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# **2007 Personnel Report**

**FOR THE  
ARIZONA UNIVERSITY SYSTEM**



**Arizona State University  
The University of Arizona  
Northern Arizona University  
Arizona Board of Regents Central Office**

**OCTOBER 2007**



## 2007 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 plan to *Restore Competitiveness to University Salaries*, designed to raise the average faculty salaries to the 50<sup>th</sup> 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.*" (This committee sunsets September 30, 2007.)

The intended legislative time frame to reach market parity has long since passed, and salary adjustments authorized 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 inflation alone, salaries would have needed to increase, 2.6 percent a year, on average, since 1998.

### SALARY ADJUSTMENTS AUTHORIZED BY THE LEGISLATURE FY 2000 - FY 2008

<b>FY 2000:</b>	2% merit increase pool
<b>FY 2001:</b>	2% merit increase pool
<b>FY 2002:</b>	\$1,450 per FTE across-the-board increase, effective April 1, 2002
<b>FY 2003:</b>	\$0
<b>FY 2004:</b>	\$0
<b>FY 2005:</b>	Salary pool (equivalent to \$1,000 per FTE) allocated based on Board-approved salary plans developed by each university president and the central office; and general fund appropriations of \$4.3 million at the UA and \$1.5 million at NAU for key personnel retention
<b>FY 2006:</b>	1.7% across-the-board increase to offset Arizona State Retirement System rate increases, effective July 1, 2005
<b>FY 2006:</b>	\$1,650 per FTE across-the-board increase, effective March 11, 2006; and 2.5% performance funding adjustment, effective March 11, 2006
<b>FY 2008:</b>	Salary pool (equivalent to 3.25% per FTE) allocated based on Board-approved salary plans developed by each university president and the central office

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 2006) 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 50<sup>th</sup> percentile (median) of their peers and to raise other staff salaries to the average of their respective markets.

ABOR previously reported that for FY 2008, an estimated \$109.7 million would be needed for salary adjustments to enable the universities to catch up with their markets. The legislative salary appropriations in FY 2008 and the universities reallocation of resources (reallocation of funds cannot be a permanent funding source for salaries, and as such, the situation will worsen dramatically if significant salary increases are not provided in the next few years) helped some, but did not reduce the estimated need. Because of market movement (which averaged about 4% between 2005 and 2006, among the comparator institutions), and an increase in the number of staff at the universities, the amount needed is estimated to be \$127.1 million in FY 2009, in order for the universities to catch up with the market.

UNMET SALARY NEEDS

<p style="text-align: center;"><b>PROJECTED UNMET SALARY NEED</b>  <b>FOR THE ARIZONA UNIVERSITY SYSTEM</b>  <b>FOR FY 2009</b></p>	
ASU at TEMPE	\$43,020,500
ASU at POLYTECHNIC	4,088,500
ASU at WEST	6,298,700
NAU	23,918,200
UA	49,662,400
CENTRAL OFFICE	161,300
<b>SYSTEM TOTAL</b>	<b>\$127,149,600</b>

## FACULTY SALARIES

Arizona's public universities compete with hundreds of other public and private universities throughout the country to attract and retain talented faculty. In spite of quality of life arguments made for Arizona, salary competitiveness is still 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.

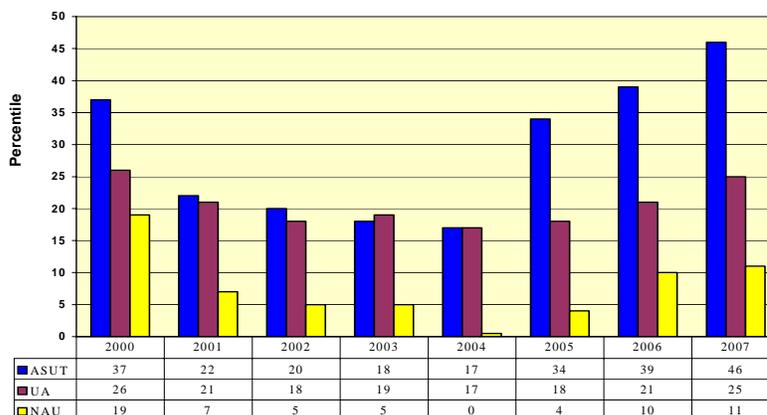
The faculty percentile rankings for Arizona State University at Tempe (ASUT), The University of Arizona (UA), and Northern Arizona University (NAU) for the last eight years are reflected in the chart below.

For all three universities, gains were made in FY 2007 due to legislative salary appropriations and the reallocation of university resources for salaries. Specifically, ASU at Tempe's percentile ranking increased from 39 in FY 2006 to 46 in FY 2007; The University of Arizona's percentile ranking increased from 21 to 25; and Northern Arizona University's percentile ranking increased from 10 to 11. (NAU's percentile ranking is still lower than it was in 2000).

While each university has increased its ranking over the past few years, there is still a large majority of the comparator universities that pay higher average salaries to their faculty than Arizona's universities pay, demonstrating that Arizona's standing is still lacking competitiveness. Specifically:

- 14 of the 28 peer universities pay higher average salaries than ASU; 19 of the 28 peer universities pay higher average salaries than the UA; and 14 of the 17 peer universities pay higher average salaries than NAU;
- Average faculty salaries range from \$2,900 to \$10,900 (3.2%-16.5%) below the peer median (50<sup>th</sup> percentile) at the three universities;
- Average ASU and UA salaries are as much as 15%-19% lower than the highest peer institution's average salary; Average NAU salaries are as much as 40% lower than the highest peer institution's average salary.

ARIZONA UNIVERSITY SYSTEM MAIN CAMPUSES  
FACULTY SALARY PERCENTILE RANKINGS  
FY 2000 - 2007



**FACULTY RETENTION**

The annual AAUP survey also provides information on 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 2007, the percentile rankings drop for ASU and NAU, and increase slightly for the UA. Specifically, ASU at Tempe drops to the 42<sup>nd</sup> percentile, NAU drops to the 7<sup>th</sup> percentile, and UA increases to the 29<sup>th</sup> percentile.

Whether looking at average salaries or total compensation, the three universities find it difficult 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 50<sup>th</sup> percentile to attract and retain them.

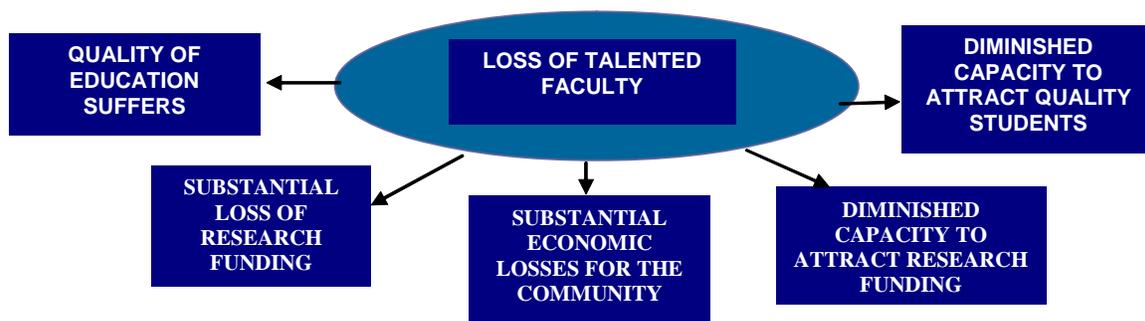
Faculty retention is a continuing problem for Arizona's universities. Notwithstanding the economic situation throughout the country, an increasing number of faculty members left for positions in other organizations, often receiving much higher salaries and benefits and exceedingly better resources for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

The average turnover rates for all categories of faculty at ASU at Tempe, ASU at West, and ASU at Polytechnic are 8.3%, 6.6%, and 8.9%, respectively. At the UA, the faculty turnover rate is 7.5% at the Main Campus and 10.5% at the Health Sciences Center. The faculty turnover rate at NAU is 6.8%.

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 130,000 students in the Arizona University System. When the universities lose these leaders, the students lose the immeasurable opportunity to learn from them.

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 518 (up from 419 in FY 2006) faculty members left the Arizona University System. The continuing loss of faculty weakens the universities, undermines programs and research efforts, and threatens the quality of the educational experience.



## STAFF SALARIES/TURNOVER

Much like with faculty salaries, progress has been made in the past year with respect to staff salaries to catch up with the market, however, average staff salaries still lag market rates, and salary increases for these employees have been insufficient to keep pace with the market.

Employees enrolled in the Arizona State Retirement System (ASRS) saw their employee contribution rates more than quadruple in the past few years, from 2% in FY 2004 to 9.1% in FY 2007. These rate increases amount to real reductions to an employee's net pay, effectively reducing an employee's pay by 7% over a three-year period. In FY 2008, the average salary for classified staff at the universities increased 3.25%. While the Consumer Price Index for the first half of 2007 is about 2.0%, the additional costs to fully fund the ASRS continue to erode gains made in salaries.

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	
	FY07	FY08	FY07	FY08
ASU AT TEMPE	4.6%	-	4.4%	-
ASU AT WEST	3.4%	-	4.6%	-
ASU AT POLYTECHNIC	3.9%	-	4.5%	-
NAU	8.8%	7.2%	4.8%	3.9%
UA	10.3%	7.8%	6.9%	6.5%
ABOR CENTRAL OFFICE	4.3%	1.0%	12.5%	9.2%

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 2,150 classified staff and approximately 1,000 professional staff left their employment at Arizona's three universities.

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.

FY 2007 AVERAGE TURNOVER RATE FOR CLASSIFIED STAFF	
ASU at TEMPE	17.1%
ASU at WEST	15.6%
ASU at POLYTECHNIC	13.6%
NAU	19.0%
UA	18.5%
ABOR CENTRAL OFFICE	0%



**KEY POINTS**

**ASU Faculty Retention**

- Ninety-four faculty and academic professionals left ASU for other positions in FY 2007.

Campus	Tenured/ Tenure-Track	Multi-Year Lecturers	Academic Professional	Total
Tempe	43	12	4	59
Polytechnic	4	4	0	8
West	16	2	1	19
Downtown	7	1	0	8
<b>Total</b>	<b>70</b>	<b>19</b>	<b>5</b>	<b>94</b>

More specifically, 59 faculty and academic professionals resigned from units on the Tempe campus, 19 from the West campus, 8 from the Polytechnic campus, and 8 from the Downtown Phoenix campus. This includes 70 tenured/tenure-track faculty, 19 multi-year lecturers, and 5 academic professionals. While the turnover rate for tenured/tenure-track faculty varies across the campuses of ASU, the University's overall turnover rate for this group of faculty remains at a relatively low rate of 4.3%. Tenured/tenure-track faculty turnover rates by campus are: 3.4% at the Tempe campus (down from the 7.2% rate reported last year); 10.3% at the West campus (the same rate reported last year); 4.0% at the Polytechnic campus (slightly up from the 3.5% rate reported last year); and, an 8.6% turnover rate at the Phoenix Downtown campus.

- In addition to the \$12,956,900 in state funds allocated to augment faculty salaries in FY 2006, ASU contributed another \$900,000 in institutional resources to make faculty salaries more competitive. ASU will augment faculty salaries through a merit pool of an additional 3.25% during FY 2008. At the same time, the university embarked upon a rigorous assessment of faculty performance. As a result of its assessment, ASU is better able to target its resources to improve the salaries of its highest performing faculty, both before these faculty entertain offers from competitors and as counteroffers. ASU's faculty salary percentile rankings have improved substantially, particularly on the Tempe campus. With this infusion, salaries are improving but remain below what is necessary in the marketplace, putting the university at a competitive disadvantage.
- As part of a multi-pronged effort to recruit and retain excellent faculty, ASU has identified several factors in addition to salary it believes are critical to faculty retention. Space is one such factor. In FY 2007, ASU opened its Downtown Phoenix campus which presently includes the University Center (296,000), the College of Nursing and Healthcare Innovation (181,400), the Arizona Biomedical Collaborative (86,500), the Phoenix Urban Research Lab (30,400), and a student center/offices in the former post office building (100,300). This added more than 694,300 gross square feet of prime laboratory, office, and student support



space and freeing up some additional space in other buildings for faculty and staff use. Research support in the social sciences and humanities is another key factor. ASU's Institutes for Social Science Research and for Research in the Humanities are providing seed grants and other forms of research support, stimulating scholarly collaborations across disciplines and enhancing the ability of faculty to garner external funds for their research. Associated with these efforts to provide more research support has been continuing efforts and success in attracting private investors to contribute through the ASU Foundation to support research initiatives such as the Center for Violence Prevention and Community Safety. Third, ASU has been proactive in facilitating spousal/partner hires, recognizing that many faculty are in dual career relationships. Measures such as these help to attract and retain highly marketable faculty, but they are not sufficient without competitive salaries.

- The quality and diversity of ASU's faculty have also grown rapidly in recent years. Since 2002, ASU has more than doubled the number of National Academy of Science (from 2 to 6), National Academy of Engineering (from 6 to 12), and American Academy of Arts and Sciences members (from 2 to 5). Forty-one junior faculty have received prestigious five-year Career Awards from the National Science Foundation. Simultaneously, ASU has been very successful in diversifying its faculty. In Fall 2002, 309, or 18.5%, of ASU's tenured and tenure-track faculty were members of racial/ethnic minorities. This percentage grew rapidly to 22.9% in Fall 2006, with a record 414 tenured and tenure-track minority faculty. Thirty-one percent of the newly hired tenured/tenure-track faculty beginning Fall 2007 are members of racial/ethnic minorities, and almost 45% are female.



	All Faculty					Tenured / Tenure-Track				
	Total	Minority	% Minority	Women	% Women	Total	Minority	% Minority	Women	% Women
<b>Fall 2002</b>	2,449	436	17.8%	962	39.3%	1,671	309	18.5%	529	31.7%
<b>Fall 2003</b>	2,484	448	18.0%	981	39.5%	1,665	316	19.0%	533	32.0%
<b>Fall 2004</b>	2,585	487	18.8%	1,025	39.7%	1,678	341	20.3%	541	32.2%
<b>Fall 2005</b>	2,734	549	20.1%	1,091	39.9%	1,758	379	21.6%	588	33.4%
<b>Fall 2006</b>	2,862	601	21.0%	1,165	40.7%	1,808	414	22.9%	608	33.6%
<b>Fall 2007*</b>	2,913	608	20.9%	1,183	40.6%	1,858	413	22.2%	629	33.9%

\* Reflects a preliminary estimate for Fall 2007.

*Faculty are any full-time or part-time regular (non-temporary) employees who hold faculty status or faculty rank, including administrators at any level, chairs, directors, and clinical, emeritus, research, visiting, and adjunct faculty (i.e., faculty associates).*

- While ASU has made tremendous strides in its ability to attract and retain excellent faculty in recent years, current and future improvements to faculty salaries must compete with other critical elements of institutional mission, particularly access.
  - Over the past three years, ASU has provided financial assistance to students through several University-based financial aid programs, including scholarships, grants, and waivers. Between FY 2004 and FY 2007, financial aid disbursements from these programs have increased by 34%. This is an increase of \$28.5 million in financial aid to provide access to all qualified students, regardless of financial circumstances. These funds could have been used to further increase the salaries of faculty and/or to hire new faculty, but ASU's commitment to access for Arizona's students came first. As the University moves forward, it recognizes that student numbers will continue to increase rapidly, and it must find a means to meet the

financial needs of students while also furthering ASU's upward trajectory in student and faculty excellence.

- In addition to student financial aid, the number of new students enrolling in ASU's programs each year requires regular infusions of new faculty just to keep pace with current student-faculty ratios, ratios that are already far from ideal. Student FTE at ASU grew by 18.2% between Fall 2002 and Fall 2006. This growth was most dramatic at the Polytechnic campus (78.2%), followed by the West campus (29.2%). Growth at the Tempe campus, while not as rapid, was still substantial at 7.0%. In addition, the Phoenix Downtown campus opened with over 3,000 students in Fall 2006. Such rapid growth in student enrollment, without an infusion of new faculty creates significant student/faculty FTE pressures. The chart below highlights the high ratio of tenured/tenure track and all other aggregations of faculty to students being very high compared to peer institutions. Reliance on part-time faculty and full-time instructional staff without tenure to meet undergraduate instructional needs is a short-term solution, but without increasing the numbers of tenured/tenure-track faculty, ASU will fall even further behind its peers.

### Comparative Student FTE / Faculty FTE Ratios

	Tenured/Tenure-track Faculty	All Faculty (excluding GTAs)	All Faculty (including GTAs)
ASU – all campuses	<b>31.7:1</b>	<b>22.1:1</b>	<b>16.5:1</b>
Minn – Twin Cities	<b>20.5:1</b>	<b>18.6:1</b>	<b>10.9:1</b>
Ohio State	<b>20.8:1</b>	<b>18.1:1</b>	<b>12.1:1</b>
UT Austin	<b>24.6:1</b>	<b>17.5:1</b>	<b>10.1:1</b>
Washington – Seattle	<b>21.0:1</b>	<b>16.4:1</b>	<b>10.8:1</b>

Source: IPEDS, Fall 2006. Excludes Medical School Faculty but not Students Methodology Note: Faculty FTE = (full-time faculty) + ((1/3)(part-time faculty)), GTAs = Graduate Teaching Assistants.

- In addition, staff turnover continues to be high, especially at the West campus (15%) and Tempe campus (19%), and the number of staff positions has not grown commensurate with the increase in the number of students. This turnover is largely associated with salaries being higher in other sectors. While ASU has invested a considerable amount of resources in new advisors to assist students and promote their success, a number of key areas, including registration, financial aid, residential life, human resources, parking, and facilities maintenance, remain severely stressed.
- Finally, ASU will continue to demonstrate leadership in diversifying the state economy by building its research infrastructure. The University is proud to have achieved the \$200 million in external funding that it set for itself (an increase of 68% since FY 2002) and have set a new goal of \$300 million, but this will require substantial increases in the number of highly productive research faculty, the space to support their initiatives, and such faculty command highly competitive salaries.



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## PROGRAM IMPACT

- The problems of salary compression and inversion are especially acute at the West and Polytechnic campuses, where the average faculty salary remains almost 12% below market. Of the 70 faculty who resigned in FY 2006, 39% were from the West and Polytechnic campuses, up from 32% the year earlier.
- ASU has lost faculty in key programs, including English, History, Geological Sciences, Physics and Astronomy, Political Science, Communication, Languages and Literatures, Music, Criminal Justice and Criminology, and Chemistry and Biochemistry to competitors, including the University of Maryland, the University of Michigan, Duke University, the University of Delaware, The University of Arizona, Queens University – Belfast, the London School of Economics, University of British Columbia, Northwestern University, the University of Florida, and the University of Wisconsin.
- 26 of the 43 faculty (60%) who left ASU's Tempe campus were in the humanities, social sciences, and the arts, areas in which salaries are lowest. The Polytechnic campus lost 4 faculty, all from the College of Technology and Innovation – a core focus area for the campus. Yet, faculty in these areas are in high demand. On the West campus, 13 of the faculty who resigned were in the social sciences and humanities. The remaining 3 were in a number of different disciplines (biology, finance, educational technology). Moreover, all 5 academic professionals who resigned in FY 2007 were librarians, again a relatively low paying field.
- The negative programmatic impact of below market faculty salaries is seen particularly among those individuals who have not been singled out for excellence and yet consistently make significant contributions to their disciplines and to students. For these faculty, salary compression and inversion continue to be serious problems. Salary compression refers to the narrowing of pay differentials between faculty in different academic ranks or, for those within the same rank, with differing lengths of service; salary inversion exists when newly hired faculty have higher salaries than similarly meritorious individuals either of higher rank or with more years of service. These issues result in many peer and aspirational institutions being able to hire our faculty.
- At least half of the faculty who left ASU went to either more prestigious schools or schools that paid them more competitive salaries. Some faculty left for personal or family reasons, and 3 to avoid terminal contracts as a result of poor performance. Salary and compensation were relevant factors for those who left for personal or family reasons, since ASU is unable to meet the demand for affordable child care and partner benefits, and some faculty left to be closer to extended family who could help to care for their children. With expanded child care facilities, enhanced partner benefits, or increased salaries, ASU might not have lost those faculty members.

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## Classified and Service Professional Staff Retention

As ASU continues the pursuit of university initiatives, the ongoing ability to attract, retain, and reward staff remains a key element in our success.

In June 2007, the Arizona Legislature approved a competitive pay increase for state employees, a greatly needed investment in the workforce; however, salaries continue to fall behind comparable jobs in ASU's competitive marketplace. Analysis of compensation data for 2007 indicated that 67.4% of the benchmark jobs were not market competitive and, for all jobs, the overall average salary variance was -9.5% from market.

A continued unintended consequence of the lack of dollars for salary adjustments is continued salary compression. Salary compression occurs when new employees' salary offers result in little or no differentiation from experienced, seasoned, and strong performers. Alternatively, efforts to maintain that differentiation, recognizing compression concerns, may result in applicants receiving less than market competitive offers.

Due in large part to the challenges of providing competitive wages in a very tight labor market, ASU's turnover in 2006 has continued to rise. For classified staff, turnover has risen from 13.4% in 2005 to 16.8% in 2006. The trend for Service Professionals is similar, rising from 12.4% in 2005 to 13.3% in 2006. Overall, ASU's turnover rate for all segments of the workforce stands at 14%.

Turnover is a costly expense to the efficient and effective operations of the University. Retention of talent is critical to the ability of an area, and the institution overall, to fulfill the mission and objectives established by the Arizona Board of Regents and the ASU President, and the expectations of all affected constituencies.

The ability of talented faculty and associated researchers to meet the challenges and opportunities incumbent with the vision of the University and the expectations the citizens of Arizona have for ASU to educate the workforce of tomorrow are either enhanced, or hampered, by the availability, or lack thereof, of a talented, dedicated, and motivated staff.



## KEY POINTS

### American Association of University Professors (AAUP) Faculty Compensation Goal Progress

In FY 2007, Northern Arizona University (NAU) continued to make progress addressing its long-standing issue of non-competitive salaries. State funds allocated to faculty salaries provided across-the-board and merit increases resulting in a small improvement in the annual AAUP peer comparison. Northern Arizona University faculty moved from the 10<sup>th</sup> percentile to the 11<sup>th</sup> percentile and the University's average salary is now higher than 3 (3 out of 17); last year NAU surpassed only two peer institutions. Still discouraging, however, is the distance to market for faculty. Northern Arizona University's weighted average faculty salaries need to increase by 19% to reach the market median.

Since the AAUP data is collected in November (November 2006 for this set of comparisons), the data in this report does not reflect Northern Arizona University faculty compensation adjustments provided mid-year. In January 2007, the University implemented salary adjustments addressing market and within-rank compression issues. The university made salary adjustments for 186 faculty and 6 academic professionals. A total of \$757,300 was distributed, including \$642,100 for salaries (\$282,100 for market adjustments and \$360,000 for compression) and \$115,200 for increases in employee-related expenses.

### Distance to Market in AAUP Compensation Goals

NAU is committed to continue making progress in reaching a goal of the 50<sup>th</sup> percentile (median) of the University's ABOR-approved peer institutions. Along with the FY08 employee pay plan, Northern Arizona University allocated an additional \$2M for FY08 faculty salary and Employee Related Expense (ERE) increases. The effect of these raises will not show up until next year's report (data will be collected by AAUP in November 2007), but the University projects the merit raises (minimum of 3.25% for satisfactory performance, maximum of 6.1%) will push the weighted average salary up two percentile points to the 13<sup>th</sup> percentile.<sup>1</sup>

Faculty salaries would need to increase by 19% to achieve the current market average. The University experiences great difficulty hiring assistant professors and is experiencing issues retaining faculty at the associate and full professor level. The University's salaries are about \$14,000 below the median salary of comparable institutions at the Professor rank; \$10,000 at the Associate Professor rank; and \$6,000 at Assistant Professor. To bring the population of assistant, associate, and full professors to the median would require a minimum of \$7M dollars. On top of this, additional funds would be needed to bring lecturers and senior lecturers to their comparable benchmark.

<sup>1</sup> The projection assumes a 4.5% increase in salaries at peer institutions for 2008; the average increase for 2007 was 4.7%.

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## Faculty Retention Issues:

- **Cost of Housing Sticker Shock for New Hires**

According to the ACCRA Cost of Living Index<sup>2</sup> for 2007 First Quarter, **the average home price in Flagstaff was \$473,500**, 28 percent higher than the average home price in Phoenix. Average rent for a two bedroom apartment was \$886, 16 percent higher than a similar apartment in Phoenix. Composite cost of living was nearly 15 percent higher in Flagstaff as compared with Phoenix. New faculty being recruited to the University face a sticker shock that is difficult to overcome. The University's policy is to hire new assistant professors at market, but NAU does not have the resources to compensate for the high cost of housing that new faculty encounter. Many potential faculty members withdraw from searches even when a competitive market salary is offered as they compare the housing they will be able to afford in Flagstaff with other areas and offers.

- **Retiring Tenured and Tenure-eligible Faculty**

This year 20 tenured or tenure-eligible faculty retired. The University will continue to face a large number of retiring senior faculty for the next several years. Among the 575 tenured or tenure-eligible 2006-07 faculty, 92 faculty members were 62 years old or older (16%) and another 81 (14%) are aged 59-61. Valuable teaching, research, and service expertise is lost with retiring faculty, plus it often costs more to find replacements. Especially in high demand fields like Engineering, Business, and Nursing, the University will need to supplement a retiring faculty member's salary by more than \$10,000 to successfully hire a replacement.

2006-2007 Tenured or Tenure-eligible Faculty	Age: 59-61	Age: 62-64	Age: 65-69	Age: 70 or older
575	81 (14%)	51 (9%)	36 (6%)	5 (1%)

- **Faculty Resigning for Salary/Cost of Living Reasons**

For approximately half of the resignations<sup>3</sup> from tenured or tenure-eligible faculty, the University has evidence of salary and cost of living issues. One faculty who resigned stated, "We would never be able to afford a home in Flagstaff." Similarly, notes on the files of the faculty who resigned for jobs at the University of Vermont, the University of Tennessee, and Texas State at San Marcos, indicate that cost of housing in their new locations was one-half of Flagstaff's housing costs. Four of these faculty members were underrepresented minority faculty who resigned to go on to other universities with higher salary offers or lower housing costs.

- **Replacing Resigning Faculty**

Keeping good young faculty can be difficult even when it appears the University is providing a competitive salary. For example, the College of Business lost three assistant professors this year. They were offered salary increases of \$12,000, \$53,000, and \$69,000 over their Northern Arizona University salaries of \$86,000, \$82,000 and \$96,000. To hire replacements the department will need to increase their market hiring salaries to \$95,000, \$95,000, and \$110,000. Since the colleges do not get university funding to increase salaries for new vacancies; they must reallocate within their existing resources to hire at the higher levels. This usually means reallocating non-personal operating funds (equipment and supplies) or hiring fewer faculty at higher salaries. Both

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<sup>2</sup> Calculated by the Council for Community and Economic Research, George Mason University.

<sup>3</sup> Resignations do not include retirements, deaths, etc.

strategies are difficult to sustain long-term.

- **Lower-Division Undergraduate Student Credit Hours Taught by Tenured and Tenure-Eligible Faculty**

Northern Arizona University tracks measures of lower division faculty-student credit hours as part of its Regents Accountability Measures. One of the University's measures is the percentage of lower-division credit hours taught by tenured and tenure-eligible faculty. Although the University has been able to make progress on measures of full-time faculty interaction with lower division students, progress on the goal to increase the percentage of undergraduate student credit hours has been difficult. Progress towards this goal becomes difficult as the University faces increased retirement and faculty leaving for better salaries and lower cost of living, and experiences difficulty recruiting new faculty.

Regents Accountability Measure 1	2004*	2005*	2006	2007	Goal	Goal Year
Percentage of lower-division undergraduate student credit hours taught by tenured and tenure-eligible faculty	46%	45%	43%	43%	55%	2009

\*Restated so all years are comparable and use the census datamart. Data in the prior years were based on the end-of-term datamart, which is not available until 18 weeks after the start of a semester.

- **Nursing Program Faces Hiring Difficulties**

Recruitment and retention of nursing faculty as Northern Arizona University expands the program has been particularly problematic. Although the University increased Nursing faculty salaries to American Association of Colleges of Nursing (AACN) market three years ago, it has not been consistently successful in obtaining and keeping nursing faculty. A study this summer of nursing salaries using several different comparators, including Arizona State University and The University of Arizona, indicated that the University must raise recruiting salary by \$5,000.



**Other Academic Program Impact Statistics:**

- Faculty turnover occurred in all 6 colleges for the 2006-07 academic year . A total of 65 full-time faculty will not return to the university in fall 2007. This compares with a turnover of 58 full-time faculty members in 2005-06, 53 faculty in 2004-05, and 50 in 2003-04.
- Tenured or tenure-eligible faculty comprised 54 percent (36 of 65) of the benefits-eligible faculty who will not return during the 2007-08 academic year. Of that group, 20 retired, 11 resigned, 3 died, and 1 was not retained. Among the non-returning are a Regent's Professor, 12 full professors, 11 associate professors, 7 assistant professors, and 3 administrative faculty. Tenured and tenure-eligible faculty members were recruited by Penn State University, University of Oregon, University of Tennessee, University of Vermont, California State University Channel Islands, Montana State University, the State of Oregon, and Texas State University.
- Two faculty in Modern Languages left for salary increases of \$17,000 and \$34,000.

## Service Professional and Classified Staff Retention

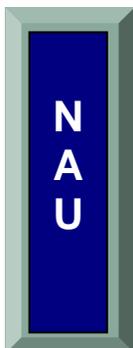
The University has invested more than \$11 million in classified staff and service professional salaries just since July 2005 from internal allocations combined with state-funded increases. This year the University increased the lowest paid Classified Staff employee to \$9.00/hour and increased the minimum wage for students to \$6.75 an hour. This commitment to improving the University's market position over the last few years is clearly evident in the positive trends in improving market competitiveness.

However, the University faces staff issues similar to the faculty recruitment and retention challenges. The impact of the housing situation has many ramifications on NAU's compensation and staff strategies. Following are several of the key results:

- Starting salaries exceed the average market rates found for some high demand classifications, e.g., information technology.
- New employees with high salaries create pay equity issues for current employees.
- New employees reside outside of Flagstaff and incur significant travel expenses.
- Offer acceptances are predicated on a spouse or significant other also finding a relatively high paying position.

The University routinely analyzes pay information on common benchmark jobs within Coconino County and Maricopa County for positions that recruit primarily from these areas. The analysis shows that police officers continue to experience extreme upward market pressure. Recent recruiting efforts by the City of Flagstaff have been very aggressive, e.g., offering a no experience starting salary of \$46,000 with many retention incentives. Academic Advisor, library specialist, accountant, support systems analyst, and electrician are other fields whose average salaries present difficulties.

Classification	Targeted Arizona Markets	# Empl	NAU	
	Wgtd. Avg.		Average	% off Mrkt
Academic Advisor	\$39,494	31	\$34,620	-12.3%
Library Specialist	\$34,771	18	\$31,014	-10.8%
Accountant	\$42,024	11	\$38,280	-8.9%
Support Systems Analyst	\$50,156	21	\$46,194	-7.9%
Police Officer	\$47,489	10	\$44,062	-7.2%
Electrician	\$46,938	6	\$43,820	-6.6%





**KEY POINTS**

**INTRODUCTION**

Salaries for faculty and staff at The University of Arizona have improved over the last few years, as a direct result of the support from the legislature and the Governor. However, even with this additional funding, mean salaries still fall below the market, hindering the University's success in attracting and retaining world-class contributors. The painful dichotomy in an emergently knowledge-based economy is that the very institutions at the forefront of discovery become highly attractive resources from which other employers recruit to support their own growth.

Based on The University of Arizona's annual internal survey of faculty retention and loss, the university knows that its faculty are actively recruited and highly valued by private and public institutions, industry, and private professional practices. Offers of higher salaries, additional research funding, enhanced facilities, greater graduate student support, and more significant travel budgets make outside offers particularly attractive. This recruitment environment compels the university to act aggressively to retain our most prominent and promising faculty.

Efforts to retain key contributors have yielded positive results. In FY 2007, the University successfully retained 44 tenure/continuing track faculty and professionals who were offered positions elsewhere; however, UA lost 39 to other institutions. In addition, clinical departments in the College of Medicine lost 15 of their tenured and tenure-eligible faculty.

While competitive compensation is only one element of a successful faculty retention program, it is the most critical and the most visible. This was reinforced earlier this year when the university analyzed the findings of a junior faculty survey administered by the Collaborative on Academic Careers in Higher Education (COACHE) through the Harvard Graduate School of Education. While the UA respondents were especially satisfied with quality of colleagues, sense of "fit," and support of colleagues, they were especially dissatisfied with compensation and research support.

The evidence supports the perception by junior faculty that compensation is below the market, though assistant professors are paid more competitively than associate and full professors. Demands of the employment market generally necessitate competitive offers to new faculty hires, but this comes at the expense of existing faculty as reflected in Table 1 and Graph 1.

Yet there is some good news. The University of Arizona has gained ground in the last two years in comparison with AAUP peer institutions, with Fall 2006 average salaries at the 25<sup>th</sup> percentile (94.4% of peer average salaries) for all ranked faculty, an increase from the 18<sup>th</sup> percentile in Fall 2004 (92% of peer average salaries).

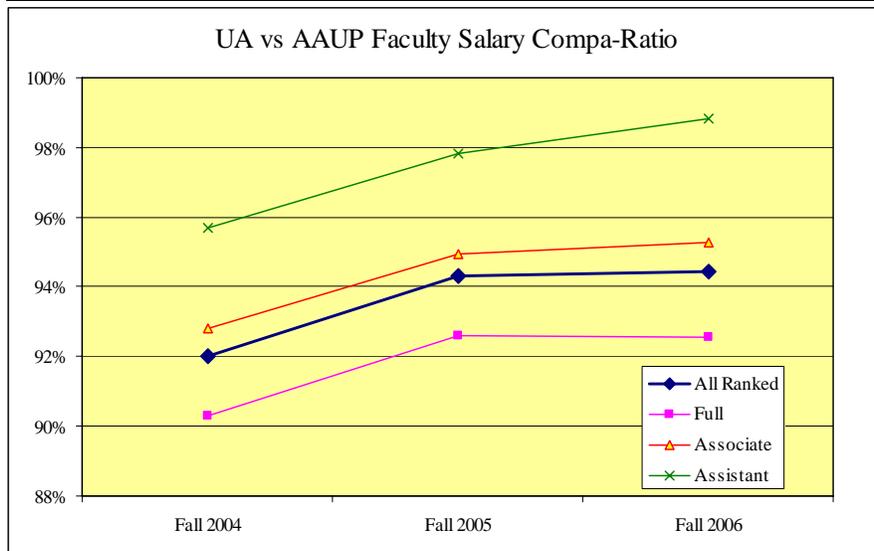


Table 1:  
AAUP Faculty Salary Trend Analysis– Percentile Ranking and Comparative Ratio

Faculty Salary	AAUP Percentile Ranking			AAUP Comparative Ratio <sup>1</sup>		
	Fall 2004	Fall 2005	Fall 2006	Fall 2004	Fall 2005	Fall 2006
Rank						
All Ranked Faculty	18	21	25	92.0%	94.3%	94.4%
Full Professor	16	25	22	90.3%	92.6%	92.6%
Associate Professor	13	23	24	92.8%	94.9%	95.3%
Assistant Professor	26	31	38	95.7%	97.8%	98.8%

<sup>1</sup> The comparative ratio = UA weighted average salary / AAUP Peer Institution weighted average salary

Graph 1: Comparative Ratio – All Ranks



**UA's GOAL:** *Adjust faculty salaries to the 50<sup>th</sup> percentile, or 100% of market.* To achieve this favorable market position, the university requires an increase of 7% of the July 1, 2007, faculty salary budget, or \$11.7 million for Main Campus faculty and \$2 million for Arizona Health Sciences Center faculty.

### Competitive UA Salaries Will Serve Arizona

In parallel to the institution's critical need to move faculty salaries to more competitive levels, The University of Arizona's FY 2009 decision package requests provide opportunities to advance in areas of high strategic importance to the state. The goals of these investment initiatives align with Arizona Board of Regents and the Governor's priorities. In particular, UA has identified initiatives for student access and workforce development, and proposals that capitalize on the University's position as a national research university to bring products and services directly to Arizonans for their benefit.

UA's decision package requests include:

1. Growing Arizona's Teacher Pool: Increased Access for Science and Math Teachers
2. Student Access and Workforce Development
3. Meeting Arizona's Energy Needs: Solar, Bio-fuels, and Building Technologies
4. Health Promotion to Address Health Disparities
5. Development of Sustainable Nanomanufacturing and Bioengineering
6. Arizona Climate Initiative: Innovation and Decision-Support
7. Arizona Astronomy
8. Integrating Imaging and Molecular Therapeutics for Improved Cancer Treatment
9. College of Pharmacy-Phoenix Expansion
10. Infrastructure Support for UA College of Medicine-Phoenix, in Partnership with ASU

### *Growing Arizona's Teacher Pool and Student Access and Workforce Development.*

The University of Arizona has identified three strategic areas, teacher training, entrepreneurship/commerce, and defense/security-related disciplines, as critical to the future of Arizona's economy, and in particular, Southern Arizona. These proposals provide for the strategic delivery of programs through UA and UA South, utilizing innovative mechanisms to extend UA's academic excellence to students who have time-bound, place-bound constraints.



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*Development of Sustainable Nanomanufacturing and Bioengineering, Meeting Arizona’s Energy Needs, Arizona Climate Initiative, Integrating Imaging and Molecular Therapeutics for Improved Cancer Treatment, and Arizona Astronomy:*

*These proposals showcase opportunities where The University of Arizona’s transformative and sustainable technology can extend capacity, including management and decision-support interfaces. They are hallmark examples of the creation of new knowledge through research and development eminently applicable to products and services that Arizonans need and use.*

*Health Promotion to Address Health Disparities and the Programmatic and Infrastructure Support for UA’s Medicine and Pharmacy Programs on the Phoenix Biomedical Campus* are also examples of accelerating the development of new services – in this case, health care services – to benefit Arizonans.

These strategic funding initiatives are inextricably linked to our success in recruiting and retaining the outstanding faculty upon which the state’s socioeconomic future depends. The fact that 45% of our faculty retention failures were in disciplines related to these strategic initiatives demonstrates our current vulnerability and the need to invest in competitive compensation programs.

The University also faces the potential loss of essential staff. In a tight labor market, competitive compensation is particularly critical. To maintain its position as an attractive employer, UA conducts an annual comprehensive review of salary grades for all classified staff job titles. This involves gathering and analyzing relevant market data, projecting grade changes where indicated by market data and internal pay pressures, and reviewing the pay rates of current employees to estimate the initial required cost of possible grade changes.

We are making consistent progress toward increasing the market competitiveness of Classified Staff job titles by leveraging the implementation of the re-grades to coincide with centrally-administered salary programs. This methodology minimizes the University’s cost to adjust salaries to the minimum of the new pay grade.

In July 2004, The University needed an average increase of 17% of the Classified Staff salary base to bring internal salaries to the market average. Following the implementation of the July 1, 2007 salary increase package, the shortfall was reduced to 8%.

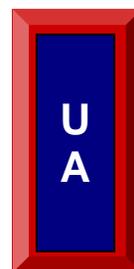
7/1/04	7/1/05	7/1/06	7/1/07
17%	16%	10%	8% <sup>2</sup>

<sup>2</sup> Following implementation of the July 1, 2007 3.25% salary increase program.

The increase in the assigned pay grade, without a related increase in incumbent pay, results in pay compression, i.e., a situation in which the salaries of employees in similar jobs are within dollars of each other, regardless of experience level, performance or time in the job. To attract new employees, market-based competitive salaries must be offered; however, departments rarely have the funds to compensate current staff competitively.

### Summary

The University of Arizona’s ability to advance the state’s interests and needs will be hampered as it continues to operate from a lagging position with respect to faculty and staff salaries. However, strategic investment to retain core faculty will reap substantial gains more effectively and efficiently than relying solely on new faculty recruitment. This is a wise management path with a measurable return on investment, and one that The University of Arizona heartily embraces.



A.R.S. §41-763.01 requires the Board of Regents to report overtime pay paid by the universities and ABOR central office. There are 5,944 employees at the three universities that are eligible to receive overtime (ASU 2,069; NAU 1,475; UA 2,400). The majority of overtime paid out is for positions associated with facilities management and campus police. Special events, or inclement weather that results in flooding, power outages, or other damage are major factors that contribute to overtime worked by employees.

**FY 2007  
COST OF OVERTIME PAY**

ASU at TEMPE	\$133,545
ASU at WEST	16,171
ASU at POLYTECHNIC	\$1,252
NAU	\$147,131
UA	\$479,019
ABOR CENTRAL OFFICE	\$0

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## 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

#### SALARY SURVEYS USED FOR THIS REPORT 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
- College and University Professional Association for Human Resources (CUPA - HR)
- PAC-10
- Council on Teaching Hospitals Housestaff Stipends
- Association of Research Libraries
- Arizona Compensation Survey
- IT Market Compensation Survey
- IT and E-Commerce Personnel Compensation
- MERCER
- Salary.com
- Compensation Data Southwest
- Other local and job-specific survey data