CSU trustees reject attempt to cap presidents’ pay

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California State University trustees have rejected an 11th-hour attempt by a state senator to stop them from considering – and likely adopting – a new policy Wednesday that would let them set higher salary levels for CSU’s 23 campus presidents.

“It is imperative that the board move forward to implement a modified presidential compensation policy” because trustees need to hire five presidents this year, Herb Carter, chairman of the CSU Board of Trustees, wrote Sen. Ted Lieu, D-Torrance (Los Angeles County), who had tried to stop the vote.

Lieu had asked CSU Chancellor Charles Reed to withdraw the policy because it would let trustees set salaries based on what other universities of their own choosing pay – not on what CSU can afford.

“CSU leadership has utterly failed to ask the first and relevant question, which is whether CSU’s budget and California could afford … gigantic raises for CSU executives,” Lieu wrote Reed, calling the proposal tone-deaf at a time when the state has just sliced $750 million from CSU’s budget.

Lieu is also the author of SB959, a bill to cap CSU presidents’ pay at 150 percent of whatever the chief justice of the California Supreme Court makes. If approved, the limit would currently be $343,269. CSU presidents now earn between $259,000 and $400,000.

But the trustees have a different idea.

To decide on salary levels, CSU would divide its campuses into five groups – largely based on their levels of enrollment and academic research – then look at average presidential salaries in five groups of comparison universities. Lieu isn’t the only observer to notice that the comparison groups’ chosen by CSU have higher salaries in all but one case.

“These institutions appear to unduly raise the corresponding average executive salary,” Mac Taylor, the state’s legislative analyst, wrote Trustee Lou Monville, head of the committee on presidential selection and compensation, in November.
For example, six CSU campuses where presidents earn an average salary of $309,500 are compared with a dozen where presidents earn $391,000. Three of the CSU campuses in this group – San Francisco, Fullerton and Northridge – are searching for a new president.

Another example is San Diego State, which is in its own group because it is CSU’s only research university. The trustees awarded its new president a $400,000 salary last summer on the same day they raised tuition by 12 percent. Moreover, the pay was $100,000 more than the outgoing president had gotten, prompting criticism from students to Gov. Jerry Brown.

That incident became the catalyst for re-examining presidential compensation. But under the new plan, the $400,000 comes off as stingy; the average pay at the 10 comparison universities is $458,360.

In his critique, Lieu points out that, unlike San Diego State, several of those comparison campuses have medical or law schools, and hefty endowments.

But the trustees’ Carter dismissed Lieu’s concerns. He said the committee had held four public meetings and spoke with state officials.

“We make executive compensation decisions in a thoughtful and deliberate manner,” Carter told Lieu.

(*An error in this story has been corrected since it appeared in print.*)
CSU pay plan doesn’t add up

January 25, 2012

CSU’s trustees are about to approve a compensation policy for top managers that, overall, makes no sense for CSU’s mission and today’s economic realities.

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Maybe the trustees of California State University need to take a remedial music class. Their tone-deafness is disturbing.

A few months ago, CSU drew widespread criticism for setting the salary for the new president of San Diego State at $400,000 — an increase of $100,000 over what his predecessor had received. Now, the trustees are expected to approve a new compensation policy that, if it had been in place at the time, could have paid him close to $460,000. Salaries for new presidents at other campuses also could increase under the policy.

Some aspects of the proposal make sense. Instead of lumping together all CSU campuses, it divides them into categories depending on how big they are and the size of their research budgets. To help set salary levels for the campuses in each category, it looks at similar universities nationwide.

The problem, as state Legislative Analyst Mac Taylor noted, is that the proposal groups some CSU campuses with universities elsewhere that have more than twice the research funding even though Cal State’s primary function doesn’t include research. “These institutions appear to unduly raise the corresponding average executive salary,” Taylor wrote. The proposal also puts some campuses in the same category as universities with law and medical schools or with much larger endowments.

The trustees should delay the vote — especially after board Chairman Herb Carter on Tuesday suggested an alternate plan to limit increases to 10% — and find a more meaningful formula for setting salaries, one that is relevant to CSU’s mission and sensitive to economic realities.

At the same time, CSU’s severest critics are wrong to suggest that it must not raise executive salaries at all during hard times. A bill by state Sen. Ted Lieu (D-Torrance) would cap the salaries of Cal State presidents at 150% of what the chief justice of the California Supreme Court is paid — currently, about $343,000. It also would ban pay raises for presidents within three years of tuition hikes and require trustees to give first consideration to candidates within the system and the state.

Lieu’s frustration with the trustees is understandable, but his proposed remedy would interfere unacceptably with academic operations and could harm the university.
CSU should avoid the academic arms race that has helped push up tuition nationwide, and instead hire the best-qualified candidates it can find while staying within its budget. More important, as Taylor suggests, is that the university should base pay on performance. A $400,000 salary could be perfectly justified for a president who excels at raising private funds, increases graduation rates or helps students earn their degrees faster. But Cal State trustees have done too little to justify the hefty salaries they are on the verge of approving.
Time for another way to run a college

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The Monterey County Herald

Trustees of the state college and university system are scheduled to talk today about revising the formula they use to set the salaries of campus presidents, but don’t expect any real change. The expectation is that they will simply approve a new way to justify increasing administrative compensation beyond reason.

The explanation for salaries of up to $350,000 at the largest campuses range should be familiar to almost everyone by now—college presidents are in high demand and there is plenty of competition for the good ones.

What the trustees are likely to do is create a formula linking pay of California’s college presidents to campuses such as the University of Oregon and the University of Alabama and others that, in many cases, have larger endowments as well as medical schools or law schools.

The state college and university system, which includes CSU-Monterey Bay, doesn’t have med schools or law schools and most of the campuses have relatively small endowments. (At CSUMB, President Dianne Harrison is making $270,000 annually).

The system trustees envision is much like that in place at many large bureaucracies, which routinely raise salaries based on surveys of “comparable” bureaucracies. The key is in selection of the other entities used for comparison purposes. The result often is a mechanism that provides automatic raises and a way for the governing body to divert responsibility.

What makes the issue especially difficult is that salaries of the rank and file have not kept up with those at the top tier, leading to discontent and worse everywhere else. The debate about what to do has been going on for years and years, with familiar arguments on both sides and familiar results—disproportionately high raises for campus presidents. Which brings us to a suggestion.

Perhaps it is time to eliminate the pure pyramidal hierarchy at the 23 campuses. Couldn’t the administrative and the business side of a campus report to one administrator while the instructional side reported to another, with both of those top people reporting to someone at the system headquarters in Long Beach? Couldn’t Long Beach State and Cal State Dominguez Hills share a president or a combination of a general manager and chief educational officer?

Part of the reason for the pricey competition for administrative talent is that it takes considerable talent, experience and brain power to oversee a university with its numerous components. What if trustees sought specialists who could oversee halves of the operation at half the salary that some presidents now make.
The economy has changed the way the world does business, for better or worse. While some want to cling to old systems in hope the economy will right itself, it is entirely possible the tough times actually are the new normal. Trustees shouldn’t be tweaking old formulas. They should be taking a fresh look at the way the campuses are run.