



Golden Parachutes In Illinois: How To Curb Six-Figure Severances For Public Execs

Description

Editor's note, posted Oct. 20, 2017: Senate Bill 2159 was added to this post. [Senate Bill 2159](#) focuses on severance deals for top university officials. It was passed and signed into law in 2016. That law says future severance packages for public university presidents and chancellors may not exceed one year's salary and applicable benefits. It also says future contracts may not exceed four years and may not include any automatic rollover clauses. The law also increased transparency about severance deals by requiring public input and open meetings.

While Illinoisans face years of budget deficits, cuts to social services and [tax increases](#), we also foot the bill for expensive severance packages for public executives.

Proponents of high payouts argue the practice allows public departments, including colleges and universities, to recruit and retain high-value talent.

The practice, however, has cost taxpayers millions of dollars and rivals golden parachutes awarded in the corporate sector. How public officials determine how much to include in severance packages also has historically lacked transparency. Severance deals often are made behind closed doors, keeping the public in the dark.

What's a better process? What do other states do? How extensive is the habit of awarding significant golden parachute severance packages in Illinois? The Better Government Association's policy unit took a look at recent severance controversies, best practices and possible solutions.

Examples in Illinois

Doug Baker Northern Illinois University left 2017

- Payment to end contract: \$450K

- Payment for resigning from tenured position: \$137.5K
- Legal counsel: \$30K

In June of 2017, Doug Baker, former president of Northern Illinois University, agreed to retire in the midst of investigative revelations that pointed to misspending from his office. As part of his retirement, Baker's severance package totaled [more than \\$600,000](#); including a year's salary, a sum for retiring from a teaching position, and money for legal counsel. [Investigators found](#) the university was hiring consultants at expensive rates and handing out contracts to Baker's personal friends. The questionable conduct occurred in the midst of NIU staff budget cuts during the state budget impasse. Students also complained of construction projects being delayed or stopped, including work on fixing dorms with leaking ceilings, potholes in parking lots, and unfinished sidewalks around campus.

Recently, [a judge granted a temporary restraining order](#) barring NIU from making any additional severance package payments to Baker, but he already received a large majority of his package. The restraining order was the result of a lawsuit by DeKalb County Board member Misty Haji-Sheikh. Haji-Sheikh claims trustees violated the Open Meetings Act when they agreed to Baker's package. The agreement was made in a closed-doors meeting that lasted seven hours. No public comment was solicited.

Thomas Calhoun Jr. Chicago State University left 2016

- Payment to end contract: \$600K
- Moving expenses: \$5K

Thomas Calhoun Jr. mysteriously [received a \\$600,000 severance package](#) after serving as president of Chicago State University for just nine months. The deal was part of a separation agreement that included two years' salary. During the board meeting finalizing the separation, trustees did not hear public comment. The reason for Calhoun's departure never was shared, but community members insisted he was being pushed out. Chicago State University continues to face major budget shortfalls.

Robert Breuder College of DuPage left 2015

- Payment to end contract: \$762.9K

In 2015, College of DuPage's former president, Robert Breuder, received a severance package that totalled more than \$750,000. The package was awarded by trustees after Breuder agreed to retire early, three years before his recently-renewed contract expired. Breuder stepped down after it was revealed that the College of Dupage had hidden \$95 million in spending on prestigious club memberships for Breuder, expensive meals, and on deals with companies which college leadership owned or had close ties to.

After public outcry, a new set of trustees moved to void Breuder's contract. The trustees cited 19th-Century case law which reasoned that lame-duck boards cannot bind future boards to lengthy employment agreements. [The board then moved to fire](#) Breuder, citing the scandals.

Breuder then sued the college and some trustees for breach of contract and unlawful termination. His suit seeks \$2 million. Most recently, Breuder petitioned [the U.S. Appellate Court to uphold a lower court's ruling](#) that determined that the college could not cite the 19th Century case law, as it had been overridden by existing state law. The case is pending.

Timothy Flanagan Illinois State University left 2014

- Payment to end contract: \$480.4K

Former Illinois State University President [Timothy Flanagan received a \\$480,000 severance payment](#) after only being on the job for seven months. As part of a separation agreement, Flanagan resigned and all parties agreed not to comment on the resignation. Students and community members protested the agreement and demanded to know why Flanagan received a severance payment if his resignation was voluntarily. It was later uncovered that Flanagan had been arrested and was facing charges after an altercation with another man in Flanagan's front yard. Flanagan was found guilty of disorderly conduct and was allowed to serve his community service in another state. The conviction did not result in him losing his severance package.

Phyllis Wise University of Illinois at Urbana-Champaign left 2013

- Paid sabbatical: \$365K
- New position salary: \$298.9K

Former Chancellor Phyllis Wise, at the University of Illinois at Urbana-Champaign, submitted her resignation a day before documents were released that strongly suggested she had conspired to hide information from the public, violating FOIA and university policy. Initially, as part of her resignation, Wise was set to receive a \$400,000 bonus. After public outcry, however, the board of trustees voted down her resignation. She submitted a second resignation that left her without a bonus. However, she did keep a sabbatical of one year at \$365,000 and a tenured teaching position with a salary of \$298,926.

Jeneen Smith-Underwood Lake County Housing Authority left 2013

- Payment to end contract: \$122K

In July of 2013, Jeneen Smith-Underwood received a \$122,000 severance package after being the chief executive officer/executive director of the Lake County Housing Authority for only four months. While the housing authority board chairman claimed no taxpayer dollars were used as part of the settlement and that the money came from private real estate transactions, residents and elected officials were upset at the lack of transparency.

Alex Clifford Metra left 2013

- Payment to end contract: \$419.5K
- Legal counsel: \$75K
- Moving expenses: \$60.5K
- Leftover vacation, sick days, PTO: \$63.1K
- Pension and health plan contributions: \$34.1K

In June of 2013, former Metra CEO Alex Clifford resigned after accepting a severance package that cost more than \$650,000. The agreement covered the remainder of his salary and benefits, any potential salary difference between his next job and his Metra salary. In return, Clifford agreed not to pursue legal action against Metra. In total, the agreement cost taxpayers more than \$1.3 million. Metra paid outside legal counsel as well as public relations professionals after facing public outcry. In response to public outrage, Metra officials said they reformed the way they manage severance agreements.

But later, when an audit of Metra was conducted, it was uncovered the transit agency had an insurance policy that would have covered any legal costs associated with a lawsuit from Clifford. The deductible would have been \$150,000, a minor amount compared to the severance and the amount paid to outside legal counsel. When leadership at Metra was asked to explain why they didn't use the insurance, they pointed to bad legal advice.

Michael Hogan University of Illinois at Urbana-Champaign left 2012

- Payment to end contract: \$67.5K
- Paid sabbatical: \$285.1K
- New position salary: \$285.1K

Michael Hogan, former president at the University of Illinois at Urbana-Champaign, resigned after facing a scandal where his chief of staff posed as a member of the university's legislative body in an attempt to influence an internal debate. Hogan also was facing criticism from staff and professors about his ability to maintain positive relationships. As a result, he resigned and received a one-year paid sabbatical and a teaching position with a salary of \$285,200. Hogan then chose to teach in Springfield where he was the [highest-paid employee](#).

Richard H. Herman University of Illinois at Urbana-Champaign left 2009

- Paid sabbatical: \$244K
- New position salary: \$395.5K

In 2009, Chancellor Richard H. Herman, from the University of Illinois at Urbana-Champaign, resigned in the midst of an admissions scandal. He was able to [retain his \\$395,000 annual salary](#) by being named special assistant to the interim president, and also was granted a sabbatical worth \$244,000. Herman also received a \$212,000 teaching salary as a communications professor following his tenure as special assistant. He only was required to teach two courses, whereas communications professors usually are required to teach four courses a year.

National scope

High-cost severance packages are not granted only in Illinois. Take, for example, the three largest severance packages for public university officials:

- More than \$6 million for E. Gordon Gee, former president at Ohio State University
- \$1.6 million for R. Bowen Loftin, former president of Texas A&M
- More than \$1.3 million for Hamid A. Shirvani, former chancellor at North Dakota University.

Other examples of high public severances include:

- Former Baltimore County police chief Jim Johnson, who received a \$117,000 severance package, in addition to a \$45,000 salary paid to him after his resignation. As in many cases, Johnson's departure was announced, but no specific details about reasons for his departure were shared.
- Former Minneapolis police chief Janee Harteau received a package worth up to \$200,000. The package included a severance payment of \$183,000 with covered medical, dental and life benefits for up to a year. Harteau resigned in the midst of a controversy which involved an officer shooting an unarmed woman in an alley.
- In Florida, Lee Niblock, a former county manager, received a severance package of \$116,000. The package included 20 weeks of pay, vacation time, sick leave and a payout for retirement health insurance. Niblock received the package after being fired following complaints of low-employee morale and because he planned to reward high-level county executives with a bonus, which many felt was undeserved.

Best practices: Laws in other states

No other state in the Midwest has taken action to put limitations or regulations on public severance packages.

[California](#) passed a law in 2015 that restricted severance pay for K-12 school superintendents to 12 months of salary from an 18-month limit. The legislation was introduced after several superintendents from Bay Area school districts received large payouts.

[Florida](#) passed a law in 2011 that restricts severance pay for any officer, agent, employee, or contractor to no more than 20 weeks' salary. Employees without a contract or employee agreement may receive severance pay which cannot exceed six weeks' salary.

Law in Illinois

Following the public outrage stemming from the College of DuPage Breuder severance package, a subcommittee on Public Higher Education Executive Compensation was formed in Springfield. As a result, Illinois passed [HB3593](#) into law in 2015. That law provides that community colleges entering employment contracts, with the exception of collective bargaining agreements, have to abide by the following: 1) severance pay may not exceed one year's salary, 2) a contract may not exceed four years, 3) no automatic contract rollovers, renewals or extensions can be made without an open meeting, and 4) public notice must be made when a contract is entered into, amended, renewed, or extended. A year later, [SB2159](#) would also be passed and signed into law. The bill included similar provisions to HB3593, applying them to state university presidents and chancellors. The bill also added new provisions that improved transparency and open meetings.

While HB3593 has placed regulations on severance packages and made more transparent when and how contracts are entered into, renewed or extended, it only applies to community colleges. Bigger reforms are needed. As our timeline shows, high-cost severance packages have been awarded beyond the community college system. A broader approach would be to model Illinois policy after Florida's that applies to any public employee without a collective bargaining agreement.

Illinois has a chance to lead by reining in severance packages for public officials that anger taxpayers as an overly generous abuse of their money.