# AGENDA

## SPECIAL COMMITTEE ON PRESIDENTIAL SEARCH AND COMPENSATION POLICY

**Meeting**: **10:00 a.m., Monday December 5, 2011**
**Glenn S. Dumke Auditorium**

Lou Monville, Chair
Roberta Achtenberg
Steven M. Glazer
Melinda Guzman
William Hauck
Bob Linscheid
Peter G. Mehas

### Consent Items

Approval of Minutes of Meetings of August 8, 2011, August 24, 2011 and October 13, 2011

### Discussion Items

1. Policy on Presidential Compensation, *Action*

**MINUTES OF MEETING OF**
**SPECIAL COMMITTEE ON PRESIDENTIAL**
**SELECTION AND COMPENSATION**

**Trustees of The California State University**
**Office of the Chancellor**
**Glenn S. Dumke Conference Center**
**401 Golden Shore**
**Long Beach, California**

**August 8, 2011**

**Members Present**
Lou Monville, Chair
Roberta Achtenberg
Herbert L. Carter, Chair of the Board
Steven Glazer
Melinda Guzman
Bob Linscheid
Pete Mehas
Charles B. Reed, Chancellor

Mr. Monville opened the meeting with remarks regarding the goals of the committee. The presidential selection process would be discussed at this meeting and the presidential compensation issue at a later meeting to keep the issues separate and clear.

An overview of the present practices were presented by the Chancellor

Jamie Ferrare, senior vice president of the Association of Governing Boards and Principal, AGB Search gave a presentation regarding search processes throughout the country – how practices differ and those best practices in recruitment—also the problems faced with sitting presidents and the issue of confidentiality.

After lunch there was further committee discussion. It was agreed that the General Counsel would provide a revision of the current policy representing the consensus of discussion for consideration at the August 24, 2011 meeting.

**MINUTES OF MEETING OF**
**SPECIAL COMMITTEE ON PRESIDENTIAL**
**SELECTION AND COMPENSATION**

**Trustees of The California State University**
**Office of the Chancellor**
**Glenn S. Dumke Conference Center**
**401 Golden Shore**
**Long Beach, California**

**August 24, 2011**

**Members Present**
Lou Monville, Chair
Herbert L. Carter, Chair of the Board
Steven Glazer
William Hauck
Bob Linscheid
Pete Mehas
Charles B. Reed, Chancellor

Mr. Monville called the meeting to order. The revised draft selection policy was discussed and a further amendment proposed to make clear that internal candidates would receive the same treatment as external candidates. The committee voted to recommend the revised policy, with the additional amendment, to the Board at its meeting in September.

Chancellor Reed gave an overview of the current compensation policy/principles and then called on Chuck Knapp, former president of the University of Georgia to give an overview of the national landscape regarding presidential compensation. Discussion of the guiding principles for setting compensation were discussed including a discussion of monetary caps, the pros and cons of adding supplemental funds from outside sources, and also the process of mentoring potential internal candidates to prepare them to move up.

After lunch the committee agreed that a new peer group of institutions should be considered now that CPEC has been disbanded, and that should be part of the discussion at the December 5 meeting of the committee.

Public comment was heard. Concerns were expressed about campus visits in the presidential selection process, and the general state of the economy which has led to salary concerns for all CSU employees.

**MINUTES OF MEETING OF**
**SPECIAL COMMITTEE ON PRESIDENTIAL**
**SELECTION AND COMPENSATION**

**Trustees of The California State University**
**Office of the Chancellor**
**Glenn S. Dumke Conference Center**
**401 Golden Shore**
**Long Beach, California**

**October 13, 2011**

**Members Present**
Lou Monville, Chair
Herbert L. Carter, Chair of the Board
Steven Glazer
Melinda Guzman
William Hauck
Bob Linscheid
Pete Mehas
Charles B. Reed, Chancellor

Trustee Monville called the meeting to order. He discussed his appearance before the Senate Education Committee and commitment to provide Department of Finance (DOF), Legislative Analyst Office (LAO), Governor's office and Senators Lowenthal and Alquist with the new peer institution lists that are proposed to be used as comparables going forward in relation to presidential compensation.

Chancellor Reed presented the present policy adopted in 2007. He discussed CPEC being dissolved/unfunded and that therefore the comparables used by CPCE were no longer appropriate, his consultation with presidents, consultants and staff to develop the new comparables, and the need to update based on the present IRS cap.

**Public Comment**
Mr. Monville called on Cecil Canton, a CSU Sacramento professor who questioned why research and graduation rates are included in the comparisons as they are faculty issues. Jeyanthy Kernik, CSU Long Beach lecturer questioned why some campuses have larger budgets than others.

After lunch the committee discussed some of the issues involved with salary caps and supplemental and non state resources. It was agreed that the Special Committee Chair would send a letter to the DOF, LAO Office, Governor's office and Senators Lowenthal and Alquist sharing the proposed new comparables and asking for review and comment within a time frame that would allow further discussion at the November Board meeting. The Special Committee will meet again on December 5 followed by a special meeting of the full board to adopt the new policy in selection of the new presidents in recruitments that are already underway. Chair Carter mentioned he was working with Vice Chancellor Gail Brooks on an HR plan for mentoring of internal candidates for president that he will be discussing at the November meeting of the CSU Board of Trustees.

## SPECIAL COMMITTEE ON PRESIDENTIAL SELECTION AND COMPENSATION

### Policy on Presidential Compensation

### Presentation By

Charles B. Reed
Chancellor

### Summary

At the July 2011 meeting the Board appointed a Special Committee to consider California State University policy on the selection and compensation of CSU Presidents. This agenda item is the final recommendation of the Special Committee and relates to Presidential compensation.

### Background

This will be the third meeting of the Board's Special Committee on Presidential Selection and Compensation. The Special Committee has had the opportunity to consider information provided by outside experts on both the subject of Presidential Selection and Compensation. At the September Board meeting, the Special Committee recommended a new Presidential Selection Policy that was adopted by the full Board. The Special Committee now recommends a renewed CSU Compensation Policy, with special attention to the issue of Presidential Compensation.

### The Proposed New Policy on Presidential Compensation

Even in difficult economic times, the CSU must compete on a national level for highly qualified candidates to serve as Presidents of its institutions. The pool of candidates with the appropriate level of executive leadership experience is limited and the competition for the best candidates is intense. In the past, CSU Presidential compensation was determined with reference to the compensation of Presidents at 20 institutions throughout the country identified by the California Postsecondary Education Commission as appropriate comparisons to CSU campuses. This was never a satisfactory comparison as, among other things, the list included a number of private institutions with very different norms and abilities to compensative their chief executive leaders.

In these difficult budget times, funding for CPEC has not been renewed, and it no longer exists. This has provided CSU with an opportunity to establish its own list of more appropriate comparison institutions for purposes of determining the compensation of CSU Presidents. Attached as Exhibit A is a list of five tiers of institutions that compare with CSU campuses, taking into account location, enrollment, budget, percentage of students receiving Pell Grants, six year graduation rates, and research funding. Within each comparison tier an appropriate compensation range can be established (using Presidential base pay), and a mean determined.

A proposed list of these tiered institutions has been posted on the CSU website and vetted with the Legislative and Executive branches. Specifically an earlier version of the attached list was shared with the Governor's Office, the Department of Finance, the Legislative Analyst, Senators Lowenthal and Alquist, and their feedback invited. A written response was received from the Legislative Analyst, Attachment G. The list has been revised to include a separate fifth tier for the Maritime Academy, and a corrected figure for the compensation from the campus auxiliary for the President at San Luis Obispo. Many schools in tiers A, B, C, D and E have deferred salary adjustments that have not been factored into the group summaries.

Attachment F is additional information requested by the Special Committee on alternative funding sources that might be used to augment the state-funded portion of CSU Presidential salaries.

The Special Committee recommends that this comparison list be updated annually, and that CSU Presidential compensation be determined with reference to the appropriate tier mean, together with the individual candidate's reputation for national policy leadership and length and depth of executive experience.

The following resolution is recommended for adoption:

> **RESOLVED,** by the Board of Trustees of the California State University, that the following is the compensation policy of the California State University:
>
> 1. The goal of the CSU continues to be to attract, motivate, and retain the most highly qualified individuals to serve as faculty, staff, administrators, and executives, whose knowledge, experience, and contributions can advance the university’s mission.
>
> 2. It is the continued intent of the Board of Trustees to compensate all CSU employees in a manner that is fair, reasonable, competitive, and fiscally prudent.
>
> 3. To that end, the CSU will continue to evaluate competitive and fair compensation for all CSU employees based on periodic market comparison surveys.

4. In addition, the CSU will maintain and update annually a tiered list of CSU comparison institutions for Presidential compensation. The list will take into account location, enrollment, budget, percentage of students receiving Pell Grants, six year graduation rates, research funding, and such other subjects as from time to time be deemed appropriate. Presidential compensation will be determined with reference to the mean of the appropriate tier of comparison institutions, together with an individual candidate's reputation for national policy leadership and length and depth of executive experience.

5. All CSU compensation must be consistent with other uses of resources within the annual budget.

**PEER COMPARISON LISTING**
**GROUP A: CSU HIGH ENROLLMENT & HIGH RESEARCH**

| Institutions (11) | State | Location | Enrollment | Total Budget | Pell % | 6-yr. Grad Rate | All Research Funding | Pres. Base Pay | Additional Annual Comp |
|---|---|---|---|---|---|---|---|---|---|
| *San Diego State University* | *CA* | *Urban* | *30,500* | *$776 million* | *23%* | *66%* | *$130 million* | *$350,000* | *$50,000 Found.* |
| **Temple University** | PA | Urban | 38,210 | $1 billion | 26% | 67% | $150 million | $605,000 | $70,000 bonus<br>$75,000 deferred |
| **Florida International University** | FL | Urban | 38,210 | $942 million | 35% | 46% | $100 million | $562,000 | $75,000 deferred |
| **George Mason University** | VA | Urban | 32,200 | $890 million | 19% | 67% | $115 million | $404,000 | $130,000 bonus |
| **West Virginia University** | WV | Rural | 30,000 | $800 million | 20% | 58% | $160 million | $450,000 | 0 |
| **University of Oklahoma** | OK | Rural | 30,000 | $810 billion | 19% | 63% | $140 million | $430,000 | $115,000 deferred<br>$85,000 retirement benefit |
| **University of Alabama** | AL | Rural | 30,000 | $685 million | 14% | 66% | $90 million | $592,000 | 0 |
| **University of Houston** | TX | Urban | 29,000 | $875 million | 35% | 41% | $172 million | $425,000 | $150,000 deferred |
| **University of Oregon** | OR | Rural | 24,000 | $874 million | 15% | 70% | $140 million | $501,233 | N/A |
| **Southern Illinois Univ. at Carbondale** | IL | Rural | 21,000 | $453 million | 14% | 69% | $80 million | $375,000 | $55,000 deferred |
| **University of Arkansas at Fayetteville** | AK | Rural | 21,000 | $560 million | 44% | 37% | $105 million | $282,000 | $225,000 deferred<br>$25,000 ret. Ben. |
| **Univ. of Nevada-Reno** | NV | Urban | 19,000 | $886 million | 13% | 46% | $106 million | $416,424 | $27,572 deferred |

## SUMMARY GROUP A: CSU HIGH ENROLLMENT & HIGH RESEARCH

States represented (11): Florida (1), Virginia (1), West Virginia (1), Pennsylvania (1), Texas (1), Alabama (1), Oregon (1), Illinois (1), Oklahoma (1), Arkansas (1), Nevada (1).

Enrollment (average):
CSU Group A: 30,500
Benchmark Universities Group A: 25,000

Location:
CSU Group A: Urban (1)
Benchmark Universities Group A: Urban (5), Rural (7)

Research Funding (average):
CSU Group A: $130 million
Benchmark Universities Group A: $123 million

Presidential Base Pay (average):
CSU Group A: $400,000
Benchmark Group A: $458,360 (not counting annual bonuses or deferred retirement pay)

Total Operating Budgets (average):
CSU Group A: $776 million
Benchmark Universities Group A: $797 million

Percentage of Pell Enrolled (average):
CSU Group A: 23%
Benchmark Group A: 23%

6-year Graduation Rate (average):
CSU Group A: 66%
Benchmark Universities Group A: 57%

## PEER COMPARISON LISTING
## GROUP B: CSU HIGH ENROLLMENT & MID-RANGE RESEARCH

| Institutions (12) | State | Location | Enrollment | Total Budget | Pell % | 6-Yr. Grad Rate | All Research Funding | Pres. Base Pay | Additional Annual Comp. |
|---|---|---|---|---|---|---|---|---|---|
| ***CSU Fullerton*** | *CA* | *Urban* | *36,500* | *$494 million* | *30%* | *52%* | *$19 million* | *$295,000* | *0* |
| ***CSU Northridge*** | *CA* | *Urban* | *35,700* | *$503 million* | *45%* | *44%* | *$20 million* | *$295,000* | *0* |
| ***CSU Long Beach*** | *CA* | *Urban* | *35,000* | *$490 million* | *36%* | *54%* | *$38 million* | *$320,000* | *0* |
| ***San Francisco State*** | *CA* | *Urban* | *31,000* | *$502 million* | *28%* | *48%* | *$55 million* | *$299,000* | *0* |
| ***San Jose State*** | *CA* | *Urban* | *29,500* | *$520 million* | *26%* | *46%* | *$50 million* | *$328,000* | *$25,000 Found.* |
| ***Sacramento State*** | *CA* | *Urban* | *27,000* | *$482 million* | *40%* | *44%* | *$52 million* | *$295,000* | *0* |
| **Kent State University** | OH | Rural | 41,000 | $490 million | 28% | 49% | $45 million | $569,000 | $147,000 bonus |
| **Florida International University** | FL | Urban | 38,210 | $942 million | 35% | 46% | $100 million | $562,000 | $75,000 deferred |
| **George Mason University** | VA | Urban | 32,200 | $890 million | 19% | 67% | $115 million | $404,000 | $130,000 bonus |
| **Wayne State University** | MI | Urban | 32,000 | $520 million | 47% | 32% | $250 million | $347,000 | $5,500 deferred |
| **Texas State University-San Marcos** | TX | Rural | 32,000 | $436 million | 24% | 56% | $16 million | $310,000 | 0 |
| **Georgia State University** | GA | Urban | 31,500 | $571 million | 37% | 50% | $60 million | $491,000 | 0 |
| | | | | | | | | | |

| Institutions (12) | State | Location | Enrollment | Total Budget | Pell % | 6-Yr Grad Rate | All Research Funding | Pres. Base Pay | Additional Annual Comp. |
|---|---|---|---|---|---|---|---|---|---|
| **University of Wisconsin-Milwaukee** | WI | Urban | 30,000 | $680 million | 22% | 47% | $60 million | $291,000 | 0 |
| **Florida Atlantic University** | FL | Urban | 30,000 | $521 million | 25% | 38% | $56 million | $357,000 | N/A |
| **Ohio University** | OH | Rural | 26,000 | $715 million | 18% | 69% | $75 million | $380,000 | $19,000 deferred |
| **University of North Carolina at Charlotte** | NC | Urban | 26,000 | $300 million | 27% | 54% | $35 million | $315,000 | 0 |
| **Old Dominion University** | VA | Urban | 24,000 | $526 million | 20% | 51% | $25 million | $312,000 | $84,000 bonus |
| **Illinois State University** | IL | Rural | 21,000 | $434 million | 14% | 69% | $25 million | $360,000 | $20,000 deferred |

## SUMMARY GROUP B: CSU HIGH ENROLLMENT & MID-RESEARCH

States represented (8): Florida (2), Ohio (2), Virginia (2), Illinois (1), Texas (1), Georgia (1), Wisconsin (1), North Carolina (1), Michigan (1).

| | |
|---|---|
| Enrollment (average): | |
| CSU Group B: | 32,466 |
| Benchmark Universities Group B: | 28,159 |
| Location: | |
| CSU Group B: | Urban (6) |
| Benchmark Universities Group B: | Urban (8), Rural (3) |
| Research Funding (average): | |
| CSU Group B: | $40 million |
| Benchmark Universities Group B: | $68 million |
| Presidential Base Pay (average): | |
| CSU Group B: | $309,500 |
| Benchmark Group B: | $391,000 (not counting annual bonuses or deferred retirement pay) |

| | |
|---|---|
| Total Operating Budgets (average): | |
| CSU Group B: | $499 million |
| Benchmark Universities Group B: | $589 million |
| Percentage of Pell Enrolled (average): | |
| CSU Group B: | 34% |
| Benchmark Group B: | 26% |
| 6-year Graduation Rate (average): | |
| CSU Group B: | 48% |
| Benchmark Universities Group B: | 52% |

## PEER COMPARISON LISTING
## GROUP C: CSU MID-ENROLLMENT & MID-RESEARCH

| Institutions (15) | State | Location | Enrollment | Total Budget | Pell % | 6-Yr Grad Rate | All Research Funding | Pres. Base Pay | Additional Annual Comp. |
|---|---|---|---|---|---|---|---|---|---|
| ***Fresno State University*** | *CA* | *Rural* | *20,900* | *$435 million* | *48%* | *50%* | *$31 million* | *$299,000* | *0* |
| ***CSU Pomona*** | *CA* | *Urban* | *20,700* | *$393 million* | *29%* | *53%* | *$14 million* | *$292,000* | *0* |
| ***CSU Los Angeles*** | *CA* | *Urban* | *20,100* | *$301 million* | *62%* | *34%* | *$26 million* | *$325,000* | *0* |
| ***CSU San Luis Obispo*** | *CA* | *Rural* | *18,300* | *$469 million* | *10%* | *72%* | *$22 million* | *$350,000* | *$30,000* |
| ***CSU San Bernardino*** | *CA* | *Urban* | *16,400* | *$285 million* | *53%* | *45%* | *$27 million* | *$290,000* | *0* |
| ***CSU Chico*** | *CA* | *Rural* | *16,000* | *$305 million* | *22%* | *58%* | *$27 million* | *$279,000* | *0* |
| ***CSU East Bay*** | *CA* | *Urban* | *14,000* | *$223 million* | *39%* | *48%* | *$10 million* | *$276,000* | *0* |
| ***CSU Dominguez Hills*** | *CA* | *Urban* | *13,800* | *$193 million* | *59%* | *35%* | *$12 million* | *$295,000* | *0* |
| **Northern Arizona University** | AZ | Rural | 23,000 | $430 million | 21% | 50% | $47 million | $348,000 | $100,000 bonus |
| **Towson University** | MD | Urban | 22,000 | $390 million | 15% | 73% | $29 million | $370,000 | N/A |
| **Ball State University** | IN | Rural | 22,000 | $285 million | 21% | 58% | $27 million | $580,000 | $222,000 bonus |
| **Montclair State University** | NJ | U/R | 21,000 | $306 million | 42% | 44% | $10 million | $325,000 | N/A |
| **Illinois State University** | IL | Rural | 21,000 | $434 million | 14% | 69% | $25 million | $360,000 | $20,000 deferred |
| **Portland State University** | OR | Urban | 20,000 | $400 million | 31% | 33% | $25 million | $377,000 | N/A |

| Institution | State | Location | Enrollment | Total Budget | Pell % | 6-Yr Grad Rate | All Research Funding | Pres. Base Pay | Additional Annual Comp. |
|---|---|---|---|---|---|---|---|---|---|
| **Boise State University** | ID | Urban | 20,000 | $330 million | 31% | 26% | $91 million | $300,000 | N/A |
| **Cleveland State University** | OH | Urban | 17,000 | $240 million | 44% | 29% | $50 million | $400,000 | N/A |
| **University of North Carolina at Wilmington** | NC | Rural | 13,000 | $261 million | 14% | 69% | $27 million | $300,000 | N/A |
| **James Madison University** | VA | Rural | 19,000 | $300 million | 8% | 81% | $26 million | $396,000 | N/A |
| **University of Texas at El Paso** | TX | Urban | 15,000 | $364 million | 29% | 62% | $97 million | $382,000 | $30,000 deferred $32,874 ret |
| **CUNY Brooklyn College** | NY | Urban | 13,000 | $113 million | 53% | 43% | $17 million | $255,000 | N/A |
| **University of Maryland, Baltimore County** | MD | Urban | 12,000 | $353 million | 15% | 59% | $87 million | $467,900 | N/A |
| **Michigan Technological University** | MI | Rural | 7,000 | $250 million | 21% | 66% | $44 million | $291,000 | N/A |
| **Missouri University of Science and Technology** | MO | Rural | 7,200 | $170 million | 18% | 63% | $37 million | $290,000 | N/A |

## SUMMARY FOR GROUP C: CSU MID-ENROLLMENT & MID-RESEARCH

States represented: Maryland (2), Oregon (1), New York (1), Idaho (1), Texas (1), Michigan (1), North Carolina (1), Virginia (1), Illinois (1), Ohio (1), Arizona (1), New Jersey (1), Missouri (1), Indiana (1).

| | |
|---|---|
| Enrollment (average): | |
| CSU Group C: | 17,525 |
| Benchmark Universities Group C: | 16,813 |
| Location: | |
| CSU Group C: | Urban (5), Rural (3) |
| Benchmark Universities Group C: | Urban (8), Rural (7) |
| 6-year Graduation Rate (average): | |
| CSU Group C: | 49% |
| Benchmark Universities Group C: | 55% |
| Research Funding (average): | |
| CSU Group C: | $22 million |
| Benchmark Universities Group C: | $43 million |
| Presidential Base Pay (average): | |
| CSU Group C: | $304,500 |
| Benchmark Universities Group C: | $362,000 |

| | |
|---|---|
| Total Operating Budgets (average): | |
| CSU Group C: | $325 million |
| Benchmark Universities Group C: | $308 million |
| Percentage of Pell Enrolled (average): | |
| CSU Group C: | 40% |
| Benchmark Group C: | 26% |

## PEER COMPARISON LISTING
## GROUP D: CSU LOWER-ENROLLMENT & RESEARCH

| Institutions (13) | State | Location | Enrollment | Total Budget | Pell % | 6-Yr Grad. Rate | All Research Funding | Pres. Base Pay | Additional Annual Comp. |
|---|---|---|---|---|---|---|---|---|---|
| ***CSU San Marcos*** | *CA* | *U/R* | *9,700* | *$173 million* | *22%* | *47%* | *$9 million* | *$271,000* | *0* |
| ***Sonoma State University*** | *CA* | *Rural* | *8,300* | *$164 million* | *15%* | *53%* | *$12 million* | *$291,000* | *0* |
| ***CSU Stanislaus*** | *CA* | *Rural* | *8,300* | *$131 million* | *40%* | *50%* | *$5.3 million* | *$270,000* | *0* |
| ***Humboldt State University*** | *CA* | *Rural* | *7,900* | *$187 million* | *32%* | *42%* | *$14 million* | *$298,000* | *0* |
| ***CSU Bakersfield*** | *CA* | *Rural* | *7,000* | *$140 million* | *55%* | *38%* | *$11 million* | *$285,000* | *0* |
| ***CSU Monterey Bay*** | *CA* | *Rural* | *4,700* | *$136 million* | *28%* | *42%* | *$2 million* | *$270,000* | *0* |
| ***CSU Channel Islands*** | *CA* | *Rural* | *3,000* | *$133 million* | *19%* | *53%* | *$2.6 million* | *$275,000* | *0* |
| **Western Washington University** | WA | Rural | 13,000 | $250 million | 14% | 68% | $12 million | $300,000 | $25,000 deferred |
| **Ferris State University** | MI | Rural | 13,000 | $183 million | 35% | 46% | $11 million | $235,000 | $40,000 bonus |
| **College of Charleston** | SC | Urban | 12,000 | $180 million | 11% | 64% | $31 million | $166,000 | $200,000 Found. |
| **Florida Gulf Coast University** | FL | Urban | 12,000 | $175 million | 16% | 46% | $13 million | $341,775 | N/A |
| **Indiana State University** | IN | Rural | 11,000 | $190 million | 35% | 41% | $10 million | $280,000 | N/A |
| | | | | | | | | | |

| Institutions (15) | State | Location | Enrollment | Total Budget | Pell % | 6-Yr Grad. Rate | All Research Funding | Pres. Base Pay | Additional Annual Comp. |
|---|---|---|---|---|---|---|---|---|---|
| **University of Wisconsin- La Crosse** | WI | Rural | 10,000 | $150 million | 15% | 69% | $20 million | $245,000 | 0 |
| **Texas A&M University - Corpus Christi** | TX | Urban | 10,000 | $140 million | 36% | 39% | $21 million | $240,000 | 0 |
| **Western Carolina University** | NC | Rural | 9,500 | $190 million | 28% | 49% | $18 million | $280,000 | 0 |
| **Salisbury University** | MD | U/R | 8,000 | $80 million | 12% | 66% | $5 million | $310,000 | N/A |
| **SUNY at Geneseo** | NY | Rural | 7,000 | $118 million | 14% | 78% | $3 million | $227,000 | 0 |
| **University of Mary Washington** | VA | U/R | 6,000 | $97 million | 9% | 75% | $2.5 million | $315,000 | 0 |
| **University of Texas-Tyler** | TX | Rural | 6,100 | $83 million | 35% | 24% | $3 million | $342,000 | 0 |
| **Truman State University** | MO | Rural | 6,000 | $53 million | 16% | 71% | $5 million | $200,000 | 0 |

## SUMMARY GROUP D: CSU LOWER ENROLLMENT & RESEARCH

States Represented: Texas (2), New York (1), Virginia (1), Washington (1), Maryland (1), Missouri (1), North Carolina (1), South Carolina (1), Michigan (1), Florida (1), Indiana (1), Wisconsin (1).

Enrollment (average):
CSU Group D: 6,985
Benchmark Universities Group D: 9,507

Location:
CSU Group B: Urban (1), Rural (6)
Benchmark Universities Group B: Urban (3), Rural (8), U/R (2)

Research Funding (average):
CSU Group D: $8 million
Benchmark Universities Group D: $12 million

Presidential Base Pay (average):
CSU Group D: $280,000
Benchmark Group D: $283,000 (not counting annual bonuses or deferred Presidential Base Pay (average):

Total Operating Budgets (average):
CSU Group D: $152 million
Benchmark Universities Group D: $145 million

Percentage of Pell Enrolled (average):
CSU Group D: 30%
Benchmark Group D: 21.2%

6-year Graduation Rate (average):
CSU Group D: 46.4%
Benchmark Universities Group D: 56.6%

## PEER COMPARISON LISTING
## GROUP E: CSU SPECIALIZED MISSION (LOW ENROLLMENT & LOW RESEARCH)

| Institutions (15) | State | Location | Enrollment | Total Budget | Pell % | 6-Yr Grad. Rate | All Research Funding | Pres. Base Pay | Additional Annual Comp. |
|---|---|---|---|---|---|---|---|---|---|
| ***CSU Maritime Academy*** | *CA* | *Urban* | *1,000* | *$41 million* | *11%* | *69%* | *$2 million* | *$259,000* | *0* |
| **Massachusetts Maritime Academy** | MA | Urban | 1,300 | $36 million | 13% | 71% | $2.5 million | $160,000 | 0 |
| **Maine Maritime Academy** | ME | Rural | 900 | $30 million | 44% | 67% | 3 million | $176,000 | 0 |
| **Texas A & M University Galveston** | TX | Urban | 1,900 | $75 million | 14% | 32% | $8 million | $215,000 | 0 |
| **SUNY Institute of Technology** | NY | Rural | 2,000 | $30 million | 32% | 50% | $2 million | $190,000 | 0 |
| **New Mexico Inst. of Mining & Technology** | NM | Rural | 1,900 | $40 million | 16% | 46% | $85 million | $260,000 | 0 |

## SUMMARY GROUP E: CSU SPECIALIZED MISSION (LOW ENROLLMENT & LOW RESEARCH)

States Represented: Texas (1), New York (1), Maine (1), Massachusetts (1), New Mexico (1)

Enrollment (average):
CSU Group E: 1,000
Benchmark Universities Group E: 1,600

Location:
CSU Group E: Urban (1)
Benchmark Universities Group E: Urban (2), Rural (3)

Research Funding (average):
CSU Group E: $2 million
Benchmark Universities Group E: $20 million

Presidential Base Pay (average):
CSU Group E: $259,000
Benchmark Group E: $200,000 (Two of the five universities are retired high ranking officers from the US Navy)

Total Operating Budgets (average):
CSU Group E: $41 million
Benchmark Universities Group E: $42 million

Percentage of Pell Enrolled (average):
CSU Group E: 11%
Benchmark Group E: 23%

6-year Graduation Rate (average):
CSU Group E: 69%
Benchmark Universities Group E: 53%

# REVENUE OPTIONS TO SUPPLEMENT A CAP ON STATE FUNDING OF PRESIDENTIAL SALARIES

**Introduction**

At its October 13, 2011, meeting, the CSU Board of Trustees Special Committee on Presidential Selection and Compensation reviewed various materials, including a handout on design principles/considerations for presidential salary caps supplemented with nonstate funds. During the meeting a request was made for staff to review various revenue options for creating a system "pool" of nonstate funds that—in conjunction with a suggested cap on the amount of state and student fee funds allowed for presidential salaries—would permit payment of market-level salaries.

Many ideas were considered and dismissed because they violated legal guidelines or were simply inappropriate for the University. For example, ideas such as increasing tuition fees or imposing special campus-based fees for the purpose of increasing presidential salaries were dismissed as inappropriate "taxes" on the students. Adding surcharge fees to or redirecting a portion of the revenue from the sale of goods and services in the bookstores, food service operations and the like also would fall to the students and supporters of the University and conflict with legal guidelines. Redirecting indirect overhead reimbursements from the costs related to the administration of grants and contracts to a pool for presidents would violate the purpose of indirect charges. Requiring presidents to raise funds for a pool may result in adverse consequences, as contributing donors may try to unduly influence presidential decision making.

This paper is limited in scope and is by no means an exhaustive list of options and ideas. That is because the Master Plan, legal restrictions and the University mission limit the number of practical options. This paper explores in some depth assessing enterprises, seeking donations, and a public/private agreement to generate funds.

**1. Require a Pro-rata Assessment from CSU Enterprise Funds to Supplement Executive Compensation**

The State of California makes a general pro-rata cost assessment for all non-General Fund activity administered by the state. Under this option, CSU would employ a similar pro-rata assessment against enterprise funds to recover a fair share of the costs of presidential leadership and oversight that benefits these activities. These enterprises (Extended Education, Housing, Parking, etc.) derive revenue from for-service charges typically at levels designed to recover the actual cost of service. Part of the cost for service could include an assessment for the non-tangible benefits that accrue to the enterprises from the leadership caliber of the CSU's presidents. This indirect cost recovery could be applied against recruitment and compensation requirements that result in securing able presidential leadership and oversight that directly benefits the ability of these enterprises to operate at high levels of performance.

State law currently limits the use of revenue from non-operating funds for self-supported, program-specific activities only. Fees levied for services provided through these funds must be "at-cost," with a general exception allowed for administration of the fund activity and limited reserves for program development and expansion. The revenue from these fees can also be pledged for debt service on capital construction and renovation costs associated with fund activities.

***Pros:*** A systemwide cost assessment of up to 1 percent of campus enterprise revenues (excluding federal financial aid) could potentially generate several million dollars annually.

***Cons:*** a. This option would be a significant departure from current practice and current understanding that narrowly define what is included in the actual cost of services provided by these enterprises, and what can be charged of students and others. This option also might exceed legislative intent and the authority delegated under state law to the Board of Trustees for management of the enterprise funds. Also, under this circumstance, the higher assessment might be characterized as a "tax" on students paying dormitory rents, parking fees or purchasing bookstore items.

b. As authorized by state law, the CSU has pledged revenue from various enterprise funds for debt service for the System Revenue Bond (SRB) capital program. Changing the use of these funds to include supporting presidential compensation could conceivably affect the bond rating currently issued for this program. Thus, careful attention would have to be given to annual cash flow reserve requirements and the impact on any reduction in these reserve balances on the SRB ratings.

**2. Establish a CSU Chancellor's Donor Fund**

This option involves the establishment of a "Chancellor's Donor Fund" or "Executive Excellence Fund" with donor gifts to be used by the board and chancellor to attract and retain the best available leadership for CSU campuses. The total amount of presidential salaries associated with these donor contributions could be limited to avoid any public concerns regarding the independence from outside influence within the university and the contributions would have to be made without designation or restriction to a specific campus. (However, limiting the amount of salary supplement allowed would also limit the extent to which state funds could be capped, since the two sources combined need to be adequate for market-driven salary levels.) Contributions made to the donor fund could be used to create an endowment with the endowment income used to support the annual cost of the executive compensation supplement.

***Pros:*** A centrally-controlled donor fund could help mitigate public concerns regarding the amount of state funds used to compensate presidents, while overcoming disparities in fund-raising potential between campuses and maintaining accountability of presidents to the board.

***Cons:*** a. Raising adequate funds could be a never-ending challenge. Experience has shown that most donors are interested in donating to specific and visible projects and programs, rather than offsetting the costs of routine operations that are viewed as the responsibility of the state. Most donors also feel allegiances to a campus and are more interested in donating to that campus rather than to a central system purpose.

b. Supplementing salaries requires a stable, continuous flow of funds year after year. Most philanthropic donations are one-time or limited in duration. This could be addressed by creating an endowment fund, with a relatively conservative investment profile designed to create a stable, annual flow of funds. However, this approach would require a much larger up-front success in attracting donations; in fact, a level of initial donations that is likely unrealistic.

3. **Expand Use of Credit Card Affinity Agreements**

This option would derive revenue from payments to the university and/or CSU alumni associations under so-called "affinity agreements" with credit card issuers. Under these agreements, alumni can apply for a credit card with a campus logo and the knowledge that the campus or alumni association will benefit because the bank/credit union will send a specified small percentage of annual credit card charges to the campus or campus alumni association. Such agreements are in place at a number of CSU campuses, producing widely varying levels of payments. This option would involve a significant rearrangement of existing agreements, expansion to reach all campuses, and dedication of revenues to a centrally-directed presidential compensation fund.

***Pros:*** A centrally-directed affinity agreement could help mitigate public concerns regarding the amount of state funds used to compensate presidents, while overcoming disparities in fund-raising potential between campuses and maintaining accountability of presidents to the board. The revenue would be derived from voluntary participation by individual alumni.

***Cons:*** a. The market for these types of affinity agreements is essentially in decline, due in part to the placement into federal law over the last decade of tight restrictions on credit card issuers that have reduced marketing and revenue potential from the standpoint of the issuers. (California law prohibits the sharing of student databases with credit card issuers.) Thus, many banks and credit unions have withdrawn, or are withdrawing, from the market. The Bank of America, for example, has terminated or allowed to expire, its agreements with CSU alumni associations. Two CSU alumni associations have subsequently entered into new agreements with another financial institution. The amounts raised annually for alumni associations under current or recent agreements vary widely, with only the largest campuses raising significant sums. The CSU Long Beach Alumni Association received the most in calendar 2010, with $200,000. By contrast, the agreement at CSU San Marcos generated only $8,033 in 2010, with only one new individual account opened. The smallest campuses lack agreements due to the small scale of their alumni base. (This could be overcome, at least in theory, with a multi-campus or systemwide agreement.)

b. Creating a new systemwide agreement would require the voluntary cooperation of all (or most) campus alumni associations in an arrangement that would divert current affinity revenues from existing beneficial activities at campuses, and for a purpose (presidential salaries, not necessarily at one's own campus) that may not appeal to prospective alumni participants.

LAO

65 YEARS OF SERVICE

November 8, 2011

Mr. Lou Monville Chair,
Special Committee on Presidential
Selection and Compensation
401 Golden Shore, Suite 620
Long Beach, CA 90802

Dear Mr. Monville:

Thank you for your letter of October 14, 2011, requesting our input on the California State University's (CSU's) effort to identify four sets of comparison institutions for corresponding "tiers" of CSU campuses.

According to your letter, CSU intends to use the comparison institutions "for purposes of considering presidential compensation." The comparison institutions have been selected primarily on the basis of student enrollment, total budget, and research activity. Selection of campuses was also aided by lesser factors, such as student graduation rates and student income.

***Background.*** State law makes reference to sets of comparison institutions to help evaluate and guide a number of aspects of budget and policy choices, including faculty and executive salaries, resident and nonresident tuition, and other matters. The existing sets of comparison institutions were developed in 1993 as a collaborative process involving representatives from the California Postsecondary Education Commission, the Department of Finance (DOF), our office, and CSU. Parallel efforts were also undertaken to identify comparison institutions for the University of California.

While our office helped to develop the current approach to CSU comparison institutions, we have in recent years expressed our own concerns with the methodology. (See "New Approach to Faculty Compensation Needed" from *The Analysis of the 2007-08 Budget Bill,* enclosed.) While our concerns in that publication—mainly the use of narrow comparison groups and exclusion of nonsalary compensation—focused on faculty compensation, the conclusions we drew could apply equally to executive compensation.

***CSU Proposal.*** The proposed plan reflects a significant departure, both in process and substance, to the existing approach to executive compensation.

- ***Unilateral Process.*** The CSU's new effort, as we understand it, was undertaken by CSU alone, with the opportunity for our office and DOF to provide feedback on that effort. For this reason, we do not believe that CSU's effort should be viewed by state policymakers as in any way replacing the state's existing approach to comparison institutions.

- ***Substantially New Approach.*** The CSU's proposal represents a substantially different approach to selecting comparison institutions. For example, rather than comparing the entire CSU system to a single set of institutions, the new approach groups CSU campuses into four tiers and identifies a separate set of comparison institutions for each tier. Also, the new approach only includes public comparison institutions, rather than a mix of public and private ones. The new approach also uses different selection criteria, involving factors such as enrollment, budget, and research funding.

***LAO Assessment.*** We are pleased to provide you with our thoughts on your proposal. At the same time, we want to make clear that, by responding to your request for comment, we are *not* in any way endorsing the particular sets of comparison institutions to be adopted by the CSU Trustees. As we discuss near the end of this letter, we believe that there are broader issues about resource allocation that warrant more in-depth conversations among state policymakers.

In several respects, CSU's new approach responds to some of our own concerns about the existing methodology. For example, because of the broad variation in size and selectivity among CSU's 23 campuses, we think it makes sense to tier CSU's campuses into a limited number of groups and develop separate comparison groups for each. We also agree with the notion that only public comparison institutions—and not private ones—are appropriate for matters of benchmarking CSU's presidential salaries. We believe public institutions must approach compensation issues differently because they have a public mission with a distinct responsibility to the public that supports them.

On the other hand, there are several aspects of CSU's new approach that we think make less sense. For example, we do not understand the weighting of the factors that were used to select the specific institutions. The information you provided says that three factors (enrollment category, total budget, and research funding) were "highly weighted," while two other factors (lower-income student population and six-year graduation rate) played somewhat lesser roles. Not having access to the actual methodology used, we cannot comment on the specific weightings. However, we question why some CSU campuses should be grouped with high-research institutions (as a highly weighted factor), given that the CSU's primary function under the state Master Plan does not include research. Similarly, there may be other factors (such as, perhaps, discipline mix of undergraduate and graduate programs, and selectivity in admissions) that could be more relevant than some of the ones you have included.

We also question the approach of relying on self-reporting by campuses (rather than using official, independent data). We understand from discussion with staff in the Chancellor's Office that CSU had concerns with the reliability of some published data sources. But we question whether self-reported data gleaned from websites is a sufficient remedy.

We also note some anomalies with the research data. For example, CSU campuses in group B have average research expenditures of $40 million (ranging from $19 million to $55 million), while the suggested comparison group includes institutions with $100 million, $115 million, and $250 million in research funding. These institutions appear to unduly raise the corresponding average executive salary. Similarly, the research funding for groups C and D comparators is about double that of the corresponding CSU campuses.

***Use of Comparison Data.*** While we appreciate CSU's efforts to better identify comparison institutions for the purposes of its own presidential compensation choices, the value of these comparisons depends on how CSU intends to use the proposed new methodology. For example, it appears that CSU intends to use the methodology for measuring cash compensation for campus presidents, without an attempt to measure other noncash benefits. As you know, various studies have been conducted in recent years showing that, while CSU salaries may fall short of their comparison averages, noncash benefits at CSU tend to exceed the average. Therefore, we would think that focusing only on cash compensation could produce misleading results.

Moreover, we are aware of discussions at the October Board of Trustees meeting and elsewhere suggesting that the proposed comparison methodology might be used not just for presidential compensation, but perhaps also for faculty compensation or student tuition and affordability. We think that there are important differences among these separate topics that would require different comparison methodologies.

Most importantly, we would again emphasize our view that any effort to develop a comparison methodology for purposes of guiding state policy and budget decisions must result from a collaborative process involving the Legislature and the administration. Such a process would no doubt require considerably more time and effort than you have allocated for your current approach, but we think it is important for all decisionmaking bodies to come to an agreement about any state-endorsed funding allocation guidelines. We think the information you have provided could be very helpful in beginning such a collaborative effort.

As we noted in a recent Senate hearing on executive compensation, CSU funding allocation choices would be best judged by the quality of outcomes that the university achieves with the resources available to it. Chancellor Reed has been a consistent advocate for the types of state goals and outcome measures that would make such assessments possible. Nonetheless, policymakers and the public understandably have an interest in high-profile decisions of the university, such as those surrounding executive compensation, and it is helpful for the Trustees to have clear policies and methodologies to support these decisions. We think your general approach to gauging relative compensation makes sense, and take exception only to some of your specific choices as noted above.

We appreciate the opportunity to respond to your proposal, and we hope these comments are helpful. We look forward to working with CSU, the Legislature, the Governor, and others to ensure that the state can better monitor how well CSU is able to achieve results with its funding allocation choices.

Sincerely,

Mac Taylor

Mac Taylor
Legislative Analyst

Enclosure

We therefore think the Governor's approach is a good start. Reviewing the need for additional campuses, centers, and other institutions will continue to be important as the college-age population and participation rates continue to change. Reviewing proposals to expand academic programs also will be important as workforce needs continue to evolve. However, as discussed below, we recommend the Legislature adopt substitute language that (1) assigns priority to these coordination roles and CPEC's data management responsibilities, and (2) directs CPEC to report specified compensation data for UC, CSU, and a broad range of other institutions.

## Other Data Management Responsibilities Should Be Retained

***We recommend the Legislature include among the California Postsecondary Education Commission's priorities its data management responsibilities.***

We believe that CPEC's level of staffing is sufficient to perform other duties beyond those identified in the Governor's proposal. In particular, we think CPEC should be expected to continue its core data management responsibilities. We therefore recommend the Legislature adopt substitute language assigning priority to the maintenance of CPEC's comprehensive higher education database, as well as performing new campus and program reviews. Moreover, we recommend a different approach to faculty compensation than that proposed by the Governor, as discussed below.

## New Approach to Faculty Compensation Needed

***The Governor's proposed budget bill language directs the California Postsecondary Education Commission (CPEC) to recommend a new methodology that compares total faculty compensation at the University of California and the California State University, as well as options for assessing the appropriateness of these compensation levels. We agree that CPEC's current approach to faculty compensation is flawed. However, we recommend the Legislature rethink the basis for comparing faculty compensation and direct CPEC take an alternative approach to collecting and reporting specified faculty compensation information.***

In most years, CPEC produces a report on faculty salaries at UC and CSU. The report compares these salaries with the salaries at a selected group of other public and private universities. The CPEC selects these "comparison institutions" in consultation with a Faculty Salary Advisory Committee that includes representatives of the segments, the Department of Finance, and our office. The comparison institutions are intended to represent the segments' competitors in the labor market.

Among other things, the faculty salary reports identify "parity figures" for UC and CSU which, represent the percentage difference between the segment's current faculty salaries and the projected average salary of its comparison institutions for the coming year. In other words, the "parity figure" represents the percent increase in the California segment's salaries that would be required to match the average of the comparison institutions in the budget year. In its most recent report (from March 2006), CPEC estimated that CSU's faculty salaries would need to increase by 18 percent to match its comparison institutions, while UC's would have to increase by 14.5 percent. We have two major concerns with the current methodology, as discussed below.

***Other Forms of Compensation Should Be Included.*** The CPEC's faculty salary reports only measure base salaries. Faculty typically receive various other forms of compensation as well, including retirement and health benefits, sabbaticals, housing allowances, and bonuses. Several studies commissioned by the segments have found that the nonsalary benefits provided to UC and CSU faculty are worth considerably more than the average of their comparison institutions. In fact, when all forms of compensation are considered, UC and CSU appear to be at or above their comparison averages. Thus, reporting a parity figure based only on salaries can be misleading.

***Basis for Comparison Needs to Be Rethought.*** The comparison institutions currently used in CPEC's methodology (see Figure 1) were last updated in 1993 (for CSU) and 1988 (for UC). Five of CSU's comparison institutions are private, as are four of UC's.

We believe it is time to rethink the basis for comparing faculty compensation. The UC and CSU are large, diverse, multicampus systems, while most of their comparison institutions are single campuses. While some UC and CSU campuses may appropriately be compared with the institutions listed in Figure 1, many UC and CSU campuses are far different in terms of selectivity, national ranking of programs, and other factors. A very general illustration is provided by *US News & World Reports'* 2007 academic rankings of the nation's top research universities. The highest-rank UC campus (Berkeley, at 21) is in the middle of the CPEC salary comparison institutions (4 are ranked higher and 4 are ranked lower). But other UC campuses do not compare as well, with UC Riverside, for example, ranked lower (at 88) than all but one comparison institution. Variation within the CSU system is similarly broad. For example, CSU campuses are spread fairly evenly among the four quartiles of "master's universities" ranked by *US News*. While rankings of any individual institution in this or any other survey is subject to debate, they do give a rough relative measure of a school's standing. In other words, they provide one reasonable indicator of who the segments are competing against in the labor market.

**Figure 1**

**Current Comparison Institutions**

| California State University Comparison Institutions | |
|---|---|
| **Public Institutions** | **Private Institutions** |
| Arizona State University | Bucknell University |
| Cleveland State University | Loyola University, Chicago |
| George Mason University | Reed College |
| Georgia State University | Tufts University |
| Illinois State University | University of Southern California |
| North Carolina State University | |
| Rutgers, the State University of New Jersey, Newark | |
| State University of New York, Albany | |
| University of Colorado, Denver | |
| University of Connecticut | |
| University of Maryland, Baltimore County | |
| University of Nevada, Reno | |
| University of Texas, Arlington | |
| University of Wisconsin, Milwaukee | |
| Wayne State University | |

| University of California Comparison Institutions | |
|---|---|
| **Public Institutions** | **Private Institutions** |
| State University of New York, Buffalo | Harvard University |
| University of Illinois, Urbana | Massachusetts Institute of Technology |
| University of Michigan, Ann Arbor | Stanford University |
| University of Virginia, Charlottesville | Yale University |

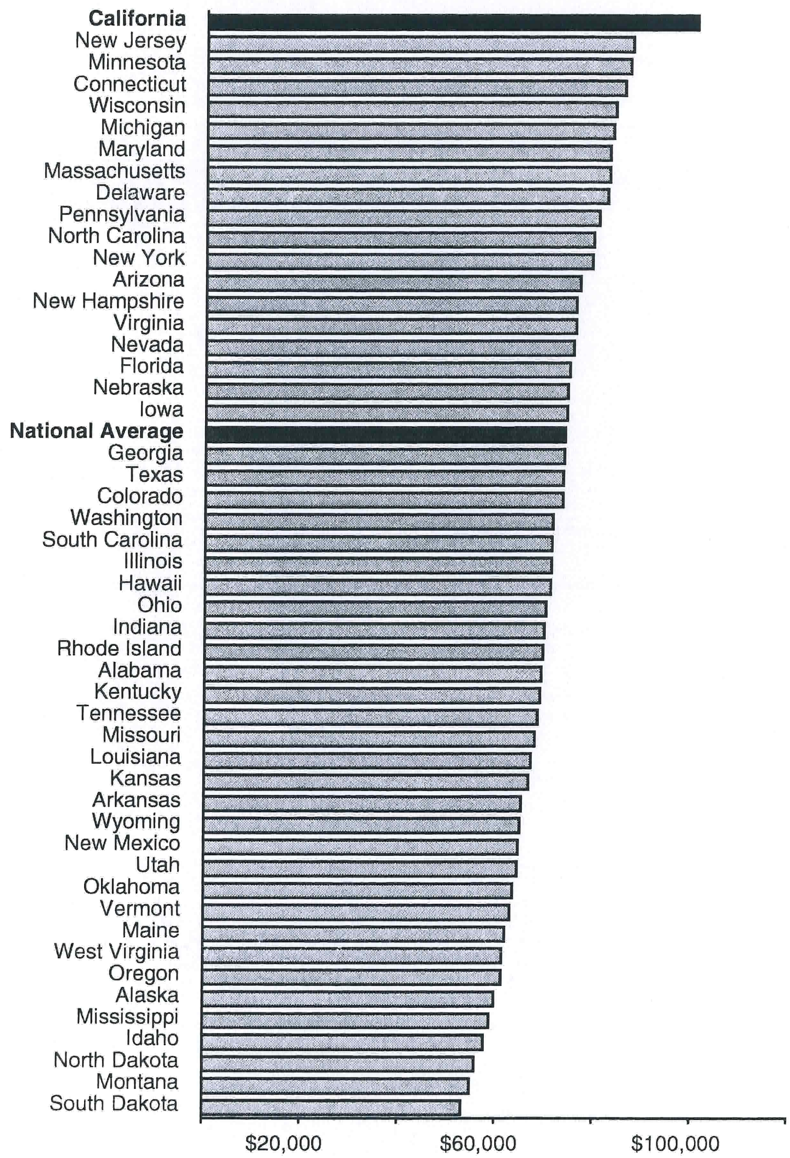
Comparing UC and CSU with different groups of institutions can tell a very different story than what CPEC's recent reports have suggested. For example, as shown in Figure 2 (see next page), the *Chronicle of Higher Education* recently reported that the average faculty salary at state public universities is higher in California than any other state in the nation.

***LAO Recommendation: CPEC Should Provide Data on Faculty Compensation.*** We think that CPEC could perform a useful data collection role in helping the Legislature assess the adequacy of faculty compensation. We therefore recommend the Legislature direct CPEC to collect and report specified compensation information, including regular salaries, fringe benefits, vehicle use, housing and mortgage assistance, life insurance, and additional forms of compensation. We recommend that CPEC be directed to use these factors to annually measure faculty compensation at

**Figure 2**

## California's Public Universities Have Highest Average Faculty Salary

*2004-05*




Source: *Chronicle of Higher Education*

UC and CSU (by campus and system). This information would provide a more complete measure of an important cost of the state's public university systems. Even without comparison institution information, this data would give the Legislature and the general public a sense of the investment that is made in higher education faculty. In addition, it would facilitate comparisons between UC and CSU faculty compensation, as well as tracking of increases in compensation funding over time.

***Broad Comparisons Would Provide Context and Facilitate Policy Choices.*** In order to provide context for the UC and CSU faculty compensation data, we also recommend that CPEC be directed to collect the same information for selected other institutions. However, we do not recommend that a new group of comparison institutions be established. Judging from past experience, we expect that such an attempt would generate considerable controversy and would be unlikely to result in a consensus. Even if possible, the outcome would not necessarily be desirable. In our opinion, CPEC's past approach of calculating a "parity" number based on a single set of comparison institutions improperly implies a precise compensation target.

Instead, we recommend that CPEC calculate compensation for broad ranges of institutions (both public and private) that reflect the spectrum of campuses within the UC and CSU systems. The intent would not be to develop a close match of the UC and CSU systems, but rather to reflect the breadth of institutional characteristics (such as selectivity) within those systems. For example, in a variety of indices of the top 100 research institutions, UC's eight general campuses (excluding Merced) are typically spread throughout the rankings. Therefore, a measure of faculty compensation for, say, each decile or quintile of the top 100 research universities would provide valuable contextual information for thinking about UC faculty compensation. A similar range of masters-level institutions could be used for CSU.

Such information would allow interested parties (including the Legislature, Governor, and stakeholders within the universities) to draw their own conclusions about the adequacy of faculty compensation. For example, the Legislature might adopt an expectation that UC or CSU faculty be compensated at some percentile level of the range measured by CPEC. On the other hand, it might not set a target at all, and instead simply use the information as one factor in considering what level of funding to appropriate for the systems each year. University officials might use the information as they recruit and make offers to new faculty. At the same time, this information would not preclude the systems and their campuses from using available funding to make whatever compensation decisions they felt would best serve their needs.