ANNUAL

PERSONNEL REPORT

FOR THE

ARIZONA UNIVERSITY SYSTEM

OCTOBER, 2003

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BACKGROUND

A.R.S. 41-763.01 requires the Arizona Board of Regents (ABOR) to submit an annual report on university personnel to the Governor and the legislature. Accordingly, each university annually reviews and compares its employees' salaries with those salaries offered at peer institutions and in other relevant labor markets.

In November 1996, the Board adopted a three-year plan to *Restore Competitiveness to University Salaries*, designed to raise the average faculty salaries to the 50th percentile (median) of their peers and to raise the average salaries of all other employee groups to the market average. The plan has been the basis for the University System's salary requests in subsequent years.

In 1997 the legislature established the Joint Legislative Study Committee on State Employee Compensation. The committee was charged with studying state employee compensation and related issues including salary, benefits, employee turnover, various state personnel systems, and comparisons to other major public and private employers. In addition, the committee was charged with recommending to the Governor and legislative leadership a long-term strategy for addressing state employee compensation. The stated legislative intent was that *"competitive compensation be established by the end of fiscal year 2002-2003."*

The salary adjustments authorized by the legislature for FY 1998 through FY 2004 are shown below. For these seven fiscal years, the approved funding for salary increases has been much less than that required to bring university salaries to the market. When the Board adopted its 1996 plan to restore competitive salaries, university salaries already were well behind the market. The subsequent salary adjustments granted by the legislature have not been sufficient either to catch up with the market or to keep pace with upward salary movement in the relative labor markets since 1996.

SALARY ADJUSTMENTS AUTHORIZED BY THE LEGISLATURE
FY 1998 - FY 2004

FY 1998	**2.5% across-the-board increase up to a maximum of $1,000 plus 2.5% merit increase pool**
FY 1999	**2.5% merit increase pool**
FY 2000	**2% merit increase pool**
FY 2001	**2% merit increase pool**
FY 2002	**$1,450 per FTE across-the-board increase***
FY 2003	**$0***
FY 2004	**$0**

***The greater of 5% or $1,500 initially was authorized and later rescinded.**

To stem the ever-widening gap, the universities reallocated funds, reduced programs, and left positions vacant to generate additional savings. In spite of the universities' efforts to increase salaries with alternative funding, employee salaries still significantly trail that of their peers and other relevant markets. These gaps continue to increase as competing markets provide larger annual salary adjustments.

For FY 2002 and FY 2003, ABOR requested $139 million for salary adjustments to enable the universities to catch up and keep up with their markets. Further, the Board requested an additional $20 million for special market adjustments to address the universities' most critical salary issues. For FY 2004, the universities have fallen further behind their peers and other labor markets, with the amount needed to catch up to market increasing to $157 million.

Although the legislature did not fund ABOR's FY 2002 and FY 2003 requests, it initially provided funding for salary adjustments amounting to the greater of five percent or $1,500 per FTE, and an additional $2 million for special market adjustments to address faculty "brain drain" at the universities. However, due to deteriorating economic conditions, these adjustments were either vetoed by the Governor or reduced by the legislature. Instead, an across-the-board increase of $1,450 per FTE was authorized effective June 8, 2002, with no funding provided for salary adjustments in either FY 2003 or FY 2004.

METHODOLOGY

Each university and the ABOR central office compare employee salaries with salaries at peer institutions and in other relevant labor markets. Each university compares its average faculty salaries to the average faculty salaries of its ABOR-approved peer institutions using the latest (Fall 2002) American Association of University Professors (AAUP) data. For all other employee groups, the universities and the ABOR central office compare average salaries with average salaries in appropriate labor markets using the most recent, relevant, and available data.

The universities calculate the difference between average market salaries and average university salaries when direct comparative compensation data is available. For jobs without direct comparative data, the universities use the distance from market for similar employee categories. To calculate unmet salary needs, the universities determine the amount required to raise average faculty salaries to the 50th percentile of their peers and to raise other staff salaries to the average of their respective markets.

The salary surveys used in the calculations include:

- American Association of University Professors (AAUP)
- Association of American Medical Colleges
- Association of American Universities Data Exchange
- State Higher Education Executive Officers (SHEEO) Staffing and Salary Survey
- Council on Teaching Hospitals Housestaff Stipends
- Association of Research Libraries
- Joint Governmental Salary Survey (JGSS)
- College and University Professional Association for Human Resources (CUPA - HR)
- Other local and job-specific survey data

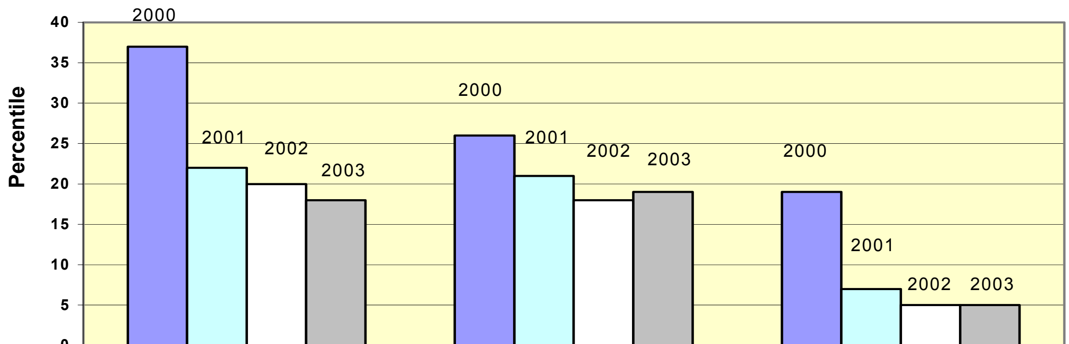
MARKET COMPARISONS

FACULTY SALARIES

Arizona's public universities compete with hundreds of other public and private universities throughout the country to attract and retain talented faculty. The competitiveness of salaries is quite often the single most important factor in determining whether an individual accepts employment or stays with Arizona's universities. To assess how competitive Arizona's salaries are compared to the national marketplace, the universities calculate percentile rankings, comparing faculty salaries in Arizona to those in peer institutions. These comparisons include all ranked faculty--professors, associate professors, and assistant professors.

The faculty percentile rankings for ASU Main, UA Main, and NAU for the last four years are reflected in the chart below. For all three universities, the percentile rankings have declined over this period. Specifically, ASU Main's percentile ranking dropped from 37 to 18; UA Main's dropped from 26 to 19; and NAU's dropped from 19 to 5. Although not reflected on the chart, the percentile ranking for ASU West declined over these same years from 26 to 2. The peer universities are listed in Exhibit 1 at the end of this report.

ARIZONA'S PUBLIC UNIVERSITIES' FACULTY SALARY PERCENTILE RANKINGS FY 2000 - 2003



	ASU MAIN	UA MAIN	NAU
2000	37	26	19
2001	22	21	7
2002	20	18	5
2003	18	19	5

The FY 2003 percentile rankings clearly show that the large majority of the comparator universities pay higher average salaries to their faculty than each of Arizona's universities, demonstrating that Arizona's standing is not competitive. Specifically:

- 22 of the 28 comparator universities pay higher average salaries than ASU Main and UA Main;

- 15 of the 17 comparator universities pay higher average salaries than NAU; and

- The average salaries are as much as 25%, 24%, and 20% higher than ASU, UA, and NAU, respectively.

In addition to salary information, the annual AAUP survey provides information regarding the value of faculty benefits. This enables comparisons of total compensation, i.e., the combined value of salary and benefits, and provides additional insight into the competitiveness of the University System.

When total compensation is calculated for FY 2003, the percentile rankings for ASU and UA drop significantly, and the percentile ranking for NAU increases slightly. Specifically, ASU Main drops to the 10th percentile while ASU West drops to the bottom of the rankings. UA Main's ranking drops to the 14th percentile, and NAU's increases to the 6th percentile.

Whether looking at average salaries or total compensation, the three universities are not positioned to compete seriously for faculty in the national arena. Moreover, the universities are not adequately equipped to attract or retain faculty of the highest national quality -- those educators, researchers, and scientists who are foremost in their fields. Such individuals, who are able to raise the quality and stature of the universities' programs, can and do command top dollar. Accordingly, Arizona's public universities must have the capacity to meet the salary requirements of these scholars and pay beyond the 50th percentile to attract and retain them.

STAFF SALARIES

Much like faculty salaries, average staff salaries substantially lag behind the market, and salary increases for these employees have been insufficient to catch up and keep pace with the market.

The salary adjustments initially approved for FY 2002 and FY 2003 would have resulted in a very positive and material gain for staff, especially for employees at the lowest salary levels who earn less than $30,000 annually. These employees would have received a minimum annual increase of $1,500, thereby increasing their base salary by more than 5% during each of these two years.

Unfortunately, the rescission of these salary increases and the substitution of a $1,450 across-the-board increase for only one year forestalled any significant headway. For many staff members, the $1,450 salary adjustment did little to enhance their situation since it largely was offset by an increase in health insurance costs borne by employees in FY 2002. Although health insurance premiums did not increase in FY 2004, employees enrolled in the Arizona State Retirement System saw their employee's contribution more than double from 2 percent in FY 2003 to 5.2 percent beginning July 2003. The increase in the contribution rate has the effect of a pay cut for many employees.

The table below reflects the percentage increase required for average staff salaries at each university and the ABOR central office to reach market.

PERCENTAGE INCREASE REQUIRED TO REACH MARKET FOR CLASSIFIED AND OTHER STAFF

	CLASSIFIED STAFF	ALL OTHER STAFF
ASU MAIN	18.2%	16.7%
ASU WEST	22.0%	20.4%
ASU EAST	18.2%	17.5%
NAU	14.5%	8.6%
UA	18.5%	15.4%
ABOR CENTRAL OFFICE	13.3%	18.1%

UNMET SALARY NEEDS

Using the methodology described earlier in this report, each university calculated its unmet salary needs for FY 2005, which included a projection of market movement.

As shown in the chart below, university employees' salaries will remain considerably lower than those at peer institutions and in the other relevant markets at the end of FY 2005. An unmet general fund salary need of approximately $179 million, including ERE, is projected in order for the universities to catch up with the market.

In 1996 when the University System developed its multi-year plan to restore salary competitiveness, the universities estimated that it would cost approximately $47.5 million to reach the 50th percentile/market average. By June 30, 2005, the cost to raise the average salaries of current faculty and staff to the targeted levels will escalate to $179 million, and the situation will worsen dramatically if salary increases are not provided in the next few years. If the market continues to move as it has in the past, from 4% to 5% a year, the unmet salary need will increase to approximately $200 million by the end of FY 2006 and to approximately $240 million by the end of FY 2007.

PROJECTED UNMET SALARY NEEDS FOR THE UNIVERSITY SYSTEM AS OF JUNE 30, 2005

	UNMET SALARY NEEDS
ASU MAIN	$68,636,800
ASU WEST	9,218,700
ASU EAST	3,215,600
NAU	33,316,000
UA MAIN	54,351,400
UA HEALTH SCIENCES CENTER	9,986,600
ABOR CENTRAL OFFICE	297,600
SYSTEM TOTAL	$179,022,700

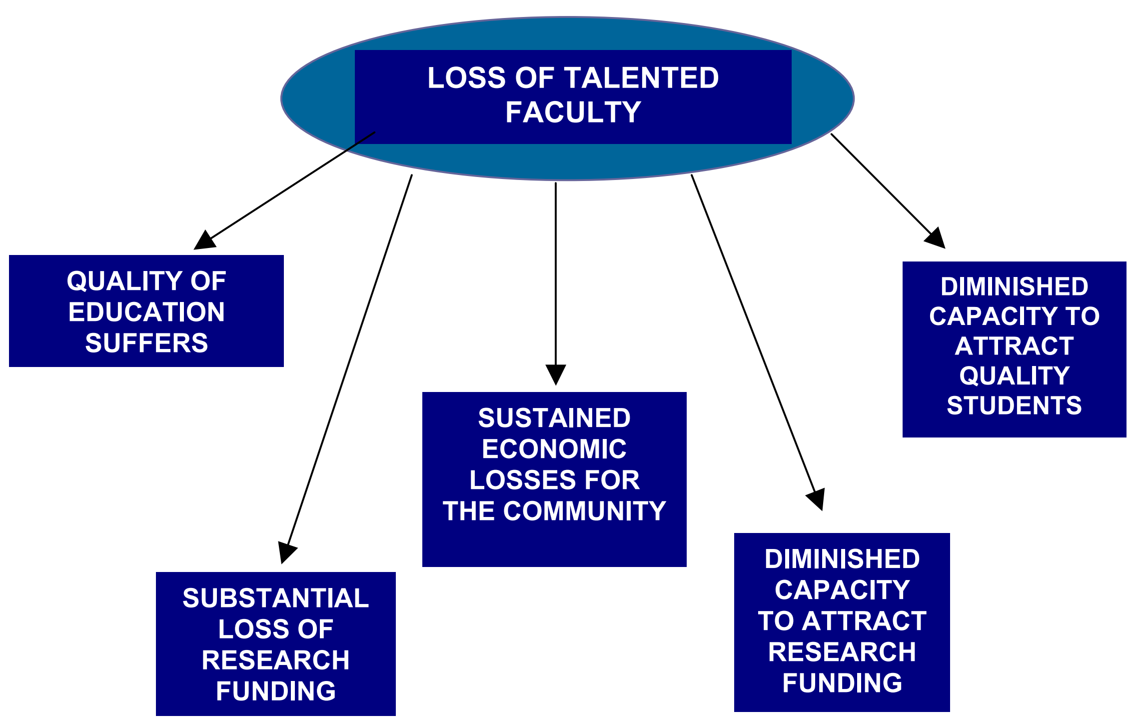
FACULTY RETENTION

Faculty retention again was a significant problem for Arizona's universities in FY 2003. Notwithstanding the economic situation throughout the country, an increasing number of faculty members left for positions in other organizations, often receiving much higher salaries and benefits and exceedingly better resources for research and program development.

> In Arizona, 39.5 jobs are created for every $1 million in research contracts and grants to colleges, universities, and professional schools, according to the U.S. Commerce Department's most recent economic analysis.

As illustrated below, the universities and the communities they serve suffer dramatically when faculty leave Arizona. Top scientists and researchers may take millions of dollars in grants and contracts with them when they depart, setting university progress back by years and diminishing the university's ability to attract additional research funding. Moreover, when the universities' research efforts are curtailed, the economic consequences are substantial.

Equally important, educators who are leaders in their fields contribute markedly to the quality of the educational experience for the many thousands of students in the Arizona University System. When the universities lose these leaders, the students lose the immeasurable opportunity to learn from them.



The average turnover rates for all categories of faculty at ASU Main, ASU West, and ASU East are 9.7%, 9.9%, and 7.8%, respectively. At the UA the faculty turnover rate is 10.0% at the Main Campus and 9.7% at the Arizona Health Sciences Center. The faculty turnover rate at NAU is 10.1%.

In the past 12 months, approximately 500 faculty members left the University System. It will take years to replenish and rebuild the reservoir of talented and distinguished faculty and intellectual capacity that the universities worked so long and so hard to create.

While this year's turnover rate in the Arizona University System is a concern in and of itself, the cumulative effect of the turnover over the past several years is much more disturbing. In the past 12 months, approximately 500 faculty members left the University System. The continuing loss of faculty weakens the universities, undermines programs and research efforts, and threatens the quality of the educational experience.

To provide additional perspective, the three universities developed brief profiles of their faculty retention problems. In the next few pages, each university presents an array of statistical information and illustrative examples of the program implications due to the loss of its faculty. The information pertains to tenured and tenure-track faculty and academic professionals who voluntarily considered leaving the universities during FY 2003. Retirements and other reasons for separation are not included in the analysis.

ASU FACULTY RETENTION
FY 2003

COLLEGES IMPACTED

Retention issues occurred at all three Arizona State University campuses and in all colleges at ASU Main with the exception of the College of Fine Arts.

KEY POINTS

- During FY 2003, 53 tenured/tenure-track faculty and academic professionals voluntarily left Arizona State University. This number resigning is considerably lower than during FY 2002 when 78 individuals left for employment elsewhere. There are two major reasons for the decrease in number of faculty leaving the university.

    - ASU was particularly aggressive in identifying funds to outbid competitor universities when highly valued and marketable faculty members were the target. Attractive counteroffers were made, and many faculty elected to stay.

    - ASU, through the deans and department chairs, identified faculty (about 10%) who were top achievers and marketable and whose loss, if they chose to leave, would seriously damage the institution. Identified faculty members were proactively awarded substantial merit and market increases in salary so they would not be tempted to seek employment elsewhere. The dollars for salary increases (roughly $2 million) came from reallocating institutional dollars.

- In spite of ASU's best efforts, many individuals chose to leave the university and explicitly expressed that salary entered into their considerations. Several individuals shared details of offers made to them by other institutions. Competing institutions offered salary increases that were from $10,000 to $35,000 higher than their ASU salaries. One individual went to industry where his salary doubled. Other universities competing for ASU faculty included the Universities of Missouri, Colorado, California, Illinois, Tennessee, Michigan, Northwestern, and Purdue, to name a few.

- Although ASU is proactive in its retention efforts and must be in order to survive, this mode of action also creates several negative consequences that will soon need addressing. Morale among the 90% of faculty who have not received significant salary increases is at risk, and the student-to-tenured/tenure-track faculty ratio continues to increase as ASU uses empty faculty positions to address salary problems.

EXAMPLES OF PROGRAM IMPACTS

A S U F A C U L T Y R E T E N T I O N

- The negative programmatic impact of below-market salaries is pervasive at Arizona State University. Loss of faculty to competitor institutions coupled with budget cuts, significant enrollment increases, and efforts to augment some faculty salaries by not filling empty faculty positions is stretching the current faculty resources to the maximum. Over the past two years, ASU has had to accommodate 7,500 new students and yet faculty numbers remain relatively flat. Quality is threatened as indicated by student-to-faculty ratio. ASU's student-to-tenured/tenure-track faculty ratio has now reached 32:1, 36:1, and 31:1 on the Main, West, and East campuses, respectively. This compares to 30:1, 24:1, 21:1, respectively, only four years ago and is much higher than ASU's peers. The eroding number of core faculty is affecting all programs. Not only are temporary faculty and graduate students teaching more and more students, class size is also increasing.

- ASU is mandated by statute to double the output of Bachelor-prepared registered nurses over the next five years, and to do this in the absence of new state funding. The number of core faculty in the College of Nursing has decreased by 15% over the last five years. ASU is having difficulty replacing departing faculty because of the scarcity of nursing faculty on the market and its inability to compete with other institutions for this scarce resource due to salaries that are not competitive. ASU faces two problems, retaining current faculty who are underpaid and attracting new faculty. At this time, ASU is unable to accept all qualified student applicants who wish to enter the professional nursing program. To fix this problem and to fulfill the mandate from the state will require investments from the students, the state, and the health care industry.

- Arizona has a critical need for a substantial growth in the number of K-12 teachers. It is estimated that by 2010, Arizona will need at least 11,384 additional teachers. ASU is committed to increasing its output of early childhood educators and K-12 teachers by 100% and 50%, respectively, with the production of new teachers growing from 1,000 to 1,500 per year. In order to meet this commitment, ASU must ramp-up the faculty and staff infrastructure, requiring sacrifices throughout the institution. Because ASU has been forced to cannibalize vacant faculty positions to meet salary needs of key faculty and staff, the number of faculty members in the College of Education has not grown significantly for many years. This practice cannot continue if ASU is to keep its promise to help meet Arizona's critical need.

- ASU has pledged to do its part in helping to diversify the economy by building its research infrastructure and, over the next five years, by doubling the external dollars brought into the state through its research and creative activities. To do this, ASU must retain the talent it has assembled as well as attract new talent to the university. This will require making salaries competitive and creating university and community environments sufficiently attractive to draw top scholars into the state.

NAU FACULTY RETENTION
FY 2003

COLLEGES IMPACTED

All Northern Arizona University colleges experienced turnover problems with the exception of the College of Hotel and Restaurant Management. In particular, the colleges of Health Professions, Education, and Arts and Sciences experienced serious losses of tenured and tenure-track faculty.

KEY POINTS

- During FY 2003, 29 faculty members resigned compared to 23 in FY 2002. Tenured or tenure-track faculty members comprised 62% (18 out of 29) of the resignations.

- For those cases where information was available on outside salary offers, tenured or tenure-track faculty were offered, on average, a 42% increase in salary.

- For those cases where information was available on counteroffers, NAU offered, on average, 17% more in salary in an attempt to retain those faculty. In only two cases were tenured or tenure-track faculty members retained.

- NAU lost faculty to public and private universities and school systems. Faculty members were recruited away by the University of Pennsylvania, University of New Zealand, University of Utah, Cleveland State University, Fort Lewis College, Indiana University, Abilene Christian University, Central Michigan University, and Las Vegas Public Schools.

- Of the tenured or tenure-track faculty members who left, salary reasons were attributed to 52% of the departures. The other factor cited most frequently was career-related opportunities (47%).

- Low faculty salaries not only affect retention, but departments report that the salaries they can offer limit their ability to fill faculty vacancies. While other universities are able to offer allowances and equipment as recruitment incentives, many NAU departments do not have the resources to offer such incentives.

EXAMPLES OF PROGRAM IMPACTS

N A U F A C U L T Y R E T E N T I O N

- Early Childhood Education was especially affected in FY 2003 with the loss of three faculty members. For example, an assistant professor, earning about $43,000 a year, was offered a Director position in the Maryland public schools system at more than $70,000. There is no way for NAU to compete with such large salary offers, and given that this was the third loss, NAU may need to reconsider whether to continue to provide this educational program.

- Another area hurt in FY 2003 was Educational Technology. One professor had the opportunity to increase his salary by $20,000 to move to a technology Director position at another university. A counteroffer was made, but it was not even close to what the other university offered. His departure leaves NAU's master's degree program in a difficult position due to the number of sections that will have to be covered by part-time faculty. NAU anticipates further difficulties in recruiting a replacement due to the increasing salaries that technology educators command.

- The department of Nursing lost seven faculty members, including three tenure-track faculty and one tenured faculty member. These individuals left for various reasons; however, salary and career reasons were cited as the most frequent causes. NAU-Yuma lost a nursing faculty member position funded by Yuma Regional Medical Center. The losses affect NAU's teaching, research, and grant opportunity potential.

UA FACULTY RETENTION
FY 2003

COLLEGES IMPACTED

The University of Arizona continues to manage an ever-increasing number of retention cases every year. Since FY 2000, there was a 61% (51 cases) increase in recruitment offers received by faculty from outside institutions and agencies. As in previous years, every college negotiated retention cases, except UA South with a relatively small number of tenure-track faculty. The College of Fine Arts, the University Libraries, and Optical Science negotiated retention cases with 10% of their faculty, while the colleges of Social and Behavioral Sciences and Law saw the number of retention cases climb even higher to 20%. Arizona's loyalty and sunshine taxes can no longer compete with steep market competition for quality faculty.

KEY POINTS

- In FY 2003, the University was again able to retain more faculty than were recruited away, with a retention rate of 55%, or 74 cases out of 134. But one must remain cautiously optimistic. The overall retention rate dropped six points from last year with the number of faculty recruited away growing. The positive trend has begun to reverse itself with the University again struggling to retain one of its most important assets, faculty. The continued recession resulting in decreased state support is continuing to erode the competitiveness of salaries in Arizona.

- The retention rates for women have improved since FY 2000, while the retention rates for men and underrepresented groups took a sudden downturn in FY 2003. For the first time in five years, the retention rate for women (58%) outpaced that for men (53%). In FY 2003, the retention rate for men dropped 10 points while the retention rate for underrepresented groups dropped 17 points.

- Administration and colleges are working with faculty to lessen the impact of below-market salaries as much as a deteriorating budget will allow. For those cases where information was available on outside salary offers, faculty members were offered, on average, 34% more in salary to recruit them away. With aggressive and creative retention efforts, the University has been able to forestall many losses. For those cases where information was available on UA counteroffers, the UA offered, on average, 21% more in salary in an attempt to retain faculty – up from last year's 15%. Overall, the UA expended $876,000 in salary alone to retain faculty. This dollar outlay would have been over $1.1 million in salaries alone if the UA had been able to retain everyone. This "out-of-pocket" expenditure coupled with budget cuts adds an extra burden on colleges.

- It is important to assess the magnitude of offers, but it is also important to gauge the quality of UA faculty as determined by the market. Top-tier, prestigious public and private universities and industry recruited UA faculty heavily during FY 2003. Faculty moved on to Brigham Young, Cambridge, Chicago, Duke, Harvard, Johns Hopkins, Notre Dame, Stanford, St. Mary's, University of Southern California, and Vanderbilt Universities as well as to the private sector, including Celera, Eli Lilly, and Los Alamos National Laboratories. Examples of public universities include Colorado State, Florida State, Georgia Institute of Technology, George Mason, Louisiana State, Maryland, Michigan, Minnesota, North Carolina, Pennsylvania State, Rutgers, Syracuse, Texas/Austin, Toronto, Utah, and Washington. Many faculty and their families moved to the higher cost-of-living state of California following favorable recruitment offers from the Universities of Southern California, Irvine, Merced, and Riverside.

- The University of Arizona continues to be a training ground for better-financed institutions, with the UA able to recruit outstanding faculty but unable to retain them. In FY 2003, those seeking outside offers were five years younger and had four years less experience than the UA faculty-at-large.

- With shrinking state funds, one department has offered faculty a 10% salary increase on their grants and contracts. Even these efforts are insufficient to match market offers. Another concern from a University-wide perspective is that the institution is utilizing internal funds for faculty retention to the detriment of the medium-term ability to cover costs associated with student demand for both general education and major courses.

EXAMPLES OF PROGRAM IMPACTS

- The faculty recruited away from UA in FY 2003 generated $63 million in sponsored research over the last three years, and the faculty that UA was able to retain generated $39 million. The University's continuing retention efforts were critical this past year, but there were cases where UA could not even come close to the market. The University was unable to retain a faculty member in engineering who generated $23 million in research alone over the past three years.

- At a time when there is a severe nationwide shortage of nurses, the College of Nursing faculty are being recruited by outside institutions. A departing faculty member in Nursing was offered a salary supplement in addition to funds for development of her research program. This loss will leave a hole in the college's ability to cover the area of health care costs in the Ph.D. nursing program, necessitating the college to look to independent contractors until the gap can be filled.

- Salary compression continues to be a common theme but with an added twist. Faculty loyal to the institution are finding it difficult to remain at the UA, not only because of salary but professional development reasons as well. Faculty are beginning to feel that they can no longer meet their original hiring goals because of the continuing lack of resources for program and research development. Faculty are being offered far more than increased personal compensation by recruiters. They are being offered research-related resources as well. This is evidenced by the perks offered to departing faculty, such as housing allowances, start-up packages, signing bonuses, endowed chairs, new facilities, substantial summer support, and other benefits too rich for the UA to match.

- During FY 2003 the University lost another internationally recognized and highly productive research team. A 24-member research group in optical science left for the Georgia Institute of Technology – all for better opportunity. This faculty member was not only a world-renowned researcher but also an excellent teacher who took the time to mentor students. Upon signing, the faculty member was offered an initial 30% salary increase, $30,000 signing bonus, $400,000 start-up package, and funds for more research staff. In addition, Georgia Tech paid the personal moving expenses for the entire research team (including students) and lab. The lab move alone cost well over $200,000. In January 2004, the faculty member will receive a 10% salary increase upon becoming the administrator for the Center for Organic Photonics and Electronics and will receive a 15% salary increase when promoted to full professor, also in 2004. This was a significant loss not only for the University but the state as well. The loss of applied research in optics will be difficult to replace and expensive to rebuild.

- A departing College of Social and Behavioral Sciences faculty member's motivation for leaving included a desire for more interdisciplinary opportunities. Also, the faculty member wanted to move to a state with less budgetary uncertainty. This loss will greatly reduce the department's high visibility in that discipline.

CLASSIFIED STAFF TURNOVER

Classified staff turnover is a chronic problem, with the universities losing far too many staff in positions that are critical to the operation and success of the institutions. In the past 12 months alone, nearly 1,700 classified staff members left their employment at Arizona's universities. Areas affected by staff turnover include information technology, libraries, public safety, health services, administrative support, and student services, to name a few.

Turnover is extremely disruptive and very costly. Each time a staff member leaves, the universities are faced with the advertising, interviewing, and training costs associated with hiring a new employee. In addition, many indirect, difficult-to-quantify costs exist, such as decreased productivity, loss of quality, and lost work hours when the job is vacant and while the new employee learns the job.

A review of the literature reveals that the cost of turnover is generally estimated at one to two times the salary of a departing employee. With such high costs, the persistently high turnover rate in the universities is a significant concern.

The chart below depicts the classified staff average turnover rate in the university system.

CLASSIFIED STAFF
AVERAGE TURNOVER RATE

	TURNOVER PERCENTAGE
ASU MAIN	13.9%
ASU EAST	10.1%
ASU WEST	15.0%
NAU	15.9%
UA MAIN	15.3%
UA HEALTH SCIENCES CENTER	22.1%
ABOR CENTRAL OFFICE	11.8%

OVERTIME PAY

A.R.S. 41-763.01 requires the Board of Regents to report on the universities' overtime pay. The overtime expenditures of each university and the ABOR central office during FY 2003 are delineated in the chart that follows.

FY 2003
OVERTIME PAY REQUIREMENTS

	COSTS
ASU MAIN	$206,200
ASU WEST	$87,000
ASU EAST	$21,600
NAU	$261,800
UA MAIN	$231,500
UA HEALTH SCIENCES CENTER	$600
ABOR CENTRAL OFFICE	$0

EXHIBIT 1

UNIVERSITIES' PEER INSTITUTIONS

UNIVERSITY PEERS

ASU/UA (combined)

University of California – Berkeley
University of California – Los Angeles
University of Cincinnati
University of Colorado – Boulder
University of Connecticut
University of Florida
Florida State University
University of Illinois – Urbana
University of Illinois – Chicago
University of Iowa
University of Kansas
University of Maryland – College Park
University of Michigan – Ann Arbor
Michigan State University
University of Minnesota – Twin Cities
University of Missouri – Columbia
University of Nebraska – Lincoln
University of North Carolina – Chapel Hill
Ohio State University
University of Oklahoma
Rutgers, State University of New Jersey
Temple University (Pennsylvania)
University of Texas – Austin
Texas A&M University
University of Utah
University of Virginia
University of Washington
University of Wisconsin – Madison

NAU

Ball State University (Indiana)
Bowling Green State University (Ohio)
California State University – Fresno
University of Central Florida
University of Delaware
George Mason University (Virginia)
Miami University of Ohio
University of Minnesota – Duluth
University of Montana
University of Nevada – Las Vegas
University of Nevada – Reno
University of North Dakota, Main
Oakland University (Michigan)
Ohio University, Main
Old Dominion (Virginia)
University of Vermont
University of Wyoming