

An Evaluation:

Personnel Policies and Practices

Wisconsin Technical College System

March 2007

Report Highlights ■

Personnel costs are the largest portion of WTCS expenses.

The Wisconsin Technical College System (WTCS) offers associate degree programs, technical diplomas and certificates, and customized training at 48 campuses operated by 16 technical college districts. The system employed 12,908 individuals, including 7,181 full- and part-time faculty, in March 2006.

More than two-thirds of full-time faculty earned compensation beyond their base salaries in FY 2004-05.

The technical college districts are local units of government. Each is governed by an appointed board and funded through local property taxes, tuition, student fees, and state and federal aid. A state agency—the Technical College System Board and its 63 staff—oversees some district operations, but each of the 16 districts develops its own personnel policies and procedures, most of which are negotiated through collective bargaining. Approximately two-thirds of technical college staff are unionized employees.

Districts have varying policies and procedures for recording leave.

Several districts' retainer agreements did not follow competitive selection procedures.

At the direction of the Joint Legislative Audit Committee, we evaluated selected personnel policies and practices affecting both local and state employees of WTCS, including:

Settlement agreements are used to resolve some personnel issues.

- compensation and fringe benefits for faculty and other employees, including the technical college presidents;
- the use and reporting of sick leave, vacation, and sabbatical time;
- adherence to state laws and policies governing the procurement of consulting services; and
- the use of settlement agreements to resolve personnel issues.

Our analysis of the employment of felons within WTCS, which was also requested by the Audit Committee, was described in a letter report released in June 2006. "Back-up positions" or similar job protections are not available to WTCS employees.

Key Facts and Findings

State and local WTCS expenditures totaled \$1.1 billion in FY 2005-06.

In FY 2004-05, full-time faculty earned an average of \$74,598, including compensation for extra work.

Milwaukee Area has an estimated \$228.6 million liability for non-pension benefits already promised to current and retired employees.

In FY 2004-05, faculty reported using an average of 3.2 days of sick leave.

In FY 2005-06, eight districts had a total of ten retainer agreements, including six for employee health care benefits consulting.

From July 2002 through March 2006, 12 districts negotiated 81 settlement agreements with employees, which totaled \$1.5 million.

Funding and Expenditures

The expenditures of WTCS districts and the System Board totaled \$1.1 billion in fiscal year (FY) 2005-06. Employee salaries and fringe benefits accounted for more than two-thirds of that total. Local property taxes were the source of 56.0 percent of WTCS funding in FY 2005-06.

Salaries and Benefits

Average earnings vary because of differences in the compensation rates and workloads specified in each district's policies and collective bargaining agreements.

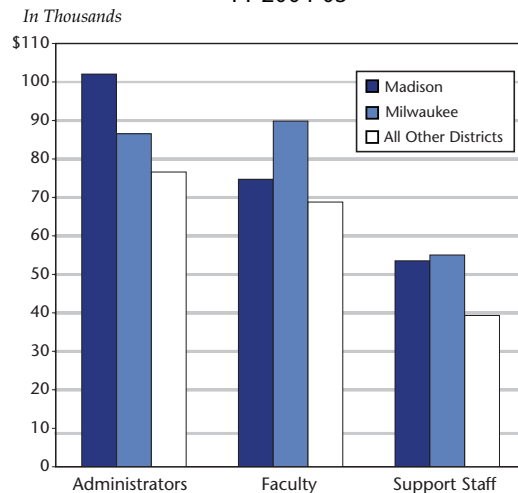
In FY 2004-05, full-time WTCS administrators earned an average of \$77,567. Full-time faculty earned an average of \$74,598, and full-time support staff earned an average of \$43,636. In that year, 369 WTCS employees had earnings of at least \$100,000.

Full-time workloads for WTCS faculty, as defined by district collective bargaining agreements, averaged 35.7 hours per week. In FY 2004-05, 68.2 percent of full-time WTCS faculty earned additional compensation by working more than a full-time workload. Most of the additional earnings represent compensation for teaching additional courses.

The average base salaries of WTCS faculty are among the highest reported nationally. Their average annual earnings—which represent base salaries plus additional compensation—exceeded the average annual earnings of full-time faculty at the two-year University of Wisconsin (UW) Colleges by approximately \$22,000.

We compared full-time faculty earnings in the ten technical college districts that also contain a four-year UW System institution. In 7 of the 10 districts, average earnings were higher for WTCS faculty than for UW System faculty.

Average Earnings of Full-Time WTCS Employees FY 2004-05



For example, in FY 2004-05, full-time faculty at Southwest Wisconsin Technical College earned an average of \$63,090. Full-time faculty at nearby UW-Platteville earned an average of \$60,895, a difference of \$2,195. During the same period, full-time faculty at Northeast Wisconsin Technical College earned an average of \$82,406. Faculty at nearby UW-Green Bay earned an average of \$57,199, or \$25,207 less.

WTCS employees also earn fringe benefits such as health and dental

insurance, life insurance, and retirement benefits. All 16 districts provide health insurance benefits to full-time and at least some part-time employees. In addition, all districts provide health insurance benefits to some retirees. District costs for retiree insurance benefits totaled \$15.7 million in FY 2005-06.

Under new accounting rules, all public employers will be required to more fully disclose the costs of non-pension retiree benefits no later than FY 2009-10. Although accounting rules do not require employers to fund these costs, large unfunded liabilities could adversely affect employers' credit ratings and the cost of issuing bonds.

Of the 16 technical college districts, 13 have estimated their liabilities for benefits already promised to current and retired employees. Actuarial estimates of the costs of these non-pension post-retirement benefits range from \$3.3 million for the Northeast district to \$228.6 million for the Milwaukee Area district.

The magnitude of Milwaukee Area's liability suggests the district could be challenged to meet its future financial obligations without significantly increasing revenues or significantly reducing its operating budget.

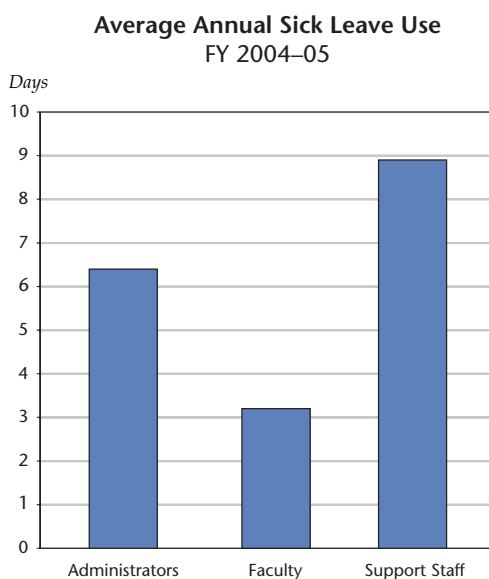
Compensation for technical college presidents typically includes a salary and the fringe benefits available to other employees, as well as a vehicle or vehicle allowance and supplemental contributions to

retirement accounts. Technical college presidents' compensation in FY 2005-06 ranged from \$127,625 at Southwest Wisconsin to \$226,900 at Milwaukee Area.

Leave Use

WTCS employees earn sick leave, as required by statutes. The amount earned each year varies based on collective bargaining agreements and individual district policies.

In FY 2004-05, full-time WTCS employees reported using an average of 6.0 days of sick leave. On average, faculty reported using 3.2 days while support staff reported using 8.9 days.



Although most full-time employees reported using some sick leave during FY 2004-05, 38.1 percent of faculty reported using none, compared to 17.8 percent of administrators and 6.6 percent of

support staff. A greater percentage of UW System employees reported using no sick leave in 2005.

To evaluate compliance with leave reporting requirements, we reviewed 336 employee leave files. Although most records appeared to be complete, we found several discrepancies between paper and electronic leave records.

All technical college districts offer sabbaticals to faculty, and seven allow support staff or administrators to apply for sabbatical leave. From July 2004 through March 2006, 17 employees took sabbaticals, including 15 faculty. We found general compliance with sabbatical procedures, although compliance with reporting requirements could be improved.

Retainer Agreements

We examined the extent to which technical college districts contract for professional services using retainer agreements, which establish fixed regular payments for agreed-upon services even though the amount and type of work may vary.

Eight districts reported a total of ten retainer agreements in FY 2005-06. Six of the ten contracts were with employee health care benefits consulting firms.

While most retainer agreements met specified procurement requirements, we noted several concerns. In particular, the Waukesha County and Madison Area districts entered into

retainer agreements exceeding \$25,000 without following the competitive selection process required by law.

Settlement Agreements

Twelve of the 16 districts reported that they had resolved personnel issues by negotiating settlement agreements with their employees. The most common reason for entering into an agreement was to terminate employment because of unsatisfactory performance. Other reasons included position elimination or restructuring, settlement of discrimination complaints, and termination for misconduct.

From July 2002 through March 2006, 81 settlement agreements were negotiated, including 17 by the Gateway district. Approximately one-half of the agreements involved administrators, with the remainder evenly split between faculty and support staff.

Settlement payments totaled \$1.5 million over the period we reviewed. In addition, 47 of the 81 settlement agreements provided employer-paid health insurance benefits for varying periods.

Recommendations

Our report includes recommendations that the technical college districts:

- ☑ improve the accuracy of reporting long-term employee absences (p. 50);
- ☑ improve compliance with requirements for reporting sabbatical outcomes (p. 54);
- ☑ ensure that procurement practices for retainer agreements comply with state law and WTCS policies (p. 60); and
- ☑ annually report to the WTCS Board on the number, type, and cost of any settlement agreements they enter into (p. 63).

We also include recommendations for the WTCS Board to:

- ☑ report to the Legislature on all technical college districts' plans for addressing liabilities associated with retiree benefits costs (p. 38); and
- ☑ direct its staff to monitor the procurement policies and practices of each district (p. 60).

Additional Information

For a copy of report 07-2, which includes a response from the Wisconsin Technical College System President, call (608) 266-2818 or visit our Web site:



www.legis.wisconsin.gov/lab

Address questions regarding this report to:

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