

Salaries of Private College Presidents

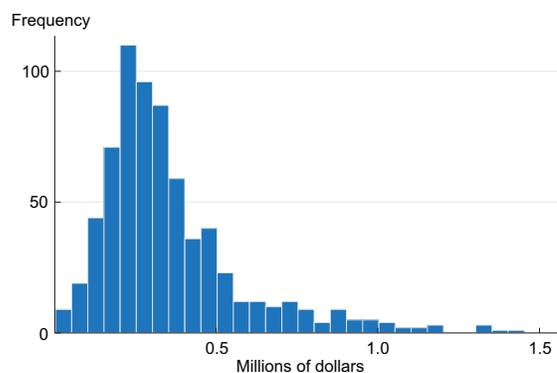
Peter Hinrichs and Anne Chen

The high cost of a college education has been a growing concern in the United States. The average full-time undergraduate at a private, not-for-profit, four-year college faced a sticker price of \$41,020 for tuition, fees, and room and board for the 2012–2013 school year. Even after accounting for grant aid and tax benefits, the net price was \$22,990.¹ Many students must take on debt to pay for such an expense. For instance, 64 percent of students graduating from these institutions in 2013 left in debt, with an average debt level of \$31,200.²

What accounts for the high cost of college? One potential factor is employee salaries, including those of administrators and support staff. In this article, we attempt to gain some insight into this issue by examining the salaries of US college presidents. We study salaries at 692 four-year, not-for-profit, private colleges in the United States selected from the Department of Education's Integrated Postsecondary Education Data System. The data on presidents' salaries come from the colleges' 990 tax forms. (See box for details on data and sample selection.)

The figure at right shows the distribution of pay, including bonus pay. Most private college presidents are paid in the \$100,000–\$500,000 range, although

Private College President Pay



Note: The figure excludes the four values in the data above 1.5 million. These values are 1,740,795; 2,432,801; 3,739,274; and 7,111,438.
Source: Authors' calculations from colleges' 990 tax forms.

a fairly large number of presidents make between \$500,000 and \$1,000,000. Some are paid more than \$1,000,000 per year. The median pay is \$301,153, and the mean is \$377,261, both of which are well into the 99th percentile of compensation for wage earners in the United States.³ As another point of comparison, the Bureau of Labor Statistics estimated that chief executives earned a median annual wage of \$168,140 and a mean of \$176,840 in 2012.⁴ As a final point of comparison, nonprofit CEOs earned a median pay of \$120,396, according to Charity Navigator.

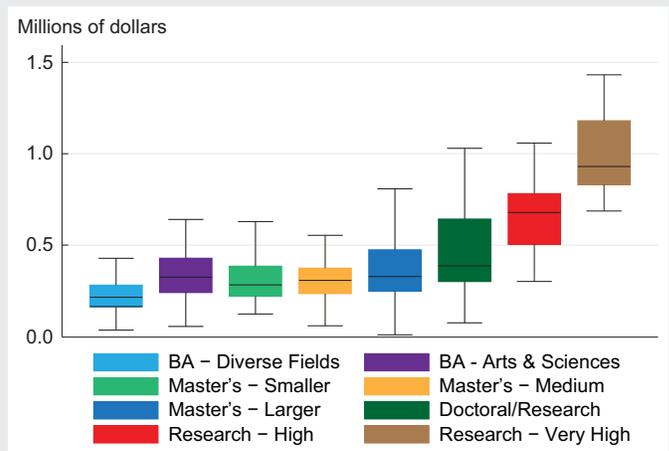
Next we look at salaries at different types of colleges. To identify a college's type, we use the Carnegie Classification of Institutions of Higher Education. We use box plots to show the relationship between president pay and Carnegie category. The top of each box shows the 75th percentile of pay within a category, the bottom shows the 25th percentile, and the line in the middle of the box is the median. Most of the data lie within the lines that are adjacent to the boxes, although there are some outliers that are not shown in the figures.

Clearly, presidents at research-focused institutions are paid substantially more than presidents at teaching-focused institutions. The 25th, 50th, and 75th percentiles of pay for presidents at research universities with very high research activity are \$830,000, \$930,022, and \$1,180,534. The comparable numbers for presidents of "BA – Diverse Fields" colleges, which are distinguished in the Carnegie Classification from colleges in the "BA – Arts & Sciences" category in that they award a lower share of bachelor's degrees in arts and sciences subjects, are \$162,177, \$214,495, and \$280,974.

On a per-student basis, the relationship between presidents' pay and research activity reverses. The median salary per student for presidents at "BA – Diverse Fields" institutions is \$169.57 per student, compared to \$66.71 at research universities with very high research activity. The overall median across institutions is \$138.85.

These amounts do not necessarily reflect what each student is paying the president. Colleges receive revenue from sources other than tuition and fees,

Pay by Carnegie Classification



Source: Authors' calculations from colleges' 990 tax forms.

including funds generated by auxiliary operations, donations from alumni and other individuals, and grants and contracts from outside organizations. Colleges' various sources of revenue are potentially fungible across different uses, and the source of funds used to pay for a particular expense in an economic sense is not always clear. Furthermore, savings from reducing the president's salary may be spent in other ways rather than going directly back to students. What the amounts shown in the figure represent are the amounts that would be received by each student if, hypothetically speaking, the president decided to take his or her salary for the entire year and write an equal-sized check to each student.

The next figure shows that, if college presidents wrote out such checks only to undergraduates, the value of the checks would be slightly higher than if the checks were written to all students. They would also be more even across different types of colleges.

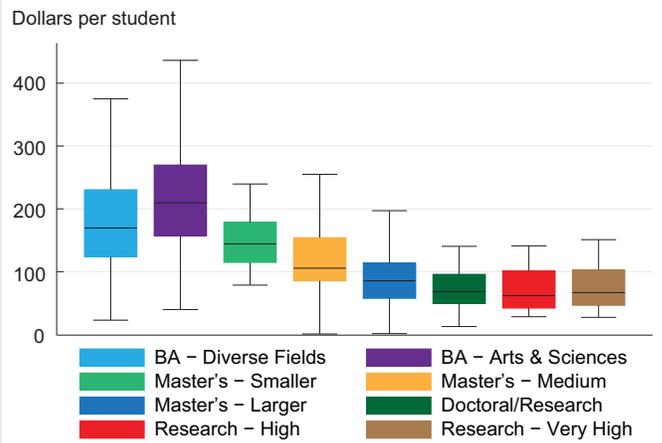
If college presidents were to write out such checks only to undergraduates and include the value of all compensation, including sources such as health insurance and payments to retirement plans, the values would be larger still but still relatively small compared to overall college costs.

Because the president at a given college is only one person, whereas colleges generally enroll hundreds or even thousands of students, lowering the salaries of college presidents would not do much to contain per-student costs. The cost of covering these salaries can be spread across many tuition-paying students and other sources of revenue. However, to the extent that colleges employ other administrators or support staff and to the extent that salaries and compensation for such employees are high, reducing salaries or the number of employees more broadly might help contain college costs.

Footnotes

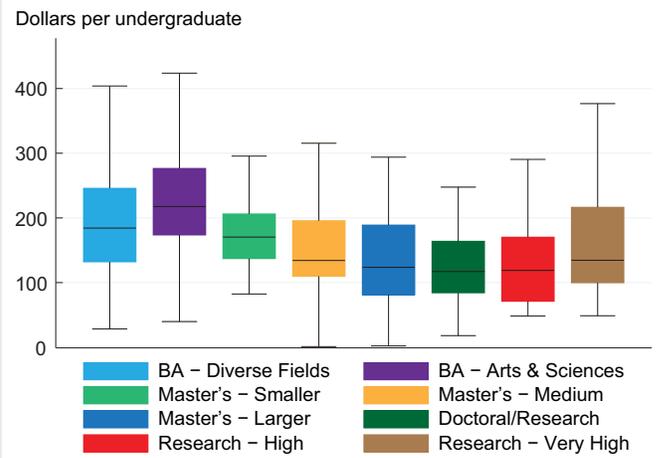
1. Read more: <http://trends.collegeboard.org/sites/default/files/2014-trends-college-pricing-final-web.pdf>
2. Read more: <http://trends.collegeboard.org/sites/default/files/2014-trends-student-aid-final-web.pdf>
3. Read more: <https://www.ssa.gov/cgi-bin/netcomp.cgi?year=2012>
4. Read more: <http://www.bls.gov/oes/2012/may/oes111011.htm>

Pay per Student by Carnegie Classification



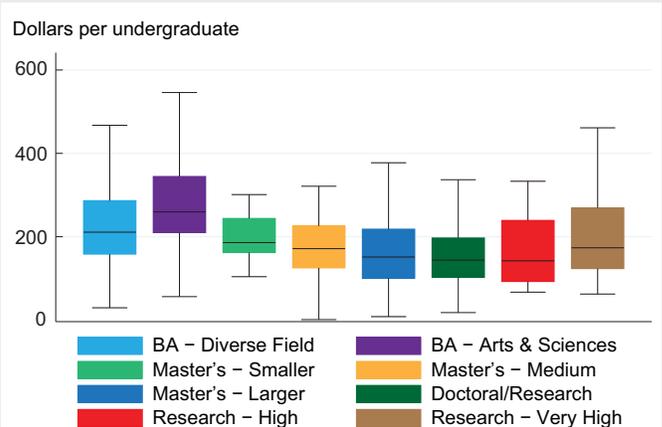
Source: Authors' calculations from colleges' 990 tax forms.

Pay per Undergraduate by Carnegie Classification



Source: Authors' calculations from colleges' 990 tax forms.

Compensation per Undergraduate by Carnegie Classification



Source: Authors' calculations from colleges' 990 tax forms.

Details of Sample Selection

We selected a sample of institutions from the Department of Education's Integrated Postsecondary Education Data System (IPEDS), which is roughly a census of institutions of higher education in the United States. Our focus is four-year, not-for-profit private colleges in the United States that enroll undergraduates and are considered by the Carnegie Classification of Institutions of Higher Education to be doctorate-granting universities, master's colleges or universities, or baccalaureate colleges.

The focus on these three categories means that we exclude institutions in the other three categories of the Carnegie Classification: associate's colleges (which award predominantly two-year degrees but may award some four-year degrees), tribal colleges, and special focus institutions (such as theological seminaries or art schools). We further exclude the subcategory of baccalaureate colleges consisting of baccalaureate/associate's colleges, which confer more bachelor's degrees than associate's colleges do but still primarily confer associate's degrees. We also exclude institutions that are part of a system or that share an Employer Identification Number with another institution. There are 851 institutions in IPEDS that meet our criteria.

We collected information on college presidents' salaries from colleges' 990 tax forms. Many tax-exempt organizations, including private not-for-profit universities, are required to submit these forms to the IRS. The forms contain information on, among other things, activities in which the organizations are involved, the organizations' balance sheets, and compensation paid by the organizations to selected employees. The forms are available to the public from the IRS, from the organizations themselves, and on websites such as <http://foundationcenter.org> and <http://guidestar.org>.

We use data from the 990 forms for the 2012 fiscal year, on which colleges are required to report salary information for the 2012 calendar year. We were able to obtain a 990 form with salary information on the president for 823 out of the 851 institutions.

Finally, we exclude from our analysis institutions that experienced a change of president during the year and institutions that list the president's salary as 0, which generally comes as a result of the president being a member of a religious order. This leaves us with a final sample size of 692.



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