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Details: Audit Report 05-7, An Evaluation: State Fleet Management

(FORM UPDATED: 08/11/2010)

WISCONSIN STATE LEGISLATURE ... PUBLIC HEARING - COMMITTEE RECORDS

2005-06

(session year)

Joint

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Regent David Walsh Testimony
Legislative Audit Committee hearing
Vehicle Fleet Audit, May 17, 10:00 a.m., room 411 South

Good Morning. I am David Walsh, Vice President of the University of Wisconsin System Board of Regents. Thank you for the opportunity to speak with you today.

The issues raised by the Legislative Audit Committee Report focus on the System's decision to eliminate the Chancellor's contractual right to a State Fleet Automobile and substitute a \$700 monthly payment. Some background is necessary.

The Board of Regents, as required by Section 20.923(4)(g) Wis. Stats. is required to determine salary ranges for the Chancellors based on an analysis of salaries paid for similar positions at comparable universities in other states and "fix" those salaries pursuant to Section 36.09(1)(e) Wis. Stats. While the Board is charged by statute to determine the range and fix the salary, the President, pursuant to Sections 36.09(1)(f) and 36.09(2) Wis. Stats. is delegated the general

authority to manage the business of the University System. This includes determining the appropriate reimbursement and an allowance for benefits consistent with the responsibilities imposed on the Chancellors. These responsibilities include but are not limited to promotion of their respective institutions, significant external relationships including fundraising, coordinating foundation activities, outreach and representing the institution throughout the state. These responsibilities are in addition to the Chancellors' significant responsibility of leadership on behalf of their faculty, staff and students. The President of the System is responsible to negotiate and coordinate those activities and assist the Chancellors in fulfilling them. The files of every single Chancellor reflect the commitment on the part of the University System to provide an automobile to assist the Chancellor in fulfilling those responsibilities. To that end, every Chancellor serving today, going back as far as 1988, had a contractual right to a car. And, because of President Lyall's decision in 2004, it should be noted that the Chancellors did not pay taxes for the use of the vehicles.

While there were some variations, the cars were typically a Ford Taurus or Dodge Intrepid. In June, 2004, the Department of Administration, as part of its review of Fleet Policies identified a number of the Chancellor's vehicles as being underutilized. In addition, certain policies and rules of the IRS suggested that depending upon the value of the vehicle the Chancellors would have to report additional compensation. Accordingly, in July, 2004, then President Lyall decided that the UW System would surrender all state cars assigned to Chancellors and instead pay each of them a monthly automobile allowance of \$700. The auto allowance, unlike the assignment of a fleet vehicle is subject to State and Federal taxes but does not contribute toward a Chancellor's retirement income.

The \$700 payment resulted in an after tax amount, depending upon tax circumstances of between \$490 and \$560. Based on the IRS lease value tables, the approximate after-tax payment of \$525 assumes a car valued at \$23-\$24,000.

losing leadership, the actual out of pocket cost for these searches is a minimum of \$100,000 per search for a total of \$600,000 in the last two years. The simple fact is that we are not competitive. We pay our Chancellors at the absolute bottom of the approved ranges and even those ranges are significantly lower than the total compensation packages our peers pay. Not only do we pay less for many allowances but many of our competitive peers also include significant deferred compensation in addition to higher salaries. That said, we recognize these are difficult times and that all of us need to tighten our belts. This is the primary reason we pay at the bottom end and we encourage our candidates to look at the other benefits of life in Wisconsin.

Our message is that we need your help in preserving our ability to offer our Chancellors' compensation packages competitive against our peers. We appreciate your concern regarding this matter and, look forward to your leadership in moving all of us forward in the right direction.

**Chancellor Car Allowance
History
5/13/05**

- Prior to August 2004, Chancellors were provided a personally assigned fleet vehicle as part of their employment contract, typically a Ford Taurus or Dodge Intrepid.
- Also in the late spring of 2004, the DOA had identified many of the Chancellors' vehicles for elimination due to their low mileage. They were specifically included as "underutilized vehicles" by vehicle identification number.
- In June 2004, as the Department of Administration (DOA) was reviewing its fleet policies and provisions for personally assigned vehicles, they (and then we) became aware of IRS rules that, depending upon the value of the vehicle and the number of personal miles driven, chancellors would have to report additional compensation in the range of \$0 to \$850.
- In July 2004, then-President Lyall stated "for the sake of equity, the UW System will surrender all state cars assigned to Chancellors and instead, will provide a monthly automobile allowance effective August 1, 2004."
- The auto allowance is subject to state and federal income taxes, but does not contribute toward a Chancellor's retirement income.
- The allowance was meant to cover the cost, after taxes, to lease or own a reliable, safe, mid-size car. It was a direct substitute for the contractual provision to provide a car.
- The taxable allowance was set at \$700 per month as it was very close to the amounts provided by other public universities, expected to result in approximately \$455 after taxes. A review of several mid-sized cars for purchase price and leasing arrangements was also done.
- The allowance will be reviewed annually.
- As Chancellors are now required to pay all fuel, repairs, maintenance, and insurance on the vehicles, they are reimbursed for business miles in accordance with state and university travel policy, similar to all state and university employees.
- The allowance is meant to cover only the cost of the car, not the total cost of ownership.
- Chancellor vehicles are considered personal cars and may be used for both personal and business purposes.

The allowance is meant to cover only the cost of the car, not the total cost of ownership. Thus, like other state and university employees who use their personal car in the performance of their work, Chancellors receive a mileage reimbursement in addition to the \$700 a month auto allowance.

I appreciate that you might have some additional questions regarding this background, but let me use this opportunity to comment on what is an ongoing and very serious problem facing the University of Wisconsin System -- This is, the loss of quality leadership to our competition. We certainly understand that these are difficult economic times for the State of Wisconsin. Moreover, we appreciate the challenges each of you has in determining a budget for the State of Wisconsin. However, we cannot ignore that we are bleeding leadership. For example, we are presently looking for three new Chancellors, at Whitewater, Eau Claire and the combined Extension and College Systems. In the last year, we filled three Chancellorships at River Falls, Stevens Point and UW-Milwaukee. In addition to the obvious cost of

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Arkansas	U. of Arkansas at Fayetteville	John A. White	\$203,123	\$38,757	1 car provided by state	1 house provided by state		\$241,880	2004-5
California	U. of California at Berkeley	Robert J. Birgeneau	\$390,000		\$8,916 provided by state	1 house provided by state	Private sources: \$19,500 in deferred compensation; State: System covers \$150,700 in housing-maintenance expenses and \$38,100 in administrative expenses	\$418,416	2004-5
California	U. of California at Davis	Larry N. Vanderhoef	\$280,700		\$8,916 provided by state	1 house provided by state	Private sources: \$14,035 in deferred compensation; State: System covers \$83,900 in housing-maintenance expenses and \$30,600 in administrative expenses	\$303,651	2004-5
California	U. of California at Irvine	Ralph J. Cicerone	\$280,700		1 car provided by state	1 house provided by state	State: System covers \$84,900 in housing-maintenance expenses and \$30,600 in administrative expenses	\$280,700	2004-5
California	U. of California at Los Angeles	Albert Carnesale	\$315,600		\$8,916 provided by state	1 house provided by state	Private sources: \$15,780 in deferred compensation; State: System covers \$108,400 in housing-maintenance expenses and \$38,700 in administrative expenses	\$340,296	2004-5
California	U. of California at Riverside	France A. Córdova	\$269,200		\$8,916 provided by state	1 house provided by state	Private sources: \$13,460 in deferred compensation; State: System covers \$81,700 in housing-maintenance expenses and \$25,800 in administrative expenses	\$291,576	2004-5
California	U. of California at San Diego	Marye Anne Fox	\$350,000		\$8,916 provided by state	1 house provided by state	State: System covers \$103,000 in housing-maintenance expenses and \$30,600 in administrative expenses	\$358,916	2004-5

California	U. of California at Santa Barbara	Henry T. Yang	\$280,700	1 car from private sources, plus \$8,916 provided by state	1 house provided by state	Private sources: \$14,035 in deferred compensation; State: System covers \$61,200 in housing-maintenance expenses and \$31,100 in administrative expenses	\$303,651	2004-5
California	U. of California at Santa Cruz	Martin M. Chemers, interim	\$269,200	\$8,916 provided by state		Private sources: \$13,460 in deferred compensation	\$291,576	2004-5
California	U. of California system	Robert C. Dynes	\$395,000	\$8,916 provided by state	1 house provided by state	Private sources: \$19,750 in deferred compensation; State: System covers \$31,150 in housing-maintenance expenses and \$46,600 in administrative expenses	\$423,666	2004-5
Colorado	Colorado State U.	Larry Penley	\$316,200	\$10,000 provided by state	\$39,996 provided by state	State: \$20,012 in deferred compensation	\$386,208	2004-5
Colorado	U. of Colorado at Boulder	Richard L. Byyny	\$225,000	\$7,200 provided by state			\$232,200	2004-5
Colorado	U. of Colorado System	Elizabeth Hoffman	\$400,000	1 car from private sources	1 house from private sources	0	\$400,000	2004-5
Connecticut	U. of Connecticut	Philip E. Austin	\$312,913	2 cars from private sources, plus 1 car provided by state	1 house provided by state	Private sources: \$60,000 in deferred compensation; \$40,000 retirement supplement	\$412,913	2004-5
Delaware	U. of Delaware	David P. Roselle	\$447,698	1 car provided by state	1 house provided by state	State: \$226,072 in benefits, including retirement annuities and deferred compensation	\$673,770	2002
District of Columbia	U. of the District of Columbia	William L. Pollard	\$200,000		1 house provided by state		\$200,000	2004-5

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State	Institution	Name	Salary		Car	House	Other	Total compensation	Year reported
			Public funds	Private sources					
Florida	U. of South Florida	Judy Genshaft	\$225,000	\$101,400	1 car provided by state	1 house provided by state	Private sources: \$39,168 in deferred compensation; \$4,000 travel allowance; \$2,500 allowance for financial and legal adviser; \$1,000 bonus; two club memberships; tuition for two children	\$373,068	2004-5
Florida	Florida State U.	T.K. Wetherell	\$225,000	\$65,150	1 car from private sources	\$48,000 from private sources	Private sources: \$75,000 performance bonus; \$43,523 in deferred compensation; two club memberships	\$456,673	2004-5
Florida	Florida International U.	Modesto A. Maidique	\$225,000	\$60,000	\$5,000 provided by state	1 house provided by state	Private sources: \$57,000 in deferred compensation	\$347,000	2003-4
Florida	U. of Florida	J. Bernard Machen	\$225,000	\$150,000	1 car provided by state	1 house provided by state	Private sources: \$625,000 one-time retention bonus if he	\$450,000	2004-5

							stays until 2012; \$210,000 annual performance bonus beginning in 2007; \$75,000 performance bonus; \$225,000 in supplemental disability insurance; supplemental life insurance		
Georgia	U. of Georgia	Michael F. Adams	\$340,166		CAR \$9,200 from private sources	1 house provided by state	Private sources: \$78,195 expense allowance; \$48,000 travel allowance for spouse; \$4,905 for club dues; State: \$150,000 in deferred compensation; \$40,000 longevity pay; \$15,500 subsistence allowance; \$1,800 extra life insurance	\$637,966	2004-5
Georgia	Georgia Institute of Technology	G. Wayne Clough	\$360,506		\$17,000 from private sources	1 house provided by state	State: \$133,125 in deferred compensation; \$75,000 in extra life insurance; \$15,500 subsistence allowance; Private: \$5,000 expense allowance; \$456 for club dues	\$531,587	2004-5
Georgia	U. System of Georgia	Thomas C. Meredith	\$458,955		1 car from private sources	1 house provided by state	Private sources: \$10,000 expense allowance; State: \$15,500 subsistence allowance;	\$501,455	2004-5

									\$12,000 in deferred compensation; \$5,000 allowance for financial adviser
Georgia	Georgia State U.	Carl V. Patton	\$333,279		Car \$12,769 from private sources	\$20,314 from private sources, plus \$19,400 provided by state		\$722,350	2004-5
Hawaii	U. of Hawaii-Manoa	Peter Englert	\$254,000			\$36,000 provided by state		\$290,000	2004-5
Hawaii	U. of Hawaii System	David S. McClain, interim	\$325,000		\$3,912 provided by state	1 house provided by state		\$328,912	2004-5
Idaho	U. of Idaho	Timothy P. White	\$162,000	\$108,000	1 car provided by state	1 house provided by state	State: Three club memberships, tuition for spouse	\$270,000	2004-5
Illinois	U. of Illinois system	James J. Stukel	\$335,000		1 car provided by state	1 house provided by state		\$335,000	2004-5
Illinois	U. of Illinois at Chicago	Sylvia Manning	\$285,375			\$24,000 provided by state		\$309,375	2004-5
Illinois	U. of Illinois at Urbana-Champaign	Richard H. Herman, interim	\$284,000			\$12,000 provided by state		\$296,000	2004-5
Illinois	Southern Illinois U. system	James E. Walker	\$283,250		1 car provided by state	\$27,500 provided by state		\$310,750	2004-5
Illinois	Southern Illinois U. at Carbondale	Walter V. Wendler	\$216,300		1 car provided by state	\$27,500 provided by state		\$243,800	2004-5
Illinois	Northern Illinois U.	John G. Peters	\$272,950		1 car provided by state	1 house provided by state		\$272,950	2004-5

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Indiana	Indiana U. System	Adam W. Herbert	\$288,400	\$56,650	1 car provided by state	1 house provided by state	State: \$70,000 in deferred compensation; \$60,000 salary for his wife for her work as presidential spouse	\$415,050	2004-5
Indiana	Indiana U. at Bloomington	Kenneth R.R. Gros Louis, interim	\$270,000		\$6,120 provided by state	\$40,000 provided by state		\$316,120	2004-5
Indiana	Purdue U. system	Martin C. Jischke	\$307,487	\$65,563	1 car from private sources	1 house provided by state	State: \$400,000 one-time bonus if he stays until 2007; \$70,000 in deferred compensation	\$443,050	2004-5
Iowa	U. of Iowa	David J. Skorton	\$293,250		\$7,200 provided by state	1 house provided by state		\$300,450	2004-5
Iowa	Iowa State U.	Gregory L. Geoffroy	\$293,250		1 car from private sources	1 house provided by state		\$293,250	2004-5
Kansas	U. of Kansas	Robert E. Hemenway	\$231,619	\$59,000	1 car from private sources	1 house provided by state		\$290,619	2004-5
Kansas	Kansas State U.	Jon Wefald	\$221,486	\$43,798	1 car provided by state	1 house provided by state		\$265,284	2004-5
46 Kentucky	U. of Kentucky	Lee T. Todd Jr.	\$275,330		1 car provided by state	1 house provided by state	State: \$100,000 performance bonus; \$41,300 in deferred compensation; two club memberships; \$1-million life-insurance policy	\$416,630	2004-5

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Maryland	U. of Maryland at College Park	C.D. Mote Jr.	\$358,000		1 car provided by state	1 house provided by state	club memberships Private sources: Foundation covers \$75,000 for expenses	\$358,000	2004-
Maryland	U. System of Maryland	William E. Kirwan	\$375,000		1 car provided by state	1 house from private sources	Private sources: Foundation covers \$60,000 for expenses; \$2,650 for two club memberships; State: \$100,000 in deferred compensation	\$477,650	2004-
Massachusetts	U. of Massachusetts system	Jack M. Wilson	\$349,999		\$12,000 provided by state	\$40,000 provided by state	State: \$42,000 in deferred compensation; \$35,000 bonus; \$18,000 in supplemental life insurance	\$478,999	2004-
Massachusetts	U. of Massachusetts at Amherst	John V. Lombardi	\$250,000		1 car provided by state	1 house provided by state	State: \$17,500 in deferred compensation	\$267,500	2004-
Michigan	Michigan State U.	M. Peter McPherson	\$216,000		1 car provided by state	1 house provided by state	State: \$69,100 in deferred compensation	\$285,100	2004-
Michigan	U. of Michigan system	Mary Sue Coleman	\$475,000		1 car provided by state	1 house provided by state	State: \$100,000 annual bonus if she completes her five-year contract in 2007; \$75,000 in deferred compensation; \$27,500 in supplemental retirement pay	\$677,500	2004-
Michigan	Wayne State U.	Irvin D. Reid	\$219,251		1 car provided by state	1 house provided by state	Private sources: \$51,562 in deferred compensation; State: \$51,562 in deferred compensation; two club memberships	\$322,375	2003-

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Michigan	Western Michigan U.	Judith I. Bailey	\$250,000			\$7,000 provided by state	1 house provided by state	State: \$36,250 in deferred compensation; \$27,500 in supplemental retirement pay; \$7,000 for two club memberships	\$327,750	200-
Minnesota	U. of Minnesota-Twin Cities	Robert H. Bruininks	\$340,000			1 car provided by state	1 house provided by state	State: \$50,000 in deferred compensation	\$390,000	2004-:
Mississippi	U. of Mississippi	Robert C. Khayat	\$200,000			2 cars from private sources	1 house provided by state	Private sources: \$160,000 in deferred compensation; three club memberships	\$360,000	2004-:
Mississippi	Mississippi State U.	J. Charles Lee	\$200,000	\$110,000		\$8,250 provided by state	1 house provided by state	State: \$1,826 for club membership	\$320,076	2004-:
Mississippi	U. of Southern Mississippi	Shelby F. Thames	\$200,400	\$50,000		\$7,750 provided by state	1 house provided by state	Private sources: \$2,967 for two club memberships	\$261,117	2004-:
Missouri	U. of Missouri System	Elson S. Floyd	\$350,000			1 car provided by state	1 house provided by state	State: \$50,000 annual bonus if he completes his five-year contract in 2008; club membership	\$400,000	2004-:
Missouri	U. of Missouri at Columbia	Brady J. Deaton, interim	\$255,000			1 car provided by state		State: Club membership	\$255,000	2004-:
Montana	U. of Montana	George M. Dennison	\$143,986			1 car provided by state	1 house provided by state	Private sources: Foundation covers \$20,000 for expenses	\$143,986	2004-:
Nebraska	U. of Nebraska system	James B. Milliken	\$270,000			1 car from private sources	\$24,000 from private sources	Private sources: \$12,000 in supplemental retirement pay; two club memberships; State: \$31,050 in deferred compensation; \$22,000 expense allowance	\$359,050	2004-:

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Nebraska	U. of Nebraska at Lincoln	Harvey Perlman	\$234,000		1 car from private sources	\$13,200 from private sources, plus \$12,000 provided by state	Private sources: \$5,000 expense allowance; State: \$26,910 in deferred compensation; \$6,000 in supplemental retirement pay	\$297,110	2004-
Nevada	U. and Community College System of Nevada	James E. Rogers, interim	\$23,660					\$23,660	2004-
Nevada	U. of Nevada at Reno	John M. Lilley	\$213,210		\$8,000 provided by state	\$18,000 provided by state	State: \$5,000 expense allowance	\$244,210	2004-
New Hampshire	U. of New Hampshire	Ann Weaver Hart	\$240,350		1 car provided by state	1 house provided by state		\$240,350	2004-

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			Public funds	Private sources					
New Jersey	Rutgers U. system	Richard L. McCormick	\$525,000		1 car provided by state	1 house provided by state	State: \$100,000 annual retention bonus if he completes his five-year contract in 2007; club membership	\$625,000	2004-5
44 New Mexico	U. of New Mexico	Louis Caldera	\$283,500		\$9,600 provided by state	1 house provided by state	State: \$500,000 in supplemental life insurance; \$30,000 in supplemental retirement pay; \$25,000 bonus; tuition for spouse; child-care expenses; two club memberships	\$348,100	2004-5
New Mexico	New Mexico State U. system	Michael V. Martin	\$275,000		1 car from private sources	1 house provided by state	State: \$27,500 in annual deferred compensation if he completes his five-year contract in 2009; club membership	\$302,500	2004-5
New York	City U. of New York system	Matthew Goldstein	\$300,000	\$50,000	\$4,800 provided by state	\$90,000 provided by state		\$444,800	2004-5

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New York	City U. of New York Graduate Center	Frances Degen Horowitz	\$195,625		1 house provided by state		\$195,625	2004-5
New York	State U. of New York at Albany	John R. Ryan, interim	\$215,000		1 car provided by state	1 house from private sources	\$215,000	2004-5
New York	State U. of New York at Binghamton	Lois B. DeFleur	\$235,000		1 car provided by state	\$42,000 provided by state	\$277,000	2004-5
New York	State U. of New York at Buffalo	John B. Simpson	\$225,000			\$56,000 provided by state University declines to disclose any salary supplement from private sources.	\$281,000	2004-5
New York	State U. of New York at Stony Brook	Shirley Strum Kenny	\$250,000		1 car provided by state	\$48,000 provided by state	\$298,000	2004-5
New York	State U. of New York System	Robert L. King	\$250,000		1 car provided by state	\$90,000 provided by state	\$340,000	2004-5
North Carolina	U. of North Carolina system	Molly Corbett Broad	\$312,504		1 car provided by state	1 house provided by state	\$312,504	2004-5
North Carolina	North Carolina State U.	Robert A. Barnhardt, interim	\$248,255		1 car provided by state	1 house provided by state	\$248,255	2004-5
North Carolina	U. of North Carolina at Chapel Hill	James C. Moeser	\$274,797		1 car provided by state	1 house provided by state	\$274,797	2004-5
43 North Dakota	U. of North Dakota	Charles E. Kupchella	\$182,863		\$11,000 provided by state	\$20,000 provided by state	\$213,863	2004-5
Ohio	Kent State U. system	Carol A. Cartwright	\$252,085		\$7,500 provided by state	\$30,000 provided by state State: \$30,000 annual bonus if she stays until 2006	\$319,585	2004-5
Ohio	Ohio State U. system	Karen A. Holbrook	\$340,000		1 car from private sources, plus \$6,000 provided by state	1 house from private sources State: \$100,000 annual retention bonus, half of which she will only receive if she completes her five-year contract in 2007; \$81,252 performance bonus	\$527,252	2004

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Ohio	Ohio U. system	Roderick J. McDavis	\$275,000		CAR ↓ \$9,600 provided by state	1 house provided by state	State: \$27,500 in deferred compensation; \$25,000 salary for his wife for her work as presidential spouse; club memberships; entertainment allowance; use of university airplane; supplemental retirement pay	\$312,100	2004-5
Ohio	U. of Cincinnati system	Nancy L. Zimpher	\$280,000		\$10,000 provided by state	1 house provided by state	State: \$28,000 in deferred compensation; \$25,000 performance bonus; club membership	\$343,000	2004-5
Ohio	U. of Toledo	Daniel M. Johnson	\$240,000		1 car provided by state	1 house provided by state	Private sources: \$3,100 for club membership	\$240,000	2004-5
Oklahoma	Oklahoma State U. system	David J. Schmidly	\$259,008		\$20,000 provided by state	1 house provided by state	Private sources: \$75,000 in deferred compensation; State: \$75,000 bonus	\$429,008	2004-5
Oklahoma	U. of Oklahoma system	David L. Boren	\$299,569		1 car provided by state	1 house provided by state		\$299,569	2004-5
Oregon	Oregon State U.	Edward J. Ray	\$205,008	\$90,000	1 car from private sources	1 house provided by state		\$295,008	2004-5
Oregon	U. of Oregon	David B. Frohnmayer	\$170,396	\$90,000	1 car from private sources	1 house provided by state	Private sources: \$40,000 endowed chair (\$17,628 salary supplement; \$2,400 for benefits; \$20,000 covers expenses)	\$280,424	2004-5
Pennsylvania	Temple U.	David W. Adamany	\$398,223				State: \$69,000 in expense compensation; \$34,712 in benefits and deferred	\$501,935	2002-3

Pennsylvania	Pennsylvania State U. system	Graham B. Spanier	\$379,516	1 car provided by state	1 house provided by state	compensation State: \$15,715 in benefits and deferred compensation; \$4,258 in expense compensation	\$399,489	1999
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State	Institution	Name	Salary		Car	House	Other	Total compensation	Year report
			Public funds	Private sources					
Pennsylvania	U. of Pittsburgh system	Mark A. Nordenberg	\$390,000		1 car provided by state	1 house provided by state	State: \$144,289 in benefits and deferred compensation; \$11,257 in expense compensation; \$7,868 for tuition for dependents	\$553,414	2004
Rhode Island	U. of Rhode Island	Robert L. Carothers	\$179,573		1 car provided by state	1 house provided by state	Private sources: \$30,000 expense allowance; State: \$8,979 in supplemental retirement pay	\$218,552	2004
South Carolina	Clemson U.	James F. Barker	\$172,550	\$106,464	1 car provided by state	1 house provided by state		\$279,014	2004
South Carolina	U. of South Carolina system	Andrew A. Sorensen	\$215,000	\$205,000	1 car from private sources	1 house provided by state	State: \$1,200 for club membership	\$421,200	2004
South Dakota	South Dakota State U.	Peggy Gordon Miller	\$171,549			1 house provided by state	State: \$5,000 performance bonus	\$176,549	2004
42 Tennessee	U. of Memphis	Shirley C. Raines	\$209,531		1 car provided by state	1 house provided by state	State: \$3,000 expense account; \$1,000 in athletics tickets; \$400 longevity bonus; \$1-million term life-insurance policy; supplemental long-term-disability plan	\$213,931	2004

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Tennessee	U. of Tennessee system	John D. Petersen	\$380,000		1 car provided by state	1 house provided by state	State: \$50,000 in annual deferred compensation if he stays until 2009; \$20,000 expense allowance	\$450,000	200
Texas	Texas A&M U. at College Station	Robert M. Gates	\$65,926	\$246,074		1 house provided by state	Private sources: \$100,000 in deferred compensation; State: \$4,020 for three club memberships	\$416,020	200
Texas	Texas A&M U. System	A. Benton Cocanougher, interim	\$69,000	\$231,000				\$300,000	200
Texas	Texas Tech U.	Jon Whitmore	\$65,945	\$214,055	\$18,000 provided by state	\$36,000 provided by state	Private sources: \$50,004 in deferred compensation; \$12,000 in supplemental retirement pay	\$396,004	200
Texas	Texas Tech U. system	David R. Smith	\$70,231	\$336,634	\$24,000 from private sources	1 house provided by state	Private sources: \$87,000 in deferred compensation	\$517,865	200
Texas	U. of Houston	Jay Gogue	\$396,219		1 car provided by state	1 house provided by state	State: \$25,000 in deferred compensation; \$1,536 for club membership	\$422,755	200
Texas	U. of North Texas	Norval F. Pohl	\$65,945	\$187,149	\$8,400 from private sources	\$32,800 from private sources, plus \$7,200 provided by state	Private sources: \$10,000 in deferred compensation	\$311,494	20
Texas	U. of Texas System	Mark G. Yudof	\$70,231	\$397,769	\$8,400 from private sources	1 house provided by state	Private sources: \$175,000 in deferred compensation; \$14,361 in supplemental life insurance	\$651,400	200
Texas	U. of Texas at Arlington	James D. Spaniolo	\$65,945	\$184,655		\$35,400 from private sources	Private sources: \$1,476 for club memberships	\$287,476	200
Texas	U. of Texas at Austin	Larry R. Faulkner	\$65,945	\$364,302		\$52,800 from private sources	Private sources: \$5,313 for club memberships	\$488,360	200

Utah	U. of Utah	Michael K. Young	\$295,000		CAR 1 car provided by state	1 house provided by state	Private sources: Up to \$60,000 in annual deferred compensation from an endowed chair if he stays until 2009; State: \$35,400 in deferred compensation which he will receive in 2009; \$7,375 in supplemental retirement pay; club memberships	\$397,775	200+
Utah	Utah State U.	Kermit L. Hall	\$232,200		1 car provided by state	1 house provided by state	State: \$5,805 in supplemental retirement pay; club memberships	\$238,005	200+
Vermont	U. of Vermont	Daniel M. Fogel	\$283,868		\$9,600 provided by state	\$21,600 provided by state	State: \$25,000 in deferred compensation; club membership	\$340,068	200+
Virginia	Old Dominion U.	Roseann O. Runte	\$139,820	\$147,680	1 car from private sources	1 house provided by state	Private sources: \$50,000 in deferred compensation; State: \$14,375 performance bonus; two club memberships	\$351,875	200+
Virginia	U. of Virginia	John T. Casteen III	\$151,421	\$190,579	\$15,000 from private sources	1 house provided by state	Private sources: \$125,000 in deferred compensation; \$33,000 endowed chair; \$16,490 bonus; \$12,622 for tuition for a dependent; \$5,671 for three club memberships	\$549,783	20
Virginia	Virginia Commonwealth U.	Eugene P. Trani	\$151,421	\$151,079	1 car from private sources	1 house from private sources	Private sources: \$45,375 in deferred compensation; \$35,125 bonus	\$383,000	20
Virginia	Virginia Tech	Charles W. Steger	\$151,421	\$173,579	\$19,463 from private sources	1 house provided by state	Private sources: \$108,000 in deferred compensation; State and private sources: \$16,250 bonus	\$468,713	20
Washington	U. of Washington at Seattle	Mark A. Emmert	\$470,000		\$12,000 provided by state	1 house provided by state	State: \$160,000 one-time incentive payment for relocation; \$120,000 in deferred	\$762,000	200+

Washington	Washington State U.	V. Lane Rawlins	\$300,000	CAR 1 car provided by state	1 house provided by state	compensation; club memberships State: \$110,000 in deferred compensation; \$40,000 retention bonus; \$1,437 for four club memberships	\$451,437	200
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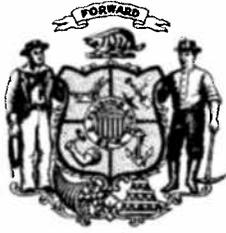
State	Institution	Name	Salary		Car	House	Other	Total compensation	Year reported
			Public funds	Private sources					
50 West Virginia	West Virginia U.	David C. Hardesty Jr.	\$220,308	\$30,000	2 cars provided by state	1 house provided by state	Private sources: \$81,000 in annual supplemental retirement pay, to be received after he reaches age 65	\$331,308	2004-5
4 Wisconsin	U. of Wisconsin System	Kevin P. Reilly	\$320,000		\$8,400 provided by state	1 house provided by state	Private sources: club membership	\$328,400	2004-5
Wisconsin	U. of Wisconsin at Milwaukee	Carlos E. Santiago	\$250,000	\$20,000	\$8,400 provided by state	1 house provided by state		\$278,400	2004-5
Wisconsin	U. of Wisconsin at Madison	John D. Wiley	\$251,043	\$55,000	\$8,400 provided by state	1 house provided by state	Private sources: Club membership	\$314,443	2004-5
Wyoming	U. of Wyoming	Philip L. Dubois	\$230,004		1 car provided by state	\$60,000 provided by state	Private sources: \$150,000 bonus; State: \$3,900 expense allowance	\$443,904	2004-5

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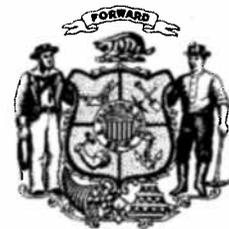


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Madison, WI 53703



An Evaluation

State Fleet Management

2005-2006 Joint Legislative Audit Committee Members

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Robert Cowles
Scott Fitzgerald
Mark Miller
Julie Lassa

Assembly Members:

Suzanne Jeskewitz, Co-chairperson
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State Auditor - Janice Mueller

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Response

From the Department of Administration



STATE OF WISCONSIN

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May 4, 2005

Janice Mueller
State Auditor

Senator Carol A. Roessler and
Representative Suzanne Jeskewitz, Co-chairpersons
Joint Legislative Audit Committee
State Capitol
Madison, Wisconsin 53702

Dear Senator Roessler and Representative Jeskewitz:

We have completed an evaluation of management of the State's vehicle fleet, as requested by the Joint Legislative Audit Committee. The Department of Administration (DOA) has primary responsibility for fleet management, including establishing policies for the acquisition, use, maintenance, and sale of fleet vehicles.

As of December 31, 2004, the State owned 6,669 fleet vehicles, a reduction of 13.8 percent since 2001. Agencies either own these vehicles or lease them from DOA; five agencies—DOA, the Department of Natural Resources, the Department of Transportation, the University of Wisconsin-Madison, and the Department of Corrections—are assigned nearly three-quarters of the fleet. Sedans and station wagons are the most commonly owned vehicles, followed by pick-up trucks and passenger and cargo vans. A vehicle reduction initiative announced by the Governor in June 2004 generated gross revenue of approximately \$3.5 million through March 2005, but it is unclear how much of this revenue will be available for deficit reduction because of sales costs and outstanding debt on vehicles sold.

We found that several state agencies are not appropriately enforcing the minimum driving standards for individuals who use fleet vehicles, in part because of DOA's limited guidance. We also found that Wisconsin's standard reimbursement rate for employees who use privately owned vehicles to conduct state business, \$0.325 per mile, is within the range paid by other midwestern states.

We make several recommendations to improve fleet management, including better monitoring of vehicle leases and rentals, improving the procurement process, fully implementing fleet-management software, and improving the process for responding to complaints about inappropriate vehicle use. In addition, we include a recommendation for DOA to better monitor mileage reimbursements by employees who make personal use of fleet vehicles. DOA will likely pay a forfeiture of approximately \$35,000 to the Internal Revenue Service for past underpayment of these mileage reimbursements, and steps should be taken to avoid additional forfeiture payments in the future.

We appreciate the courtesy and cooperation extended to us by DOA staff, as well as by staff in the other agencies and campuses we contacted. DOA's response follows the appendices.

Respectfully submitted,

Janice Mueller
State Auditor

JM/JZ/ss

Report Highlights ■

The number of vehicles owned by the State declined 13.8 percent between 2001 and 2004.

In 2004, fleet operating costs totaled an estimated \$30.5 million.

Enforcement of minimum driver eligibility standards needs to improve.

DOA has not assessed the cost-effectiveness of key decisions affecting the State's vehicle fleet.

The Department of Administration (DOA) has primary responsibility for managing the State's vehicle fleet, which in December 2004 consisted of 6,669 sedans, vans, pick-up trucks, and other vehicles licensed for road use. Fleet vehicles are available to state employees and other authorized individuals conducting state business. When a fleet vehicle is not available or is not used, employees may be reimbursed for using their own or other privately owned vehicles.

Questions about fleet management—including vehicle acquisition, use, maintenance, and disposition—have been raised since 2002, when a large number of vehicles were purchased while the State was experiencing budget constraints. Plans to reduce the fleet by at least 1,000 vehicles were announced by the Governor in 2004. However, the size and scope of the proposed reduction have raised additional management concerns. To address these questions and concerns, and at the request of the Joint Legislative Audit Committee, we:

- analyzed the number and types of vehicles owned or leased by the State, and reviewed procedures related to the purchase and sale of fleet vehicles;
- reviewed policies on the assignment of fleet vehicles to individual employees;
- examined current vehicle maintenance processes;

- analyzed whether individuals had appropriately reimbursed the State for personal use;
- examined how the State reimburses individuals who use privately owned vehicles on state business; and
- reviewed fleet practices in other midwestern states.

Vehicle Inventory

The State's vehicle fleet decreased from a high of 7,734 cars, trucks, vans, and buses at the end of 2001 to a low of 6,669 as of December 31, 2004. This 13.8 percent reduction resulted in part from the vehicle reduction initiative announced by the Governor in June 2004. However, after deducting sales costs and outstanding debt for the 958 vehicles sold under the initiative through March 2005, it is unclear how much of the \$3.5 million in gross revenue will be available for deficit reduction.

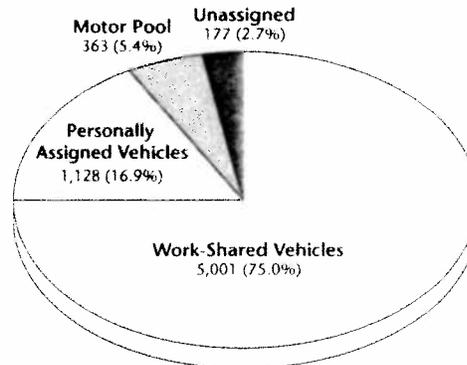
As of December 31, 2004, 48 state agencies either owned vehicles or leased them from DOA, but nearly three-quarters of the fleet was assigned to five agencies: DOA, the Department of Natural Resources (DNR), the Department of Transportation (DOT), the University of Wisconsin (UW)-Madison, and the Department of Corrections. The types of vehicles owned ranged from sports cars used for undercover police work to buses for transporting prison inmates. Sedans and station wagons—including 571 law enforcement vehicles—made up 34.3 percent of the fleet. They were primarily models such as the Ford Taurus and Escort and the Dodge Neon, along with the Ford Crown Victoria for law enforcement.

Fleet vehicles can be assigned to one of several categories, as shown in Figure 1:

- work-shared vehicles, which are designated for use by a relatively small group of employees within a single agency;
- personally assigned vehicles, which are assigned to individual employees for whom regular travel is an essential job requirement;
- central motor pool vehicles, which are available to many employees within an agency and are typically available to employees of other agencies; and
- vehicles awaiting assignment or sale.

Figure 1

Vehicle Assignments As of December 31, 2004



As of December 31, 2004, 1,128 vehicles were personally assigned to state employees, a reduction of 19.0 percent from March 2004 levels. While some vehicles were reassigned to the work-shared category, others—such as those assigned to UW System chancellors—were eliminated. Chancellors now receive a vehicle allowance of \$700 per month and can also be reimbursed for their business mileage.

Vehicle Acquisition

Since 2000, the State has purchased 4,362 vehicles at a cost of \$83.3 million. DOA manages vehicle procurement for all state agencies. DOA's bidding process is generally appropriate, but sharp decreases in vehicle purchases may have long-term effects, including increases in vehicle leasing and rental activity. In addition, good management practices suggest DOA should broaden its consideration of life-cycle costs—which include both the purchase price and operating costs of vehicles—when making vehicle procurement decisions.

As an alternative to purchasing vehicles, state agencies may lease them from private vendors for up to one year or rent them for 29 days or less. Only 23 vehicles were leased in 2004, but DOA's monitoring of agency leases should be improved to ensure that agencies take advantage of pre-negotiated lease agreements. Because payments for short-term vehicle rentals may increase as a result of the fleet reduction, we also include a recommendation for improved oversight of vehicle rentals.

Vehicle Use

To be eligible to drive a fleet vehicle, an individual must be a state employee, a student in the UW System, or an authorized agent of the State. DOA has established minimum driving standards, but monitoring and enforcement have been inadequate. For example, 39 of the 100 driving records we reviewed had not been checked in the past year, as required.

In addition, the Department of Corrections does not uniformly verify employee driving records or apply DOA's minimum driving standards to most of its employees and to some minimum-security inmates who use fleet vehicles to transport other inmates inside correctional facilities and on public roads.

During the course of our fieldwork, DOA improved the policies and procedures governing appropriate use of fleet vehicles, but careful scrutiny of employee driving records will continue to be important to ensure that only qualified drivers are using fleet vehicles.

Mileage Reimbursement

With limited exceptions, individuals are required to reimburse the State for personal use of fleet vehicles, including commuting from their homes. In response to concerns about mileage reimbursement—including a review by the Internal Revenue Service—DOA clarified its policies in 2004. The State is expected to pay the IRS a \$35,000 underpayment forfeiture to settle claims related to mileage reimbursements by state employees.

Depending on the availability of fleet vehicles and the number of miles driven, employees who used privately owned vehicles on state business in 2004 were typically paid at a standard rate of \$0.325 per mile, or a lower "turndown rate" of \$0.220 per mile. Wisconsin's standard rate is within the range paid by other midwestern states, but its turndown rate is among the lowest.

Fleet Management

It was difficult to obtain basic information about the State's vehicle inventory, including consistent or complete data for which agencies own or operate fleet vehicles; how vehicles are assigned; and what costs the State incurs to operate, lease, or rent vehicles or to reimburse individuals who drive privately owned vehicles. DOA has been slow to implement fleet management software, but in

December 2004 it was able to use the program to accurately report the State's vehicle inventory and how the vehicles were assigned.

We also noted a pattern in which DOA made key management decisions without adequate consideration of their potential costs, including:

- increasing mileage thresholds—currently 85,000 miles—for the replacement of fleet vehicles without assessing the costs of increased maintenance for an aging fleet;
- not assessing whether leasing DOA vehicles to other agencies is cost-effective; and
- not determining whether the State's use of maintenance management vendors—who received \$3.7 million in 2004—reduces overall vehicle maintenance costs.

Our recommendations address the need for DOA to:

- create utilization standards for its motor pool (*p. 23*);
- improve and expand its use of life-cycle costs when purchasing vehicles (*p. 27*);
- improve monitoring of leases from private vendors (*p. 32*);
- better monitor vehicle rental activity (*p. 34*);
- determine whether using a statewide maintenance management vendor is cost-effective (*p. 38*);
- improve tracking of maintenance costs (*p. 39*);
- report the amount of fleet reduction revenue available for deficit reduction (*p. 44*);
- clarify its policies for checking the driving records of individuals who use fleet vehicles (*p. 48*);
- improve the accuracy of its driver database (*p. 49*);
- standardize accounting practices related to payments to the State for personal use of fleet vehicles (*p. 54*);

8 ■ ■ ■ ■ REPORT HIGHLIGHTS

- ☑ ensure it complies with federal tax law and state requirements for mileage reimbursements (*p. 55*);
- ☑ document the amount it reimburses individuals to use privately owned vehicles for state business (*p. 65*);
- ☑ report its progress in implementing fleet management software (*p. 69*); and
- ☑ better assess the potential costs and benefits of future fleet management decisions (*p. 71*).

In addition, we include recommendations for:

- ☑ UW-Madison and DOT to create utilization standards for their motor pools (*p. 23*);
- ☑ the Department of Corrections to promulgate uniform policies regarding inmate drivers (*pp. 50-51*); and
- ☑ the Legislature to consider establishing a mechanism for individuals to report fraud and abuse in state government, including vehicle misuse (*p. 58*).

■ ■ ■ ■