ANNUAL

PERSONNEL REPORT

FOR THE

ARIZONA UNIVERSITY SYSTEM

OCTOBER, 2005

2005 ANNUAL PERSONNEL REPORT
FOR THE ARIZONA UNIVERSITY SYSTEM

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 at peer institutions and in other relevant labor markets.

In November 1996, the Board adopted a three-year plan, *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 the ensuing 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 2000 through FY 2006 are shown below:

SALARY ADJUSTMENTS AUTHORIZED BY THE LEGISLATURE
FY 2000 - FY 2006

FY 2000:	**2% merit increase pool**
FY 2001:	**2% merit increase pool**
FY 2002:	**$1,450 per FTE across-the-board increase, effective April 1, 2002**
FY 2003:	**$0**
FY 2004:	**$0**
FY 2005:	**Salary pool (equivalent to $1,000 per FTE) allocated based on salary plans developed by each university president and approved by the Board of Regents; and general fund appropriations of $4.3 million at the UA and $1.5 million at NAU for key personnel retention.**
FY 2006:	**1.7% across-the-board increase to offset Arizona State Retirement System rate increases.**

For these seven fiscal years, the approved funding for salary increases has been much less than that required to move university salaries to market rates. 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. In order to keep up with just inflation, salaries would have needed to increase on average 2.5 percent a year. The universities have turned to finding alternative funding sources, but, in spite of that effort, employee salaries continue to trail significantly those of (their peers) and other relevant markets.

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 2004) 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 (median) 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
- Arizona Compensation Survey (formerly JGSS)
- College and University Professional Association for Human Resources (CUPA - HR)
- Other local and job-specific survey data

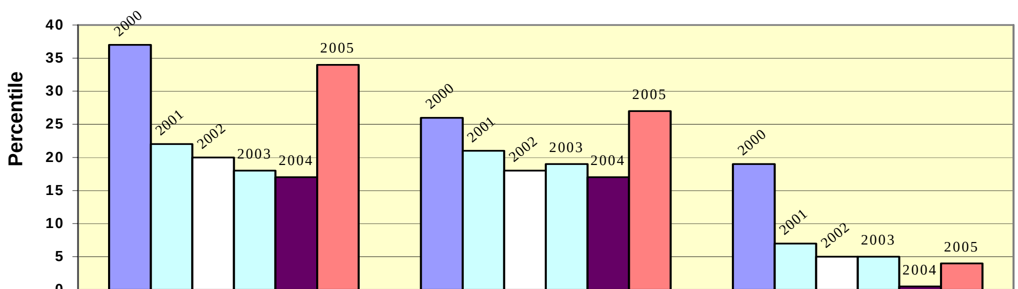
FACULTY SALARIES

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 other 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 Arizona State University at Tempe (ASUT), The University of Arizona (UA), and Northern Arizona University (NAU) for the last six years are reflected in the chart below.

For all three universities, the percentile rankings increased in FY 2005 due to legislative salary appropriations and the reallocation of university resources for salaries.

ARIZONA'S PUBLIC UNIVERSITIES'
FACULTY SALARY PERCENTILE RANKINGS
FY 2000 - 2005



	ASUT	UA	NAU
2000	37	26	19
2001	22	21	7
2002	20	18	5
2003	18	19	5
2004	17	17	0
2005	34	27	4

Specifically, ASU at Tempe's percentile ranking increased from 17 in FY 2004 to 34 in FY 2005. The UA's increased from 17 to 27, and NAU's increased from the very bottom percentile to 4th. Although much progress was made in FY 2005, ASU and NAU still rank lower than they did in FY 2000.

The FY 2005 percentile rankings clearly show that the large majority of the comparator universities pay higher average salaries to their faculty than Arizona's universities pay, demonstrating that Arizona's standing is still lacking competitiveness. Specifically:

- 17 of the 28 comparator universities pay higher average salaries than ASU; 19 of the 28 comparator universities pay higher average salaries than the UA; and 16 of the 17 comparator universities pay higher average salaries than NAU; and

- ASU and the UA average salaries are as much as 17%-18% lower than the highest peer institution's salary; NAU average salaries are as much as 41% lower than the highest peer institution's salary.

MARKET COMPARISONS

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 2005, the percentile ranking for ASU drops, while the percentile rankings for the UA and NAU increase slightly. Specifically, ASU at Tempe drops to the 32nd percentile, the UA's ranking increases slightly to the 32nd percentile, and NAU's increases from the 4th to the 5th 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 positioned 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 to pay beyond the 50th percentile to attract and retain them.

STAFF SALARIES

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

In FY 2004, employees enrolled in the Arizona State Retirement System (ASRS) saw their employee contribution rates more than double to 5.2 percent, with another 50 percent increase in FY 2006. Therefore, no real gains were made to staff salaries in FY 2005 or in FY 2006 because the small salary increases, in effect, offset the ASRS contribution increases for those years.

The table below reflects the percentage increases 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 at TEMPE	6.3%	6.4%
ASU at WEST	6.3%	7.7%
ASU at POLYTECHNIC	6.3%	6.5%
NAU	12.0%	8.4%
UA	15.8%	10.5%
ABOR CENTRAL OFFICE	0%	21.4%

ABOR previously reported that for FY 2005, $179 million would be needed for salary adjustments to enable the universities to catch up and keep up with their markets. Due to legislative salary appropriations in FY 2005, and the universities reallocation of resources, the FY 2006 requirement decreased to $135.8 million. While some progress was made in FY 2005 to help address salary deficiencies, the universities continue to lag their peers and other labor markets.

Using the methodology described earlier in this report, each university calculated its unmet salary needs for FY 2007, which includes 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 2007. An unmet general fund salary need of approximately $127.2 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. To stem the ever-widening gap, the universities reallocated funds, reduced programs, and left positions vacant to generate additional savings. Thus, in FY 2007, a small improvement is realized from the prior two years ($179 million in FY 2005, and $135.8 million in FY 2006), but the situation will again worsen dramatically if salary increases are not provided in the next few years.

Over the past few years, market movement has slowed to slightly less than 4%. Even with this deflated market growth, if no additional monies are appropriated by the legislature, the little progress made in FY 2005 and FY 2006 will deteriorate, and the unmet salary need will increase to approximately $163 million by the end of FY 2008, and to approximately $201 million by the end of FY 2009. If the market improves and escalates to what it was in the past, growing between 4% to 5% annually, the future year estimates will grow accordingly.

PROJECTED UNMET SALARY NEED
FOR THE UNIVERSITY SYSTEM
AS OF JUNE 30, 2007

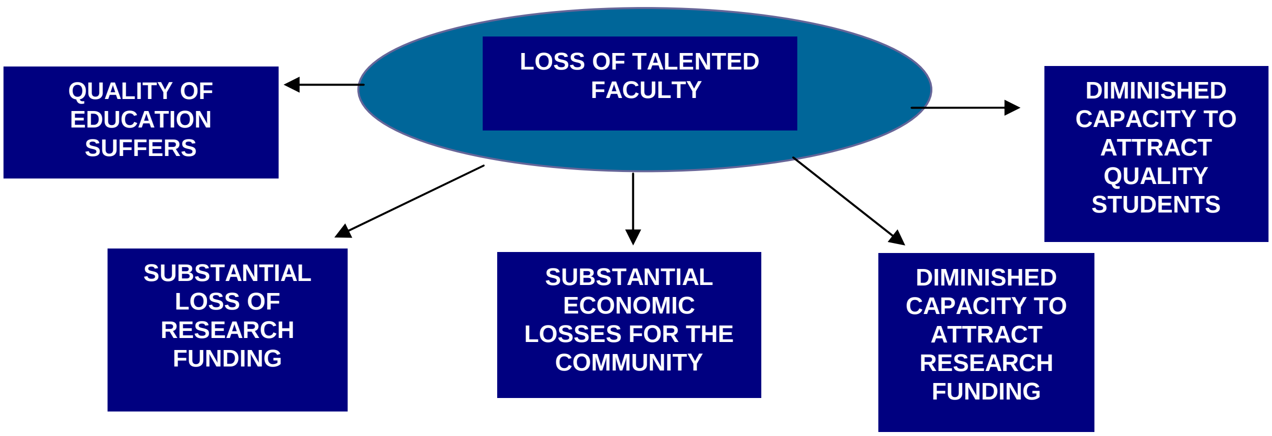
ASU at TEMPE	**$37,934,900**
ASU at WEST	**6,424,000**
ASU at POLYTECHNIC	**2,172,000**
NAU	**29,439,000**
UA	**50,916,400**
ABOR CENTRAL OFFICE	**342,900**
SYSTEM TOTAL	**$127,229,200**

FACULTY RETENTION

Faculty retention again was a significant problem for Arizona's universities in FY 2005. 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.

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 116,000 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 at Tempe, ASU at West, and ASU at Polytechnic are 10.3%, 10.7%, and 5.9%, respectively. At the UA, the faculty turnover rate is 7.6%; and the faculty turnover rate is 8.1% at NAU.

In the past 12 months, 427 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.

The cumulative effect of faculty turnover over the past several years is very costly to the universities both in talent and in dollars. In the past 12 months, approximately 427 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 to academic professionals who voluntarily considered leaving the universities during FY 2005. Retirements and other reasons for separation are not included in the analysis.

KEY POINTS

- During FY 2005, 31 faculty and academic professionals voluntarily left Arizona State University. This is the third year that we have made progress in stemming the tide of voluntary exits from the university in spite of minimal salary support from our largest investor, the state of Arizona. The primary reason for this success is that ASU has been particularly aggressive in identifying funds to outbid competitor universities when highly valued and marketable faculty members are the target. Attractive counteroffers and preemptive raises for very productive faculty are made, and many faculty who otherwise were very marketable chose to stay.

- ASU is also more competitive for new hires because we are aggressively going for the best faculty and are competing well in the marketplace. As an indicator of our success during the past two recruiting years, ASU has added 7 new faculty members who are members of the National Academies of Science and of Engineering. ASU now has more academy members than the sum total of such individuals in its 45-year history as a PhD-granting institution.

- In order to reverse the brain drain, in 2004 ASU implemented a retirement incentive program to encourage some faculty members to retire so that funds would be available for new hires. This program was very successful, and as a result, ASU was able to hire a record number of new faculty during the 2005 recruiting year! ASU must continuously bring in new faculty members with fresh ideas who are on the leading edge of 21st century knowledge if we are to reach the promise of the New American University.

- Although ASU is being proactive in retention efforts and in bringing new faculty into the institution, the actions that are being taken are also creating several negative programmatic consequences that must be addressed. Among these negative consequences are the following:

    - Identifying funds to retain high-achieving faculty members, coupled with the intent to hire new employees at market levels, has required us to collapse faculty and staff positions.

    - ASU continues to grow in student numbers at unprecedented rates, but our tenured/tenure track faculty numbers have remained relatively flat. Thus, we are relying more on part-time faculty and full-time instructional faculty who are not tenure/tenure track to meet undergraduate instructional needs.

    - Staff to serve the students (admissions, registration, advising, financial aid, housing, facilities parking etc.) are strained to the breaking point, and the quality of service is beginning to suffer.

- A major problem that becomes exacerbated as a consequence of hiring new employees and retaining key faculty members and employees by competing for them in the marketplace is salary compression and inversion.

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- **Salary compression** as it relates to faculty is the narrowing of pay differentials between people in different academic ranks or of people within the same rank regardless of length of service. Salary compression is an internal problem usually caused by market conditions. Compression can also be caused by differential pay increases depending on meritorious performance. Several problems occur when salary compression due to market conditions is perceived, the greatest being a decrease in employee morale. The secondary effects may be a reduction in the performance level (Lawther,1989) and loss of pride in the institution, which can hinder the recruitment and retention of faculty and students.

A preliminary analysis indicates that, like many of our peers, salary compression is occurring both within ranks and between ranks at ASU. A method that has been used to examine salary compression is the rank-ratio method described by Bereman and Lengnick-Hall in 1994[1]. The rank ratio compares salary differentials. The method allows comparisons among universities and between disciplines within a university without comparing dollars. It has been argued that in higher education the salary ratio among Professors, Associate Professors, and Assistant Professors, respectively, should be 1:67:33 to be viewed as equitable (cited in Gomez-Mejiia and Balkin 1987[2]). This "ideal ratio" is certainly debatable, but it does give a reference point.

Macro View of Salary Compression at ASU Compared to Aspirational Peers[3] (Ratio of average salaries of professors, associate professors and assistant professors respectively)

Ideal Ratio (Equity)	1:66:33
Arizona State University (Tempe)	1:67:59
University of Colorado (Boulder)	1:72:62
University of Washington	1:72:66
University Texas (Austin)	1:67:59
Ohio State University	1:67:59
UCLA	1:63:53
All Doctoral Universities	1:69:59

Clearly, the "ideal ratio" does not hold for average salaries at doctoral granting universities. All are exhibiting salary compression between Associate and Assistant Professors. There are several good explanations for that phenomenon, of which market is only one.

1 Bereman, NA, Lengnick-Hall, ML. (1994) Pay compression at public universities: the business school experience. Public Personnel Management 23(3): 469-480.
2 Gomez-Mejiia, LR. Balkin DB (1987) Pay Compression in Business Schools: Causes and Consequences. Compensation and Benefits Review 19(5):43-45
3 Salary data that forms the basis for these calculations was obtained from The Chronicle for Higher Education Vol. 2005.

More informative is the fact that salary compression is continuing to increase over time at Arizona State University.

Academic Year	Average % Differential in Salaries between Assistant and Associate Professors
1999-2000	11.4%
2000-2001	10.1%
2001-2002	7.9%
2003-2004	6.8%
2004-2005	7.3%

The data suggests that the gap between average Assistant Professor salaries and average Associate Professor salaries is narrowing over time.

- **Salary Inversion** occurs when newly or recently hired individuals have higher salaries than similarly meritorious individuals of higher rank or longer years of service at a rank. At ASU, there are cases within certain disciplines (especially business) where Assistant Professors have higher salaries than full Professors. However, salary compression and inversion **within ranks** is pervasive and more problematic.

Examples of Salary Compression and Inversion within the Professorial Rank[4]

Years of Service	Discipline (Salary Differentials)			
	Engineering	Natural Science and Mathematics	Social Sciences	Humanities
25 or more	1	1	1	1
15 to 24	1.13	1.12	1.14	1
6 to 14	1.00	1.12	1.19	1.06
5 or less	1.35	1.23	1.56	1.11

Salary Inversion and salary compression are evident for all four disciplines. For example, on average, newly hired Professors (hired within the last five years) in Engineering are earning 35% more than Professors that have been here 25 or more years. This is sometimes referred to as the "loyalty tax" by some faculty members. Some of the difference is due to differences in merit; more of the difference is due to market factors. The perception is that the system is inequitable.

More interesting, perhaps, salary inversion is occurring at the Assistant Professor level. Inversion in this case is almost completely due to market factors.

4 Salary data that forms the basis for this analysis was supplied by the Office of the Executive Vice President and Provost of the University, Arizona State University, and applies to the Tempe Campus only.

Examples of Salary Compression and Inversion within the Assistant Professor Rank

Hiring date	Discipline (Salary Differentials)			
	Engineering	Natural Science and Mathematics	Social Sciences	Humanities
Before 2000	1	1	1	1
2000-2002	1.01	1.11	1.01	1.06
2003-2005	1.03	1.11	1.11	1.11

The analysis shown above does not include Regent's Professors, faculty with administrative appointments, or faculty with part-time appointments. It includes only full-time, academic year, tenured and tenure-track employees.

- Finally, ASU will continue to place a high priority on the issue of salaries. Market and merit equity issues will be addressed as resources allow. This will depend on investments from the state to support the core functions of the university, as well as the collection of reasonable tuition revenues.

NORTHERN ARIZONA UNIVERSITY

KEY POINTS

NAU FACULTY RETENTION

- Northern Arizona University identified faculty and staff salaries as its most important budget planning priority in FY 2004. In FY 2004, the university directed $4.6 million towards faculty and staff increases, and used internal funds to provide faculty with university-funded raises for the first time in over ten years. Although a step in the right direction, as this report shows, even with the salary increases, Northern Arizona University moved up only one position, going from last among its board-approved peers to second from last.

- Given this situation, it is not surprising that faculty turnover is up. During FY 2005, 53 faculty left, a 6% increase over the prior year when 50 faculty left the university. Unfortunately, Northern Arizona University does not have the resources to retain faculty who receive attractive counteroffers. Only one full-time regular faculty member was retained due to a counteroffer.

- Further, the salary structure at Northern Arizona University means that it is a continual struggle to retain diverse faculty members who often are highly marketable. Seven minority faculty left, an increase of 3% as compared to the prior year (7 out of 53 vs. 5 out of 50). Among the *tenured and tenure-track* faculty who will not be returning, NAU lost 2 minorities and 9 women.

- Tenured or tenure-track faculty comprised 47% (25/53) of the faculty who did not return. One dean, 12 Professors, four Associate Professors, and eight Assistant Professors were among the tenured or tenure-track faculty not returning. Faculty turnover affected all six NAU colleges, but the hardest hit colleges were the College of Social and Behavioral Sciences, which lost 7 tenured or tenure-track faculty, and the College of Education which was faced with 5 tenured and tenure-track faculty leaving.

- Competing institutions offered an average 46% increase in salary for tenured or tenure-track faculty. In one case, the faculty member was offered a 58% increase from the competing institution. NAU made a counteroffer, but the faculty member declined . Faculty members were recruited by Colorado State University, the Florida Institute of Technology, Framingham College – Massachusetts, Louisiana State University, Notre Dame, Rutgers University, University of Kansas, University of Houston at Clear Lake, University of South Florida, Virginia Commonwealth, and the College of Pharmacy & Health Sciences – Boston.

- The Cline Library lost two outstanding Academic Professionals this year. One was in Special Collections and had an outstanding background in library and museum digitization projects. She accepted a position for a 55 percent increase, which Northern Arizona University could not match. The other was one of Cline's librarians working on the WebCT Vista implementation and training.

- Due to the generally lower-than-market wages, many of the faculty who were not retained will be difficult to replace. Northern Arizona University has all too often found it could not offer a salary sufficient to attract its top candidates to Flagstaff. This year, however, the university encountered something new when the Math Department could not persuade even one of its candidates *to interview* on the Flagstaff campus. Candidates compared the proposed salary range with the cost of living and cost of housing in Flagstaff and decided it was not worth visiting the campus.

- Northern Arizona University does try to offer close-to-market salaries to new Assistant Professors, a practice which has exacerbated compression between ranks. Associate Professors who have been at Northern Arizona University for several years find themselves paid less than a new Assistant Professor. The university is aware of the severe salary competitiveness problem and is committed to reallocating internal funds each year to address the issue. Nevertheless, the salary disparities are so significant that it is a very difficult to solve without the state's assistance.

- Comparative data from the Higher Education Research Institute's 2004 Faculty Survey shows that while 47% of full-time undergraduate faculty members from public institutions nationally indicate that they are satisfied or very satisfied with their salaries and fringe benefits, only 27% of NAU's full-time undergraduate faculty indicate satisfaction with their salaries and fringe benefits - a 20% difference from the national average.

- Northern Arizona University's FY 2006 compensation plan was developed to correct the compression *between* ranks, and the university was very aware that correcting that problem would aggravate the problem of compression *within* ranks. Until we can address the issues in a more comprehensive manner, faculty morale will remain an issue.

- As a result of insufficient funds, Northern Arizona University's trademark of tenured and tenure-track faculty teaching freshmen and sophomore students is threatened. As tenured and tenure-track faculty leave, the university is extremely cautious in hiring new faculty. Resources must be found to fund our highest planning priority to increase salary competitiveness; one avenue to garner resources is not to rehire when faculty leave but instead to use the dollars to help fund salary increases.

- Research consistently shows that the key factor to the best undergraduate education is the quality of faculty-student interactions typically found in small classes taught by tenured/tenure-track faculty. This type of instruction engages students in active learning, critical thinking, and systematic inquiry. While Northern Arizona University makes every effort to ensure that the quality of instructional experience remains high, the impact of not filling faculty lines or increasing class sizes in the long run can diminish the quality of the experience.

THE UNIVERSITY OF ARIZONA® TUCSON ARIZONA

KEY POINTS

With internal and state support, The University of Arizona continues to hold the line on the number of faculty lost to other institutions. Even though the University's retention rate, in FY 2005, slipped to 48% compared to 61% in FY 2004, 49 faculty accepted better offers elsewhere compared to 40 in FY 2004 and 60 in FY 2003.

The $4.3 million State Key Personnel package went a long way to begin restoring market competitiveness to faculty salaries. Faculty salaries moved from the 17th percentile ranking among ABOR peers in FY 2004 to the 27th percentile in FY 2005. Substantial support improves salaries while sending a message that the state values higher education. This goodwill gesture means a lot, especially to junior faculty who are considering the costs and benefits of staying in Tucson. However, one must ask, "is this too little too late"?

Junior faculty are concerned about their long-term futures. The opportunity cost of leaving a position increases with longevity, and those beginning their professions are weighing in on what their mentors have endured. The decrease in the current retention rate was due to Assistant Professors leaving to better their careers while accommodating the needs of their families. In FY 2005, 40% of the surveyed faculty were at the Assistant Professor rank, while only 21% of the UA faculty overall were at that same level. In the long term, the state and the University must find ways to demonstrate to junior faculty that they care about their careers and families.

Other Key Points:

- Market forces are drawing faculty to metropolitan areas and overseas. The UA lost faculty to institutions and other public agencies located in major metropolitan areas that offered better salaries, benefits, and community resources for their families. Six faculty were made offers by international institutions from Australia, Canada, and Europe.

- The retention rates for women and underrepresented groups, while still significantly better than FY 1999, dropped this past year, in part, due to increased competition for this talent pool. In FY 1999 the retention rate for women faculty was 28% and in FY 2005 was 44%. The retention rate for underrepresented groups was 38% in FY 1999 and 45% in FY 2005.

- The faculty retained this past year generated $27 million in sponsored research over the last 3 years, while those we lost generated $16 million. Rolled into the retention totals were 10 stellar faculty members who each generated in excess of $1 million. Not included in the above totals, Medicine was able to retain a faculty member in Radiology who generated over $1 million in research to better the health of all Arizonans.

Faculty leave for personal and professional reasons. As cited in the comments in The University of Arizona's Annual Survey of Colleges, faculty expressed concern about career opportunities and family well-being. In terms of their careers, faculty are looking for advancement and a climate that supports creative and scholarly pursuits. Junior faculty, especially, are concerned about meeting the needs of their spouses and other family members.

Advancement Opportunities:

> The good news/bad news is that University of Arizona faculty are highly sought after to be the next generation of leaders in teaching, research, and public service. Without sufficient resources to promote from within and to recruit new talent, the state will be unable to effectively educate its citizens for the future. The Colleges of Law and Social and Behavioral Sciences were able to retain several faculty who were offered administrative and rank promotions by using scarce resources earmarked for other purposes to promote from within. Other colleges were not as fortunate.

Family, Including Dual Careers:

> In 14 known cases, faculty left for spousal and other family considerations. A faculty member in the College of Humanities left to obtain better benefits to accommodate family needs. Smith College offered general tuition reimbursement rather than institution-specific waivers. Several faculty left to be closer to extended families or to accommodate their own families. While on the surface these appear to be reasons outside the scope of the University's control, it should be noted that other institutions are able to provide sufficient salary, benefits, and campus climate to meet the needs for both family and career.

Research:

> The value of supplemental resources offered by other institutions is worth more than just the dollars alone. A message is sent that faculty members will be "celebrated, not just tolerated," as *The Chronicle of Higher Education* eloquently coined the phrase in its Careers report. The University of Maryland successfully offered a fiscal appointment faculty an academic appointment, $400,000 in start-up funds, and $6,000 moving expense along with a promotion to Associate Professor with tenure. The College of Engineering continues to lose world-class leaders to better-funded institutions. Social and Behavior Sciences faculty are enticed by simple offers to support their ancillary needs, such as updated computer equipment, summer salaries, travel funds, and support lines.

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, over 2,000 classified staff members left their employment at Arizona's three 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 FY 2005 classified staff average turnover rate in the University System.

FY 2005
CLASSIFIED STAFF
AVERAGE TURNOVER RATE

ASU at TEMPE	**13.7%**
ASU at WEST	**17.1%**
ASU at POLYTECHNIC	**7.6%**
NAU	**20.1%**
UA	**19.2%**
ABOR CENTRAL OFFICE	**28.6%**

A.R.S. §41-763.01 requires the Board of Regents to report overtime pay paid by the universities and ABOR central office. The overtime expenditures during FY 2005 are shown in the chart below.

FY 2005
COST OF OVERTIME PAY

ASU at TEMPE	$232,800
ASU at WEST	$81,100
ASU at POLYTECHNIC	$18,500
NAU	$109,880
UA	$428,250
ABOR CENTRAL OFFICE	$68

EXHIBIT 1

UNIVERSITIES' PEER INSTITUTIONS

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