

Compensation for Nonprofit CEOs in the US: Where the Donation Buck Stops

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Leaving the dining room satisfied, I noticed a poster, “Sponsors needed for Project Bread – The Walk for Hunger,” and added my name to the list. Later, I stumbled on a chart in the April 15 *Boston Globe*: “Are donations funding top salaries?” To my horror, Project Bread was among the organizations whose CEOs receive over \$100,000 a year. So I crossed out my pledge and wrote next to it, “Protest high CEO pay!” Then I redirected my support to another charity, Bread for the World.

The check was already written when a gnawing thought crossed my mind: “How much is Bread for the World’s CEO paid?” A search on www.guidestar.org, and a phone call to BFW, revealed compensation of over \$100,000. These disturbing discoveries prompted me to find out just how much nonprofit CEOs are earning, and what donors can do to make sure their hard-earned dollars are used to help the people our society has left behind.

How much is too much?

In a 2000 survey of nearly 1,600 nonprofits, Abbott, Langer & Associates reported that median CEO compensation (or pay), including salary and cash benefits, was \$75,000. (The median is the amount that half the pay is under and half is over.) While this figure does not seem unreasonable – just under three times the median earnings for production workers in 2000 – a look above the median brings the excesses in CEO pay to light.

Predictably, the larger the organization, the more robust the CEO pay – and the more money diverted away from programs. Nonprofits with budgets in the \$50-\$100 million range awarded CEOs median pay of \$206,487 (see chart). In June, the *St. Petersburg Times* reported that the CEO of Neighborly Senior Services, a locally-based nonprofit, was paid \$162,000 – well above the \$82,600 cap imposed by the state of Florida on non-profits that receive government funds to run programs. “We’re not driven by the dollars, we’re not driven by profits, we’re driven by the mission,” the CEO told the *Times*. But while he was requesting reimbursement for extravagant expenses (one dinner tab, at Philadelphia’s exclusive LeBec-Fin Restaurant, came to \$164.46), the agency was laying off over 100 workers because of “budget woes.”

The worst offenders are large foundations, hospital systems, and universities, which are underrepresented in the Abbott, Langer study. According to *The Chronicle of Philanthropy 2000 Salary Survey*, median CEO pay in the top 215 privately-funded nonprofits – many of which fall into these three categories – stood at \$200,000-\$300,000. Sixty of those organizations had allocated over \$400,000 annually to CEOs, and the top six had handed their CEOs more than \$1 million apiece (see table). One glaring example is Catholic Healthcare West (CHW), which operates 47 hospitals in Arizona, California, and Nevada. In 1999, CHW poured out \$2.1 million on just two employees: \$1.1 million for its CEO, and another \$1.1 million (in pay and severance) for a senior vice president. Meanwhile, CHW spent only \$1.6 million on its entire Community Grants program, which covers nearly 100 advocacy, health promotion, and social justice groups.

Charitable to Whom?

The term “nonprofit” covers 27 different categories of organizations – not government and not business – that the Internal Revenue Service defines as “serving the public interest.” The federal government

rewards nonprofits with sales and income tax exemptions, lower postal rates, and, to stimulate contributions, tax deductions to donors who give to these groups – commonly known as charities, not-for-profits, or the social, volunteer, independent, or third sector.

At one time, nonprofits were viewed as charities that helped poor people and relieved suffering, but that is not the reality today. The National Rifle Association Foundation and the Massachusetts-based Mitre Corporation (an engineering defense contractor) are nonprofits, but they have nothing to do with charity. And groups that traditionally have served the poor are shifting services to accommodate the middle and upper classes. In an exhaustive survey of human service organizations, nonprofit expert Lester Salamon found that 53% had few or no poor clients, and only 27% focused their mission on the poor.

One example of this shift in service is the YMCA, a former source of refuge for inner-city homeless people and poor travelers, turned spa/health club provider competing head-on with Bally's and other for-profit clubs. Economist David Wagner reports that, when the Philadelphia Y sold its residence halls – evicting 300 people – it received \$13 million, all of it tax-exempt. "Renting rooms is no longer part of the Y mission," said the Y's president, in announcing the multimillion-dollar renovation of the Central Branch for athletic and office space. "Our emphasis today is health enhancement."

Distributive Justice

As nonprofits slide down the slippery slope toward a "market mentality," CEO salaries soar. Between 1990 and 2000, for-profit executive pay skyrocketed by 571%. For-profit CEOs are paid, on average, \$13.1 million, or 531 times more than the average worker, according to a joint study by the Institute for Policy Studies and United for a Fair Economy (UFE). Increasingly, nonprofit boards search the for-profit sector for CEOs, claiming that this is the best way to find top candidates, and then pay them according to the lavish lifestyles to which they have grown accustomed. So the going rate for nonprofit CEOs keeps going up.

What would be a more just salary for nonprofit CEOs? UFE, University of California at Santa Cruz economist John Isbister, and others propose a salary ratio of 8:1, which would give income distribution in an organization a more bell-shaped curve. Based on that ratio, if the lowest-paid employee earned the minimum wage – \$10,712 per year – the highest-paid employee would earn \$85,696. The amounts could be adjusted for regional cost-of-living variations and individual circumstances. If a nonprofit wanted to pay the CEO more, it would have to lift up those on the bottom in order to do so – a good compromise and true rising tide that lifts all boats! But as Isbister points out, "If we are to have any chance of moving in the direction of a just income distribution, government intervention is the main tool we have."

Caveat Emptor!

Do you know where your donation dollar is going? An easy way to find out is to review an organization's annual IRS Form 990, which lists the top five compensations. You can find the form online at www.guidestar.org, or ask the organization directly; the group must provide a copy within 30 days of a written request, or on the spot if you ask in person. Another helpful resource is *Robin Hood Was Right: A Guide to Giving Your Money for Social Change* – co-authored by Chuck Collins – which identifies foundations that work to tip the power scale in favor of a decent living for all people and are demanding "change, not charity!" In addition, you can support the efforts of groups like ACORN (coordinator of many Living Wage campaigns) and UFE, which are working to eradicate the conditions that create the need for charity in the first place!

Resources:

www.guidestar.com;

The Chronicle of Philanthropy 2000 Salary Survey, <http://philanthropy.com>;

Chuck Collins and Pam Rogers, with Joan P. Garner, *Robin Hood was Right: A Guide to Giving Your Money for Social Change* (W.W. Norton, 2000);

Chuck Collins and Felice Yeskel, *Economic Apartheid in America: A Primer on Economic Inequality & Insecurity* (New Press, 2000);

John Hawks, *For a Good Cause? How Charitable Institutions Become Powerful Economic Bullies* (Carol Publishing Group, 1997);

Institute for Policy Studies and United for a Fair Economy, "Executive Excess 2001," 8th Annual CEO Compensation Survey (Aug. 28, 2001);

John Isbister, *Capitalism and Justice: Envisioning Social and Economic Fairness* (Kumarian Press, 2001);

Steven Langer, *Compensation of Chief Executive Officers in Nonprofit Organizations*, 13th ed. (Abbott, Langer & Associates, Inc., Oct. 2000);

Lester Salamon, *America's Nonprofit Sector* (Foundation Center, 1999);

The Urban Institute, National Center for Charitable Statistics, "Nonprofit Fact Sheets," <http://nccs.urban.org>;

David Wagner, *What's Love Got to Do with It? A Critical Look at American Charity* (New Press, 2000).

<i>Six Highest Paying Nonprofits</i>	<i>CEO Pay</i>
Mount Sinai Medical Center, NY	\$1,778,032
Cleveland Clinic Foundation	\$1,529,982
San Francisco Opera Association	\$1,366,347
Memorial Sloan-Kettering Cancer Center	\$1,205,000
Metropolitan Museum of Art, NY	\$1,134,762
Catholic Healthcare West, CA	\$1,106,457

<i>Sample of Median Paying Nonprofits</i>	<i>CEO Pay</i>
Goodwill Industries International	\$274,504
Save the Children (Westport, CT)	\$269,495
NAACP (Baltimore)	\$238,364
Covenant House (New York)	\$234,837
Paralyzed Veterans of America (Washington)	\$231,639
United Way/Crusade of Mercy (Chicago)	\$213,499
Special Olympics International	\$206,929

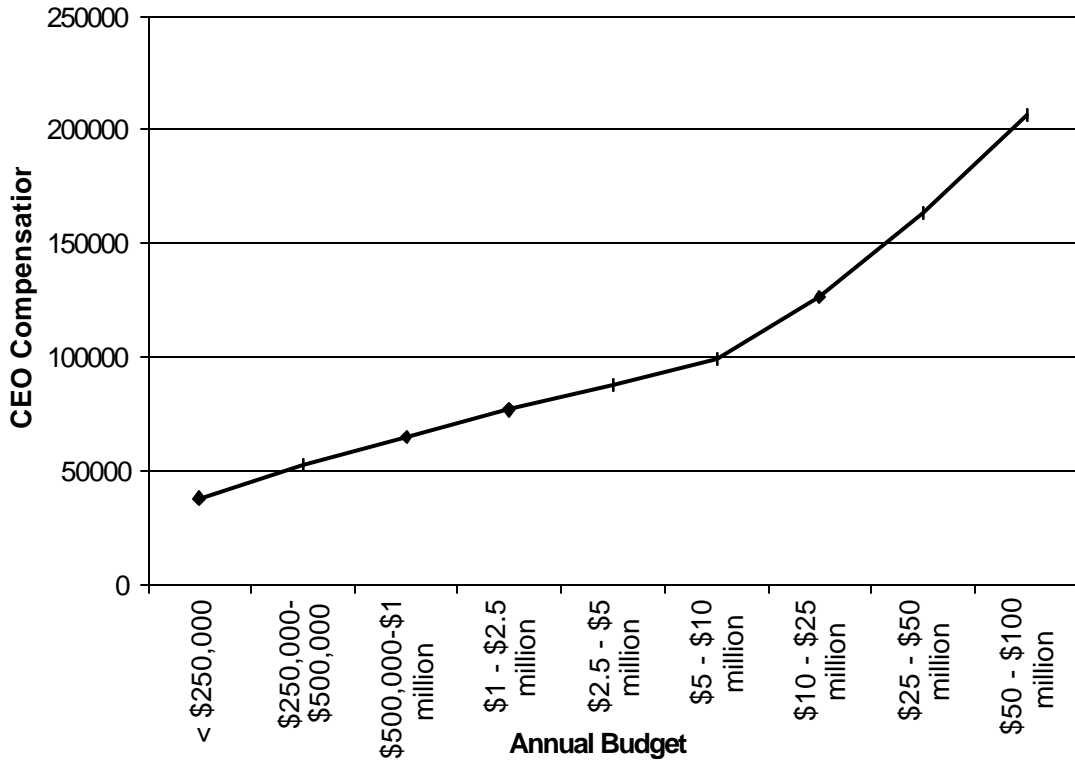
<i>Sample of Lowest Paying Nonprofits</i>	
Lutheran Services in America (St. Paul)	\$91,467
Salvation Army	\$87,470
Brother's Brother Foundation (Pittsburgh)	\$73,510
Bill & Melinda Gates Foundation	\$67,500
Habitat for Humanity	\$62,843

Annual Budget	Median Compensation	Foundation	Education	Health-Related	Social Services
< \$250,000	\$38,000				
\$250,000-\$500,000	\$52,500				
\$500,000-\$1 million	\$65,000				
\$1 - \$2.5 million	\$76,730	\$88,073	\$78,500	\$63,531	\$62,579
\$2.5 - \$5 million	\$87,500	\$94,500		\$75,002	\$73,046
\$5 - \$10 million	\$99,222	\$140,000	\$101,218	\$90,277	\$80,017
\$10 - \$25 million	\$126,154		\$123,000	\$106,090	
\$25 - \$50 million	\$163,293				
\$50 - \$100 million	\$206,487				
\$100,000,000 or more	\$157,781				

Scope	
\$61,820	Local
\$65,000	Multi-County
\$75,542	State
\$79,000	Multi-State
\$102,000	National
\$107,000	International

Region	Median	Foundation	Education	Health-Related	Social Services
Midwest	\$68,625	\$77,000	\$127,350	\$72,920	\$61,902
Southern	\$70,683	\$99,250	\$75,000	\$75,000	\$60,683
Mountain	\$73,500				
North Central	\$75,225				
Pacific	\$78,000				
Southwestern	\$84,029				
Northeastern	\$92,363	\$108,343	\$110,000	\$96,181	

CEO Compensation by Annual Budget



Source: Abbott, Langer & Associates