

## Update: UC Executive Pay Controversy

A series of media reports last fall uncovered questionable practices concerning UC executive pay practices, and has so far resulted in 2 legislative hearings (Senate Sub-Committee on Higher Education, February 8 and 22) and 3 financial audits of UC's executive pay practices (UC-commissioned PricewaterhouseCoopers audit, April 2006; State of California audit May 2006, and an internal University audit May 2006). There have been dozens of media reports in the Sacramento Bee, SF Chronicle, LA Times, OC Register, SD Union-Tribune, and other papers around the state.

### Legislative Hearing 2-8-06:

- "Lawmakers focused on a controversial settlement agreement with former UC Davis Vice Chancellor Celeste Rose. Rose entered into a settlement last summer with UC Davis Chancellor Larry Vanderhoef after she threatened to sue the university for race and gender discrimination. Under the terms of the agreement she is paid \$205,000 a year for two years to act as a special adviser to the chancellor. She works from home with no set job duties and has performed no work for the university since July 2005. She also was granted a \$50,000 'transition payment.' 'She gets two years' pay to sit home, watch TV and do nothing,' said Sen. Abel Maldonado, R-Santa Maria." (Sacramento Bee, 2-9-06)

### UC Executives' Compensation from Outside Boards Examined

- "UCSD Chancellor Marye Anne Fox is among a number of University of California executives spending considerable time tending to corporate and non-profit board responsibilities. A UC report showed that 40 UC administrators reported serving on a total of 78 paid boards, for which they were compensated more than \$1.8 million in cash, during the fiscal year that ended in June (2005)...
- "Fox reported using eight vacation days while serving on seven paid boards in the last fiscal year. For that service, she received \$233,000 in cash and stock worth \$110,000, if her shares were sold yesterday. She also was given more than 10,000 shares of stock options." (San Diego Union-Tribune, 3-15-06)

**PricewaterhouseCoopers Audit, April 2006** (46-page audit examined the pay packages of 64 current and former UC executives from 1996 to 2005, targeting all aspects of their compensation, including base salaries, car and relocation allowances, stipends, and university-provided housing, among other benefits.)

- "The audit found that several officials, including former UC Berkeley Chancellor Robert Berdahl, were provided university housing and low-interest home loans concurrently.
- "Berdahl's successor, Robert Birgeneau, and UC Santa Cruz Chancellor Denice Denton were among employees for whom UC agreed to honor sabbatical agreements earned at their former universities.
- "In another policy exception, the former director of the Los Alamos National Laboratory, George Nanos, received a separation package in which UC agreed to continue to pay his \$287,000 salary for up to two years and four months after his resignation in 2005. The university also agreed to reimburse Nanos up to \$200,000 for any loss on the sale of his New Mexico home." (LA Times, 4-25-06) (Note: UC "agreed to keep (Nanos) on the payroll in a new job for up to 28 months so he would qualify for the university's retirement plan." SF Chronicle, 4-23-06)

### State Audit Report May 2006

- "A subsequent state audit found that the extra compensation accounted for \$335 million out of \$9.3 billion total compensation in 2004-05. Auditors found that UC administrators skirted policies and repeatedly failed to get required approvals from the Regents." (OC Register, 5-18-06)

**Internal University Audit May 2006** (54-page audit looked at compensation packages promised to 299 top managers during the three years ending on 12-31-05):

- "The audit shows that exceptions to the rules were common. They include:
  - 39 people getting extra vacation
  - 14 senior managers receiving honoraria from the university - \$200 to \$13,000 - despite a policy against it
  - 14 senior managers receiving incentive payments in violation of UC policy or not approved by the regents. Some are continuing awards of up to 15 percent of base salary.
  - 13 housing-related payments that violated policies
  - 6 sabbaticals granted to employees who didn't qualify for them or who were paid more than policy allowed.
  - 11 stipends that either were not approved or were extended without approval.
  - 11 cases of extra severance pay promised." (SF Chronicle, 5-18-06)

### **Regents OK Salary Plan**

- "University of California regents tentatively approved a plan on Wednesday that will ultimately give UC President Robert Dynes the authority to raise salaries of senior managers each year by tens of thousands of dollars...
- "Dynes would be restricted to boosting pay for executives by no more than 15 percent a year in cases where the salary would exceed the midpoint of a preapproved range. Any raise beyond 15 percent would require board approval." (SF Chronicle, 1-19-06)

### **Other Questionable UC Pay Practices:**

- "(The Regents) approved a year's sabbatical for outgoing UCLA Chancellor Albert Carnesale, to be paid at his annual chancellor's salary of \$323,600, rather than the \$201,700 he will receive when he becomes a professor of public policy and mechanical and aerospace engineering at the Westwood campus. The regents, who as part of their overhaul of compensation rules and practices are reviewing the policy governing sabbaticals for administrators, said they 'felt it only fair' to honor a previous commitment to Carnesale to pay him at the higher rate. UC also will cover a low-cost mortgage loan for Carnesale of up to \$1.5 million, as well as up to \$12,000 to cover his costs in moving from university-owned housing to a personal residence." (LAT, 5-19-06)
- "When UC Santa Cruz spent \$600,000 on renovations and repairs at the chancellor's home on campus, the project included a \$30,383 enclosure for Denice Denton's two canine companions." (Santa Cruz Sentinel, 12-9-05)
- "Then-UC Provost M.R.C. Greenwood received \$125,000 last year to relocate to Oakland from UC Santa Cruz, where she had been chancellor. She also received nearly \$18,000 for temporary housing and \$9,500 for moving expenses and a low-interest loan. Dynes approved the payments. Greenwood resigned in November amid questions about her role in the hiring of a business partner in UC's main office. A subsequent inquiry found she had violated conflict of interest rules. Greenwood is currently on a 15-month sabbatical with a \$301,840 annual salary until she returns to UC Davis as a nutrition professor." (Sacramento Bee, 1-19-06)
- "(Three senators) cited Dynes' promise to lawmakers on Feb. 2 that UC would do a better job of publicly disclosing executive compensation and avoid making exceptions to policy for senior managers without consulting the regents. But seven days later, Dynes gave final approval for a low-interest \$832,500 loan to his administrative adviser, Linda Williams, as an exception to university policy without informing regents." (SF Chronicle, 5-4-06)

### **Executive-Only (Senior Management Group) Compensation and Benefits** (from Internal University Audit, page 95)

- Supplemental benefit program (\$2.4 million program benefiting 285 individuals for FY 2004-05)
- Auto allowance (\$400,000 benefiting 44 individuals for FY 2004-05)
- Senior management long-term disability insurance (343 individuals for FY 2004-05)
- Senior management life insurance (343 individuals for FY 2004-05)
- Clinical enterprise management recognition plan (\$2.1 million for 67 individuals for FY 2004-05)

### **For more information:**

- State Audit Report (Report 2006-103, University of California): [www.bsa.ca.gov](http://www.bsa.ca.gov)
- Internal University Audit: [www.universityofcalifornia.edu/news/compensation/audits.html](http://www.universityofcalifornia.edu/news/compensation/audits.html)
- PricewaterhouseCoopers Audit: [www.universityofcalifornia.edu/news/compensation/audits.html](http://www.universityofcalifornia.edu/news/compensation/audits.html)