

U.S. NEWS

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Deans List: Hiring Spree Fattens College Bureaucracy - And Tuition

By DOUGLAS BELKIN and SCOTT THURM

MINNEAPOLIS—When Eric Kaler became president of the University of Minnesota last year, he pledged to curb soaring tuition by cutting administrative overhead. But he hit a snag: No one could tell him exactly what it cost to manage the school.

Like many public colleges, the University of Minnesota went on a spending spree over the past decade, paid for by a steady stream of state money and rising tuition. Officials didn't keep close tabs on their payroll as it swelled beyond 19,000 employees, nearly one for every 3½ students. "The more questions I asked, the less happy I was," Dr. Kaler said.



Many of the newly hired, it turns out, were doing little teaching. A Wall Street Journal analysis of University of Minnesota salary and employment records from 2001 through last spring shows that the system added more than 1,000 administrators over that period. Their ranks grew 37%, more than twice as fast as the teaching corps and nearly twice as fast as the student body.

Across U.S. higher education, nonclassroom costs have ballooned, administrative payrolls being a prime example. The number of employees hired by colleges and universities to manage or administer people, programs and regulations increased 50% faster than the number of instructors between 2001 and 2011, the U.S. Department of Education says. It's part of the reason that tuition, according to the Bureau of Labor Statistics, has risen even faster than health-care costs.

How Administrative Spending Boosts College Costs

Compare the amounts spent on all education-related expenses per student in 2010-11 and how much of that was for administrative costs at 72 public universities with high research activity.

The University of Minnesota illustrates the trend. Its main Twin Cities campus had the largest share of employees classified as "executive/administrative and managerial" among the 72 "very-high-research" public universities in the 2011-12 academic year, according to data compiled by the U.S. Department of Education. Minnesota officials say the figures are misleading because not all schools report administrative spending the same way.

At Minnesota, tuition and fees for state residents have more than doubled in a decade, to \$13,524. That far exceeds the average at four-year public colleges of \$8,655, which also represents a doubling, according to the College Board. Private-college tuition averages \$29,056, but has risen more slowly.

For students, the effect is striking. In 1975, a University of Minnesota undergraduate could cover tuition by working six hours a week year-round at a minimum-wage job, the Journal calculated. Today, a student would have to work 32 hours at minimum wage to cover the cost.

Gregory Kiss, a sophomore business major, expects to graduate owing more than \$30,000. Trying to economize, he bought a dining plan that provides only 10 meals a week.

Mr. Kiss tapped a nerve when he launched a website listing campus events where free food was to be had. He has attended lectures about evangelical Christianity, (with free Korean BBQ), cell regeneration (burritos) and something called "the feast of nations," which he says was the tastiest.

"I think it's a good school and it's a good value, but I know I'm going to be paying it off for a long time," Mr. Kiss says.

The bureaucracy finds numerous ways to spend money. Officials have spent millions planning a not-yet-built residential community 20 miles from the University of Minnesota Twin Cities campus designed in part to showcase sustainable energy and environmental stewardship.

Administrative employees make up an increasing share of the university's higher-paid people. The school employs 353 people earning more than \$200,000 a year. That is up 57% from the inflation-adjusted pay equivalent in 2001. Among this \$200,000-plus group, 81 today have administrative titles, versus 39 in 2001.

Administrators making over \$300,000 in inflation-adjusted terms rose to 17 from seven.

Many forces besides administrative overhead add to universities' cost pressures, among them health-care and retirement expenses. And among the administrative spending, some is unavoidable, such as that owing to federal rules requiring greater spending to oversee research grants or accommodations for students with disabilities.

Schools also compete—by necessity, they say—to offer fancier dorms, dining halls, gyms and other amenities, to raise their rankings and attract students. "It's a competitive business, and institutions compete for students the same way Lexus and Mercedes compete for car buyers," says Paul Lingenfelter, executive director of the State Higher Education Executive Officers Association.



To compete, schools have stepped up borrowing for construction. Total debt at public four-year colleges more than tripled between 2002 and 2011, to \$88 billion, according to the Department of Education. At the University of Minnesota, the yearly cost of servicing debt more than doubled to \$106 million in that time.

For decades, public universities were somewhat insulated from financial rigor by steadily increasing state funding. That has slowed or stopped in many states in tight budgetary times. Minnesota's government last year contributed \$570 million to university operations, which was about the same as in the 2003-04 school year despite inflation and roughly 10% increased enrollment.

Higher education now faces pressures similar to those that reshaped other segments, Minnesota's Dr. Kaler says. "You look at American industry in general—the car industry got comfortable until the Japanese showed up, the airline industry was comfortable until it got deregulated," he says. "Now it's higher ed's turn."

Academia's contemplative culture can provide fertile ground for growth in bureaucracy. In a speech after becoming president, Dr. Kaler told the story of 33 words inscribed on the auditorium in 1936. It took the creation of an inscription committee, the hiring of an "inscription consultant"—and 12 years—before chisel met stone, he said.

The number of employees at the University of Minnesota with "human resources" or "personnel" in their job title—272—has increased by a third since the 2004-2005 academic year, a period during which the enrollment grew approximately 8%.

In its Office of Equity and Diversity, the number of people with "director" in their title grew to 10 in the 2011-2012 school year from just four directors five years earlier, by a university official's count.

Growth in the diversity office is an attempt to make the campus "more inclusive and more welcoming to people of different backgrounds," Dr. Kaler says.



University of Minnesota President Eric Kaler is tackling costs.

Caution fed bureaucratic growth after the school agreed to pay the federal government \$32 million in 1998 to settle allegations relating to sales of an unlicensed transplant drug. The school acknowledged mismanagement of grant funds, and the National Institutes of Health put its grant applications under special scrutiny, creating research delays and faculty departures.

To prevent a repeat, officials imposed "fairly onerous bureaucratic processes," said R. Timothy Mulcahy, vice president for research. He said the university "evolved a very, very risk-averse, very, very conservative culture."

Several years ago, Russell Luepker, a professor of epidemiology at the school of public health, sought reimbursement for a \$12 parking bill. The form went from a secretary to the head of his department to an accountant who entered it in a computer to a senior accountant responsible for approving it. Richard Portnoy, chief administrative officer in the epidemiology department, estimates it cost \$75 to move the paperwork. When Dr. Luepker heard of it, he stopped filing for parking reimbursements.

The Journal, using payroll data provided by the university, calculated that across all of the system's campuses, administrators consume 24% of the payroll, up from 20% in 2001. Employees who teach,

such as professors, lecturers and instructors, account for 37% of the payroll, down from 39% in 2001, the Journal calculated.

The university hasn't maintained a consistent definition of an administrative employee through the years. The Journal based its analysis on 151 job titles the university classified as executive, administrative or managerial at some point between 2001 and 2012.



Sophomore Gregory Kiss saves by finding events with free food.

To make year-to-year comparison valid, the Journal included all 151 such job titles for each year. Likewise, the Journal's totals for teaching jobs include all 42 job titles the university has considered instructional at some point between 2001 and 2012.

The university said many employees at the school wear several hats, so that some who have administrative titles also teach, and some job titles don't accurately describe the work an employee actually does.

In June, the university did its own analysis of compensation, which totals well over \$1 billion a year. One conclusion it reached was that salary and fringe benefits for those in "leadership"—previously 6% of the compensation total—had risen to 7% of total compensation.

A university spokesman, Chuck Tombarge, said administrative efforts such as giving guidance to students do generate benefits. He pointed to the Twin Cities campus's rate of four-year graduation: about 58% in 2008, up from 41% in 2002.

Dr. Kaler, in his inaugural address in September 2011, criticized the costs of "long meetings, excessive committee deliberations and endless email chains" that contribute to a "tangled web of bureaucracy that dogs us." He pledged to reduce administrative expenses.

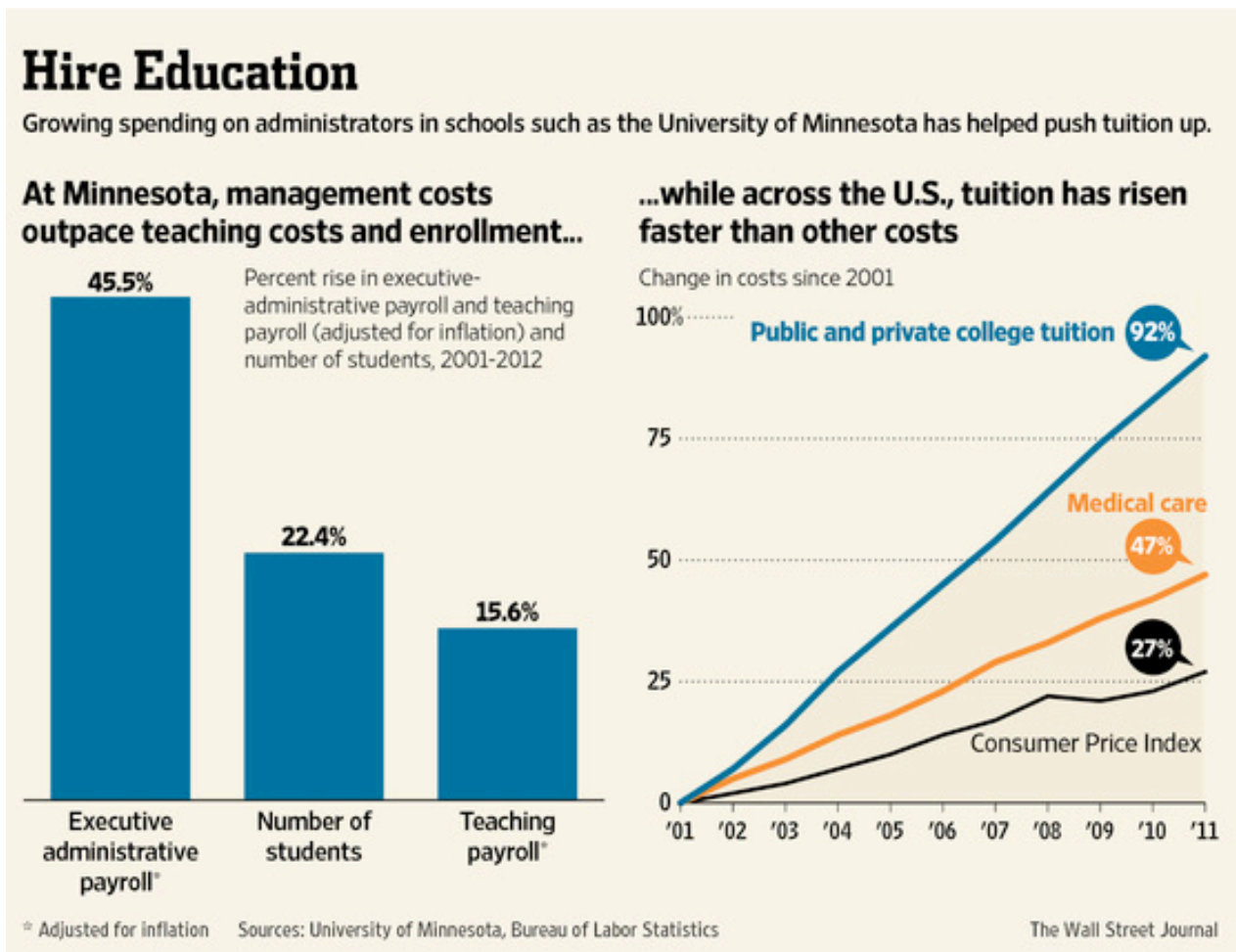
One hurdle: The system's chief financial officer, Richard Pfitzenreuter III, says that while he can track the cost of heating a particular floor of a building or of serving a cafeteria meal, he can't specify elements of the hierarchy such as how many people report to each manager. The human-resources system doesn't track such chain-of-command information, he said, because "it wasn't a priority in the past."

Streamlining the chain of command has proved important in controlling costs elsewhere. A 2010 analysis of the University of California Berkeley by Bain & Co. found that supervisors oversaw an average of 5.1 employees. The school raised that to 7.1 and saved \$20.5 million annually, says Andrew Szeri, dean of Berkeley's graduate division.

Dr. Kaler ordered a review of Minnesota's spending. A survey found that in the system, which has about 43,800 undergraduates and 68,400 students in all, people were calling 73 different numbers for help with computer trouble. He is trying to reduce that to one.

Some things the school uses money for are arguably distant from its teaching mission. Since 2006, it has spent \$10 million on consultants and others for UMORE Park, a planned 30,000-resident community that the university will build on land it has 20 miles from the Twin Cities campus.

School officials say the community reflects the changing mission of a public university in the 21st century. They also say it will one day yield a large return, partly from gravel that can be extracted on the land and sold.



Meanwhile, however, the project is decades from completion but already has four staff members, including a \$171,000-a-year director.

The University of Minnesota system employs 139 people in its promotions, marketing and communications departments. It has spent more than \$8 million since 2006 on an ad campaign to buff its image. A university spokesman said these efforts encourage donations that, in part, help fund scholarships.

When state funding initially grew tighter, Dr. Kaler's predecessor, Robert Bruininks, says he responded with a wide range of steps that included freezing or reducing salaries, eliminating 14 car allowances, restructuring the health-care and retirement systems and closing dozens of extension-school offices. Dr. Bruininks said he "reduced the number of vice presidents by three during my last year," and "we reduced the number of deans by three in closing and combining colleges."

The austerity measures weren't evenly distributed. Traditionally, professors who had temporarily taken administrative roles but were returning to teaching have been given a year of paid leave to refresh their skills. The pay traditionally was not at their higher administrative level but the academic level.

Before leaving last year, Dr. Bruininks approved more than \$2 million of such transition packages, in some cases at the employees' higher administrative salaries.

An uproar that ensued when the Minneapolis Star Tribune reported on the payments earlier this year led the school's Board of Regents to tighten its oversight of the packages, diminishing the president's discretion. Dr. Bruininks said that the dollar amount was high in part because there were so many administrators transitioning back to academia and that the packages were appropriate "to attract and retain leaders in higher education."

Dr. Kaler has a salary of \$610,000 and his chief of staff of \$195,000. Minnesota's governor makes \$120,000. Mr. Kaler, 56, said his pay "is competitive in the marketplace." He has turned down an \$18,000 raise.

Among his efforts to economize, Dr. Kaler said he recently eliminated the office of academic administration after its head took a job elsewhere. He said the move will cut 5.5 full-time positions, including a senior vice president who earned \$300,000-plus.

Dr. Kaler said he wants to bring discipline, accountability and transparency to the school's administration. Fifteen months into the job, he figures he is about 45% of the way there.

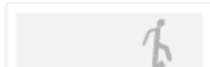
To Dr. Luepker, in the public-health department, such goals are up against an institutional inertia that inhibits the periodic streamlining common in business. "We establish things and programs and they never quite go away," Dr. Luepker says. "They're nice people and they're colleagues and they're good people...but in this environment, you have to ask can we continue to do this?"

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How Administrative Spending Boosts College Costs

Nonclassroom costs at U.S. colleges are growing faster than instructional costs, contributing to rising tuition. Compare the amounts spent on all education-related expenses per student in 2010-11 and how much of that was for administrative costs at 72 public universities with high research activity. Some of the administrative-costs differences reflect variations in how schools calculate them. **Click on column headers to sort.**

Institution (yui-dt0-href-col_0)	Total education-related spending per student (yui-dt0-href-col_1)	Administrative spending per student (yui-dt0-href-col_2)	Administrative spending as percent of total (yui-dt0-href-col_3)
Arizona State University	\$22,850	\$2,240	10%
Colorado State University	\$26,449	\$1,458	6%
Florida State University	\$27,149	\$2,212	8%
Georgia Institute of Technology	\$50,714	\$3,593	7%
Georgia State University	\$16,689	\$988	6%
Indiana University	\$25,004	\$2,681	11%
Iowa State University	\$28,467	\$1,502	5%
Louisiana State University	\$29,123	\$1,840	6%
Michigan State University	\$33,302	\$2,370	7%
Mississippi State University	\$27,751	\$2,452	9%
Montana State University	\$27,087	\$1,544	6%
North Carolina State University	\$32,881	\$2,656	8%
North Dakota State University	\$22,450	\$1,645	7%
Ohio State University	\$35,233	\$4,215	12%
Oregon State University	\$28,923	\$2,536	9%
Pennsylvania State University	\$54,548	\$4,948	9%
Purdue University	\$32,234	\$3,803	12%
Rutgers University	\$33,005	\$3,097	9%
Stony Brook University	\$37,168	\$4,961	13%
SUNY at Albany	\$44,257	\$4,306	10%
Texas A & M University	\$39,607	\$2,083	5%
The University of Tennessee	\$42,678	\$3,379	8%
The University of Texas	\$44,861	\$5,158	11%
University at Buffalo	\$28,962	\$4,026	14%
University of Alabama at Birmingham	\$65,365	\$6,426	10%
University of Alabama at Huntsville	\$29,988	\$2,975	10%
University of Arizona	\$35,515	\$2,908	8%
University of Arkansas	\$27,832	\$2,859	10%
University of California-Berkeley	\$49,404	\$4,031	8%
University of California-Davis	\$55,946	\$3,357	6%
University of California-Irvine	\$42,515	\$1,758	4%
University of California-Los Angeles	\$75,776	\$4,136	5%
University of California-Riverside	\$25,438	\$2,326	9%
University of California-San Diego	\$63,386	\$3,622	6%
University of California-Santa Barbara	\$28,748	\$1,661	6%
University of California-Santa Cruz	\$26,517	\$2,465	9%

University of Central Florida	\$14,519	\$1,775	12%
University of Cincinnati	\$30,100	\$3,402	11%
University of Colorado	\$30,296	\$1,205	4%
University of Connecticut	\$49,739	\$8,493	17%
University of Delaware	\$32,810	\$3,547	11%
University of Florida	\$46,210	\$2,885	6%
University of Georgia	\$29,562	\$2,209	7%
University of Hawaii	\$46,438	\$737	2%
University of Houston	\$21,401	\$1,975	9%
University of Illinois at Chicago	\$48,289	\$1,438	3%
University of Illinois at Urbana-Champaign	\$37,592	\$969	3%
University of Iowa	\$44,168	\$3,691	8%
University of Kansas	\$33,281	\$2,631	8%
University of Kentucky	\$50,708	\$2,756	5%
University of Louisville	\$37,510	\$3,032	8%
University of Maryland	\$37,737	\$2,845	8%
University of Massachusetts	\$26,031	\$2,291	9%
University of Michigan	\$55,062	\$3,690	7%
University of Minnesota	\$48,179	\$4,195	9%
University of Missouri	\$25,111	\$1,820	7%
University of Nebraska	\$30,792	\$1,990	6%
University of New Mexico	\$42,001	\$2,186	5%
University of North Carolina	\$60,535	\$3,596	6%
University of Oklahoma	\$28,050	\$2,216	8%
University of Oregon	\$23,243	\$2,892	12%
University of Pittsburgh	\$56,921	\$5,625	10%
University of South Carolina	\$21,891	\$1,583	7%
University of South Florida	\$24,756	\$1,901	8%
University of Utah	\$50,020	\$3,826	8%
University of Virginia	\$43,610	\$4,355	10%
University of Washington	\$56,451	\$3,292	6%
University of Wisconsin-Madison	\$57,308	\$1,913	3%
Virginia Commonwealth University	\$23,309	\$1,865	8%
Virginia Polytechnic Institute and State University	\$27,038	\$1,870	7%
Washington State University	\$29,581	\$2,939	10%
Wayne State University	\$31,638	\$3,025	10%

Notes: Education-related spending includes instruction, research, student services, academic support, operation and maintenance and administrative costs. It excludes the costs of dormitories, dining halls, bookstores, hospitals and other ancillary operations. Administrative spending includes management of the university including human resources, legal, financial, purchasing and marketing operations, among others.

Source: U.S. Department of Education

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