

ANNUAL PERSONNEL REPORT

FY 2018

BOARD OF
Regents  ARIZONA'S PUBLIC
UNIVERSITIES

EDUCATE • DISCOVER • IMPACT

ASU Arizona State
University

**NORTHERN
ARIZONA**
UNIVERSITY 

 THE UNIVERSITY
OF ARIZONA

Talented faculty and staff are necessary to achieve the goals presented in ABOR's Impact Arizona strategic plan. The need to attract and retain the caliber of faculty and staff who can successfully meet the challenges of higher education is of utmost importance, and the success of these recruitments and retention efforts is dependent upon the ability to offer competitive salaries. Faculty compensation also is an important predictor of student retention, another key student success metric in the board's strategic plan.

There have been no state-funded salary adjustments for the university system since July 2007 (FY 2008). Consequently, the universities have reallocated funds and used other university-generated revenues to address salary deficiencies and bring salaries to levels that are more competitive. Despite these efforts, the universities still lag their peer institutions and relevant markets.

The Arizona Board of Regents Annual Personnel Report details important personnel trends and information, including projected unmet salary need for FY 2020; faculty salary compared to peers; faculty retention; staff salaries; staff turnover; and overtime pay in FY 2018. The board, along with all other state personnel systems are required by Arizona Revised Statute section 41-751 to submit an annual personnel report to the Governor and the legislature by September 1, of each year.

ABOUT THE ARIZONA BOARD OF REGENTS

The Arizona Board of Regents is committed to ensuring access for qualified residents of Arizona to undergraduate and graduate institutions; promoting the discovery, application, and dissemination of new knowledge; extending the benefits of university activities to Arizona's citizens outside the university; and maximizing the benefits derived from the state's investment in education.

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FY 2020 PROJECTED UNMET SALARY NEED

Unmet salary need is the amount needed to raise average faculty salaries to the median of their peers and to raise other staff salaries to the average in other relevant labor markets. For FY 2020 the projected unmet salary need for the Arizona University System is \$210.1 million, a decrease of nearly 17 percent from the FY 2019 estimate. Even with the appreciable progress, employees’ salaries are projected to remain considerably lower than those at peer institutions and in other relevant markets through 2020. The cost to raise the average salaries of current faculty and staff to the targeted levels will further increase as the market continues to move, impacting Arizona’s universities ability to catch-up and keepup with salary needs.

FY 2020 PROJECTED UNMET SALARY NEED FOR THE ARIZONA UNIVERSITY SYSTEM
(\$ IN THOUSANDS)

ASU	\$80,344.9
NAU	\$39,765.4
UA	\$89,234.1
ABOR	\$748.3
TOTAL	\$210,092.7

PROJECTED UNMET SALARY NEED FOR THE ARIZONA UNIVERSITY SYSTEM



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 a leading 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 average and median salaries, comparing faculty salaries in Arizona to those at peer institutions. These comparisons include all ranked faculty -- professors, associate professors, and assistant professors. The table on the following page shows the average faculty salary increase needed for the universities to reach average faculty salaries of their peer institutions.

The majority of peer institutions¹ pay higher average salaries to their faculty than Arizona’s three universities pay, demonstrating that Arizona’s standing is still lacking competitiveness. Specifically:

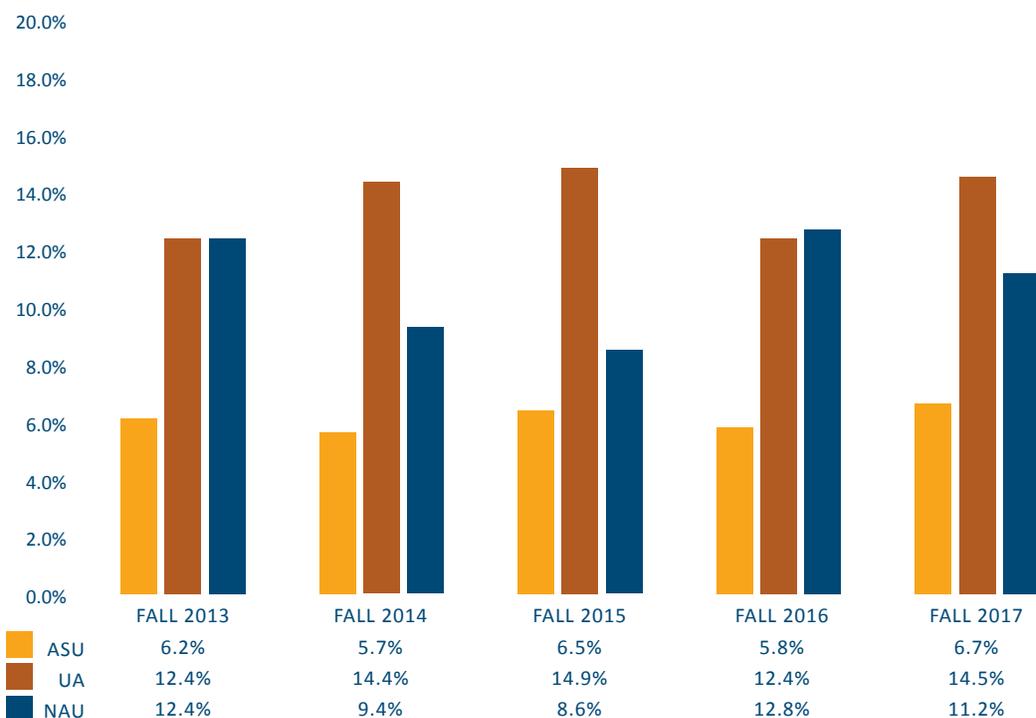
- All three universities’ average faculty salaries rank at or near the bottom of their peers. For ASU, 11 of the 15 peer universities pay higher average salaries; For NAU, 13 of the 15 peer universities pay higher average salaries; and the UA has the lowest average salaries compared to its peer institutions.
- Average faculty salaries range from \$7,400 to \$15,300 (between 6.7%-14.5%) below the peer median at the three universities.

When total compensation is calculated, Arizona university faculty still rank at the bottom percentile compared to peer institutions. So, whether looking at salaries or total compensation, the three universities find competing nationally to recruit and retain the best faculty members to be a continual challenge. Individuals who are able to raise the quality and stature of the universities' programs, can and do command more competitive salaries. Accordingly, Arizona's universities must have the capacity to meet the salary requirements of these scholars and to pay beyond the median to attract and retain them.

Studies have shown that institutions with higher average salaries experience lower faculty turnover rates.

1 Source: American Association of University Professors (AAUP), Fall 2017 Salary Survey Data

ARIZONA UNIVERSITY SYSTEM MAIN CAMPUSES FY 2014 - FY 2018 AVERAGE FACULTY SALARY INCREASE NEEDED TO REACH MEDIAN SALARY OF PEERS



FACULTY RETENTION

Turnover is a fact of life in any organization and Arizona's universities are no exception. There are many reasons for faculty turnover such as retirement, end of assignment or resignation. Resignations for positions in other organizations is the primary factor for faculty leaving the institution, often receiving much higher salaries and benefits and greater resources for research and program development.

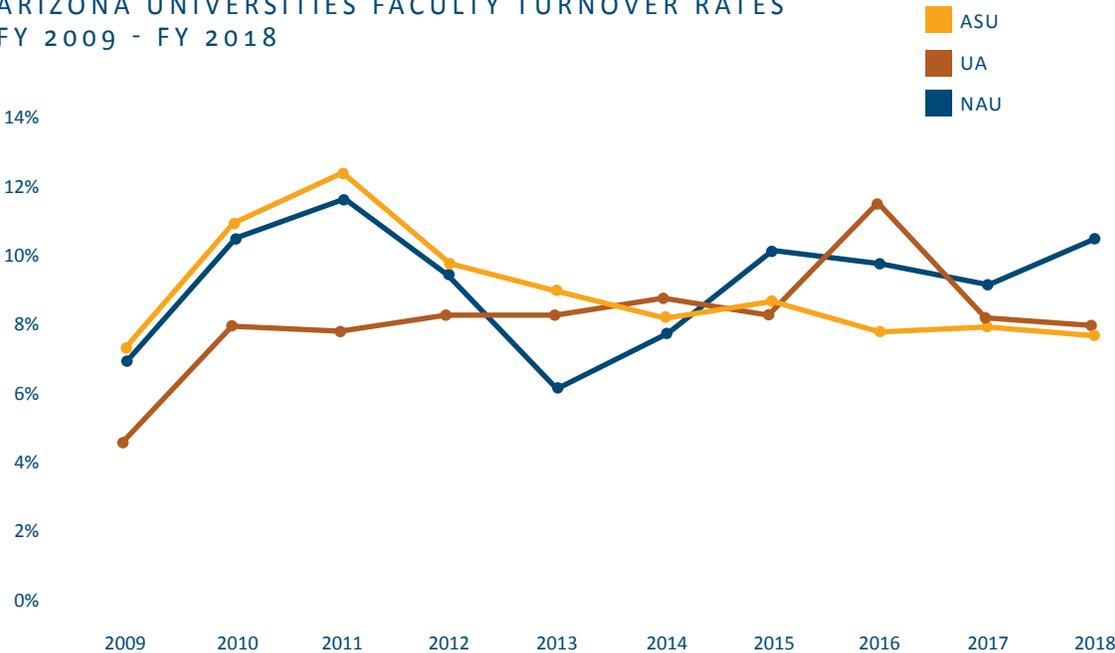
The effects of faculty turnover are often unpredictable and result in the loss of continuity in teaching and research programs, disruptions in graduate and undergraduate advising, and have a negative impact on departmental and institutional management and cohesiveness. More-over, in many research-intensive disciplines where the start-up package for a new faculty member can often run into the hundreds of thousands of dollars, the lost investment made by the institution can be substantial and can include losses in external funding and grant competitiveness. Additional negative effects are harder to quantify, such as loss in program reputation and faculty morale.

The universities and the communities they serve suffer 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 results include significant negative impact to the local, state and regional economies.

Equally important, educators who are leaders in their fields contribute to the quality of the educational experience for the 179,000 students in the Arizona University System.

Faculty turnover is costly to the universities both in talent and in dollars. There are significant costs associated with recruitment and hiring. In addition to advertising expenses there are direct costs of interviewing and bringing candidates to campus, and the indirect costs of faculty and staff members' time in the search process. In the past 12 months, approximately 597 (8.2%) faculty members left the Arizona University System.

**ARIZONA UNIVERSITIES FACULTY TURNOVER RATES
FY 2009 - FY 2018**

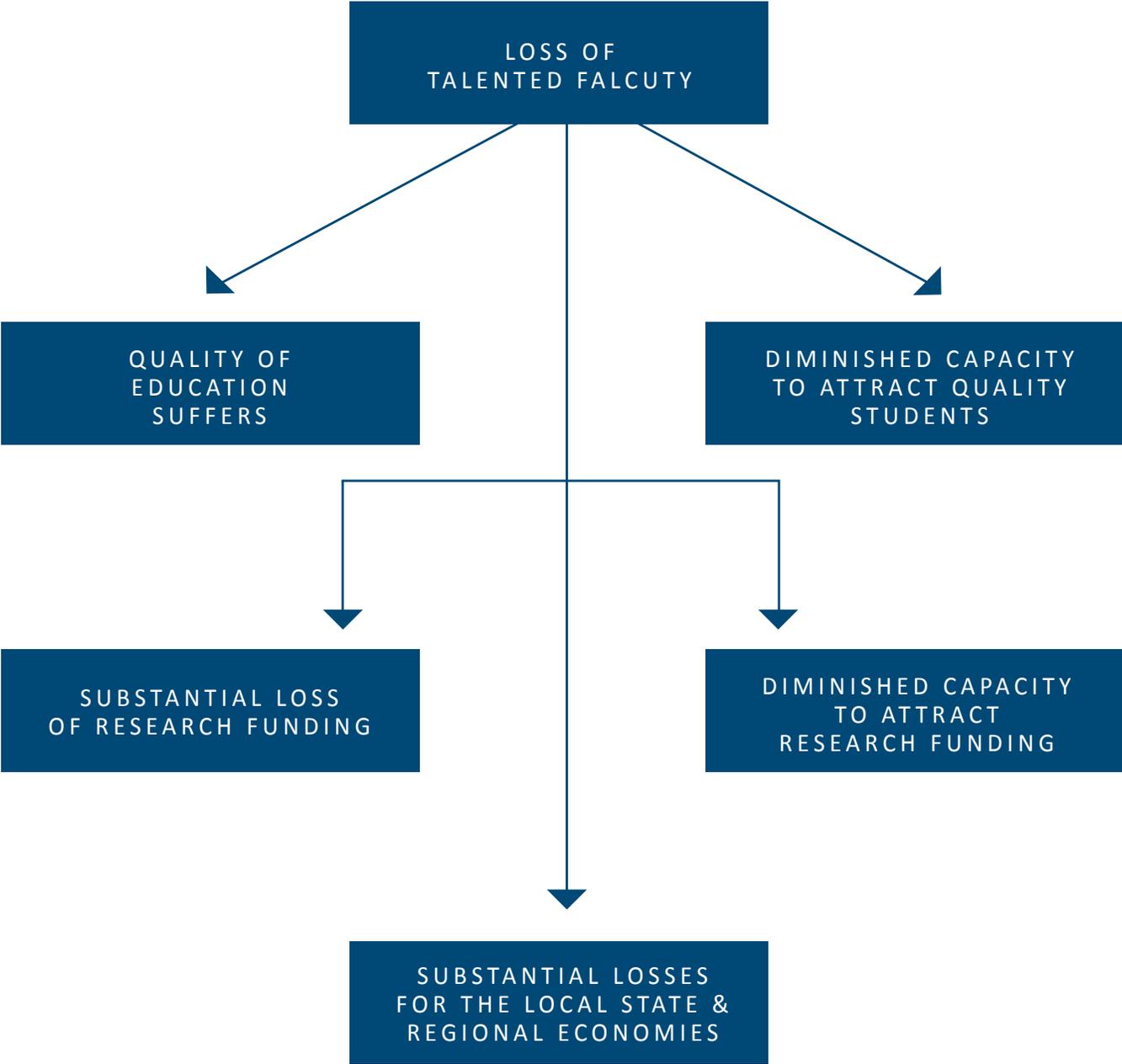


The continuing loss of faculty threatens the quality of the educational experience, weakens the universities, undermines programs and research efforts, and negatively affects statewide economies.

FACULTY RETENTION

Although the universities are proactive in retention efforts and bringing new faculty into the institutions, the actions taken also create some negative consequences, such as the reallocation of limited resources for salaries and relying more on part-time faculty and instructional faculty who are not tenured/tenure-track to meet the growth in student population.

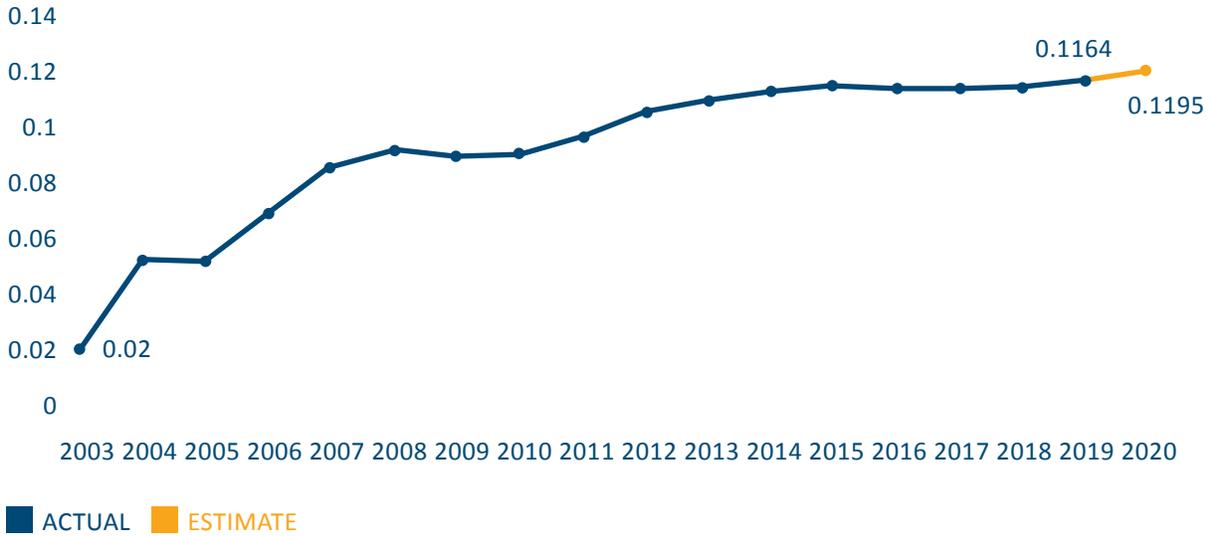
A major problem that results from having limited salary dollars when hiring new employees (who often command more competitive rates), is properly addressing salary equity (both in terms of salary compression and salary inversion) in order to retain key faculty.



STAFF SALARIES

Employees enrolled in the Arizona State Retirement System have seen their employee contribution rates increase six-fold over the years, from 2% in FY 2003 to 11.64% in FY 2019. According to ASRS, contribution rates are expected to increase gradually for several more years, before gradually beginning to fall. These rate increases amount to real reductions to an employee’s net pay.

ASRS - EMPLOYEE CONTRIBUTION RATES¹ FY 2003 - FY 2020



¹ Excludes Long Term Disability (LTD) rates

Although inflation has remained relatively low, averaging about 2.0 percent the past few years, it is expected to increase to about 2.5 percent by the end of 2018. The effects of inflation erode the real value of an employee’s salary. Each time prices increase, an employee’s wage loses some of its value. This coupled with increases in the ASRS contribution rate, further reduces from the competitiveness of salaries offered to staff employees at Arizona’s public universities.

Average staff salaries continue to lag market rates. Annual market movement has averaged around 2.5%-3.0% the past few years, and is expected to continue at that range in 2018 and 2019.

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

AVERAGE PROJECTED SALARY INCREASES TO REACH MARKET FOR CLASSIFIED AND OTHER STAFF

CLASSIFIED STAFF			OTHER STAFF		
	FY19	FY20		FY19	FY20
ASU	11.5%	6.8%	ASU	17.4%	15.3%
NAU	21.5%	23.3%	NAU	16.2%	17.8%
UA	20.9%	24.7%	UA	14.7%	17.9%
ABOR	2.4%	2.4%	ABOR	20.7%	22.5%