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One Public-College President Made $4 Million Last Year. Now His University Wants It Back.

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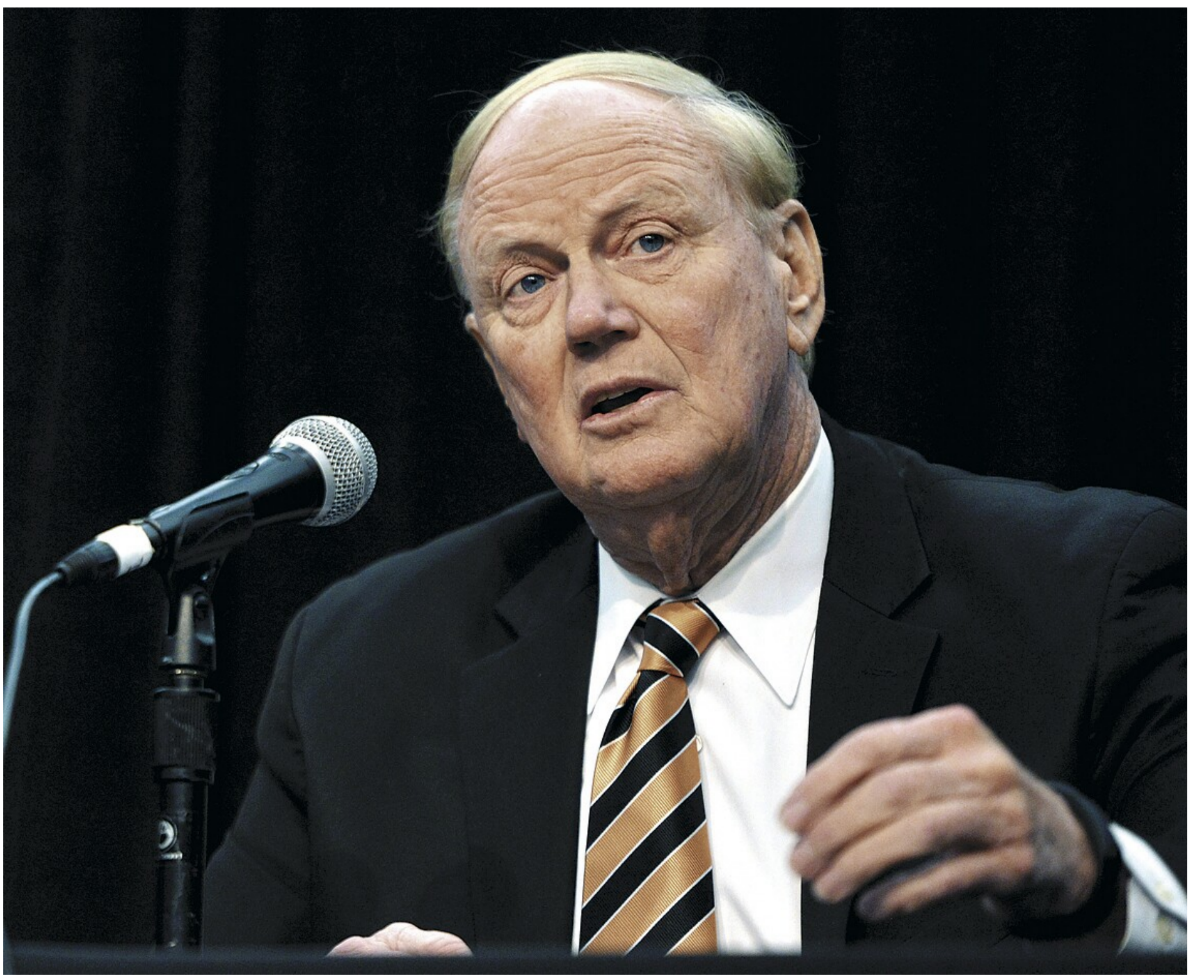

A deferred-compensation payout from the U. of Louisville made James Ramsey the highest-paid leader of a public college in 2017.

The messiest divorces are often the ones that put the most money at stake. And few higher-ed breakups have been more acrimonious — or more costly — than that of the University of Louisville and its former president, James R. Ramsey.

Ramsey, who led the university and its foundation, resigned both posts in 2016 after a nearly 14-year term marked equally by growth and controversy. Despite leaving the university just 27 days into the 2017 fiscal year, he became the year's highest-paid public-college president, earning nearly $4.3 million.

Earnings data for Ramsey, along with 250 other chief executives at 220 public colleges and systems, are part of *The Chronicle*'s annual survey of compensation for public-college leaders. Twelve of those chief executives earned $1 million or more during the 2016-17 fiscal year, compared with just eight the year before.

While Ramsey vacated the presidential suite in Louisville's Grawemeyer Hall two years ago, he and the university are still battling over whether he is entitled to his lucrative final payout. Meanwhile, across campus, the employees Ramsey once oversaw continue to reckon with the financial and political fallout of the chaotic end to his tenure.

In May, a study commissioned by the University of Louisville Foundation found that over a period of seven years, the foundation had paid Ramsey approximately $3 million in excess of “what we consider to be a reasonable benchmark,” said the foundation’s board chair, Earl Reed.

A month earlier, the boards of the university and the foundation filed suit against Ramsey and other officials to recoup funds that they said the president and his aides had misappropriated. The lawsuit alleges that Ramsey and those aides breached their fiduciary duty to the university by spending endowment funds at an “excessive and unsustainable rate” while investing in “speculative ventures, loans, and gifts that had little realistic chance of repayment.” While engaged in this “disloyal conduct,” as the suit calls it, Ramsey and his aides “paid themselves (and others) excessive compensation.”

Ramsey has asked the court to dismiss the university’s claims against him. Stephen B. Pence, Ramsey’s lawyer, did not respond to requests for comment.

Suing to recover a president’s compensation is an uncommon move, to say the least. But many faculty and staff feel that the boards’ decision to sue was a righteous one, says David S. Owen, an associate professor of philosophy. People on campus feel betrayed that Ramsey received such a sizable payout during a time of declining state support and stagnant faculty wages, he said.

“There’s plenty of anger still around about all of that,” Owen said, “and justifiably so.”

More than 80 percent of Ramsey’s 2017 earnings came from a payout of nearly $3.55 million in deferred compensation. Ramsey also received compensation in the form of a settlement with the university, valued at $687,000. (The settlement bars Ramsey from taking legal action against Louisville, according to 89.3 WFPL News, a local public-radio station.) The university declined to answer additional questions from *The Chronicle* about Ramsey's compensation, citing the continuing litigation. John Drees, a spokesman for the university, said the university hoped the trial would yield answers to unresolved controversies surrounding Ramsey's pay and management.

Ramsey's $4.3-million compensation package is the second-largest ever secured by the president of a public university or system, according to an analysis of compensation data collected by *The Chronicle* since 2008. Only E. Gordon Gee, former president of Ohio State University and the current leader of West Virginia University, has earned more in one year: $5.03 million in the 2013 fiscal year, his final one at Ohio State.

Ramsey's deferred-compensation disbursement is now the largest such package paid to a chief executive at either a public or a private nonprofit university, surpassing the $2.36 million that was paid to Emory University's president, James W. Wagner, in 2015. Wagner retired from Emory in August 2016.

The average pay of public-college leaders, including those who served partial years, was roughly $490,000 in 2017. Among presidents who served the whole year, average pay was nearly $560,000. Leaders who served full years at institutions surveyed in both 2016 and 2017 saw an average pay increase of 5 percent.

Ramsey was the top earner in 2017 by a healthy margin. The second-highest-paid chief executive, Jay Gogue, president of Auburn University, received $1.8 million. Next on the list was

William H. McRaven, chancellor of the University of Texas system, who earned $1.5 million. Gogue retired in 2017; McRaven stepped down this year.

Jay Gogue, with the second-largest paycheck, retired from Auburn in 2017. AP Images

‘A Big Run on the Bank’

Deferred-compensation plans are a common retention tool for top administrators. They work like this: A university sets aside money, tax-free, each year in a fund for its leader, who cannot withdraw anything from that fund until an agreed-upon date. Typically, an administrator who resigns before that date forfeits the money.

Deferred-compensation deals often propel college presidents into the millionaires’ club — and to the top of *The Chronicle*’s executive-pay leaderboard. The top-paid private-college president in *The Chronicle*’s most recent survey also earned most of his pay from such a plan. Nathan O. Hatch, president of Wake Forest University, earned just over $4 million in total compensation in 2015, largely the result of a $2.89-million deferred-compensation arrangement.

But James Ramsey’s arrangement with the University of Louisville Foundation deviated from the traditional script in several key ways.

At Ramsey’s direction, the University of Louisville Foundation held the compensation owed to him and others on its books, rather than wiring it to his account. When the president and other administrators left the university and foundation amid deepening financial scandal, that accounting decision became a liability. In the span of eight months, Ramsey and his aides demanded that $8.5 million in income held by the foundation be transferred to their individual bank accounts. According to WDRB, a television station in Louisville, the foundation reallocated $7 million in donations, money that had been earmarked for “academic, research and athletic programs,” to pay out the departing leaders.

“When you have a big run on the bank all at once, what do you do? You tap into what you have available,” said Keith Sherman, the foundation’s executive director, in an interview with WDRB last year.

Under Ramsey’s arrangement with the foundation, his deferred compensation became payable on an annual basis — a stark contrast to Hatch’s deal with Wake Forest, which required 10 years at the university before the money could be disbursed. The Louisville foundation’s board of directors elected to end the deferred-compensation program in March 2017.

William McRaven’s base pay at the U. of Texas helped push him into the No. 3 spot. Corbis via Getty Images

The foundation also amended its bylaws to bar any future Louisville president from doing what Ramsey had done: serving in a dual role as leader of the university and the foundation.

Raymond D. Cotton, a partner at the law firm Nelson Mullins who specializes in higher-education and compensation issues, says simultaneous leadership over a university and its associated nonprofits is fraught with potential pitfalls. Allegations of corruption aside, Cotton says, the mere appearance of a conflict of interest is reason enough for universities to avoid such arrangements.

“It’s very damaging to the foundation and indeed to the university for this to be this kind of public dispute between the board of the foundation and the former university president,” Cotton says.

‘A Place That Is Unrecognizable’

While Ramsey has retired to Florida, the University of Louisville Foundation is working to shore up a depleted endowment. One step in the process: shrinking its annual cash transfer to the university. In the 2016 fiscal year, the foundation transferred $97.5 million to the institution; in 2017, that allotment had shrunk to $53 million. (The foundation also saw a substantial decline in contributions from 2016 to 2017.)

On campus, financial hardships have been exacerbated by political and reputational damage caused by the leadership scandal, says Ricky L. Jones, chairman of Louisville’s department of Pan-African studies. “You had the convergence of economic malfeasance, personal greed, political shifts, and lack of transparency in the old administration and the interim administration,” Jones says. “That has created a place that is unrecognizable to me.”

The university community has been forced to “wallow in those issues” for too long, says Owen, the philosophy professor, and a sense of exhaustion has accumulated around Louisville’s recent history. Righteous anger aside, many people on campus are ready to move on from the Ramsey era, he says. A conclusion to the fight over the president's pay could help the university shift the narrative from rebuilding to revival.

"We still have challenges to overcome, there's no doubt," Owen said. "But I think there's an optimism and positivity on campus. We really feel like we're moving on and fixing some of those structural problems. And we hope we can take the university to the next stage."