Executive Compensation Initiative Q&A
September 2011

What is the Executive Salary Equity Initiative?
In September 2008, the University of Nebraska Board of Regents unanimously approved a privately funded executive salary equity initiative to enhance the university's ability to retain and attract top leadership talent. The initiative was intended to align the base salaries of the NU system president and the campus chancellors with the average of their peers over a two-year period. The first half of the initiative was implemented in 2008-09, but due to the economic recession the second half was delayed until 2011-12. The initiative is supported fully by private funds allocated to the university by the University of Nebraska Foundation at the request of the Board of Regents.

Why was the initiative needed?
The competition for excellent leadership within higher education is intense and salaries have risen with the demand for top talent. At the time the equity initiative was adopted, the base salaries of the president and the chancellors were up to 31 percent behind the midpoint of their peers. Even after the implementation of the first phase of the plan, salaries for NU's leaders were up to 16.5 percent behind the average. The gap was even larger when compared to the Board of Regents approved peer institutions which is the basis for faculty salary comparisons.

The Board's long-standing compensation philosophy has been to advocate for faculty, staff and administrative salaries at the midpoint of peers to help assure successful recruiting and retention. Recent searches at other major public universities have demonstrated how competitive the higher education marketplace has become for top talent. [Since the Board's initiative was put into place, at least 20 of our peer or comparable institutions have hired new presidents or chancellors—18 of them at salaries greater than their counterparts in the University of Nebraska system.]

What has happened with executive compensation since 2008?
For the last two fiscal years (2009-10 and 2010-11), the president and the chancellors have not received annual raises from any source—public or private.

The first half of the privately-funded equity initiative was applied in 2008-09. However, at President Milliken's request, the second half was suspended in 2009-10 and again in 2010-11 during the height of the economic recession. At the time of the president's requests, the Board indicated that it would reluctantly suspend the initiative—even though doing so had no impact on the university's operating budget—and planned to complete the implementation in 2011-12.

In 2011-12, for the third consecutive year, the president and the chancellors asked not to be awarded annual raises from the university's state-aided budget, in spite of the fact that the annual operating budget approved by the Board of Regents established a 2.5% salary pool to be awarded to university employees on the basis of merit and competitiveness. Those public funds, approximately $35,000, will be available to meet other budget obligations. The president and chancellors have not received publicly funded raises since 2008-09.

What are the FY 2011-12 public and privately-funded salaries of the president and chancellors?
University of Nebraska at Omaha Chancellor John Christensen: $262,309
University of Nebraska at Kearney Chancellor Doug Kristensen: $226,003
University of Nebraska Medical Center Chancellor Harold Maurer: $434,956
University of Nebraska-Lincoln Chancellor Harvey Perlman: $333,271
University of Nebraska President James B. Milliken: $411,370

Why did the Board move forward with the implementation of the second installment in 2011-12?
The Board of Regents voted unanimously in 2008 to address equity issues for the president and chancellors and has always intended to honor that important commitment. The Board reluctantly agreed to delay the second half of the initiative the last two years at the request of the university's leadership. But the Board said at the time that it planned to implement the second half of the equity adjustment in 2011-12 to honor its commitment and help assure that the university does not fall even further behind the peers and can remain competitive for top talent.

Where do the funds for the initiative come from?
At the request of the Board of Regents, the University of Nebraska Foundation provides the private funds necessary for the salary equity initiative. Chairman Bob Whitehouse received the unanimous commitment of the Foundation's Board to provide the funding needed to fully implement the initiative in 2011-12.

Why is the initiative supported by the University of Nebraska Foundation?
Donors have a strong interest in maintaining the momentum that has been achieved in recent years as evidenced by record gifts and transfers to the university. The president and chancellors have been instrumental in the success of the Campaign for Nebraska, which has now raised over $1 billion to support students, faculty, academic programs and facilities on the four campuses. The Foundation Board of Directors, which is comprised mostly of business leaders, believes strong leadership is key to the success of the university, and is pleased to provide financial support to help insure the fair and competitive compensation of senior administrators. The Foundation Board voted unanimously in support of the compensation proposal and to provide the funds necessary for its implementation.

How common is private support for leadership compensation?
Private support for public universities such as the University of Nebraska is fairly commonplace. As the trend continues across the country for less state support for public universities, private money is playing an increasing role in the compensation of university presidents and chancellors. An annual study by The Chronicle of Higher Education found that in 2008-09 (the most recent year such data are available) private funds supplemented the compensation of more than one-quarter of public university system presidents and research campus chancellors. In addition, nearly one-third of all full-time professors, and some athletic coaches, benefit from private financial support also. As the trend continues across the country for less state support for public universities, private money is playing an increasing role in the compensation of university presidents and chancellors.

What guarantees can the University provide that private money does not bring influence?
Private funds are routinely provided by donors who want the university to be more successful and more competitive by being in a better position to attract top talent. To achieve those goals, donor provide scholarships for high-achieving students, endow chairs and professorships for sought-after faculty, fund excellent academic programs that attract students and faculty from all over the world, provide state-of-the-art teaching and research facilities that help attract and retain faculty, and support excellent compensation packages for senior administrators who play a vital role in recruitment and fundraising. In 2010, the Foundation transferred $107 million in private funds to the university. About 43 percent of that was used for facilities, more than one-fourth for academic programs, 17 percent for student scholarships, and about 5 percent for faculty support. The amount provided for administrator benefits is a fraction of a percent of other support. The investment that the Foundation makes in executive compensation should be put into perspective as a very small part of the overall expenditures of the Foundation on the university's behalf.

In terms of "influence," donors determine where their funds will be used based on needs identified by the university. Funds used for executive compensation or other purposes for administrators are not provided from a specific donor, but from the Foundation, which has thousands of donors. There is no influence of individual donors possible in this case. The funds are requested by the publicly elected Board of Regents. Representatives of the Foundation do not participate in the governance of the University and do not make policy for the University.

What is the appropriate role/use of taxpayer funds for executive compensation?
The vast majority of the base salary of the president and chancellors continues to be supported by public funds. In addition, public funds may be awarded for annual merit raises which are based on the individual's job performance. For the last three years (2009-10, 2010-11 and 2011-12), the president and chancellors have asked not to receive merit raises.

Why did this proposal take into consideration only the base salary? Don't the president and chancellors receive other financial incentives and perks? What are they?
At the request of the Board of Regents, the president and chancellors receive other benefits, also paid by private funds, including deferred compensation, housing allowance and expense reimbursement. Base salary is used as the comparative measurement for this initiative because additional compensation is highly variable among peers and is not uniformly reported.

Can Nebraska afford to offer its administrative leaders these salaries?
The University of Nebraska is far from being among the highest-paying public universities in the country, and it has no intention of being in that group. The Board's goal is to be reasonably competitive with peers—and knows it will have to be when it goes into the market for new leadership. In 2008, the Board said it seemed appropriate to enact the equity initiative while excellent leadership is in place at the university rather than waiting until there was turnover. The Regents wanted to be fair to the incumbents who hold the positions now, and to make it attractive for them to remain at Nebraska. And they wanted to ensure that salary competitiveness at the University of Nebraska would not be a barrier to attracting top candidates for these critical leadership positions in the future.