


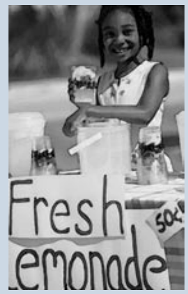

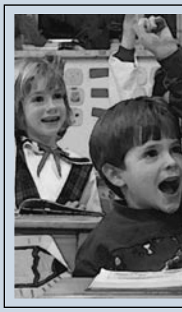

An Academic Arms Race:

The catastrophic rise of taxpayer-funded salaries at the University of Colorado and its peer institutions

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INTRODUCTION

In preparation for the coming fiscal year, the University of Colorado will need to make an estimated $29 million in cuts. While tough choices are inevitable, CU President Bruce Benson now also has an opportunity to demand meaningful fiscal reform from campus leaders. The immediate focus should be on a major source of CU's continuous budget woes: excessive faculty and administrative salaries.

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On March 13, 2009, the Independence Institute sent Benson a letter encouraging him to cut CU's six-figure salaries by 5 percent. Republican lawmakers, including Senate GOP Leader Josh Penry and Sen. Bill Cadman, introduced a similar proposal days later. According to preliminary estimates, the plan could have saved taxpayers $4.5 million. Unfortunately, the proposal was rejected by Democrats, who hold the majority in both legislative chambers.[1]

On May 1, 2009, Benson announced that CU will cut 54 administrative positions, shutter a faculty newspaper, and implement cuts to salaries of top officials, including his own. The move is expected to save CU $6.3 million in administrative costs. But more will need to be cut in coming weeks because CU must shave off an additional $23 million to balance its total $2.4 billion budget.[2] The cuts are required as part of the Colorado legislature's attempt to remedy an estimated $1.4 billion state budget shortfall.[3] Announcements on other cuts are expected to follow in coming weeks.[4]

While conservative leaders and professors applauded the announcement as a good first step, they also expressed frustration to the Independence Institute off the record about the elimination of the university's vice president for academic affairs and research.[5] The post was held by Michael Poliakoff, who was frequently seen as an ally to conservative causes, including tenure reform. According to a university press release, the position was eliminated to reflect "a new 'team approach' to academic matters to include Benson, campus chancellors, provosts and others."[6]

While the across-the-board 5 percent cuts advocated by the Independence Institute and Republican lawmakers could have saved taxpayers millions, limiting cuts to just presidential, vice presidential, and chancellor salaries remains largely symbolic, saving only an estimated $155,000.[7]

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In the last three years alone, CU's budget has ballooned from $1.9 billion to $2.4 billion, with increases to salaries eating up a big part of the total.[8] Between 2006 and 2009, CU's three chancellors received a collective annual taxpayer-funded raise of more than $500,000.[9] And even in the aftermath of the cuts recently announced by Benson, Denver Chancellor Roy Wilson could still make over $700,000 this year.[10]

Students, meanwhile, have been forced to foot the bill through skyrocketing tuition increases. CU-Boulder undergraduates saw an average tuition increase of 9.3 percent this year; in Denver, the average was 8.5 percent; and in Colorado Springs, 7.5 percent. These increases followed 2007-2008 hikes ranging from 7 percent at CU-Colorado Springs and 14.6 at CU-Boulder.[11]

CU has publicly defended its generous compensation as a means to ensure that it can recruit and retain talented faculty in a competitive higher education environment. As economist Richard Vedder, an Ohio University professor who once taught at CU, explained, "There is an academic arms race going on and everyone is trying to stay ahead of their peer institutions; like arms races in the real world, they cost an awful lot of money. Everyone has this vision they want to move to next level and can be the greatest thing between Berkeley and the East Coast."[12]

According to Vedder, the competition is one that has proliferated largely outside the constraints of the free market. "If School A gives a 20 percent increase, then school B feels it has to be competitive so it does the same thing. We have a vicious circle mostly funded by public monies, either directly or indirectly," he added.[13]

Indeed, CU is not alone in its aspirations. Other universities have also implemented budgets including six-figure salaries raises over the last decade. According to the *Chronicle of Higher Education*, the average public university president now makes $427,000 a year (more than Benson's $359,100 base salary).[14]

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But times are changing in light of the nation's current economic recession. Universities across the U.S., both large and small, are today pursuing meaningful salary cuts in a move that ultimately reflects an astute political strategy. As a recent *Business Week* report observes, "Given an economic climate in which tuition is outpacing inflation, endowments are plummeting, and colleges are pleading for more government aid, the public may sour on [high compensation]."[15]

Benson has acknowledged his institution relies heavily on tuition increases to balance its budget. In 2008, he conceded to *Rocky Mountain News* reporter Myung Oak Kim that at CU, "We are balancing the budget on our students, and it would be nice if we didn't have to do that."[16] But by taking further preemptive action to trim labor costs, CU could help offset any additional costs to students in the coming year.

According to multiple independent studies, the average American student graduating from a public university does so with more than $20,000 in student loan debt.[17] Tack on the average parental PLUS loan of more than $16,000 and an average credit card debt of more than $3,000, and the picture is much starker, upwards of $40,000 in debt for the average graduating student.[18] A 2006 *USA Today* report referenced a national study by the non-profit Project on Student Debt, which concluded that "the average debt for a college graduate has soared 50 percent in the past decade, after inflation."[19] In such an environment, Colorado's university leaders must decide who should shoulder the burden of declining state revenues: students already saddled with ballooning tuition payments, or administrators and faculty already raking in substantial annual salary increases?

As students face the threat of yet another tuition increase, faculty and staff should be expected to do their part by taking modest pay cuts.

A few years ago CU might have been able to argue effectively that it needed to raise its salaries to compete with the nation's best universities. This just isn't the case today. As students face the threat of yet another tuition increase, faculty and staff should be expected to do their part by taking modest pay cuts. This issue paper has been compiled to educate lawmakers, students, taxpayers, and members of the university community on opportunities and realities surrounding CU's budget woes. The final section provides policy recommendations.

TUITION INCREASES FUND GENEROUS SALARY INCREASES

The University of Colorado's system-wide budget for the current fiscal year is $2.4 billion. This figure is up from $1.9 billion in 2006 and includes $318 million in state appropriated dollars and nearly $1 billion in federal research grants. Much of CU's spending growth has been due to skyrocketing executive compensation. Meanwhile, salaries have been heavily subsidized through back-to-back tuition increases.

During the 2008-2009 school year, tuition rates for resident undergraduate students went up by an average of 9.3 percent at CU-Boulder, 8.5 percent at UC Denver's downtown campus and by 7.5 percent at UCCS. The increases followed 2007-2008 increases ranging from 7 percent at CU-Colorado Springs and 14.6 at CU-Boulder.[20]

In real dollars, a resident undergraduate student enrolled in CU-Boulder's College of Arts and Sciences in 2009 faced a $504 increase, with tuition set at $5,922. At UC Denver, the increase amounted to $430 more per year, for a total of $5,484 in annual tuition, and at UCCS, the increase cost the average student $326 more per year, for a total of $4,676 in annual tuition.[21]

Defending the increases at an April 2008 Board of Regents meeting, Benson said that declining state funding and enrollment increases "have led the university to become more dependent on tuition revenue. We're working on additional funding streams for higher education, but until they are realized we are moving forward to achieve the high standards we set for ourselves."[22]

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But the tuition increases came as the Board of Regents also approved 4.8 percent salary increases for university employees. In recent years, tuition increases and salary increases have come hand-in-hand. The connection is nothing new. After the 2006-2007 school year, where the average CU-Boulder professor was granted a 8.6 percent salary increase, the average Boulder undergraduate student saw tuition rise 19 percent.[23]

ONE IN FIVE CU EMPLOYEES EARNS SIX FIGURES

CU's salary database[24] includes only basic salary information and lacks any information about fringe benefits or generous bonuses, a regular feature of CU's executive compensation. According to the database, more than 2,000 of CU's 14,901 employees are paid more than $100,000 annually (CU President Bruce Benson maintains that the university actually employs 24,000 individuals) to serve CU's 54,000 students.[25] But in reality, taxpayer compensation—either state appropriated or through federal dollars—for these employees is much higher.

According to CU's own analysis, fringe benefit rates for staff range from 17 percent for temporary classified staff to 27.7 percent for professional full-time staff.[26] With 1,282 employees earning between $80,000 and $100,000 in base salary alone, it is clear that more than 3,000 of the 14,901 employees, or about one in five, listed in the database earns over $100,000 annually.

As an example of the incomplete picture painted by the database, UC Denver Chancellor Roy Wilson's salary is listed at $468,115, but the figure does not include the hundreds of thousands he receives in additional compensation. According to a recent investigation by the political news site FaceTheState.com, Wilson's actual compensation could have been as high as $720,615 in 2009. In addition to his base salary, he also can benefit from annual incentive payments of up to $175,000 and supplemental pay of $75,000.[27] While Wilson's base salary is subjected to a 5 percent cut as announced by Benson, Wilson could still make more than $700,000 in 2009.

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The CU database's lack of full compensation disclosure comes in addition to transparency problems with CU's main budget and planning Web site, where several links connect users to outdated or incorrect documents.[28] As an example, while budgets for 2001, 2002, and 2003 are referenced, no links to such information are provided. Links for other specific budget years incorrectly lead users to attendance information for previous years.[29]

OTHER INSTITUTIONS ARE CUTTING SALARIES

While CU has frequently maintained that its expenditures are lower than its "peer institutions," this is a questionable model for proving fiscal restraint. According to a February *Business Week* report, university presidents have seen their compensation "rising steeply over the past 15 years, especially compared to professors' incomes. One-third of presidents at public universities now earn more than $500,000 a year."[30]

A consistent refrain from CU is that its executive and administrative compensation is competitive with peer institutions. CU correctly notes that it is part of a national epidemic where tuition costs and faculty salaries are rising exponentially and concurrently. In recent months, *Business Week*, *Time*, *Money*, and the *Chronicle of Higher Education* have all highlighted the dangerous combination of plush faculty salaries and struggling students on campuses across the country.

And as* Business Week *notes, these baseline figures do not include "plenty of perks, including retention bonuses, retirement payouts, and the use of well-appointed homes and cars.

According to the *Chronicle's* analysis, released in November, median pay and basic fringe benefits for university presidents rose 7.6 percent in the last year, to an average of $427,000, at the U.S.'s 184 public research universities.[31] And as *Business Week* notes, these baseline figures do not include "plenty of perks, including retention bonuses, retirement payouts, and the use of well-appointed homes and cars. Many of these administrators also serve on the boards of multiple corporations, but those earnings were not factored in."[32]

Economist Richard Vedder explains the increases as part of a larger "academic arms race" where institutions are trying to stay ahead of their peer institutions, resulting in escalating attendance costs for students.[33]

When the Independence Institute recommended that CU implement across-the-board cuts to executive and administrative compensation, CU President Bruce Benson initially referred to the suggestion as a "knee jerk" reaction.[34] As his recent decision suggests, however, such cuts may provide the only politically and practically viable path for the university to take. Examples from responsible institutions across the nation suggest that such cuts are becoming the norm. Other university leaders, including those at Colorado State University, University of Connecticut, Rutgers, Rowan, and the University of Louisville, have all proactively agreed to voluntary cuts as a way to head off further tuition increases to students.[35]

Faculty at the University of North Carolina will take pay cuts after the state legislature cut $150 million from its budget; Idaho State University anticipates an across-the-board 10 percent pay cut; news reports and blogs suggest that New York University is moving toward a nine-month compensation model that could reduce some salaries up to 25 percent.

A growing number of institutions also are extending salary cuts to staff. Faculty at the University of North Carolina will take pay cuts after the state legislature cut $150 million from its budget; Idaho State University anticipates an across-the-board 10 percent pay cut; news reports and blogs suggest that New York University is moving toward a nine-month compensation model that could reduce some salaries up to 25 percent.[36]

In the aftermath of a *San Francisco Chronicle* investigation detailing excessive university executive compensation in the California State University system, Lieutenant Governor John Garamendi recently suggested a freeze of CSU executive pay raises and hiring as a way to repair credibility with concerned voters.[37] The source of outrage there: Vice presidents at some Cal State campuses were making as much as $225,000—lower than compensation provided to multiple vice presidents within the CU system.[38]

NATIONAL SALARY CAPS?

Across the nation, education foundations are exploring ways to disarm the compensation battle articulated by Vedder. At the John Williams Pope Center, a non-profit institute based out of North Carolina, researchers Clarence R. Deitsch and T. Norman Van Cott, advocate $500,000 salary caps for executives at the nation's publicly-funded higher education institutions.[39]

As Deitsch and Van Cott observe:

> In the hubbub surrounding President Obama's decision to cap salaries of commercial-bank CEOs at $500,000 (if they receive future federal funds), the salaries of college and university presidents have been flying under the radar. Some reconsideration is due, particularly because substantial taxpayer dollars go into their services, with more funds coming via the stimulus package. State and federal taxpayers subsidize public universities substantially, but even private schools benefit from things like tax-subsidized student loans and tax-funded faculty research.[40]

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HOW CU'S BUDGET IS SET

The University of Colorado, as well as the state's other higher education institutions, receives funding from three main sources: tuition dollars, funds appropriated by the state legislature, and federal grants.[41]

In Colorado, in-state students not only pay tuition but also bring a taxpayer-funded stipend from the state's College Opportunity Fund (COF)—which was set by the legislature at $92 a credit hour for the 2008-2009 school year—and in some cases, private scholarship dollars.[42]

According to Rick O'Donnell, president of the Texas-based Acton Foundation and a previous executive director of the Colorado Commission on Higher Education (CCHE), "This is the funding students bring that colleges and universities tend to value the most, because it can be spent on anything – there are no strings attached."

The COF stipend contrasts with federal grants, which as explained by O'Donnell, "generally fund specific research and thus come with many strings." According to Benson, CU received $318 million in state taxpayer funds for the 2008-2009 school year.[43] The figure includes $209 million in direct appropriations, $18 million from the state's tobacco settlement, $70 million from capital construction funds, and $21 million in funds allocated for student financial aid.[44]

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Approval of the CU budget reflects a complicated process involving multiple separate political and bureaucratic entities. While the Colorado General Assembly has control over setting the total commitment in state-appropriated revenue it will delegate to CU, and the federal government maintains control over its distribution of federal tax dollars, other bodies are involved as well, including CCHE.

During each year's legislative session, Colorado's higher education institutions submit proposals outlining funding needs to CCHE. The commission, together with the state's governor, then makes priority-based budgeting recommendations to the state legislature, also advocating for specific COF funding levels.[45]

The legislature, including the Joint Budget Committee, then debates which priorities to fund. Once final decisions are made and a budget bill is approved, the individual governing boards of each institution, including the CU Board of Regents, vote to set a tuition rate for the coming school year.

FINDING SOLUTIONS

A recent analysis by the *Chronicle of Higher Education* listed the 13 most common fiscal mistakes made by universities during the current economic woes. CU has made many of them, and too often, the state legislature has aided poor performance by failing to provide adequate oversight of the state's higher education institutions.[46]

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The Chronicle's analysis, titled, "13 Reasons Colleges Are in This Mess: How greed, incompetence, and neglect led to bad decisions," argues that "in some ways, higher education has been a victim of the recession—but not a defenseless victim. Smart moves clearly helped some colleges and universities avoid the worst of the downturn. But mistakes have left many others in the lurch."[47]

While CU has made many mistakes, most notably depending too much on tuition to fund unjustified salary increases, the right reforms could provide CU a much brighter future. The following are the Independence Institute's policy recommendations for CU to cut its operating costs while also diminishing overall costs to students:

1. **Across-the-board 5 percent cuts on all six-figure salaries:** CU's leadership, now in the final stages of setting tuition rates for the coming school year, should work with lawmakers to reconsider their proposal to implement salary cuts as a way to offset possible tuition increases. As previously noted, legislative estimates concluded that such a proposal could save $4.5 million in the next year, while also minimizing the financial brunt to any individual staff member or student.

   Under better market conditions, universities could argue that they need to keep their salaries competitive with other institutions. At a critical point, which is likely beginning now, taxpayers, students, and parents, will start to reject lavish spending. As anecdotal evidence, comments post on *The Denver Post's* Web site on May 2, 2009 under an article outlining CU's proposed cuts, many posters were skeptical about CU's commitment to fiscal responsibility. "The pay cuts should be across the board, not just a handful of top officials. Look around, prices and wages are falling everywhere. Why are government and the University immune? Because they think the taxpayers are immune. We are not, and they will not be," wrote one poster.[48] Another poster offered the following prediction: "Life will go on. The students will continue to be taught by their professors. The top heavy university hierarchy will be pared down. Has anyone taken a close look at the salaries of some of these university administrators? It is not what the taxpayers want."[49]

2. **Tenure Reform:** As the *Chronicle's* report correctly concludes, "Millions of workers have lost their jobs in recent months. But tenured professors are hard to fire. And some powerful faculty unions have resisted when colleges asked their members to teach more classes, despite what seemed like reasonable requests."[50]

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   Under CU's shared-governance model, where Benson is forced to share power with the Board of Regents and faculty leaders, it becomes nearly impossible to fire incompetent professors aided by faculty radicals.[51] In March 2009, CU lost a lawsuit against ousted CU professor Ward Churchill. Churchill's infamous essay comparing U.S.

terror victims to members of the Nazi regime initially got him into hot water, but after a subsequent investigation revealed that he had committed academic misconduct, including plagiarism and retaliation against students expressing opposing political viewpoints, he was fired.[52] His attorney David Lane successfully argued that the subsequent investigation was a pre-text for the real purpose of firing Churchill, which was centered around his controversial speech.[53]

There is a very fiscal cost associated with an institution's inability to demand better scholarship or improve student access to professors. As the *Chronicle* explains:

> The faculty union at Kean University, for example, balked last year when administrators tried to require professors to teach on Fridays and some Saturdays. The public university, located in New Jersey, was facing a $4.5-million cut in the state's contribution and was trying to get more use out of classroom buildings. Faculty members considered the proposal an assault on their autonomy and a retaliation for a previous squabble with administrators. Since then Kean has postponed several construction projects and raised in-state tuition by about 8 percent.

As Churchill's case proved, tenure acts as an almost impenetrable job protection for professors regardless of their professional contributions, but growing frustration by taxpayers could provide the basis for much deserved future legislative action.

While protecting free speech and free discourse in higher education should be at the core of every university's mission, decision makers at public institutions must also find a way to balance this interest with their obligation to best meet the needs of students, including preserving their access to a quality education. As Churchill's case proved, tenure acts as an almost impenetrable job protection for professors regardless of their professional contributions, but growing frustration by taxpayers could provide the basis for much deserved future legislative action.

3. **Reevaluate Campus Expansion Aspirations:** While CU-Boulder prides itself on having one of the most beautiful campuses in the nation, recent campus expansions and renovations present problems for the long-term sustainability of the campus. Here, CU follows a national model.

From the *Chronicle*: "For more than a decade, colleges have had a tremendous appetite for building. …Many motivations have led to this building boom, but often a key driver is the quest to impress prospects, whether faculty members or students (and their parents). Energy-intensive research buildings. Swanky residence halls. Climbing walls. Olympic-size swimming pools. They are like the expensive cars that real-estate agents drive – they project an image of success."

In 2010, CU will open its new 170,000-square-foot Visual Arts Complex, a facility that will serve as the new home of the university's art and art history departments, as well as the university's art museum. According to a March 2009 press release, "the building will also house CU's Permanent Art Collection in a climate-controlled setting." The cost of the project stands at $63.5 million, and according to CU, $10 million of this will come from private donors. The remainder will largely be subsidized through a mandatory student fee devoted to funding new campus construction.[54]

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The fee, set at $300 this year, must be paid annually, and will rise to $400 in the 2010-2011 school year. In total, Boulder students were required to pay $1,356 in mandatory student fees. In addition to the above fee, students were also required to pay

$199.82 to fund maintenance of the university's student center and $134.48 to fund on-campus computer and Internet facilities.[55]

While the appeal of new facilities is obvious, universities should not underestimate their long term maintenance costs. Also problematic is the fact that such new projects compete with limited existing funds already struggling to maintain existing infrastructure.

As the *Chronicle* asks, "What kind of future have these colleges built for themselves? A burdened one. The bulk of the cost of any building comes after it is built - in the energy needed to run it and the maintenance to keep it functioning. Those happen to be costs that well-heeled donors are unlikely to support, whether their names are on the buildings or not."[56]

4. **Explore Possible Consolidation of Academic Departments:** Under Benson's leadership, campus leaders have been encouraged to reevaluate opportunities for savings that could result from consolidation of services, including academic departments. The move could sit well with legislators frantic to cut excess while still maintaining quality of instruction. According to the Chronicle, "The University of Arizona hopes to appease state lawmakers by consolidating more than a dozen colleges and eliminating dozens of majors that produce few graduates."

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While a proposal to consolidate smaller academic programs under larger departments would face the wrath of CU's faculty council, Benson and CU's Regents would be wise to expend political capital here. Examples of potential consolidation could include incorporating the university's Ethnic Studies department (which also includes American Indian Studies, Asian American Studies, Black Studies, and Chicano Studies) as well as its Women & Gender Studies department, under a larger umbrella of the Political Science department. CU should evaluate opportunities to limit the existence of smaller departments to one campus, instead of offering coursework for some on all three campuses, as is currently the case with Women's Studies.

Non-political programs could also benefit from consolidation. Currently on CU's Boulder campus, its journalism school and communications department are housed in separate buildings and maintain their own administrations, coursework, and staff. Given the evolving technology associated with both and the blurring line between journalism and communication, however, consolidation is extremely practical.

The database should list all university employee salaries, as well as any additional taxpayer-funded compensation and fringe benefits, including but not limited to incentive payments, merit pay, health insurance payments, and publicly-funded retirement investments.

5. **Insist on Transparency:** As previously discussed, CU's salary database lacks true transparency because it does not reveal true taxpayer subsidies of employee compensation. The database should list all university employee salaries, as well as any additional taxpayer-funded compensation and fringe benefits, including but not limited to incentive payments, merit pay, health insurance payments, and publicly-funded retirement investments. In addition, and as also previously referenced, CU's budget Web site needs a complete overhaul, including a review of broken links currently on the site.

According to CU Regent Tom Lucero, the university also should expand its transparency efforts. "We should be just like the states that have the open checkbook," he said. "Every expenditure, including all staff compensation—

every penny that goes out the door should be accessible to the public as well as every dollar coming in."[57]

6. **Get Back to Basics:** While nearly every major public university, including CU, seeks to become a leading research institution, students, businesses, and families across the state might be better served if CU focused on getting back to basics. According to Vedder, there are approximately 2 million academic journal articles published annually, and quantitative analysis shows that these articles cost up to $50,000 apiece, with many of them only gathering dust on library bookshelves.[58] As part of a larger conversation about tenure reform and professor time demands, CU should encourage more professors—especially those in the liberal arts and soft sciences—to get back into the classroom and start teaching again.

While nearly every major public university, including CU, seeks to become a leading research institution, students, businesses, and families across the state might be better served if CU focused on getting back to basics.

While CU leaders complained in 2008 that ratios of students to tenured faculty were too high at 29-to-1, entry-level courses at CU often cram dozens or even hundreds of students into a single class with a single professor. Science courses, including physics and chemistry, frequently include 200 to 300 students.[59]

7. **Allow Students to live off campus:** For a CU-Boulder freshman, living on campus in one of the beautiful—yet expensive—dormitories is a requirement that allows only for extremely limited exceptions. But as the *Chronicle* points out, universities may want to reconsider whether requiring students to live on campus is an idea that should be left in the past. "Dormitories and the campus quad are images of America's higher-education past that now apply to only a minority of students. Today's college students are older, often have jobs, and are less likely to be white. Many are not interested in a traditional residential experience."[60] A nine-month food and housing budget provided by the university tells students to allocate $9,860 for first year dorm and food costs. Students allowed to live off campus can save nearly $1,400 a year.[61]

8. **Reevaluate Diversity Efforts:** Finally, as the Independence Institute chronicled in a 2007 report titled *A Color Scheme: Questions Raised by Accounting and Business Practices Within the University of Colorado at Boulder's Multi-Million Dollar Diversity Administration*, CU's own budget figures reveal millions of dollars in discrepancies relating to diversity spending.[62]

On May 1, 2009, the same day that Benson announced CU's latest cuts, the university released a statement saying it was committed to "[elevating] diversity efforts by strengthening the link between the Office of the President, chancellors and chief diversity officers on each campus. The new team will meet regularly to address diversity issues. The president and team will continue to get counsel from the Blue Ribbon Commission on Diversity, a group of community leaders who advise CU on diversity matters. The president recently expanded the group."[63]

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The commission, on which the author of this paper serves, was established in 2005 and has yet to effectively cut a single dollar in diversity spending. While Benson would face stiff political opposition for restructuring the university's race-based and race-restrictive programming, he should proceed for two reasons.

First, CU's diversity efforts could be much more effective and equitable under a restructuring. They are largely eaten up by administrative costs and employ hundreds to advance roughly 400 different programs and initiatives, while only devoting 18 percent of its budget to scholarships. The programs segregate students based on biological characteristics and ethnicity that frequently lead to racial tension and misunderstanding on CU's three campuses.[64]

Second, CU-Boulder's budget data is highly unreliable. Administrators admit the $21.8 million comprehensive diversity budget they released to the media in 2006 is far from accurate or complete; they further admit they do not know how much is actually spent on diversity efforts.[65]

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From our 2007 report, "When asked to explain how CU determined how much is spent annually on diversity, Mary Ann Sergeant, program director for CU-Boulder's Office of Diversity and Equity, noted that $21.8 million was 'a conservative estimate of our annual expenses.'" Other administrators offered a different analysis. "In February 2006, CU Assistant Vice President for Diversity Carmen Williams noted that the figure released only included Boulder programs 'with a service component, as opposed to academic programs.'" And in December 2006, CU-Boulder Chancellor Bud Peterson entirely dismissed the $21.8 million totally, saying, 'it's not even close to what we're spending.'"[66]

What CU needs is not more diversity programming, but rather better diversity programming that focuses on removing the primary impediment to successful matriculation: unmet financial need for students.

CONCLUSION

An academic arms race has taken over America's higher education system. With salaries largely funded through taxpayer dollars and government-guaranteed student loans, the free market has been unable to adequately quash the massive salary increases seen at American universities over the last several years.

Political pressure is mounting in a growing voice for reform. In a March 10 online *Business Week* survey, the publication asked: "With President Obama's decision to restrict the pay of top executives at banks getting bailed out by the government, some are wondering where [public] university presidents fit into the equation. Should they also have their salaries capped at $500,000?"[67]

While Congress likely lacks the political will to impose federal pay restrictions on university executives and faculty, current economic conditions, including shrinking endowments, are forcing many institutions to reconsider their lavish ways. As the CU Board of Regents prepares to engage in final budget discussions for the coming school year, it should heed the examples of a growing number of its peer institutions, who are now wisely deciding—albeit likely only in the short term—to disarm from an academic arms race that has proven to have devastating consequences on students and parents struggling to make tuition payments.

As the CU Board of Regents prepares to engage in final budget discussions for the coming school year, it should heed the examples of a growing number of its peer institutions, who are now wisely deciding—albeit likely only in the short term—to disarm from an academic arms race that has proven to have devastating consequences on students and parents struggling to make tuition payments.

Endnotes

[1] Bill Cadman, telephone interview with author, April 13, 2009.

[2] Kevin Vaughan, "CU slashes jobs, salaries," *The Denver Post*, 2 May 2009, http://www.denverpost.com/ci_12276610.

[3] Bob Mook, "Colorado's expected budget shortfall grows to $1.4 billion," *Denver Business Journal*, March 16, 2009, http://www.bizjournals.com/denver/stories/2009/03/16/daily83.html.

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ADDITIONAL RESOURCES on this subject can be found at: http://www.independenceinstitute.org/ or call 303-279-6536. To view general budget information about the University of Colorado, visit https://www.cu.edu/budget/. To learn more about national proposals to cap higher education salaries, visit the John William Pope Center's Web site at http://www.popecenter.org/.

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