
4. Provisions of the 1986 Tax Reform Act eliminated employer contributions to the 403(B) Supplemental Plan as of January 1, 1989. NDIP#3 substitutes for the former 403(B) plan, but is at risk of forfeiture and remains the same value as in effect on December 31, 1988. This amount is the annual contribution which earns interest. NDIP#3 expired January 1, 1994.
5. The president's SSR 1 benefit is a monthly benefit calculated at one-twelfth of 10 percent of his final year's base salary as chancellor at Irvine, and is paid for the number of months served as chancellor and as president. An additional SSR benefit, to be paid as a lump sum at retirement, is calculated at 13 percent of his annual base salary for each year of service as president.

Source: Adapted from material submitted by the Office of the President, University of California.

The University's president currently receives a base salary of $243,500 and is the only employee who continued after December 31, 1993, to participate in a deferred compensation program in the amount of $36,500 per year. However, President Peltason recently indicated that he will no longer participate in this program. As such, presidential compensation is now the base salary of $243,500.

Salaries at the vice presidential level range from $172,900 to $190,000. The remaining four positions -- general counsel, treasurer, associate treasurer, and secretary to the Regents -- entail specific responsibilities outside of traditional academia, and their compensation levels reflect the specialized experience and training requisite for handling those assignments.

Additional benefits that accrue to executive staff in the Office of the President include:

- Housing provided to the president for the purpose of conducting University business;
- Participation by the president in a Special Supplemental Retirement Program provided through non-State funds, although President Peltason has recently indicated that he will relinquish this benefit upon retirement when he would have received a lump-sum payment based upon his participation in this program;
- University-owned automobiles for the purpose of conducting University business;
- Health, welfare, and retirement benefits identical to those received by all permanent University employees; and,
- Expenses incurred in conjunction with University business that are reimbursable through the Administrative Fund under University guidelines.

Commission comments on executive compensation at the University

During the past two years, the University's efforts with respect to executive compensation have focused on three areas:

1. *Greater policy simplicity and comprehension:* Both the actual policy and its communication have centered on the need for greater understanding of the policy and for increased simplicity in its implementation. Benefits such as deferred compensation, tax planning, augmentation of severance pay for spouses, and paid leave for executives returning to the professorate led to the perception that University executives were becoming wealthy at the expense of the State's taxpayers. Whether or not this was the case, the perception took on a reality of its own. The difficulty of explaining these benefits both internally and to the general public contributed further to this perception.

2. *Greater equity of University benefits:* Efforts have been made to ensure that the perquisites available to executives are more like benefits accessible to other University employees, with the exception of the housing and automobile privileges. This process continues with the recent announcement by President Pel-

tason that he will not accept either deferred compensation or special retirement benefits to which he is entitled upon retirement.

3. *Reduction in compensation levels:* The University has made a conscious effort to reduce the compensation received by its executives. When the University filled vacancies in the positions described in this report, it reduced the actual compensation from the previous level. Specifically,

   - The former president's compensation was $307,900; the current president earns $280,000 but will be receiving only $243,500 of that amount because he is forfeiting $36,500 a year in deferred compensation.
   - The former senior vice president - academic affairs received $199,200; the current incumbent earns $190,000.
   - The former senior vice president - business and finance earned $199,200; the present incumbent receives $187,500.
   - Neither of the two recently appointed senior vice presidents receives a housing allowance, whereas in the past, the University provided each senior vice president with $40,000 a year for housing.
   - While extending beyond the time period covered by this report, the University has continued to reduce the level of executive compensation in its most recent chancellorial appointments. As Display 6 indicated, the previous chancellors at Davis and Santa Barbara earned $181,600 and $178,300, respectively, as of January 1, 1994. The new chancellors at these campuses will earn $180,600 and $175,000, respectively.

The Commission endorses these efforts of the University's administrative leaders and Regents, as well as their establishment of the internal alignment and set of relationships among and between campus-based and systemwide executives illustrated in Display 6, which should contribute to a sense that the University's executive compensation policy is rational throughout the entire system. Universit officials continue to indicate that few, if any, positions in academia nationally can be used for comparisons in setting systemwide executive salaries because of the size, scope, and complexity of the University as a whole. However, the delineation of functional relationships among positions throughout the University and the setting of compensation levels in accordance with those relationships should mitigate, to a great extent, the notion that salaries for executives in the Office of the President have been arbitrarily or capriciously determined. The Commission encourages the University to continue to clarify further these relationships.

Despite these improvements in policy, the Commission notes one continuing challenge regarding salary levels: The unfortunate gap between the mean salary earned by the University's campus executives and that of executives at their comparison institutions is undoubtedly greater today than the $27,365 indicated in this report. As with the State University, the reason for this conclusion is due to the discrepancy in time between the two reporting periods, with information on the comparison institutions' salaries for 1992-93 compared to salaries earned by University chancellors as of January 1994. The likelihood is great that the mean salary for the comparators as of the first of this year is higher than in the prior year and, as a consequence, the difference between that mean and the average compensation for chancellors is larger. Moreover, the inclusion in the calculation of mean compensation for University chancellors of the salary of the chief executive at the San Francisco campus -- a campus at which salaries are particularly high because of its health-science emphasis -- further increases the likelihood that the University's lag is, in fact, greater than discussed above because none of the comparator campuses is exclusively oriented to the health sciences.

In summary, the Commission supports the recent changes that the University has made in its executive compensation policy and the actions that flow from these changes. Further, it expects that these changes, along with greater attention both internally and externally in communicating them, will benefit the University in particular -- for example, in permitting consideration of more competitive salaries for its campus chancellors -- and California public higher education in general.

CALIFORNIA COMMUNITY COLLEGES

COMPENSATION OF CENTRAL OFFICE EXECUTIVE STAFF

An unusual pattern of executive compensation exists in the Chancellor's Office due to the process by which salary is determined for positions and the manner in which the executive table of organization is established.

Although the California Community Colleges are declared under legislative initiative AB 1725 to be a system, the central office remains part of state service with positions coming under the jurisdiction of civil service requirements. Position classification and compensation are not determined by the governing board (in our case the Board of Governors), as they are in other segments of higher education, but by the Department of Personnel Administration (DPA), the State Personnel Board and the Department of Finance.

When the Board of Governors approved the table of organization, recommended by Chancellor Mertes, neither the Board of Governors nor the Chancellor had the final say in the positions requested nor the compensation they received. For this reason there is a strange combination of exempt positions (exempt from civil service status and tenure), Career Executive Assignments (CEA) which retain civil service status and designated salary determination, and interjurisdictional exchange (IJEs) designations.

The reform legislation provided the Chancellor with six exempt positions appointed by the Governor. Although there was some flexibility with the appointment of these positions, their compensation was still determined by the Department of Personnel Administration. Individual pay letters were issued by DPA but due to the lack of competitive alignment with local community college districts there was no ability to recruit seasoned individuals with district expertise and advanced degrees. The result was that a number of IJE positions were established in order to staff the executive positions with persons with the expertise to do the job. This was accomplished by borrowing executives from their local districts to work in the central office while retaining their district compensations, which are substantially higher than what could be paid in the exempt or CEA state classifications. CEA classifications as opposed to exempt do have a salary range based upon time in state civil service.

COMPENSATION OF CENTRAL OFFICE EXECUTIVE STAFF (CONTINUED)

Negotiations with the Governor's Office began and a compromise was reached which narrowed the gap between the Chancellor's Office compensation for exempt positions, and what the individuals were already earning in their districts. Exempt positions are appointments of the Governor and are subject to termination with a 30-day notice. A single monthly rate of compensation was established in 1990 which remains unchanged today. Executive salaries still trail compensation in local districts for some positions by as much as 40 percent.

Not only have exempt salaries not increased, they were reduced by approximately five percent effective July 1, 1990. In lieu of the salary loss, exempt employees gain one day of personal leave per month. If there are any days remaining upon the departure of the employee, a cash equivalent will be paid at that time.

The Chancellor's base salary was designated at $106,404. However, the actual salary earned is frozen at $101,340 due to the salary rollback experienced by State executives in July 1991. Display 3 provides the designated not the earned salaries of the exempt employees. The reduction is expected to remain in effect indefinitely for all exempt employees. Medical, dental, vision and life insurance benefits for the Chancellor are the same as those received by State employees. The Chancellor receives no housing or car allowance from the State but he does have the use of a State car for business purposes as do all State employees conducting State business.

Table A displays the salaries of the executive staff of the central office which combines CEA, Exempt, and UE employees, as a result of the history described above. Alignment with local district staff or even internal alignment to compensate Vice Chancellors in a more uniform fashion is not possible under current law. Vice Chancellors receive a base salary without either car or housing allowances which are not permissible under current law.

CHIEF EXECUTIVE OFFICER COMPENSATION

The state of California contains 71 community college districts. Each of the districts has a locally elected board of trustees responsible for setting the compensation of the CEO. There is no central office determination of local CEO compensation nor any desire for there to be central determination of a local recruitment and financial issue. Of the 71 districts, 50 are single college districts with the CEO designated as President or President/Superintendent. The system also has 21 multi-college districts, and a CEO is usually designated as Chancellor, presiding over two or more colleges and centers. Each of the fully accredited colleges has a president presiding. Some of the multi-college campuses have enrollments of as many as 30,000 and others as few as 5,000. The largest district, Los Angeles, has nine separated accredited colleges, each with a campus President.

The community college system enrolls over 1.3 million students. It is large and extremely diverse in terms of district size and financial ability; therefore it is believed that the CEO compensation, is by virtue of the diversity of the system best determined by the local Board of Trustees. The great disparity of compensation speaks to the huge diversity within the system.

Table B displays the 1992-1993 highest level of compensation for the CEOs of single-college districts, and the compensation of the CEOs of the multi-college districts. Not displayed is the compensation of each of the presidents of the campuses within the multi-college districts.

TABLE A

CALIFORNIA COMMUNITY COLLEGES

CHANCELLOR'S OFFICE

COMPENSATION FOR EXECUTIVE STAFF
1992-1993

TITLE	DESIGNATION	1992-93 SALARY*
Chancellor	EXEMPT	106,404
Deputy Chancellor	UE	95,400*
Vice Chancellor Fiscal Policy	EXEMPT	91,224
Vice Chancellor Legal Affairs	CEA	84,192
Vice Chancellor Human Resources	EXEMPT	83,952
Vice Chancellor Economic Development/ Vocation Education	EXEMPT	83,952
Vice Chancellor Student Services and Spec. Prog.	EXEMPT	74,664
Vice Chancellor Curriculum & Instructional Resources	CEA	74,508
Vice Chancellor Strategic Issues and Resource Development	EXEMPT	71,220
Vice Chancellor Governmental Relations	CEA	67,788
Vice Chancellor Management Information Systems	CEA	67,788
Vice Chancellor Policy Analyses and Development	CEA	67,752

*Salary not subject to five percent reduction implemented July 1, 1990. Exempt salaries listed do not reflect the five percent reduction in actual compensation.

TABLE B

CALIFORNIA COMMUNITY COLLEGES

CHIEF EXECUTIVE OFFICERS' SALARIES

Maximum Salary Possible for 1992-93 Academic Year

DISTRICT	TITLE	1992-93 SALARY
Allan Hancock	President	95,000
Antelope Valley	President	105,404
Barstow	President	84,000
Butte	President	95,765
Cabrillo	President	95,000
Cerritos	President	106,260
Chabot-Las Positas	Chancellor	105,000
Chaffey	President	102,940
Citrus	President	95,411
Coast	Chancellor	119,309
Compton	President	88,760
Contra Costa	Chancellor	128,750
Desert	President	91,575
El Camino	President	100,000
Feather River	Chancellor	87,450
Foothill-DeAnza	Chancellor	113,432
Fremont-Newark	President	98,084
Gavilan	President	100,000
Glendale	President	101,000
Grossmont	Chancellor	102,500
Hartnell	President	96,831
Imperial	President	81,875
Kern	Chancellor	107,911
Lake Tahoe	President	84,975
Lassen	President	84,048
Long Beach	President	105,999
Los Angeles	Chancellor	119,214
Los Rios	Chancellor	110,000
Marin	President	100,000
Mendocino-Lake	President	84,018
Merced	President	92,880
Mira Costa	President	101,422
Monterey Peninsula	President	90,698
Mt. San Antonio	President	123,900
Mt. San Jacinto	President	103,896
Napa Valley	President	89,934
North Orange	Chancellor	107,728
Palomar	President	111,175
Palo Verde	President	83,000
Pasadena	President	115,000
Peralta	Chancellor	119,548

DISTRICT	TITLE	1992-93 SALARY
Rancho Santiago	Chancellor	102,893
Redwoods	President	93,500
Rio Hondo	President	104,635
Riverside	President	115,000
Saddleback	Chancellor	122,939
San Bernardino	Chancellor	106,464
San Diego	Chancellor	121,705
San Francisco	Chancellor	119,500
San Joaquin Delta	President	110,854
San Jose/Evergreen	Chancellor	110,000
San Luis Obispo	President	88,240
San Mateo County	Chancellor	110,160
Santa Barbara	President	98,439
Santa Clarita	President	105,000
Santa Monica	President	129,609
Sequoias	President	98,584
Shasta-Tehama-Trinity	President	93,200
Sierra Jt.	President	105,526
Siskiyous	President	81,200
Solano	President	87,825
Sonoma	President	112,000
Southwestern	President	109,133
State Center	Chancellor	121,992
Ventura	Chancellor	112,500
Victor Valley	President	124,824
West Hills	President	73,150
West Kern	President	87,675
West Valley-Mission	Chancellor	106,725
Yosemite	Chancellor	100,000
Yuba	President	111,490

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CALIFORNIA STATE UNIVERSITY EXECUTIVE COMPENSATION FEBRUARY 1994

The California State University (CSU) system is pleased to respond to the California Postsecondary Education Commission's (CPEC) request for executive compensation information. The following report addresses CSU's executive program:

Executive Compensation Policy

At the September 1993 Board of Trustees' meeting, the Trustees' adopted an Executive Compensation Policy for campus presidents and system executives with the primary objective of providing a total cash compensation program which recognizes individual performance and experience and addresses the need to maintain a competitive market position. Discussions about executive compensation had taken place with the Board of Trustees over the past several years focusing on the serious external competitive problems and internal inequities in the CSU executive salary program. The Executive Compensation Policy was developed to set forth clear objectives and methods for establishing equity and accountability, and it is as follows:

> The primary objective of the California State University (CSU) Executive Compensation policy shall be to provide total cash compensation to CSU campus presidents and system executives which will serve to maintain a competitive market position and recognize individual performance.
>
> The strategy for establishing executive pay levels and housing benefits shall include the following elements: market surveys of comparable positions at comparable public and private universities; information on other California education executive compensation levels; regular evaluations; regional cost-of-living differentials; and, recruitment and retention experience. The methodology to be implemented follows:
>
>> To establish the level of compensation required to recruit and retain executives, the CSU shall give primary consideration to data on executive compensation reported by the 20 institutions identified by CPEC for reporting on CSU faculty salaries.
>>
>> The CSU shall establish the target for the average total cash compensation of presidents as being approximately the mean for comparable positions in the 20 comparison universities with actual distribution based on the mission, scope, size, complexity, and programs of each campus; the formal recognition of individual performance and experience; and recruitment and retention experience.
>>
>> The CSU shall use the performance and experience of the individual, recruitment and retention experience, and specialized surveys to determine compensation for executives other than presidents.
>>
>> The CSU shall give primary consideration to national and regional housing costs for university executives to establish benefits levels to recruit and retain executives and once established, the Chancellor in consultation with the appropriate Trustee Committee shall adjust established housing benefits to reflect market increases in real estate prices, as needed, using data from published California real estate sales reports.

Commitment to Open Discussion

The CSU intends to maintain an open dialogue with the legislature, the executive branch, CPEC, as well as other public constituencies, concerning the role of compensation in recruiting and retaining high quality and experienced leadership to ensure fulfillment of the mission of the CSU and higher education in California. These discussions and actions will also be conducted during open sessions of the Board

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of Trustees' meetings, with advance information provided both to Board members and to other constituencies. The CSU distributed a detailed California State University 1993-94 employee compensation program question and answer document to members of the Legislature in December 1993. This paper focused on key inquiries and responses regarding CSU's proposed 1993-94 compensation program, and addressed specifically those questions raised by legislators and other public officials. Refer to Attachment A for a copy of that document

Presidential Compensation
At the January 1994 Board of Trustees' Meeting, the Trustees approved salary adjustments for 18 campus presidents, effective April 1994. These salary adjustments are a first step toward narrowing the gap between average CSU presidential salaries and those of the CPEC comparison group. As detailed in the executive compensation policy, the CSU establishes the target for the average total cash compensation of presidents as being approximately the mean for comparable positions in the 20 CPEC comparison institution group. Refer to Attachment B for the list of comparison institutions and salaries reported to the College and University Personnel Association (CUPA) in the Fall 1992 survey.

System Executive Compensation
In 1993, the CSU appointed a new Senior Vice Chancellor, Academic Affairs, a Vice Chancellor of Business and Finance and an interim Vice Chancellor of Institutional Development. The Trustees did not take action on compensation adjustments for systems executives at the January 1994 Board of Trustees' meeting. Compensation adjustments may be recommended for action at the March 1994 Board of Trustees' meeting, and if action is recommended, it is anticipated that the overall average increase will be comparable to those in negotiated settlements.

Executive Compensation Levels
The Trustees recognize compensation for presidents and system executives as a key element in the success of the California State University. Individual compensation is based on a number of factors, including mission, scope, size, complexity and programs, system and/or campus executive leadership ability, CSU networking and policy leadership, and national policy leadership. Additionally, individual performance and years of experience both at the CSU and elsewhere are critically important. Also, CSU's recruitment and retention experience strongly influences compensation and regional cost-of-living differentials are taken into consideration when establishing pay. As noted earlier, the CPEC comparison group is also an important target against which to measure presidential pay.

The pay relationships between system office executives and campus presidents is undergoing a profound shift which acknowledges the on-going decentralization of authority to the campuses.

Performance Reviews of Presidents and Systems Executives
CSU Trustees have formal policies and procedures for performance reviews of presidents, vice chancellors and the chancellor. The assessment criteria include, but is

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Page 3

not limited to, general administration effectiveness, working relations within the system and campus, educational leadership and effectiveness, community relations, personal characteristics, and management performance. Additionally, during performance evaluations, presidents are measured on their success in addressing issues of diversity of faculty, staff and students; graduation and retention rates of students; institutional advancement, including fund raising; and maintenance and preservation of the State's financial investment in the physical plant. Also, system executives are measured by major program achievements. All CSU executives are evaluated every three years and six years and the results are reported to the Board of Trustees.

At the January 25-26, 1994, Board of Trustees' meeting, the Trustees adopted a resolution that implemented a two year pilot program to revise the procedure for the triennial review of presidents. Under the revised procedure, the Chancellor will issue an "open letter" to the affected campus to inform of the routine review, the time frame, the criteria, and the methodology. The letter will also give direction to anyone who is not contacted either randomly or by virtue of office held but feels compelled to participate. After the Board of Trustees has received and discussed the triennial review, the chancellor will prepare a brief report to the campus community that brings conclusion to the review and informs the campus community of the major findings and the goals for the president and the campus for the next period. The existing formal performance policy remains intact, but these revisions strengthen the triennial review of presidents.

<u>Executive Housing</u>
Support for executive housing is an essential business and institutional advancement element in university systems and assistance with presidential housing is a standard component of the CSU executive compensation program. The CUs provides presidents with university-owned housing where available. Where university-owned housing is not available, the CSU provides presidents with housing allowances to assist them in securing and maintaining residences suitable for performing university-related business functions including public relations and institutional development activities. At the November 1993 Board of Trustees' meeting, Trustees adjusted annual housing allowances for selected CSU campuses as noted in Attachment C. The Trustees also provide the chancellor with a university residence and the executive and senior vice chancellors with housing allowances in recognition of their broad responsibilities for institutional development.

<u>Executive Recruitment and Retention Problems</u>
The CSU has had serious difficulty recruiting executives and retaining campus presidents in recent years. Higher education in California is part of a national system of colleges and universities that shares a very limited pool of qualified executives. Lately we have lost two presidents, with compensation shortcomings contributing directly to their reasons for leaving. It is anticipated that recruitment efforts to replace four campus presidents will be required in 1994. Current campus chief executives are under severe pressure to consider highly competitive offers from across the nation.

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Additionally, recruitment of executive candidates from underrepresented groups is a particularly challenging compensation issue because of the still limited pool of qualified candidates. Persons of color, and women, who are highly qualified for executive positions, are reluctant even to apply for CSU positions because of the erosion of fiscal resources throughout the state, combined with the very low salary situation at our institution, especially compared to national priorities for their employment. Recruiting persons of color and women for executive positions is a very high priority for the CSU, given our role in the state and the nation. Improving this situation quickly and dramatically is an absolute requirement both for educational value and for social justice.

It is essential that the vital role of the California State University in the development of an educated and effective workforce be maintained, and even enhanced, if the California economy is to recover and continue to grow, and funding for critical social programs is to be restored. In this era of significantly reduced resources and considerably raised expectations, the dynamic leadership of executives is the key element in keeping the engine of educational productivity and social enhancement operating at maximum efficiency. The CSU plays an important part in the present and future growth and economic health of California and the nation. Therefore, it is important that CSU executives be treated as the competent and competitive leaders the state requires.

<u>Executive Benefits</u>
CSU executives are provided with the same general benefits as the management group, with the exception of an annual physical examination. Health, welfare, and retirement benefit expenditure data is provided below:

Monthly CSU Benefit Costs

Medical	$323.00*
Dental	$ 53.99*
Vision	$ 8.75
Life/Acc. Death Insurance	$ 11.50
Medicare/OASDI	7.65% of base salary
PERS Retirement	9.939% of base salary
Long-Term Disability	.35% of base salary

* Cost for two party coverage

The CSU also provides mandated benefits to executives in the areas of industrial and non-industrial disability, workers compensation, and unemployment insurance.

The Trustees also provide the executive and senior vice chancellor with automobile allowances in recognition of their extensive systemwide responsibilities and frequent travel requirements.

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Reimbursable Expenses
Campus presidents receive a nominal entertainment allowance of $300 per month from the State's General Fund to defray costs incurred in the course of conducting official university and institutional development activities. Additionally, the Chancellor receives a $300 per month entertainment allowance while other Chancellor Office executives receive $83.33 per month.

Business expenditures that incur in the performance of duties are reimbursed according to the Internal Regulations Governing Reimbursement for Travel Expenses and Allowances; Rates for Housing and Lodging.

CSU Executive Compensation Report
Compensation includes base salary, deferred salary, housing allowance and automobile allowances. Attachment C provides compensation data for CSU executive staff as of February 1, 1994.

ATTACHMENT B

CALIFORNIA POSTSECONDARY EDUCATION COMMISSION (CPEC)

CSU FACULTY SALARY COMPARISON INSTITUTIONS

Public Institutions:

1. Arizona State University
2. Cleveland State University
3. George Mason University
4. Georgia State University
5. Illinois State University
6. North Carolina State University-Raleigh
7. Rutgers, The State Univ. of New Jersey - Newark
8. State University of New York-Albany
9. University of Colorado-Denver
10. University of Connecticut
11. University of Maryland-Baltimore
12. University of Nevada-Reno
13. University of Texas-Arlington
14. University of Wisconsin-Milwaukee
15. Wayne State University

Private Institutions:

1. Bucknell University
2. Loyola University-Chicago
3. Reed College
4. Tufts University
5. University of Southern California

PRESIDENTIAL SALARIES

Salary survey data on presidential salaries for the above institutions as reported to the College and University Personnel Association (CUPA) Fall 1992 survey. The survey reported unidentified data for 16 of the 20 comparison institutions as follows.

$240,000
175,000
159,400
157,500
151,003
150,542
149,997
140,000
140,000
132,600
130,614
126,800
124,160
115,000
113,800
112,116

MEAN SALARY $144,908.25

ATTACHMENT C

CSU EXECUTIVE COMPENSATION REPORT
Annual Compensation
(February 1994)

Name	Title	Current Base Salary	April '94 (1) Base Salary	Total Housing (2) Provided	Total Housing (2) Allowance	Car (3) Allowance
Campus Presidents						
Arciniega	Bakersfield	$118,212	$130,033		$12,000	
Esteban	Chico	$115,956	$121,753		$18,000	
Detweiler	Dominguez Hills	$116,760	$127,268		$15,000	
Welty	Fresno	$115,956	$132,189	Provided		
Gordon	Fullerton	$115,956	$128,711	Provided		
Rees	Hayward	$115,956	$129,870		$18,000	
McCrone	Humboldt	$122,880	$132,096		$12,000	
Anatol	Long Beach (Interim)	$117,768	$117,768	Provided		
Rosser	Los Angeles	$124,020	$136,422		$18,000	
Wilson	Northridge	$134,800	$138,844	Provided		
Suzuki	Pomona	$115,956	$125,232	Provided		
Gerth	Sacramento	$124,020	$140,142		$18,000	
Evans	San Bernardino	$118,764	$128,265		$15,000	
Day	San Diego	$122,292	$136,967		$18,000	
Corrigan	San Francisco	$120,012	$134,413		$30,000	
Evans	San Jose	$115,956	$124,072		$18,000	
Baker	San Luis Obispo	$124,020	$146,343	Provided		
Stacy	San Marcos	$115,956	$122,913		$22,800	
Armiñana	Sonoma	$117,960	$127,632		$15,000	
Kerschner	Stanislaus (Interim)	$128,304	$128,304		$12,000	
	Average Salary	$120,075	$130,462			
Executive Staff						
Munitz	Chancellor (4)	$175,000		Provided		
Broad	Executive Vice Chancellor	$138,504			$18,000	$9,000
Hoff	Sr. Vice Chancellor - Academic Affairs	$131,502			$18,000	$9,000
West	Vice Chancellor - Business and Finance	$135,000				
Cooper	Vice Chancellor - Human Resources/Operations	$120,504				
Patiño	Interim Vice Chancellor - University Advancement	$120,504				
Gomez	General Counsel	$129,996				

Notes:
(1) Adopted by the Board of Trustees January 26, 1994.
(2) Includes general and non-general fund allowances.
(3) Campus presidents and executive staff without a specified allowance may use a state owned vehicle for business purposes.
(4) Additional $10,000 in non-state deferred compensation.

ATTACHMENT A

THE CALIFORNIA STATE UNIVERSITY 1993/94 EMPLOYEE COMPENSATION PROGRAM

- QUESTIONS AND ANSWERS -

1. **Does the California State University (CSU) plan to provide compensation increases to its employees in the 1993/94 fiscal year?**

The CSU Board of Trustees approved a compensation increase budget to provide salary increases for faculty and staff. These funds have been set aside to meet the Legislature's intent, as expressed during the budget deliberations, to provide a negotiated salary increase for faculty and staff represented by collective bargaining unions. These funds will also provide a compensation increase for nonrepresented employees, including management and executives. It is expected that increases would be negotiated and implemented for a partial year only. CSU unions include the California Federation of the Union of American Physicians and Dentists, the California State Employees' Association, the California Faculty Association, the Academic Professionals of California, the State Employees' Trades Council and the State University Police Association. The CSU has already begun negotiating with the exclusive representatives of the collective bargaining units regarding salary increases for represented employees in 1993/94. Planning is underway to provide increases to managers and executives, including campus presidents, based upon individual performance and experience. The salary increase will come from the 1993/94 budget supplement. Revenue from students fees will not be used to provide salary increases. Question and answer 5 address available funds for salary increases in 1993/94.

2. **What is the CSU's policy on compensation?**

The goal of the CSU's compensation policy is to provide, within available resources, a competitive program that insures a reasonable level of compensation and recognizes meritorious performance for all employees. The CSU is working diligently to reshape its organization to deliver services to its students, as efficiently and cost effectively as possible. As it restructures its organization, the CSU has, and will continue to have, fewer people. doing more work and those people need to be paid competitively. An adequate compensation foundation needs to be established and maintained so the CSU can retain and recruit qualified and dedicated faculty, staff, managers and executives in this new era of fewer resources and higher expectations.

3. **When was the last time salary increases were granted for CSU employees?**

CSU employees in collective bargaining units last received general salary increases in January 1991. Some eligible employees in collective bargaining units did receive Merit Salary Adjustments (MSAs) in fiscal years 1990/91 and 1991/92, but only those employees represented by the State Employees' Trade Council received MSAs in the 1992/93 fiscal year. MSAs, which are essentially automatic non-discretionary steps on a salary schedule, amount to approximately 4.9%, and those employees at the top of the salary schedule do not receive them. MSAs do not exist for managers or campus presidents. Managers and campus presidents are not represented by collective bargaining and have not received any salary increases since January 1991.

4. **What determines how much salary increase an employee may receive?**

Employees who are not in collective bargaining units, including managers and campus presidents, receive salary increases based upon individual performance. Salary increases for employees in collective bargaining units are subject to negotiation with the exclusive

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representative of the collective bargaining unit. When the CSU negotiates with the collective bargaining representative, an identified pool of funds is normally available that reflects funding sufficient to negotiate a reasonable compensation plan involving general salary adjustments, as well as salary adjustments based on merit.

5. **Does the CSU have funds available for salary increases in 1993/94?**

The CSU received a $50 million supplement to its 1993-94 budget very late in the legislative process. It is directing the majority of those funds toward course section restoration and an increase in student enrollment. However, consistent with legislative interest expressed during those budget deliberations, the Trustees are proceeding to negotiate salary increases for faculty and staff, and one-third of the supplemental funds have been set aside for that purpose. This $17 million pool has been set aside in the current year's budget to meet expression of legislative priority, both by providing the first negotiated salary increase for faculty and staff in collective bargaining – exclusive of MSAs – since January 1991, and to negotiate the possibility of MSAs for faculty and staff collective bargaining units. At the moment, no specific compensation increases have been determined, since we are still negotiating with all our appropriate union representatives.

At the same time, the Trustee action envisions that within the $17 million pool there will be funds sufficient to provide merit increases to the relatively small percentage of employees who are not in collective bargaining units. The assumption is that these modest salary adjustments for all categories of employees would be no sooner than the final quarter of 1994.

A salary increase is needed to be able to retain and recruit quality faculty, staff, managers and executives and is directly linked to the benefit of students, who are the top priority of the CSU. The CSU strives to provide quality education to an increasingly diverse student population. As additional funds have come to the CSU, restoration of class sections and student services have been foremost in the CSU's actions. Revenue from the increase in student fees is being used to provide student financial aid, to add course sections, to improve support for the libraries, to procure instructional equipment, and to address needed repairs to CSU facilities. At the same time, the funds and uses described immediately above are also essential to student needs and program quality.

6. **When will salary increases be effective in the 1993/94 year?**

The effective date for increases for employees in collective bargaining units will not be known until negotiations with the exclusive representatives of these units are completed and ratified. Negotiations are currently underway. Increases for employees who are not in collective bargaining units, including managers and presidents, will not be effective until 1994 and the specific date will generally coincide with the date of implementation of negotiated agreements.

7. **Will the majority of CSU employees receive pay increases as the result of collective bargaining agreements?**

Yes, the California Faculty Association and five staff unions represent the majority of CSU employees, approximately 92% of the CSU's total employment. Pay increases for these groups are negotiated through the collective bargaining process. Managers and the 20 campus presidents represent approximately 8% of the population.

8. **Is there a clearly defined CSU executive compensation program and policy?**

At its September 1993 meeting, the Board of Trustees' adopted an Executive Compensation Policy for campus presidents and system executives with the primary objective of providing a total cash compensation program which recognizes individual performance and experience and addresses the need to maintain a competitive market position. Discussions about executive compensation had taken place with the Board of Trustees over the past several years focusing on the serious external competitive problems and internal inequities in the CSU executive salary program. .he Executive Compensation Policy was developed to set forth clear objectives and methods for establishing equity and accountability, and it is available upon request.

It is the intention of the CSU Trustees to maintain open dialogue with the legislature, the executive branch, the California Postsecondary Education Commission (CPEC) and other relevant agencies regarding compensation adjustments. Trustee action is not expected until 1994, in part to have a more timely and candid exchange as the legislative session begins, and in part, to continue adjusting our policy to meet public concerns and expectations.

9. **What is the strategy and methodology for establishing pay levels for campus presidents?**

Compensation recognizes individual performance and experience, as well as the CSU's recruitment and retention experience. Additionally, compensation is based on mission, scope, size, complexity, and programs of each campus. Regional cost-of-living differentials are also taken into consideration when establishing pay. The CSU analyzes data on presidential compensation reported by the California Postsecondary Education Commission (CPEC) comparison group for CSU faculty salaries. It then targets the average total cash compensation of the presidents as being approximately the mean for comparable positions in the CPEC comparison group.

10. **Do the CSU Trustees have formal policies and procedures for performance reviews of presidents?**

Yes. The CSU Trustees adopted formal policies and procedures for periodic review of presidents, vice chancellors and the chancellor at the September 15-16, 1987, Board of Trustees' meeting. The criteria for assessment include, but are not limited to, general administration effectiveness, working relations within the system and campus, educational leadership and effectiveness, community relations, personal characteristics, and management performance. Additionally, during performance evaluations, presidents are measured on their success in addressing issues of diversity of faculty, staff and students; graduation and retention rates of students; institutional advancement, including fund raising; and maintenance and preservation of the State's financial investment in the physical plant. All CSU executives are evaluated every three years and the results are reported to the Board of Trustees.

11. **What is the relationship of the CSU to the California Postsecondary Education Commission (CPEC) regarding CSU salaries?**

CPEC (and its predecessor agency) has been providing reports to the Legislature regarding faculty pay in the CSU and UC since the early 1960s. In the early 1980s the Legislature directed CPEC to include in its report on faculty salaries, information on CSU and UC administrative salaries. In other words, CPEC provides comparative information and analysis to the Legislature on CSU compensation practices.

The CSU has worked with CPEC and the Legislature to establish an appropriate set of comparison institutions to evaluate pay practices for faculty, administrative, and executive positions. Twenty institutions are in the CPEC comparative group.

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12. **What is the relationship of CSU salaries for faculty and presidents to these CPEC comparison institutions?**

As of November 1992, average full-time CSU faculty salaries lag the average faculty salaries reported to the CPEC comparison group by approximately 8%. The compensation increase that will be negotiated for the 1993/94 fiscal year with the exclusive representative of the faculty, the California Faculty Association, will help to narrow that gap. The average CSU presidential compensation trails the average presidential salaries reported to the CPEC comparison group. However, for presidential salaries, the gap is almost triple that for faculty, at approximately 20%.

13. **Are the Trustees considering a 20% across-the-board increase for presidents to make up for the CPEC comparison group lag?**

No. The Trustees do NOT intend to provide a 20% across-the-board increase to presidents even though the average CSU presidential compensation trails the average presidential salaries for the CPEC public and private comparison group by more than that amount. The CSU gives consideration to data on presidential compensation reported by CPEC; however, merit salary increases are provided to presidents based upon the various factors noted in questions 9 and 10.

14. **What influence do the CPEC comparison institutions have when setting and/or adjusting salaries for presidents?**

The CSU executive compensation policy targets presidential compensation based very strongly upon the current CPEC comparison group, and upon discussion with their staff. The CSU establishes the target for the average total cash compensation of presidents as being approximately the mean for comparable positions in the 20 comparison institutions.

15. **What universities are included in the most recent CPEC comparison group?**

Twenty institutions are in the CPEC comparative group:

Public
Arizona State University
Cleveland State University
George Mason University
Georgia State University
Illinois State University
North Carolina State University - Raleigh
Rutgers, State University of New Jersey, Newark
State University of New York - Albany
University of Colorado - Denver
University of Connecticut
University of Maryland - Baltimore
University of Nevada - Reno
University of Texas - Arlington
University of Wisconsin - Milwaukee
Wayne State University

Private
Bucknell University
Loyola University (Chicago)
Reed College
Tufts University
Univ. of Southern California

16. **How are the presidential salaries in the CPEC comparison group obtained?**

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CPEC comparison presidential salaries are obtained by the College and University Personnel Association (CUPA), an independent third-party survey source. The latest reported salary data set is for Fall 1992.

17. **What presidential salaries were reported to College and University Personnel Association (CUPA) for the Fall 1992 survey?**

Sixteen of the twenty CPEC comparison institutions reported data on presidential salaries to CUPA. Four institutions did not submit data to CUPA and were not included in the report: Georgia State University; Rutgers, State University of New Jersey, Newark; Tufts University; and, University of Southern California. As is typical in salary surveys, reporting institutions are listed, but they are not publicly identified with their salaries.

$240,000
175,000
159,400
157,500
151,003
150,542
149,997
140,000
140,000
132,600
130,614
126,800
124,160
115,000
113,800
112,116

18. **What is the average CSU presidential salary and how does that salary compare to average CPEC comparison salary for campus presidents?**

The average of CSU presidential salaries is $120,075. The average for CPEC comparison institutions, excluding the four institutions who did not report presidential compensation to CUPA (Tufts, Rutgers, University of Southern California and Georgia State) is $144,908. The average CSU presidential compensation trails the average presidential salaries for this group of public and private institutions by more than 20%.

19. **If the CSU eliminates the high and low reporting salaries, what impact does that have on the comparison?**

If the CSU eliminates the high and low salary from the reporting institutions in the CPEC listing, the CPEC average is reduced to $140,458, which is still approximately 17% greater than the CSU presidential average. The CSU does eliminate the high and low values, based on expert opinion, in order to prevent extremes from misleading the overall average results.

20. **What are the presidential salaries of the four institutions that did not report that data to CUPA in the Fall of 1992?**

The private institutions (USC and Tufts University) are not required to make salary information public, although it can be assumed that their salaries would be in the upper third of the survey range of salaries.

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The CSU did contact the two non-reporting public institutions by telephone in September 1993 requesting presidential salary data. Georgia State University reported $153,740 and Rutgers University at Newark reported $108,000. (*Please be advised that the two salaries were obtained via telephone September 1993 and that data obtained outside the formal CUPA survey cannot be completely relied upon and are not part of the CUPA Fall 1992 data set.*)

Adding salaries for these two institutions to the listing reported to CUPA produces the following new listing:

$240,000
175,000
159,400
157,500
153,740
151,003
150,542
149,997
140,000
140,000
132,600
130,614
126,800
124,160
115,000
113,800
112,116
108,000

The new overall average is $143,348, which is approximately 19% greater than the CSU average. When the high and low are eliminated, the average changes to $139,517, which is approximately 16% greater than the CSU average.

21. **Is there a current problem recruiting and retaining qualified individuals to serve as CSU campus presidents?**

Yes. the CSU has had serious difficulty recruiting and retaining campus presidents in recent years. Lately we have lost two presidents, with compensation shortcomings contributing directly to their reasons for leaving. In addition, other current campus executives are under severe pressure to consider highly competitive offers across the country, and the recruitment of presidential candidates, most particularly those from underrepresented groups, is also becoming increasingly difficult. Persons of color, and women, who are highly qualified for executive positions, are reluctant even to apply for CSU positions because of the erosion of fiscal resources through the state, combined with the very low salary situation at our institution, especially compared to national priorities for their employment.

The San Jose State University recruitment of an executive from outside California failed two years ago, and compensation was cited as one of the major reasons for that loss. In fact, we have been successful in only one such external recruitment in the past two years, and that situation required complex negotiation efforts that concluded with a placement meaningfully beyond the top of existing presidential salaries. Indeed, there is now an equal crisis relating to the hiring of vice presidents and deans for professional colleges, since the presidential salaries are pressing so low upon any negotiating range for other senior officials. The national market is even further above CSU at these positions.

CSU presidents who were successfully hired from within and without the system in recent years were advised during the recruitment process that the Trustees were committed to moving forward and providing competitive and equitable salaries. The worst example of candidates being misled was in 1990, when two of the current presidents were appointed to their positions and they accepted those responsibilities with offers of specific salaries. However, both were told after arrival that the salaries offered could not be provided, since public distress over the process of determining an earlier chancellor's compensation led the Board of Trustees to lower the salaries of campus executives as well.

22. **Why is recruitment of presidential candidates from underrepresented groups a particularly challenging compensation issue?**

Recruitment of candidates from underrepresented groups for campus presidents is difficult because of the still limited pool of qualified candidates. Historically, persons of color, and women, have not had comparable opportunities to advance and participate in university positions that would prepare them for campus leadership. Although the pool of qualified individuals with administrative experience has increased – thanks in significant measure to recent CSU executive activities – demand still far exceeds the supply. Across the country prestigious institutions are actively recruiting these candidates, and frequently those colleges and universities offer attractive salaries with which we have been totally unable to compete, since this is clearly a market driven issue. Recruiting persons of color and women for executive positions is a very high priority for the CSU, given our role in the state and the nation, and we are beginning to have great success training and finding these candidates – then lose these strong managers to other institutions. Compensation remains the one vital key to the recruitment and retention of superb university leaders. Improving this situation quickly and dramatically is an absolute requirement both for educational value and for social justice.

23. **Does the CSU compare its presidential salaries against those of UC campus executives?**

UC is NOT included in the CPEC comparison group, but the CSU and the national higher education marketplace are affected by the salaries paid to UC campus executives. The CSU and UC compete for executives from the same limited national pool of qualified applicants and the difference between CSU and UC campus executives salaries is *even greater than those of the comparison institutions.* Additionally, CSU and UC campuses are located in many of the same California locations with similar regional living costs; therefore, it is important that CSU informally consider UC campus executive compensation as a basis of comparison when setting salaries for CSU presidents. The CSU plays an important part in the present and future growth and economic health of California and the nation. Therefore, it is important that presidents of the complex and demanding CSU campuses be treated as the competent and competitive leaders the state requires.

24. **Why should anyone making over $100,000 a year, and committed to public service, expect more money at a time when welfare benefits and other basic social programs are being cut dramatically?**

It is essential that the vital role of the California State University in the development of an educated and effective workforce be maintained, and even enhanced, if the California economy is to recover and continue to grow, and funding for critical social programs is to be restored. In this era of significantly reduced resources and considerably raised expectations, the dynamic leadership of the campus president is the key element in keeping the engine of educational productivity and social enhancement operating at maximum efficiency. There is, simply, no substitute for the years of unique experience, the energy, and the creativity that these individuals bring to their assignments.

The California State University
1993/94 Employee Compensation Program
Page 8

At the same time, higher education in California is part of a national system of colleges and universities that shares a very limited pool of qualified executives, and the current campus chief executives are under severe pressure to consider highly competitive offers from across the nation. Moreover, the recruitment and retention of presidential candidates from underrepresented groups is becoming increasingly difficult, as described above. The CSU campus presidents have clearly demonstrated their dedication and commitment by the superb manner in which they have guided their institutions through some of the most difficult times in the history of public higher education. Now the state should recognize this dedication, commitment, and success, and the reality of the national competition for talented educational leaders, so that the California State University may continue its efforts to improve the California economy and to restore social benefits. Dedicated, high quality public service still requires fair recognition. No matter how loyal and caring any campus Chief Executive Officer remains, the national pressure for excellent leadership will remove those valuable managers from California's resource base if the current inequity is not corrected.

25. **When do the CSU Trustees expect to discuss salary adjustments for campus presidents?**

It is expected that presidential salary adjustments will be discussed and adjustments will be recommended at the January 25-26, 1994, Board of Trustees' meeting at the same time all other compensation issues are debated. Discussions will be conducted in open session with the effective date no sooner than April 1994.

26. **Is it the intent of the CSU Trustees to maintain open discussions regarding the setting of executive compensation?**

The CSU intends to maintain an open dialogue with the Legislature and the executive branch, as well as other public constituencies, concerning the role of compensation in recruiting and retaining high quality and experienced leadership. These discussions and actions will also be conducted during open sessions of the Board of Trustees' meetings, with advance information provided both to Board members and to other constituencies.

High quality, visionary, dedicated, and energetic campus and system leadership must lead the CSU into the 21st century. Inadequate compensation for that leadership cannot be ignored. The CSU is experiencing retention and replacement difficulty at the most challenging and critical time in California higher education history, and if it continues, this state's traditional higher education values are in great jeopardy.

December 1993

1993-94 ANNUAL REPORT ON ADMINISTRATIVE SALARIES
UNIVERSITY OF CALIFORNIA

PART I: Policies on Compensation and Benefits for Senior Administrators

On December 10, 1992, The Regents approved revised policies on compensation and benefits for senior administrators. Those policies are summarized below.

A. Compensation Policy

(1) Total cash compensation shall serve to maintain a competitive market position and recognize individual performance.

(2) Compensation programs shall be clear and simple to enhance internal and external understanding of the basis for and components of compensation.

(3) The methodology for establishing executive pay levels shall continue to be parallel to that utilized for faculty and staff and, therefore, shall include the following elements: use of market surveys of comparable positions at comparable public and private universities; review of internal relationships; and consideration of recruitment and retention experience. The methodology to be implemented follows:

(a) The University shall adopt the UC/CPEC common methodology for market surveys for Chancellors' compensation, which utilizes the All University Set of 26 public and private universities, and calculates comparisons to the market average, expressed in terms of leads and lags. (Data on the Comparison 8 institutions will continue to be reported as well).

(b) The University shall establish the target for the average total cash compensation of Chancellors as being approximately the mean of the All University Set, with actual distribution based on scope, size, complexity, and quality of each campus; performance and experience of each individual; and recruitment and retention experience.

(c) The University shall use internal relationships, coupled with the performance and experience of the individual, and recruitment and retention experience, to determine compensation for other executives, supplemented by specialized surveys for positions not adequately represented in the All University Set.

(d) For systemwide positions, the factors listed in (c) above shall be utilized to determine appropriate compensation levels, with emphasis on internal alignment.

In its 1990 report to the Legislature, CPEC noted that "the University of California is the largest and most complex centrally administered higher education doctoral degree-granting and research enterprise in the nation". Therefore, while Chancellor positions at the University of California are relatively easy to compare to comparable positions in other universities, the size, scope and complexity of the University as a whole makes it difficult to find survey matches for senior systemwide positions.

The compensation of senior systemwide officials should reflect their key role in determining policy and strategic direction for the entire institution. The unique relationship between campus offices and systemwide offices is not easily reflected in a traditional, hierarchical organization chart based on reporting relationships. However, if compensation is structured so that the middle group of Chancellors are paid, on average, at the market mean of the All University Set, the appropriate salary levels for each group of positions can be established. Using Chancellors as the benchmark positions, these unique relationships have been translated into a salary structure, as depicted below:

President
Chancellors - UCB, UCLA
Senior Vice Presidents
Chancellors - UCD, UCI, UCSD, UCSB
Vice Presidents
Chancellors - UCR, UCSC

UCSF is not included in this structure in view of its unique position within the University as a health sciences institution. Compensation requirements for specialized positions such as the General Counsel or Treasurer are not included in this structure, but rather are assessed in relation to the unique labor market they occupy.

(4) With regard to deferred compensation, a three step plan was implemented to phase-out deferred compensation by December 31, 1993, and convert deferred compensation to base salary, dollar for dollar. The result was that by December 31, 1993, the total compensation of affected executives is the same as on January 1, 1993; however, the compensation previously provided in the form of non-qualified deferred income plans is provided in the form of base salary. Attachment I-A displays total compensation reflecting the phase-out.

B. Supplemental Benefits

Any supplemental benefits provided to senior administrators shall be determined on the basis of their prevalence among comparable public and private universities, and the extent to which they are critical to the University in recruiting and retaining key personnel.

(1) University-Provided Housing

The President and Chancellors shall be required to live in a University house, with the alternative of a housing allowance provided only if suitable University housing is not available. Either a house or a housing allowance shall be provided, but not both. Inclusion of the value of the house or housing allowance in the definition of covered compensation for the UCRP pension plan shall be discontinued, effective January 1, 1994.

(2) Executive Tax and Financial Planning Program

Discontinued, effective January 1, 1993.

(3) Special Augmentation to the Severance Pay Plan for Associates of the President/Chancellors

Discontinued, effective January 1, 1993.

(4) Executive Life Insurance Program

Coverage reduced to a rate of two times salary for Executive grades A through E, effective April 1, 1993.

(5) Supplemental Vacation

Eliminated, effective January 1, 1993.

C. Health, Welfare, and Retirement Benefits

Senior administrators at the University of California receive the same health, welfare, and retirement benefits provided to all career employees. Attachment I-B indicates the average cost of these benefits. Actual costs for individuals will vary according to the plan and coverage selected.

D. Expense Accounts

All administrators at the University of California are subject to University guidelines regarding reimbursement of business expenses. In addition, the most senior administrators are eligible for reimbursement of business expenses from the Administrative Fund. The Guidelines for use of this fund are attached.

PART II: Compensation of Chancellors - Market Comparisons

In accordance with the joint UC/CPEC common methodology, the All University set of 26 institutions has been used as the basis for market comparisons for the benchmark position of Chancellor. The University's lag to market (the percent by which UC salaries would have to be increased to match the market) has been calculated using total cash compensation, which includes base salary, any other cash, such as stipends, and any deferred compensation. The University has phased out deferred compensation and converted it to base salary. This process was completed on January 1, 1994.

The lag to market for total compensation is summarized below:

Average Total Compensation
Chancellors
(in thousands)

UC	All University Set	UC Lag
$188,400	$215,765	14.5%

In 1991-92 the average UC compensation for Chancellors was $189,989. Average compensation fell in 1992-93, and again in 1993-94, due to the fact that the compensation of newly appointed chancellors at UC Irvine and UC San Francisco is less than that of the previous incumbents. Average compensation at other institutions has increased while UC's compensation for Chancellors has been frozen since January, 1991, or in the case of new appointees, has been reduced.

Data was also gathered on the Comparison 8 institutions. For 1992-93 the average total cash compensation for this group was $212,148. The UC lag to market is 12.4%.

Part III: Changes in Compensation Levels

Compensation for all UC executives, including that of systemwide officials, has been frozen between January 1, 1991 and December 31, 1993. Effective January 1, 1994, only those executives at the lowest grade levels whose compensation was less than $125,000 were eligible for six-month performance-based merit increases (averaging 2%, consistent with the level of merit increases provided to faculty and staff). (UC staff were eligible for six-month merit increases in 1993-94; UC faculty were eligible for full-year merit increases.)

As previously reported to CPEC and as noted below and in Attachment II, the three most senior executives who were recently appointed (President, Provost and Senior Vice President--Academic Affairs, and Senior Vice President--Business and Finance) are receiving total cash compensation below that received by the previous incumbents.

	Former Incumbent's Total Compensation	Current Incumbent's Total Compensation*
President	$307,900	$280,000
Provost and Senior Vice President--Academic Affairs**	199,200	190,000
Senior Vice President--Business and Finance**	199,200	187,500

* Total compensation reflects January 1, 1994 salaries.
**New incumbents do not receive housing allowance of $40,000.

Deferred Compensation

Deferred compensation, which had been provided to the 10 most senior positions in the reporting group, was converted to base salary beginning January 1, 1993 and ending January 1, 1994, except for the President and the Laboratory Directors. The President's deferred compensation will end on September 1, 1995. Changes in compensation for the Laboratory Directors is implemented only as approved by the Department of Energy. Deferred compensation for Laboratory Directors will end as contracts expire. For executives with deferred compensation, the net change in total cash compensation from 1992-93 to 1993-94 is zero.

JULY 1, 1993 AND JANUARY 1, 1994 BASE SALARY, COMPENSATION AND BENEFITS FOR KEY EXECUTIVES

EXECUTIVE	TITLE	REGULAR COMPENSATION: ANNUAL BASE SALARY ALL FUNDS 07/01/93	REGULAR COMPENSATION: STATE FUNDED PORTION 07/01/93	DEFERRED COMPENSATION: ANNUAL FACE VALUE OF BASIC NDIPS 07/01/93 A) B)	TOTAL CASH COMPENSATION 07/01/93 *	REGULAR COMPENSATION: ANNUAL BASE SALARY ALL FUNDS 01/01/94	REGULAR COMPENSATION: STATE FUNDED PORTION 01/01/94	DEFERRED COMPENSATION: ANNUAL FACE VALUE OF BASIC NDIPS 01/01/94 A) B)	TOTAL CASH COMPENSATION 01/01/94 *	RETIREMENT BENEFITS: ANNUAL NDIP #3 SUBSTITUTE FOR 403(B) (VESTED 1/1/94) A) C)	RETIREMENT BENEFITS: SPECIAL SUPPLEMENTAL RETIREMENT PROGRAM A)	HOUSING: UC HOUSE UTILIZED	HOUSING: HOUSING ALLOWANCE ANNUAL A)
PELTASON	PRESIDENT	243,600	87,400	36,600	280,000	243,600	87,400	36,600	280,000		YES D)	YES	
MASSEY	PROVOST/SVP—ACAD AFFRS	190,000	78,000		190,000	190,000	75,000		190,000				
KENNEDY	SVP—BUS & FINANCE	187,500	75,000		187,500	187,500	78,000		187,500				
FARRELL	VP—ANR	160,300	62,276	12,600	172,900	172,900	105,984		172,900	11,084			
BAKER	VP—UNIV & EXT RELS	166,800	66,720	13,200	180,000	180,000	72,000		180,000	22,600			
HOPPER	VP—HEALTH AFFRS	165,000	66,000	13,100	178,100	178,100	71,240		178,100	15,284			
HOLST	GEN COUNSEL/VP-LEGAL AFFR	183,900	73,560	12,300	196,200	196,200	78,480		196,200	10,874			
GORDON	TREASURER - REGENTS	210,600	0	18,800	238,400	238,400	0		238,400	27,358			
SMALL	ASSOC TREASURER - REGENTS	162,900	0	11,700	174,600	174,600	0		174,600	16,178			
TRIVETTE	SECRETARY - REGENTS	NA	NA	NA	NA	102,700 E)	41,080		102,700				
TIEN	CHANCELLOR, UCB	175,000	175,000	16,500	191,500	191,500	191,500		191,500			YES	
HULLAR	CHANCELLOR, UCD	167,000	167,000	14,600	181,600	181,600	181,600		181,600	16,388		YES	
WILKENING	CHANCELLOR, UCI	179,900	179,900		179,900	179,900	179,900		179,900			YES	
YOUNG	CHANCELLOR, UCLA	188,400	188,400	16,500	204,900	204,900	204,900		204,900	27,542	YES D)		41,710
ORB [illegible]H	CHANCELLOR, UCR	150,000	150,000	15,000	165,000	165,000	165,000		165,000			YES	
ATKINSON	CHANCELLOR, UCSD	174,200	174,200	15,200	189,400	189,400	189,400		189,400	20,634		YES	
MARTIN	CHANCELLOR, UCSF	240,000	151,200		240,000	240,000	151,200		240,000			YES	
UEHLING	CHANCELLOR, UCSB	164,000	164,000	14,300	178,300	178,300	178,300		178,300	14,650		YES	
PISTER	CHANCELLOR, UCSC	150,000	150,000	15,000	165,000	165,000	165,000		165,000			YES	

A) NON-STATE FUNDS

B) CURRENT ESTIMATED ANNUAL AMOUNT ACCRUED IF NO FORFEITURE OCCURRED. WITH THE EXCEPTION OF THE PRESIDENT, THE REMAINING NDIPS WILL CONVERT TO BASE SALARY EFFECTIVE DECEMBER 31, 1993. TOTAL CASH COMPENSATION WILL REMAIN THE SAME. NO NEW NDIPS WILL BE PROVIDED.

C) PROVISIONS OF THE 1986 TAX REFORM ACT ELIMINATED EMPLOYER CONTRIBUTIONS TO THE 403(B) SUPPLEMENTAL RETIREMENT PLAN AS OF JANUARY 1, 1989. NDIP #3 SUBSTITUTES FOR THE FORMER 403(B) PLAN, BUT IS AT RISK OF FORFEITURE AND REMAINS THE SAME VALUE AS IN EFFECT ON DECEMBER 31, 1988. THIS AMOUNT IS THE ANNUAL CONTRIBUTION WHICH EARNS INTEREST. NDIP #3 EXPIRES JANUARY 1, 1994.

D) PRESIDENT PELTASON: SSR 1 BENEFIT IS A MONTHLY BENEFIT CALCULATED AT 1/12TH OF 10% OF CHANCELLOR PELTASON'S FINAL YEAR'S ANNUAL BASE SALARY, AND IS PAID FOR THE NUMBER OF MONTHS SERVED AS CHANCELLOR AND AS PRESIDENT. AN ADDITIONAL SSR BENEFIT, TO BE PAID AS A LUMP SUM AT RETIREMENT, IS CALCULATED AT 13% OF PRESIDENT PELTASON'S ANNUAL BASE SALARY FOR EACH YEAR OF SERVICE AS PRESIDENT.

CHANCELLOR YOUNG: SSR 1 BENEFIT IS A LUMP SUM PAYMENT EQUAL TO 10% OF 1/12 OF HIGHEST AVERAGE PLAN COMPENSATION, FOR THE NUMBER OF MONTHS SERVED AS CHANCELLOR AND IS DISCOUNTED TO PRESENT VALUE. AN ADDITIONAL BENEFIT, SSR 2, INDEMNIFIES CHANCELLOR YOUNG FOR THE DIFFERENCE BETWEEN RETIREMENT BENEFITS UNDER THE APPLICABLE UNIVERSITY DEFINED BENEFIT RETIREMENT PLAN AND THE MAXIMUM BENEFITS PERMITTED BY IRC SECTION 401(A)(17) AND 415. THESE BENEFITS ARE AT RISK UNTIL RETIREMENT.

E) APPOINTMENT EFFECTIVE 11/01/93

COMPBEN1 HUB
01/26/94

*Subject to the annualized 3.5% temporary salary reduction in effect at UC in 1993-94 for which employees receive an equivalent credit at retirement or separation under the Capital Accumulation Provosion account.

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Attachment I-B

HEALTH, WELFARE, AND RETIREMENT BENEFITS
FOR UNIVERSITY OF CALIFORNIA CAREER EMPLOYEES
1992 COMPOSITE COST

Medical	$ 306.76
Dental	36.66
Optical	8.97
Life	5.90
Disability	7.63
Unemployment Ins.	.13%[1]
UC Retirement Plan	11.72% (non-Safety); 12.45% (Safety)[2]
Medicare/OASDI	7.65%

[1]Calculations for unemployment insurance are done on a periodic basis. The percentages change based on asessment rates. The rates vary by personnel program but the claim costs are unavailable at this level of detail. The total 9-campus unemployment insurance benefit charges divided by the total 9-campus unemployment insurance covered wages for fiscal year 1991/92 were used in the calculations. Formula = Total UI Claims Paid/Total UI Covered Payroll.

[2]Value of one year of service. Currently not funded due to full-funding limit of UC Retirement Plan.

Attachment II

The University of California
Compensation Ranges for Selected Office of the President
Administrative Positions
1993-94

Title	No. of Positions	Annual Fiscal[1] 1993-94 Compensation Range	Increase/ Decrease from 1992-93
Administrative Officers			
President	1	\$280,000[2]	-9.06%
Provost and Senior V. P.--Academic Affairs	1	190,000[3]	-4.62%
Senior Vice President--Business and Finance	1	187,500[4]	-1.69%
Vice Presidents	3	172,900 to 180,000	0%
Associate Vice Presidents	4	122,800 to 137,700	0.73%[5]
Assistant Vice Presidents	8	105,000 to 127,500	1.90%[6]
University Controller	(vacant)		
Director of State Governmental Relations	1	116,300	2.00%
University Auditor	(vacant)		
Regents' Officers			
General Counsel	1	\$196,200	0%
Treasurer	1	238,400	0%
Associate Treasurer	1	174,600	0%
Secretary	1	102,700[7]	-11.70%

Please note: Executives whose permanent salaries do not exceed the range maximum of \$125,000 were eligible for a half-year merit increase effective January 1, 1994.

[1]Salary rates from January 1, 1993 to January 1, 1994; subject to the 1993-94 temporary salary reduction as implemented.

[2]Appointment effective October 1, 1992. Base salary is \$243,500, plus \$36,500 in deferred compensation which will expire in 1995 and will not be converted to base salary.

[3]Appointment effective April 1, 1993.

[4]Appointment effective June 1, 1993.

[5]Merit increase of 0.73% represents an increase for one eligible incumbent whose salary is below \$125,000, with the exception of two non-eligible incumbents.

[6]Merit increase average of 1.90% represents increases for seven eligible incumbents whose salaries are below \$125,000, with the exception of one non-eligible incumbent.

[7]Appointment effective November 1, 1993.

Attachment

University of California

1993 Study of Campus Chief Executive Total Compensation

CPEC Participants

	[illegible] Universities	Comparison Eight
Private Universities		
Brown University	✓	
California Institute of Technology	✓	
Columbia University	✓	
Cornell University	✓	
Duke University	✓	
Harvard University	✓	✓
The Johns Hopkins University	✓	
Massachusetts Institute of Technology	✓	✓
Northwestern University	✓	
Stanford University	✓	✓
University of Pennsylvania	✓	
Yale University	✓	✓
Public Universities		
State University of New York	Buffalo and Stony Brook	Buffalo
University of Colorado	System, Boulder	
University of Illinois	Chicago and Urbana	Urbana
University of Michigan	✓	✓
University of Minnesota	System, Duluth and Twin Cities	
University of Texas	Austin	
University of Virginia	✓	✓
University of Washington	✓	
University of Wisconsin	Madison	

Towers Perrin

Compensation Levels and Organization Scope

	Variable	Cases	Low	25th Percentile	Median	Average	75th Percentile	High
Comparison Group	Total Cash Compensation	26	$113,000	$137,394	$192,211	$215,765	$295,197	$385,000
	Financial Scope							
	Budget ($Millions)	25	$85.8	$447.2	$828.0	$911.3	$1,294.5	$2,091.0
	Grant Revenue ($Millions)	23	$ 7.4	$117.0	$206.0	$189.8	$ 262.2	$ 396.0
	People Scope							
	Employees (FTEs)	26	1,200	7,232	9,590	9,841	12,707	20,856
	Faculty (FTEs)	26	300	1,452	1,747	1,733	2,139	3,600
	Enrollment							
	Total Campus	26	2,009	10,613	20,170	22,630	36,104	52,173
	Graduate	24	373	5,045	7,184	7,384	10,623	13,173
	Campus Advanced Degrees	26	111	1,546	2,514	2,460	3,400	4,590

Towers Perrin

UNIVERSITY OF CALIFORNIA

BERKELEY • DAVIS • IRVINE • LOS ANGELES • RIVERSIDE • SAN DIEGO • SAN FRANCISCO SANTA BARBARA • SANTA CRUZ

DAVID PIERPONT GARDNER
President

RONALD W. BRADY
Senior Vice President—
Administration

OFFICE OF THE PRESIDENT
300 LAKESIDE DRIVE
OAKLAND, CALIFORNIA 94612-3550

JAN 4 1992
EXECUTIVE PROGRAM

September 16, 1992

CHANCELLORS
LABORATORY DIRECTORS
VICE PRESIDENTS
PRINCIPAL OFFICERS OF THE REGENTS

Administrative Fund Reporting Procedures

Enclosed are revised Administrative Fund Reporting Procedures. These Procedures, which supersede those issued by me on August 5, 1991, will be published as Appendix A of Accounting Manual chapter A-253-27, Administrative Fund Procedures.

The enclosed Procedures incorporate the changes implemented by President Gardner effective with his September 2, 1992 letter to The Regents (copy enclosed).

Any questions concerning these Procedures should be addressed to University Controller Pastrone.

Ron

Ronald W. Brady

Enclosures

cc: President Gardner
University Controller Pastrone
University Auditor Tuffnell
Vice Chancellors--Administration
Accounting Officers
Special Assistant Gardner
University Counsel Portwood

UNIVERSITY OF CALIFORNIA

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DAVID PIERPONT GARDNER
President

OFFICE OF THE PRESIDENT
300 LAKESIDE DRIVE
OAKLAND, CALIFORNIA 94612-3550

September 2, 1992

THE REGENTS OF THE UNIVERSITY OF CALIFORNIA

I am writing to offer some comments and background about the Auditor General's report, "A Review of the University of California's Executive Compensation, Benefits and Offices," preparatory to our discussion of that report at the September meeting of the Board. As you may recall, the review was requested in April 1992 by the Joint Legislative Audit Committee. The University welcomed this review and participated fully and cooperatively in its preparation, as the Auditor noted. The University will respond within 60 days to the Auditor's recommendations, following a review of the report by The Regents in September.

The Administrative Fund (funds derived from non-state sources and earmarked for use by certain University officers for official travel, entertainment, and related expenses) helps those of us charged with administrative responsibility for this institution to do our jobs in carrying out the University's farflung academic and administrative activities; in helping to recruit outstanding individuals to the University's ranks; and in extending and enhancing the University's relationships with its many and varied constituencies--its alumni and donors; its students, faculty, and staff; its many communities worldwide; and government at all levels. This important work is undertaken not for the benefit, convenience, or welfare of the individual officer but for the benefit, convenience, and welfare of the University of California and, thus, ultimately the people of California.

As you will have noted, the Auditor identified no significant findings of policy violations or of unauthorized expenditures. However, some needed changes in the use of Administrative Funds have been suggested by the Auditor. These changes are needed, in my opinion, and should be made promptly. Thus, consistent with authority delegated by the Board to the President, I am directing that the following modifications be made in the Administrative Fund guidelines (current guidelines attached) to be effective immediately:

<u>Section</u>

C.1 First-class airfare cannot be charged to the Fund unless no other class of airfare is available or unless there is a demonstrated physical need or business necessity.

C.2 Business meals with other University employees may be charged to the Fund only under circumstances when a clear University business purpose can be documented. Mere personal convenience does not meet this test.

C.3 The purchase of property for personal use will not be permitted under any circumstances.

C.3 Gifts or contributions to outside individuals or organizations will be permitted only if it can be demonstrated that the gift or contribution will benefit the University or is clearly seen as needful to the University in helping meet its role as a good community citizen. All such gifts and contributions must be made on behalf of the University of California. A statement to this effect, written on official University letterhead, must accompany all such gifts and contributions.

I will have more to say on this topic at our September meeting, but wished The Regents to have these comments as background for their review and discussion of the Auditor General's report.

David Pierpont Gardner

Enclosure

University of California
Office of the Senior Vice
President--Administration
September 2, 1992

ADMINISTRATIVE FUND REPORTING PROCEDURES

The Administrative Fund is furnished under Regents' approval to meet the expenses arising from University travel, entertainment, and other official business. Amounts reimbursed from the Administrative Fund, in accordance with these Procedures, may exceed the expenditure limitations and restrictions set forth in the University's policies on travel, entertainment, and memberships. The Administrative Fund, therefore, supplements departmental expense budgets by providing a reimbursement source that would not otherwise be available to the recipient. For example, the Administrative Fund may be used to pay for expenses which exceed the rates established under the University's travel and entertainment regulations, or for the purchase of a gift upon retirement of an employee with long service. It should be emphasized, however, that the use of the Administrative Fund is intended to reimburse only documented University business expenses which would not create additional taxable income for the recipient or be reportable to the Internal Revenue Service (IRS).

A. DISBURSEMENT

Two options for the disbursement of the Administrative Fund allocation are available to recipients and subrecipients designated to receive formal suballocations:

1. Direct Payment or Reimbursement Option

The preferred method of disbursement of the Administrative Fund allocation is by payment of a vendor's invoice, a travel voucher, a corporate credit card billing, or by reimbursement to the recipient. Under this option, the disbursement of Administrative Funds is for the reimbursement of specific expenditures based on documentation submitted by the recipient to the accounting office for payment.

2. Cash Advance Option

This method of disbursement of the Administrative Fund allocation provides for monthly cash advances to the recipient. An additional sum may be advanced upon written request by the recipient provided that the recipient accounts for this advance on the monthly expenditure report submitted to the accounting office. The recipient must maintain a separate checking account to record Administrative Fund advances and expenditures in order to avoid commingling these funds with his or her personal funds. However, the establishment of an interest bearing account must be avoided since the bank would report the resulting interest income to the IRS as taxable income received by the recipient.

Under both disbursement options, the recipient is required to submit the appropriate Administrative Fund monthly expenditure report to the accounting office as provided below in Part B. Each expenditure report must be accompanied by adequate substantiating documentation for retention by the accounting office. Recipients also must maintain their Administrative Fund accounting records on a cash basis, that is, only those expenditures actually paid, or incurred through a credit card charge, should be included on the monthly expenditure report submitted to the accounting office. For campus or Laboratory recipients, the local accounting office will be the office of record. For Officers of The Regents and Office of the President recipients, the Corporate Accounting Office has been designated as the office of record.

B. <u>DOCUMENTATION</u>

The documentation procedures described in this section are intended to ensure that an "adequate accounting" of the recipient's use of the Administrative Fund is made to the University in compliance with the income tax regulations. Under the regulations, an employee must provide his or her employer with the same type of records and supporting information that he or she would be required to give to the IRS if it questioned a deduction on the employee's tax return. Consequently, expenses which are not adequately accounted for by the Administrative Fund recipient, or subrecipient, will not be reimbursed.

In general, the term "adequate accounting" means that each expenditure charged against the Administrative Fund for a travel, entertainment, gift, or other official University business expense must be substantiated according to the following elements:

1. amount,
2. time and place of travel or entertainment, or date and description of gift,
3. University purpose, and

4. University business relationship of the person(s) entertained or gift recipient(s).

Substantiation is accomplished by preparing and submitting to the University "adequate records" supported by "documentary evidence" which, in combination, are sufficient to establish each of the elements described above.

The term "adequate records" means an account book, diary, statement of expense, or similar record which is prepared in such a manner that the elements of an expenditure are recorded at or close to the time of the expenditure. Under both disbursement options, Administrative Fund expenditures shall be reported on the appropriate University form--Travel Report, form UFIN 108; Entertainment Report, form UFIN 109; or Gifts, Contributions, and Miscellaneous Report, form UFIN 110 (Exhibits II - V). The required information should be recorded on the form at or close to the time of the expenditure. The report(s) should be summarized on the Summary of Expenditure Reports, form UFIN 107 (Exhibit I), and signed by the Administrative Fund recipient. (The forms are available upon request from the Corporate Accounting Office.) The completion of these forms by the recipient constitutes the preparation of adequate records.

The term "documentary evidence" refers to the furnishing of receipts, invoices, cancelled checks, or similar evidence sufficient to support the expenditure in accordance with IRS requirements. However, a cancelled check alone does not support an expense without other evidence to show that it was for a business purpose. Such documentary evidence must be submitted for (1) each expenditure of $25 or more, and (2) any expenditure for lodging while traveling away from home. It is not necessary to duplicate documentation submitted with the regular University Travel Expense Voucher. IRS Publication 463, "Travel, Entertainment and Gift Expenses," contains further information regarding the documentation of employee business expenses.

C. <u>EXPENDITURE GUIDELINES</u>

1. <u>Travel</u>

Travel expenses which may be reimbursed from the Administrative Fund are those which have been incurred in an official capacity and which exceed the amounts reimbursable under the University's travel regulations (Business & Finance Bulletin G-28, Policy and Regulations Governing Travel). However, first-class airfare may be reimbursed from the Administrative Fund only if no other class of airfare is available or the traveler can demonstrate that such airfare is required

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by a physical need or business necessity. Expenses attributable to both domestic and foreign travel are eligible for reimbursement. Any expenses associated with personal travel shall not be reimbursed from the Fund. If a recipient extends a business trip for a vacation or other nonbusiness purpose, only those expenses that would have been incurred had the recipient not extended the trip are eligible for reimbursement.

Travel expenses incurred by a recipient's spouse, including an Associate of the President/Chancellor, in connection with attendance at a University function or in the conduct of official University business, may be reimbursed from the Administrative Fund if it is established that the spouse's presence served a bona fide University business purpose. To establish a bona fide University business purpose, the recipient must show that the primary purpose of the spouse's travel was to engage in the performance of substantial activities directly related to the recipient's employment with the University. Participation in official functions, which by protocol or tradition require the attendance of the recipient's spouse, may be considered a bona fide University business purpose. Ceremonial functions, alumni gatherings, fund raising activities, and community events are examples of activities that may require the attendance of a recipient's spouse. In addition, a spouse may be reimbursed for his or her travel expenses incurred when attending a business meeting, workshop, or conference as an official representative of the University. The business purpose connected with the travel of a spouse must be documented on the recipient's Administrative Fund Travel Report in accordance with IRS substantiation requirements. In the absence of such evidence, expenditures for spousal travel shall not be reimbursed from the Fund.

2. <u>Entertainment</u>

This category is intended to cover the expenses for entertainment when the employee is entertaining visitors, University personnel, or other individuals in an official capacity. Such expenses may include the cost of food, beverages, catering, rental of facilities, extra household help, etc. The Administrative Fund shall not be used to pay for any meal or other entertainment expense that is lavish or extravagant under the circumstances. According to the IRS requirements, the determination of whether or not an expense is lavish or extravagant must be made on a case by case basis. However, an expense that is reasonable under the circumstances will not be considered excessive merely because it exceeds a fixed dollar amount or is incurred in a first-class restaurant or hotel.

Entertainment expenses reimbursed from the Administrative Fund must be directly related to, or associated with, the active conduct of official University business. Although the active conduct of such business must be the principal aspect of the combined business and entertainment activities, it is not necessary to spend more time on business than entertainment. An entertainment expense incurred for the purpose of generating the goodwill of prospective University donors is considered a legitimate business objective.

The expenses attributable to the spouse of the individual being entertained, or the spouse of the employee furnishing the entertainment, are reimbursable from the Administrative Fund provided the entertainment is associated with the active conduct of official University business.

Persons entertained need not be identified by name on the Administrative Fund Entertainment Report if their designation by title, occupation, or group is sufficient to establish their business relationship to the University.

Business meals with other University employees may be reimbursed from the Administrative Fund only if a clear University business purpose can be documented. Mere personal convenience does not meet the business purpose test.

a. De Minimis Fringe Benefits

Expenses associated with the furnishing of food, services, or other minor items to employees as a de minimis (i.e., minimal) fringe benefit are reimbursable from the Administrative Fund. Because these benefits are minimal in value and provided on an infrequent basis, they also are excludable from the gross income of the employee receiving the benefit. Examples of de minimis fringe benefits include occasional office parties, group meals, or picnics for employees; traditional birthday or holiday gifts (not cash) with a low fair market value; occasional theater or sporting event tickets; coffee, doughnuts, and soft drinks; and flowers, fruit, books, or similar property provided to employees under special circumstances (e.g., on account of illness, outstanding performance, retirement, or family crisis).

Expenses incurred under this category must be reported on the Administrative Fund Entertainment Report as a de minimis fringe benefit.

b. Club Dues

The payment of initiation fees and/or periodic dues for membership in a social club, athletic club, or similar organization is reimbursable from the Administrative Fund if the recipient's primary use of the club is for the conduct of official University business. Such memberships must be approved in advance by the Chancellor, Laboratory Director, or Vice President, as appropriate. A copy of the written approval shall be forwarded to the President. In addition, the Administrative Fund may not be used to make payments of fees and/or dues to organizations that maintain unlawful discriminatory membership policies or practices.

The Administrative Fund shall not be used to pay any portion of the dues attributable to nonbusiness use. Accordingly, each year an allocation of the annual dues must be made between business and nonbusiness use, and only that portion allocable to University business use is reimbursable from the Administrative Fund.

As an alternative to claiming a single annual reimbursement for the year's dues applicable to University business use, the following procedure may be used. The monthly dues may be paid each month from the Administrative Fund. Then, in December, an allocation of the dues for the calendar year between the business and nonbusiness use can be made by the recipient based on his or her actual use of the club. The portion, if any, of the club dues previously paid that is allocable to nonbusiness use must be refunded by the recipient to the local accounting office when the December Administrative Fund Entertainment Report is filed.

In order to substantiate the business use of the club, it is recommended that the recipient maintain adequate records showing the total number of days of business and nonbusiness use.

3. Gifts, Contributions, and Miscellaneous Expenditures

This category includes gifts and contributions made to outside individuals or organizations when the gifts or contributions are made on behalf of the University. Such gifts or contributions will be permitted only if it can be demonstrated that the gift or contribution benefits the University or is clearly necessary to the University's fulfillment of its role as a good community citizen. A transmittal letter, written on official University letterhead, stating that the gift or contribution was provided to the recipient "on behalf of the University of California..." must accompany all such gifts and contributions. The business reason for making the gift or the nature of the business benefit derived or expected to be derived by the University must be substantiated on the Administrative Fund Gift, Contribution, and Miscellaneous Report. In most cases, the promotion of goodwill in the University community is an acceptable business purpose with respect to such gifts. The title or occupation of the gift recipient also must be identified in order to establish the business relationship to the University. The cost of such gifts also must be reasonable in relation to the actual or expected benefits. As documentation that a gift was made on behalf of the University, a copy of the transmittal letter to the gift or contribution recipient must be submitted with the monthly expenditure report. Gifts made for a personal or other nonbusiness reason are not reimbursable from the Administrative Fund.

Gifts made on behalf of the University and in the recipient's official capacity are exempt from the Policy on Acceptance or Offering of Gifts and Gratuities by University Employees issued February 6, 1980, which applies to gifts offered by individual employees, but does not apply to gifts offered by the University as an institution.

Gifts made to University employees are limited to de minimis fringe benefits.

Administrative Funds shall not be used to make a contribution to any political campaign or candidate or to any political party, committee, or group engaged in any attempt to influence the general public with respect to legislative matters, elections, or referendums. Indirect political contributions, such as admission payments made for a dinner, gala, cocktail party, inaugural ball, picnic, or similar event, also are not reimbursable if any part of the proceeds of the event inures to or is for the use of a political party or candidate. Admission payments also include any separate charges for food or drink at an event.

Miscellaneous expenses incurred by an employee in the performance of his or her official University responsibilities, but which otherwise are not provided for, may be reimbursed from the Administrative Fund. Examples of miscellaneous expenses include membership in scholarly or professional organizations; subscriptions to journals and other publications; rental of equipment for University functions; etc. However, parking tickets, traffic fines, and other penalties incurred while on University business and paid to a governmental entity are not reimbursable from the Administrative Fund.

The purchase of property for personal use is not permitted under any circumstances.

4. <u>Season Tickets and Quantity Purchases</u>

It is expected that, in connection with official entertaining, quantities of food or beverages and related items may be accumulated in order to simplify the planning of individual events and to take advantage of favorable pricing on quantity purchases. Also, season tickets to sporting, theatrical, or musical events may be purchased for official entertainment or occasional use as gifts. Such items are the property of the University and, at the time of purchase, their cost should be reported as a miscellaneous expense on the Administrative Fund Gift, Contribution, and Miscellaneous Report. However, as the items or tickets are subsequently used for entertainment, a non-cash memo entry should be made by the recipient on the Administrative Fund Entertainment Report identifying the amount used as an entertainment expense. A corresponding memo entry should be made on the Gift, Contribution, and Miscellaneous Report reducing miscellaneous expenses. Similarly, any applicable credits, rebates, or refunds received by the recipient must be reflected on the appropriate Administrative Fund expenditure report.

With respect to supplies and alcoholic beverages, it is recognized that maintaining a precise record of per unit cost or the number of items used for a particular event may, in some cases, be unduly burdensome. In such circumstances, a reasonable estimate of the quantities used and the associated cost would be acceptable for the memo entry.

In addition, an inventory of all quantity purchases shall be maintained (see Exhibit VI for a suggested inventory record format).

D. ACCOUNTING AND AUDITING PROCEDURES

1. Disposition of Unexpended Balances

Any funds (exceeding $1.00) not used during the current fiscal year must be returned by the local accounting office to the Office of the President by July 31 of the subsequent fiscal year. If the recipient selected the Cash Advance Option, the unexpended funds must be returned by the recipient to the local accounting office when the June 30 report of expenditures is filed. If the recipient terminates his or her employment with the University or becomes ineligible to receive Administrative Funds, any unexpended balances must be returned before the recipient's termination or ineligibility status becomes final.

Under both disbursement options, the monthly expenditure reports must be filed by the end of the month following the month in which the expenditure is paid, e.g., the June expenditure report is due no later than July 31. Because Administrative Funds are budgeted and accounted for on a fiscal year basis, only those expenditures actually paid, or incurred by the recipient through a credit card charge, as of June 30 will be accounted for as expenses of the fiscal year.

2. Disposition of Reported Deficits

When Administrative Fund expenditures exceed the total amount awarded for the year, the recipient may formally request augmentation of the Fund from the President or carry forward the deficit balance to the next fiscal year.

3. Audit

As part of the University's annual audit, The Regents' external auditors will review the use of the Administrative Fund and the documentation supporting expenditures paid from the Fund. The local accounting office serves as liaison with the external auditors.

E. RESPONSIBILITIES

It is the responsibility of the recipient to adequately document all expenditures charged against the Administrative Fund and to ensure that the monthly expenditure reports are filed in a timely manner with the appropriate accounting office.

The accounting officers shall be responsible for reviewing the monthly expenditure reports and supporting documentation for compliance with these Procedures, for recording the expenditures in the general ledger, and for maintaining the accounting records in accordance with the document retention schedules.

Questions concerning the requirements detailed in these Procedures should be referred to the University Controller, Office of the President.

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