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Special Committee on Presidential Selection and Compensation
October 13, 2011

Speaker Order

Opening Remarks	Lou Monville, Committee Chair
Existing Policy	Chancellor Charles B. Reed
Presentation of Tiers	Chancellor Charles B. Reed
Public Comment	
Principles	Chancellor Charles B. Reed
Discussion/Direction	Board of Trustees

COMMITTEE ON UNIVERSITY AND FACULTY PERSONNEL

Compensation Policy

Presentation By

Charles B. Reed
Chancellor

Gail Brooks
Interim Vice Chancellor
Human Resources

Summary

It is timely to have the trustees adopt a compensation policy for the California State University.

Background

Because it has been over a decade since the trustees adopted a formal policy on executive compensation, it is recommended that the trustees approve a policy of executive compensation for the record so that new members of the Board of Trustees, the CSU community, and state law and policy makers have a context for decisions about compensation by the Board of Trustees. Although the intent of the policy is to address executives, the proposed policy extends to all CSU employees so that stakeholders understand that all employees are valued for their contributions for their work assignment and are compensated accordingly. Over the past two years, the Committee on Collective Bargaining has discussed the merits of a multi-year plan to improve compensation for represented and non-represented employees to recognize marketplace competition.

The CSU competes nationally for well-qualified individuals to serve as executives, faculty members, senior administrators, and other staff. It also competes in local markets for its employees. In some situations the pool of well-qualified individuals is limited. The compensation program, i.e., salaries and benefits, must be able to recruit, develop, and retain the highest quality workforce to serve the interests of the CSU in fulfilling its mission in the state, nationally, and globally. It also must recognize California's cost of living.

On annual basis, as directed by the Legislature, the California Postsecondary Education Commission (CPEC) oversees studies of faculty and executive compensation. The methodology has been agreed to by CPEC, the Department of Finance, the Legislative Analyst's Office, the CSU, and the University of California. These analyses have been conducted by Mercer Human Resource Consulting, a consulting group that has conducted CSU faculty and presidential compensation surveys at the request of CPEC since 1995. Since the studies began in 1981/82, they have been recognized by the Department of Finance and the Legislative Analyst's Office as providing illuminating information on salary lags or excesses when compared to a national pool. These surveys utilize a comparison group of 20 institutions from four regions of the United States, comprised in the majority by public universities. The same group is utilized to obtain data on faculty and executive compensation. In practice, because it has been complicated to obtain accurate information on benefits provided by other institutions, the survey results have been limited to salary data. In the 1980s the faculty salary lag in the CSU was a single digit; by 1991/92 it was 4.1% and by 2006/07 the actual lag was 15.2%. For executives, the lag varies by year; in 1994/95 the lag for presidents was reported as 11.1% and by 2006 it increased to 46.0%.

The California State University Comparison Institutions

<u>Northeast Region</u>
Bucknell University*
Rutgers, the State University of New Jersey, Newark
State University of New York, Albany
Tufts University*
University of Connecticut

<u>North Central Region</u>
Cleveland State University
Illinois State University
Loyola University, Chicago*
Wayne State University
University of Wisconsin, Milwaukee

<u>Southern Region</u>
Georgia State University
George Mason University
North Carolina State University
University of Maryland, Baltimore County
University of Texas, Arlington

<u>Western Region</u>
Arizona State University
Reed College*
University of Colorado, Denver
University of Nevada, Reno
University of Southern California*

* Independent institution

Complicating the creation of a rational salary distribution for presidents are factors such as an individual's compensation history prior to CSU executive employment, compaction with vice presidents and others, a retirement cap by the Internal Revenue Service for employees hired during the last 12 years, and local and state tax environments of past employment.

- Because the CSU needs to pay competitive salaries to recruit successfully, newer employees tend to be better compensated than existing employees. Individuals hired into the CSU executive ranks from outside the CSU, for example, arrive with higher compensation histories. Thus, their placement within the CSU executive pay ranges can be inconsistent with existing presidential compensation in terms of size of campus and length of executive service. This has been occurring prominently for the past six years.

- Internal compensation compaction is another sensitivity. The national marketplace for provosts, chief financial officers, vice presidents for advancement, and chief information officers is highly competitive. The pool of available talent for recruitment is finite. Experienced senior administrators are often well-compensated by current employers. As a result of compensation history and the cost of housing in California, some newly hired vice presidents are paid in the lower range of the presidential salaries.

- Newly appointed executives from outside of the CSU are penalized because their salary used to determine retirement contributions to CalPERS is capped by federal tax law and regulations; the Internal Revenue Service (IRS) cap for 2007 is $225,000. The cap was $150,000 on July 1, 1996, when the cap was first implemented. The IRS has the ability to make very modest increases in the cap each year. Therefore, the presidents who have come to the CSU since July 1, 1996 do not get their full CalPERS retirement benefit and there are no other employer provided retirement contributions on their behalf.

Factors used to determine executive salaries in the CSU include the mission, scope, size, complexity and programs of each campus, system and national policy leadership, length of executive experience, performance, and market competition. The direction of the trustees should continue to have as its target the average cash compensation for presidents as being the mean for comparable positions in the 20 California Postsecondary Education Commission (CPEC) comparison institutions, the same group of institutions used for faculty salary studies.

Regarding performance, the trustees have a formal and rigorous review policy originally adopted in the 1980s, revised in 1994, and amended in 2001. In addition to on-going performance monitoring by the chancellor, trustee policy requires a formal evaluation on approximately a three-year interval. These periodic review reports are presented to the trustees in closed session meeting throughout the year as needed. These reviews assess the individual's ability to effectively manage resources, diversify the workforce and student body, communicate, plan, innovate, advance the academic programs, conduct community relations, and raise external funds.

Faculty members undergo formal review when seeking promotion and tenure decisions, when seeking recognition for merit, and in other ways as defined by the collective bargaining agreement.

In recognition that the external marketplace surveys conducted by CPEC are limited to faculty and executives and to implement the vision of the Committee on Collective Bargaining to implement a five-year plan, this item recommends all employment categories be subject to periodic market comparison surveys to determine competitiveness and that demonstrated salary lags be eliminated.

The following resolution is recommended for adoption:

RESOLVED, by the Board of Trustees of the California State University, that the compensation policy of the California State University includes the following:

1. It is the goal of the CSU to attract, motivate, and retain highly qualified individuals as faculty, staff, administrators, and executives whose knowledge, experience, and contributions advance the university's mission.

2. It is the intent of the Board of Trustees to compensate CSU employees in a manner that is fair, reasonable, competitive, and fiscally prudent.

3. It is the direction of the Board of Trustees to attain parity with the average of the 20 comparator institutions identified in the annual analyses for CSU faculty and for CSU executives conducted on behalf of the California Postsecondary Education Commission by 2010-11. To implement this policy, the Chancellor is directed to recommend appropriate salary adjustments for CSU executives phased over the next four years, beginning in 2007-08. Individual executive salary proposals are to be based on performance, complexity of assignment, years of executive experience, advancement of campus and institutional goals, leadership within the CSU system and national settings, and market competition. Faculty salary adjustments are made in accord with collective bargaining agreements and individual consideration is given to promotion in rank and merit.

4. In order to provide competitive and fair compensation for all CSU employee classifications, the Chancellor is also directed to conduct periodic market comparison surveys for employees not addressed in the annual CPEC analyses. Annual funding for compensation will be consistent with all other uses of resources within the annual budget.

COMMITTEE ON UNIVERSITY AND FACULTY PERSONNEL

Compensation Policy (RUFP 09-07-06)

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BENCHMARK PROJECT DATA SOURCES

The primary variables used to determine benchmark university comparisons for various CSU "cluster university groups" were enrollment comparability, total operating budget comparability, and total research capacity. These three areas were then supplemented by other variables such as lower income student populations, and graduation rate success as additional factors.

- Carnegie Classifications played no role in determining benchmark institutional groups due to the fact that there are only a few large public "Masters Comprehensive" universities of comparable enrollments, budgets, or research capacities outside of the CSU. For example, there are only 4 "Master's Comprehensive" universities outside the CSU with over 20,000 students and none with over 25,000 students (Middle Tennessee State 20,000, Texas-San Marcos 24,000, Texas-San Antonio 23,000). The average FTE student enrollment for "Master's Comprehensive" universities nationwide is 8,286 (2009). The CSU has 10 universities with 20,000 or more students and 5 universities with 30,000 or more.
- On a couple of occasions, a very small set of universities can be found within two groups due to overlapping variables.
- Presidential compensation played no role in determining benchmark institutional groups as evidenced in the vast salary variations.

Categories and Sources:

Enrollment Category (highly weighted): Self reported from 2009-2010 data on individual university websites.

Total Budget (highly weighted): Self reported data from the individual university website. Generally found under "total operating budget" in the Business and Administration area of the websites. Mostly for 2009-2010. However, a few of the budgets were reflective of 2010-2011. Overall, very little differences between these two years.

Pell % (percentage) "Lower Income Student Population": Education Trust's "College Results Online" for the year 2009. Education Trust's data is generated from self-reported IPEDS data (Department of Education).

6-Year Graduation Rate: Education Trust's "College Results Online" for the year 2009. Education Trust's data is generated from self-reported IPEDS data (Department of Education).

All Research Funding (highly weighted): Self reported data representing all research and sponsored program expenditures. Data found on individual university websites. Self reported. This data differs from the annual NSF research figures which only count about 50% of all sponsored programs research funding.

Presidential Base Pay: Most of the base salaries, deferred compensation, and annual bonus pay was generated from data supplied by the Chronicle of Higher Education for 2009-10 fiscal year. A listing was published in the CHE on March 31, 2011. For universities not listed in the CHE data, individual presidential compensation was identified through various local media sources and web-based state systemwide campus data sources. In many cases, deferred pay or retirement contributions and annual salary bonuses was not available through state system sources.

PEER COMPARISON LISTING
GROUP A: CSU HIGH ENROLLMENT & HIGH RESEARCH

Institutions (11)	State	Location	Enrollment	Total Budget	Pell %	6-yr. Grad Rate	All Research Funding	Pres. Base Pay	Additional Annual Comp
San Diego State University	*CA*	*Urban*	*30,500*	*$776 million*	*23%*	*66%*	*$130 million*	*$350,000*	*$50,000 Found.*
Temple University	PA	Urban	38,210	$1 billion	26%	67%	$150 million	$605,000	$70,000 bonus $75,000 deferred
Florida International University	FL	Urban	38,210	$942 million	35%	46%	$100 million	$562,000	$75,000 deferred
George Mason University	VA	Urban	32,200	$890 million	19%	67%	$115 million	$404,000	$130,000 bonus
West Virginia University	WV	Rural	30,000	$800 million	20%	58%	$160 million	$450,000	0
University of Oklahoma	OK	Rural	30,000	$810 billion	19%	63%	$140 million	$430,000	$115,000 deferred $85,000 ret. ben.
University of Alabama	AL	Rural	30,000	$685 million	14%	66%	$90 million	$592,000	0
University of Houston	TX	Urban	29,000	$875 million	35%	41%	$172 million	$425,000	$150,000 deferred
University of Oregon	OR	Rural	24,000	$874 million	15%	70%	$140 million	$501,233	N/A
Southern Illinois Univ. at Carbondale	IL	Rural	21,000	$453 million	14%	69%	$80 million	$375,000	$55,000 deferred
University of Arkansas at Fayetteville	AK	Rural	21,000	$560 million	44%	37%	$105 million	$282,000	$225,000 deferred $25,000 ret. Ben.
Univ. of Nevada-Reno	NV	Urban	19,000	$886 million	13%	46%	$106 million	$416,424	$27,572 deferred

SUMMARY GROUP A: CSU HIGH ENROLLMENT & HIGH RESEARCH

States represented (11): Florida (1), Virginia (1), West Virginia (1), Pennsylvania (1), Texas (1), Alabama (1), Oregon (1), Illinois (1), Oklahoma (1), Arkansas (1), Nevada (1).

Enrollment (average):		Total Operating Budgets (average):	
CSU Group A:	30,500	CSU Group A:	$776 million
Benchmark Universities Group A:	25,000	Benchmark Universities Group A:	$797 million
Location:		Percentage of Pell Enrolled (average):	
CSU Group A:	Urban (1)	CSU Group A:	23%
Benchmark Universities Group A:	Urban (5), Rural (7)	Benchmark Group A:	23%
Research Funding (average):		6-year Graduation Rate (average):	
CSU Group A:	$130 million	CSU Group A:	66%
Benchmark Universities Group A:	$123 million	Benchmark Universities Group A:	57%

Presidential Base Pay (average):
CSU Group A: $400,000
Benchmark Group A: $458,360 (not counting annual bonuses or deferred retirement pay)

PEER COMPARISON LISTING
GROUP B: CSU HIGH ENROLLMENT & MID-RANGE RESEARCH

Institutions (12)	State	Location	Enrollment	Total Budget	Pell %	6-Yr. Grad Rate	All Research Funding	Pres. Base Pay	Additional Annual Comp.
CSU Fullerton	*CA*	*Urban*	*36,500*	*$494 million*	*30%*	*52%*	*$19 million*	*$295,000*	*0*
CSU Northridge	*CA*	*Urban*	*35,700*	*$503 million*	*45%*	*44%*	*$20 million*	*$295,000*	*0*
CSU Long Beach	*CA*	*Urban*	*35,000*	*$490 million*	*36%*	*54%*	*$38 million*	*$320,000*	*0*
San Francisco State	*CA*	*Urban*	*31,000*	*$502 million*	*28%*	*48%*	*$55 million*	*$299,000*	*0*
San Jose State	*CA*	*Urban*	*29,500*	*$520 million*	*26%*	*46%*	*$50 million*	*$328,000*	*$25,000 Found.*
Sacramento State	*CA*	*Urban*	*27,000*	*$482 million*	*40%*	*44%*	*$52 million*	*$295,000*	*0*
Kent State University	OH	Rural	41,000	$490 million	28%	49%	$45 million	$569,000	$147,000 bonus
Florida International University	FL	Urban	38,210	$942 million	35%	46%	$100 million	$562,000	$75,000 deferred
George Mason University	VA	Urban	32,200	$890 million	19%	67%	$115 million	$404,000	$130,000 bonus
Wayne State University	MI	Urban	32,000	$520 million	47%	32%	$250 million	$347,000	$5,500 deferred
Texas State University-San Marcos	TX	Rural	32,000	$436 million	24%	56%	$16 million	$310,000	0
Georgia State University	GA	Urban	31,500	$571 million	37%	50%	$60 million	$491,000	0

Institutions (12)	**State**	**Location**	**Enrollment**	**Total Budget**	**Pell %**	**6-Yr Grad Rate**	**All Research Funding**	**Pres. Base Pay**	**Additional Annual Comp.**
University of Wisconsin-Milwaukee	WI	Urban	30,000	$680 million	22%	47%	$60 million	$291,000	0
Florida Atlantic University	FL	Urban	30,000	$521 million	25%	38%	$56 million	$357,000	N/A
Ohio University	OH	Rural	26,000	$715 million	18%	69%	$75 million	$380,000	$19,000 deferred
University of North Carolina at Charlotte	NC	Urban	26,000	$300 million	27%	54%	$35 million	$315,000	0
Old Dominion University	VA	Urban	24,000	$526 million	20%	51%	$25 million	$312,000	$84,000 bonus
Illinois State University	IL	Rural	21,000	$434 million	14%	69%	$25 million	$360,000	$20,000 deferred

SUMMARY GROUP B: CSU HIGH ENROLLMENT & MID-RESEARCH

States represented (8): Florida (2), Ohio (2), Virginia (2), Illinois (1), Texas (1), Georgia (1), Wisconsin (1), North Carolina (1), Michigan (1).

Enrollment (average):	
CSU Group B:	32,466
Benchmark Universities Group B:	28,159

Location:	
CSU Group B:	Urban (6)
Benchmark Universities Group B:	Urban (8), Rural (3)

Research Funding (average):	
CSU Group B:	$40 million
Benchmark Universities Group B:	$68 million

Presidential Base Pay (average):	
CSU Group B:	$309,500
Benchmark Group B:	$391,000 (not counting annual bonuses or deferred retirement pay)

Total Operating Budgets (average):	
CSU Group B:	$499 million
Benchmark Universities Group B:	$589 million

Percentage of Pell Enrolled (average):	
CSU Group B:	34%
Benchmark Group B:	26%

6-year Graduation Rate (average):	
CSU Group B:	48%
Benchmark Universities Group B:	52%

PEER COMPARISON LISTING
GROUP C: CSU MID-ENROLLMENT & MID-RESEARCH

Institutions (15)	State	Location	Enrollment	Total Budget	Pell %	6-Yr Grad Rate	All Research Funding	Pres. Base Pay	Additional Annual Comp.
Fresno State University	*CA*	*Rural*	*20,900*	*$435 million*	*48%*	*50%*	*$31 million*	*$299,000*	*0*
CSU Pomona	*CA*	*Urban*	*20,700*	*$393 million*	*29%*	*53%*	*$14 million*	*$292,000*	*0*
CSU Los Angeles	*CA*	*Urban*	*20,100*	*$301 million*	*62%*	*34%*	*$26 million*	*$325,000*	*0*
CSU San Luis Obispo	*CA*	*Rural*	*18,300*	*$469 million*	*10%*	*72%*	*$22 million*	*$350,000*	*$35,000*
CSU San Bernardino	*CA*	*Urban*	*16,400*	*$285 million*	*53%*	*45%*	*$27 million*	*$290,000*	*0*
CSU Chico	*CA*	*Rural*	*16,000*	*$305 million*	*22%*	*58%*	*$27 million*	*$279,000*	*0*
CSU East Bay	*CA*	*Urban*	*14,000*	*$223 million*	*39%*	*48%*	*$10 million*	*$276,000*	*0*
CSU Dominguez Hills	*CA*	*Urban*	*13,800*	*$193 million*	*59%*	*35%*	*$12 million*	*$295,000*	*0*
Northern Arizona University	AZ	Rural	23,000	$430 million	21%	50%	$47 million	$348,000	$100,000 bonus
Towson University	MD	Urban	22,000	$390 million	15%	73%	$29 million	$370,000	N/A
Ball State University	IN	Rural	22,000	$285 million	21%	58%	$27 million	$580,000	$222,000 bonus
Montclair State University	NJ	U/R	21,000	$306 million	42%	44%	$10 million	$325,000	N/A
Illinois State University	IL	Rural	21,000	$434 million	14%	69%	$25 million	$360,000	$20,000 deferred
Portland State University	OR	Urban	20,000	$400 million	31%	33%	$25 million	$377,000	N/A

Institution	State	Location	Enrollment	Total Budget	Pell %	6-Yr Grad Rate	All Research Funding	Pres. Base Pay	Additional Annual Comp.
Boise State University	ID	Urban	20,000	$330 million	31%	26%	$91 million	$300,000	N/A
Cleveland State University	OH	Urban	17,000	$240 million	44%	29%	$50 million	$400,000	N/A
University of North Carolina at Wilmington	NC	Rural	13,000	$261 million	14%	69%	$27 million	$300,000	N/A
James Madison University	VA	Rural	19,000	$300 million	8%	81%	$26 million	$396,000	N/A
University of Texas at El Paso	TX	Urban	15,000	$364 million	29%	62%	$97 million	$382,000	$30,000 deferred $32,874 ret
CUNY Brooklyn College	NY	Urban	13,000	$113 million	53%	43%	$17 million	$255,000	N/A
University of Maryland, Baltimore County	MD	Urban	12,000	$353 million	15%	59%	$87 million	$467,900	N/A
Michigan Technological University	MI	Rural	7,000	$250 million	21%	66%	$44 million	$291,000	N/A
Missouri University of Science and Technology	MO	Rural	7,200	$170 million	18%	63%	$37 million	$290,000	N/A

SUMMARY FOR GROUP C: CSU MID-ENROLLMENT & MID-RESEARCH

States represented: Maryland (2), Oregon (1), New York (1), Idaho (1), Texas (1), Michigan (1), North Carolina (1), Virginia (1), Illinois (1), Ohio (1), Arizona (1), New Jersey (1), Missouri (1), Indiana (1).

Enrollment (average):

CSU Group C:	17,525
Benchmark Universities Group C:	16,813

Total Operating Budgets (average):

CSU Group C:	$325 million
Benchmark Universities Group C:	$308 million

Location:

CSU Group C:	Urban (5), Rural (3)
Benchmark Universities Group C:	Urban (8), Rural (7)

Percentage of Pell Enrolled (average):

CSU Group C:	40%
Benchmark Group C:	26%

6-year Graduation Rate (average):

CSU Group C:	49%
Benchmark Universities Group C:	55%

Research Funding (average):

CSU Group C:	$22 million
Benchmark Universities Group C:	$43 million

Presidential Base Pay (average):

CSU Group C:	$305,100
Benchmark Universities Group C:	$362,000 (not counting annual bonuses or deferred retirement pay)

PEER COMPARISON LISTING
GROUP D: CSU LOWER-ENROLLMENT & RESEARCH

Institutions (15)	State	Location	Enrollment	Total Budget	Pell %	6-Yr Grad. Rate	All Research Funding	Pres. Base Pay	Additional Annual Comp.
CSU San Marcos	*CA*	*U/R*	*9,700*	*$173 million*	*22%*	*47%*	*$9 million*	*$271,000*	*0*
Sonoma State University	*CA*	*Rural*	*8,300*	*$164 million*	*15%*	*53%*	*$12 million*	*$291,000*	*0*
CSU Stanislaus	*CA*	*Rural*	*8,300*	*$131 million*	*40%*	*50%*	*$5.3 million*	*$270,000*	*0*
Humboldt State University	*CA*	*Rural*	*7,900*	*$187 million*	*32%*	*42%*	*$14 million*	*$298,000*	*0*
CSU Bakersfield	*CA*	*Rural*	*7,000*	*$140 million*	*55%*	*38%*	*$11 million*	*$285,000*	*0*
CSU Monterey Bay	*CA*	*Rural*	*4,700*	*$136 million*	*28%*	*42%*	*$2 million*	*$270,000*	*0*
CSU Channel Islands	*CA*	*Rural*	*3,000*	*$133 million*	*19%*	*53%*	*$2.6 million*	*$275,000*	*0*
CSU Maritime Academy	*CA*	*Urban*	*1,000*	*$41 million*	*11%*	*69%*	*$1.6 million*	*$259,000*	*0*
Western Washington University	WA	Rural	13,000	$250 million	14%	68%	$12 million	$300,000	$25,000 deferred
Ferris State University	MI	Rural	13,000	$183 million	35%	46%	$11 million	$235,000	$40,000 bonus
College of Charleston	SC	Urban	12,000	$180 million	11%	64%	$31 million	$166,000	$200,000 Found.
Florida Gulf Coast University	FL	Urban	12,000	$175 million	16%	46%	$13 million	$341,775	N/A
Indiana State Univ.	IN	Rural	11,000	$190 million	35%	41%	$10 million	$280,000	N/A

Institutions (15)	State	Location	Enrollment	Total Budget	Pell %	6-Yr Grad. Rate	All Research Funding	Pres. Base Pay	Additional Annual Comp.
University of Wisconsin- La Crosse	WI	Rural	10,000	$150 million	15%	69%	$20 million	$245,000	0
Texas A&M Univ. - Corpus Christi	TX	Urban	10,000	$140 million	36%	39%	$21 million	$240,000	0
Western Carolina University	NC	Rural	9,500	$190 million	28%	49%	$18 million	$280,000	0
Salisbury University	MD	U/R	8,000	$80 million	12%	66%	$5 million	$310,000	N/A
SUNY at Geneseo	NY	Rural	7,000	$118 million	14%	78%	$3 million	$227,000	0
University of Mary Washington	VA	U/R	6,000	$97 million	9%	75%	$2.5 million	$315,000	0
University of Texas- Tyler	TX	Rural	6,100	$83 million	35%	24%	$3 million	$342,000	0
Truman State University	MO	Rural	6,000	$53 million	16%	71%	$5 million	$200,000	0
Massachusetts Maritime Academy	MA	Urban	1,100	$36 million	13%	63%	N/A	$160,000	0
Maine Maritime Academy	ME	Rural	900	$30 million	44%	67%	$0	$176,000	0

SUMMARY GROUP D: CSU LOWER ENROLLMENT & LOWER RANGE RESEARCH

States Represented: Texas (2), New York (1), Virginia (1), Washington (1), Maine (1), Maryland (1), Missouri (1), North Carolina (1), Massachusetts (1), South Carolina (1), Michigan (1), Florida (1), Indiana (1), Wisconsin (1)

Enrollment (average):		Total Operating Budgets (average):	
CSU Group D:	6,237	CSU Group D:	$138 million
Benchmark Universities Group D:	8,373	Benchmark Universities Group D:	$137.5 million
Location:		Percentage of Pell Enrolled (average):	
CSU Group B:	Urban (1), Rural (6), U/R (1)	CSU Group D:	28%
Benchmark Universities Group B:	Urban (4), Rural (9), U/R (2)	Benchmark Group D:	23%
Research Funding (average):		6-year Graduation Rate (average):	
CSU Group D:	$7.2 million	CSU Group D:	50%
Benchmark Universities Group D:	$13 million	Benchmark Universities Group D:	57%

Presidential Base Pay (average):
CSU Group D: $277,000
Benchmark Group D: $268,000 (not counting annual bonuses or deferred Presidential Base Pay (average):

DESIGN PRINCIPLES/CONSIDERATIONS

PRESIDENTIAL SALARY CAPS/SUPPLEMENT WITH NONSTATE FUNDS

Purpose of Cap/Supplement. In concept, a cap on the amount of state funds used for salary, supplemented by nonstate funds, is intended to (1) allay public concerns about perceived high salaries for university presidents yet (2) at the same time permit the university to attract and retain the best leadership possible for its institutions, in a competitive national market for university presidents.

Control of Funds—Equity and Accountability. In designing a cap/supplement structure in a multi-campus system like the CSU, central control of the supplemental funds is crucial. There are two key reasons for this:

- ***Equity between campuses***. There is a great range in the capacity of the 23 campuses to raise private funds, particularly for a spending purpose that holds little relative appeal for most donors. Without a central "pooling" of resources for salary supplements, unwarranted disparities would arise in the ability of campuses to attract/retain presidents in a system of "haves" and "have-nots."

- ***Accountability of presidents to chancellor/trustees and, ultimately, the public***. If supplement amounts are effectively set or influenced by the ability of individual campus foundations to raise funds, there is great risk of a blurring of lines of accountability—a lack of clarity as to whether a president is accountable and responsive to the chancellor and board of trustees or to the local foundation. In this instance, the attempt to boost public confidence in the university (a cap/supplement) can lead to a situation where public accountability is diminished.

Practical Hurdles in creating and sustaining a central fund include:

- Most donors are interested in donating to specific and visible projects and programs, rather than offsetting the costs of routine operations.
- Most donors feel allegiances to a specific campus and are more interested in donating to that campus than to a central office purpose.
- Neither the chancellor nor the board have the legal authority to compel campus foundations to contribute to a central fund.
- Supplementing salaries not only requires an adequate "pool" of funds, it requires a stable, continuous flow of funds year after year.

Setting a Cap. There is an inevitable element of arbitrariness in deciding where to set a cap. One approach that may minimize this arbitrary element is to set state-funded caps by reference to well-researched peer institution data. Under this approach, thought must be given to the selection of truly appropriate peers and to the potential difficulty in obtaining accurate and up-to-date data.

Whatever approach is used, the cap cannot remain static over time. Some form of cap adjustment mechanism should be employed, either automatic adjustment per an appropriate inflation index or periodic “refreshing” of survey data.

Setting a cap involves a balancing act between addressing concerns/perceptions regarding high salaries and being able to provide a sufficient supplement to attract/retain high-quality leadership in a competitive market. Thus, setting a cap level must involve an assessment as to the annual amount that can reliably be raised to fund supplements. Setting the cap too low—that is, without regard to the ability to raise funds for supplements--would “short circuit” the ability of the university to attract and retain the leaders it needs and defeat the purpose of the cap/supplement structure.

Finally, any cap/supplement policy should include a provision for periodic review as to whether the structure is fulfilling the university’s needs and whether it requires adjustment or replacement.