

SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

BILL: SB 1370

SPONSOR: Senators Wise and Fasano

SUBJECT: State University Presidents/Salaries

DATE: April 9, 2003 REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Matthews</u>	<u>O'Farrell</u>	<u>ED</u>	<u>Favorable</u>
2.	<u>Wilson</u>	<u>Wilson</u>	<u>GO</u>	<u>Favorable</u>
3.	<u>Newman</u>	<u>Newman</u>	<u>AED</u>	<u>Favorable</u>
4.	_____	_____	<u>AP</u>	_____
5.	_____	_____	_____	_____
6.	_____	_____	_____	_____

I. Summary:

This bill caps the annual compensation of state university presidents to \$225,000 from public funds. The bill excludes compensation from nonpublic sources from the \$225,000 cap, but prohibits the state from incurring any obligation to cover any deficiency occasioned by a shortfall in nonpublic funds.

II. Present Situation:

Under the school code rewrite (chapter 2002-387, L.O.F.), a university board of trustees approves the annual compensation of a state university president. Annual compensation has dramatically increased within the past year. According to unverified survey data provided by the state universities, the university boards of trustees have awarded annual compensation to their respective university presidents as follows:

University of Florida (36 percent increase in salary)

- \$350,000 current salary
- \$256,800 previous salary
- State-owned residence
- Two vehicles at \$12,590 (Foundation)
- \$36,477 annuities, deferred compensation, and retirement (Foundation)
- \$6,107 health insurance
- \$32,753 state retirement

University of South Florida (37 percent increase in salary)

- \$325,000 current salary (\$25,000 from Foundation)

- \$237,800 previous salary
- State-owned residence
- Donated vehicle, insurance (Foundation), mileage \$1,500
- \$6,107 health insurance
- \$33,865 state retirement
- Travel expenses for president and spouse not to exceed \$4,000 (Foundation), club memberships (Foundation), prepaid tuition program for two children (non state funds), and Financial/Legal Advisor not to exceed \$2,500 (Foundation)

University of Central Florida (42 percent increase in salary)

- \$295,000 current salary
- \$207,152 previous salary
- On-campus residence (Foundation)
- Leased vehicle \$8,950 (Foundation) and auto insurance \$1,055
- \$35,400 annuity plus FICA and Medicare taxes \$3,221.44 (Foundation)
- Health insurance, long-term disability, and retirement
- Citrus Club membership \$1,720 (Foundation), Interlachen \$11,600 over 5 years (Foundation), golf membership \$6,368 (Foundation), physical examination (Foundation), and travel for spouse (Foundation)

Florida Atlantic University (51 percent increase in salary)

- \$290,000 current salary
- \$191,500 predecessor salary
- On-campus residence
- \$8,400 vehicle allowance (Foundation)
- \$7,918 health insurance
- \$16,704 state retirement
- \$1523 short-term disability
- \$62 life insurance (Foundation)
- \$1,100 other
- \$9,599 annuities, deferred compensation, and other retirement
- Annual allowance for spouse travel (Foundation)

Florida State University (14 percent increase in salary)

- \$288,750 current salary
- \$254,097 predecessor salary
- \$48,000 housing allowance (Direct-Support Organization)
- Vehicle plus all expenses (Direct-Support Organization)
- \$6,107 health insurance
- \$26,305 state retirement
- \$1,158 life insurance
- \$43,313 annuities, deferred compensation, or other retirement (Direct-Support Organization)
- Spousal travel, club memberships, and communication expenses (Direct-Support Organization)

Florida International University (41 percent increase in salary)

- \$285,000 current salary
- \$202,000 previous salary
- On-campus residence
- \$5,000 vehicle allowance (Foundation)
- \$7,918 health insurance
- \$758 life insurance
- \$725 disability insurance
- \$34,200 annuities, deferred compensation, or other retirement

Florida Agricultural and Mechanical University (50 percent increase in salary) – (FAMU has not responded to survey)

- \$275,000 current salary
- \$183,000 predecessor salary

Florida Gulf Coast University (30 percent increase in salary)

- \$240,000 current salary
- \$184,705 previous salary
- Residence provided (Foundation)
- Vehicle provided \$10,790 last year (Foundation)
- \$7,918 health insurance
- \$14,413 state retirement
- \$851 life insurance
- \$1,260 disability insurance
- \$28,800 annuities, deferred compensation, or other retirement (Foundation)
- \$25,000 expenses (Foundation)
- \$4,000 spousal travel (Foundation)

University of West Florida (17 percent increase in salary since predecessor; 2.5 percent increase from previous salary)

- \$210,125 current salary
- \$205,000 previous salary
- \$180,200 predecessor salary
- \$20,000 residence allowance (Foundation)
- Vehicle provided (Foundation)
- Health insurance, life insurance, and state retirement
- \$3,500 spousal travel (Foundation)
- Annuity 12 percent of base salary (\$25,215 Foundation)

University of North Florida (2.5 percent increase in salary)

- \$169,125 current salary
- \$165,000 previous salary
- \$10,000 residence allowance
- Leased car provided
- \$2,986 health insurance
- \$17,640 state retirement
- \$348 life insurance
- \$10,000 annuities, deferred compensation, or other retirement
- \$2,760 for memberships

New College (14 percent increase in salary)

- \$175,000 current salary
- \$153,750 previous salary
- \$20,000 residence allowance (Foundation)
- \$5,000 vehicle allowance (Foundation)
- \$7,918 health insurance
- \$18,253 state retirement
- \$620 life insurance
- \$919 disability insurance
- \$21,000 annuities, deferred compensation, or other retirement
- Spousal travel \$4,000 (Foundation), expenses \$10,000 (Foundation), and performance at an amount and fund source to be determined

Unless otherwise indicated through the designation of the terms “Foundation” or “Direct-Support Organization,” all obligations are funded through state dollars.

III. Effect of Proposed Changes:

The bill caps the annual remuneration of state university presidents to \$225,000 from public funds. The bill defines the following terms for purposes of determining the cap:

- “Remuneration” is defined as salary, bonuses, and cash-equivalent compensation paid to a state university president by his employer for work performed, excluding health insurance benefits and retirement benefits.
- “Public funds” are defined as funds appropriated from the General Revenue Fund, funds appropriated from state trust funds, tuition and fees, or any funds from a state university trust fund regardless of repository.
- “Cash-equivalent compensation” is defined as any benefit that may be assigned equivalent cash value.

Currently, only three institutions satisfy the cap: University of West Florida, University of North Florida, and New College. New College would be subject to the cap through s. 1001.21(6), F.S., which defines New College, except as otherwise specifically provided, as a state university.

Payments and benefits received from a university foundation or a university direct-support organization would not be subject to the \$225,000 cap. A party may provide compensation to a state university president from nonpublic funds. However, the state may not assume any third party obligation to compensate university presidents if the third party fails in its obligation to make payment to a state university president.

The bill retains compensation, as that term is defined in s. 121.022(22), F.S., for purposes of calculating benefits under the Florida Retirement System (FRS). Section 121.022(22), F.S., specifically excludes bonuses and other payments received under a faculty practice plan in determining compensation under FRS.

The bill is prospective in application and shall take effect upon becoming a law.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Economic Impact and Fiscal Note:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

To the extent that state university presidents are not compensated from public funds, private sector sources may be required to fund the compensation of university presidents to continue to attract qualified individuals.

C. Government Sector Impact:

The bill may provide a positive fiscal impact to state revenues by limiting state obligations to fund university president salaries upon completion of current contracts.

VI. Technical Deficiencies:

None.

VII. Related Issues:

Section 401(a)(17) of the United States Internal Revenue Code sets maximum compensation limits for the calculation of benefits from an approved, tax-qualified defined benefit pension plan. The Florida Retirement System (FRS) adheres to these requirements through s.121.30, F.S. and permits exceptions to the Code's section 415(b) maximum benefit payments through adherence to s. 121.1001, F.S. For FRS members employed prior to July 1, 1996, the maximum compensation limit is \$294,620; for employment after that date the limit is \$200,000. Employer payroll contributions cease when those compensation limits are met.

A consequence of this federal limit is that there may be greater retirement contributions paid to university presidents even when the salary amount is lower than for others solely based on the date of first hire. This could produce an anomalous situation in which a nominally higher salaried president actually receives a lower state benefit upon retirement.

VIII. Amendments:

None.

This Senate staff analysis does not reflect the intent or official position of the bill's sponsor or the Florida Senate.
