chronicle.com

39 Private-College Leaders Earn More Than $1 Million

Dan Bauman

8–11 minutes

Jack P. Varsalona (left), of Wilmington U.; Mark S. Wrighton, of Washington U. in St. Louis; R. Gerald Turner, of Southern Methodist U.; Amy Gutmann, of the U. of Pennsylvania

A total of 39 leaders of private colleges earned more than $1 million during the 2014 calendar year.

The number of leaders with compensation above $1 million was up from 32 the year before. The average pay of private-college leaders, including those who served partial years, was $489,927 in 2014. Among presidents who served the whole year, average pay was $512,987. Leaders who served full years in both 2013 and 2014 saw a pay increase of 8.6 percent.

The *Chronicle* analysis is based on the latest available federal tax filings, known as Form 990s, of the 500 private, nonprofit colleges with the largest endowments. The data include compensation figures for 516 presidents who served at 499 institutions for all or part of the 2014 calendar year. The year-over-year calculation includes 377 presidents. (Because this year's analysis used averages rather than medians, 2014 figures may not be comparable with previously published figures.)

Jack P. Varsalona, president of **Wilmington University,** in Delaware, led the field in 2014 with a total compensation package of more than $5.4 million. Mark S. Wrighton, of **Washington University in St. Louis,** and R. Gerald Turner, of **Southern Methodist University,** were the next-highest earners.

Mr. Varsalona's one-year pay package is the second largest, after adjusting for inflation, in *The Chronicle*'s interactive database of private-college leaders' compensation, which includes figures since 2008. Only Shirley Ann Jackson, president of **Rensselaer Polytechnic Institute,** has earned more. She was paid $7.1 million in 2012.

University board chairs and college officials defended how much they pay their leaders, arguing that industry pressures and the unique demands on their specific chief executives necessitated significant compensation. Several chairmen echoed the same point: High-level compensation reflected high-level performance.

Nonetheless, seven-figure pay packages still raise concerns, especially as the cost of college continues to rise.

Richard K. Vedder, an emeritus professor of economics at **Ohio University** and director of the Center for College Affordability and Productivity, said there would continue to be “an increasing public disdain and contempt of universities for using taxpayer monies and more to pad their own pockets.” When tax-exempt colleges behave like for-profit companies, he adds, questions are bound to arise about whether colleges deserve those tax privileges. Mr. Vedder said institutions should take those critiques seriously.

“The last election showed that the conventional wisdom of what the establishment thinks or what the intellectual, cultural, political, and economic elites think may not resonate as much as you think with the broader population,” Mr. Vedder said, “and at some point that can come home to haunt you.”

Among the highest-paid leaders, deferred-compensation plans made up a significant portion of earnings in 2014. More than $4.6 million of Mr. Varsalona’s total pay, for example, came from a deferred-compensation payout. Mr. Varsalona, who has led

Wilmington University since 2005, has announced that he will retire at the end of June 2017.

Deferred-compensation plans are used commonly in higher education as a retention tool for top administrators. They work like this: A university sets aside money, tax-free, each year in a prescribed fund for the college leader, who may not withdraw any money from that fund until an agreed-upon date. Those earnings are typically forfeited if the employee resigns before the specified date. These arrangements usually complement a standard retirement plan, such as a 401(k).

Mr. Varsalona's deferred-compensation package ranked second-highest in the history of *The Chronicle*'s executive-compensation analysis, exceeded only by the one paid out to Ms. Jackson, who in 2012 received nearly $5.9 million as deferred compensation.

Mr. Varsalona's deferred-compensation arrangement called for him to be paid in full when he turned 65, barring termination or separation from the university. Joseph J. Farnan Jr., the chairman of Wilmington's board, said the board was prepared to hold back deferred compensation, or even eliminate the deferred-compensation plan, if the institution experienced a budget deficit in any year or endured prolonged financial problems.

Neither of those situations occurred during Mr. Varsalona's tenure, Mr. Farnan said. And, in fact, the university's student population and endowment both grew significantly under Mr. Varsalona's direction, the chairman added, with student and faculty satisfaction remaining high.

In defending his chief executive's compensation, Mr. Farnan invited comparison to pay rates for college basketball coaches. A president's job is more complicated and wide-ranging than a coach's, he said, and, thus, a president deserves to be paid more.

"I joke with Dr. Varsalona and say, We ought to start a Division I basketball program, because we could pay you $6 million and no one would blink an eye," Mr. Farnan says, "and you would only be managing 15 students."

Deferred compensation also made up most of the pay earned in 2014 by Mr. Wrighton, of Washington University in St. Louis, and Mr. Turner, of Southern Methodist University. Of Mr. Wrighton's nearly $4.2 million in total compensation, nearly $3 million was the result of a deferred-compensation payment plan spanning 10 years. In a statement, Washington University said the deferred-compensation arrangement was put in place in 2004 after a recommendation from the compensation committee of the university's Board of Trustees. The university said the committee settled on that arrangement after a review of the chancellor's performance.

Meanwhile, of the nearly $3.4 million in total paid out to Mr. Turner, at least $2.2 million came in the form of deferred compensation that had been set aside in previous years. Michael M. Boone, chairman of Southern Methodist's Board of Trustees, said the university had chosen to use a deferred-compensation arrangement to help retain Mr. Turner during the period in which the college was executing a strategic plan. The plan, Mr. Boone said, "prospered during Dr. Turner's two decades of extraordinary service, and we look forward to many more highly successful years under Dr. Turner's leadership."

Deferred-compensation packages weren't the only means to a high presidential payout in this year's analysis. Amy Gutmann, president of the **University of Pennsylvania,** earned a bonus of close to $1.5 million, bringing her total pay to almost $3 million in 2014. Ms. Gutmann earned the fourth-largest total compensation package in 2014.

Ms. Gutmann's bonus is the second-largest ever awarded to a public or private college president since *The Chronicle* has been tracking executive compensation. She was also the recipient of the largest bonus, again nearly $1.5 million, earned in 2013.

"The bonus compensation that Dr. Gutmann received is attributable to the successful completion of her performance goals and her leadership of the university's very successful capital campaign, which exceeded its goal by $800 million," said David L. Cohen, chairman of Penn's Board of Trustees. "As I have said in the past, the trustees feel strongly that we have the best university president in the country in Amy Gutmann, and we believe her compensation should reflect that reality."

Some private institutions, including Brigham Young University's campuses in Utah, Idaho, and Hawaii, cite a religious exemption from filing Form 990 and are therefore not included in *The Chronicle*'s analysis.

The Chronicle surveys the pay of public-college leaders separately, publishing new data and analysis each spring. The figures for public colleges are not directly comparable to data reported for private colleges because they reflect slightly different categories of pay and different periods of time.

The most-recent analysis of public-college leaders who served the full year found their average pay to be $467,533 in the 2015 fiscal year. That was a 6.1-percent increase from the year before for leaders who served for both full fiscal years.