

ANNUAL PERSONNEL REPORT

FY 2016

BOARD OF
Regents  ARIZONA'S PUBLIC
UNIVERSITIES

EDUCATE • DISCOVER • IMPACT

ASU ARIZONA STATE
UNIVERSITY

 NORTHERN
ARIZONA
UNIVERSITY

 THE UNIVERSITY
OF ARIZONA

FY 2016 ANNUAL PERSONNEL REPORT

Special Points of Interest:

- Projected Unmet Salary Need for FY 2016
- Faculty Salary Compared to Peers
- Faculty Retention
- Staff Salaries
- Staff Turnover
- Overtime Pay in FY 2014

Talented faculty and staff are necessary to achieve the goals presented in ABOR's *Arizona Higher Education Enterprise Plan (AHEE)*. The need to attract and retain the caliber of faculty and staff who are able to 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.

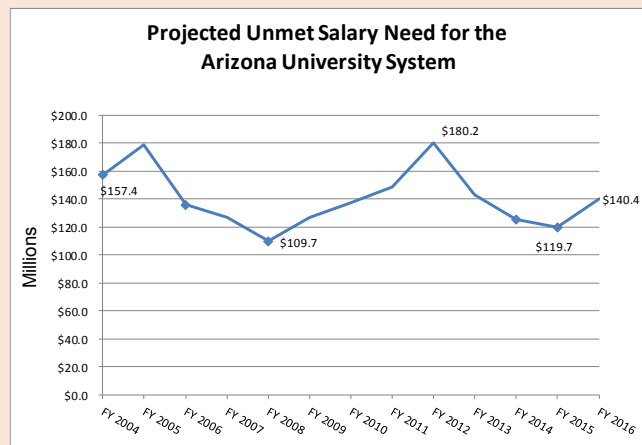
FY 2016 PROJECTED UNMET SALARY NEED

FY 2016 PROJECTED UNMET SALARY NEED FOR THE ARIZONA UNIVERSITY SYSTEM (\$ in Thousands)

ASU	\$37,509.8
NAU	\$29,187.6
UA	\$73,366.6
ABOR	\$319.5
TOTAL	\$140,383.5

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 2016, the projected unmet salary need for the Arizona University System is \$140.4 million, an increase of \$20 million from the \$119.7 million projected for FY 2015.

Between FY 2005 and FY 2008 significant progress was made toward closing the salary gap for university employees, but the slow recovery in Arizona's economy has had a prolonged negative impact on Arizona's universities ability to keep pace with salary needs.



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.

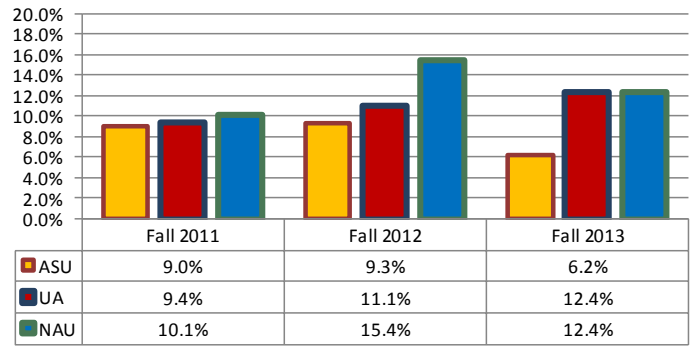
FACULTY SALARIES

The majority of the comparator universities 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 the bottom of their peers. For ASU, 13 of the 15 peer universities pay higher average salaries than ASU; For NAU, 12 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 \$6,400 to \$12,300 (up to 12%) 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.

**Arizona University System Main Campuses
FY 2012 - FY 2014 Average Faculty Salary Increase
Needed to Reach Median Salary of Peers**



FACULTY RETENTION

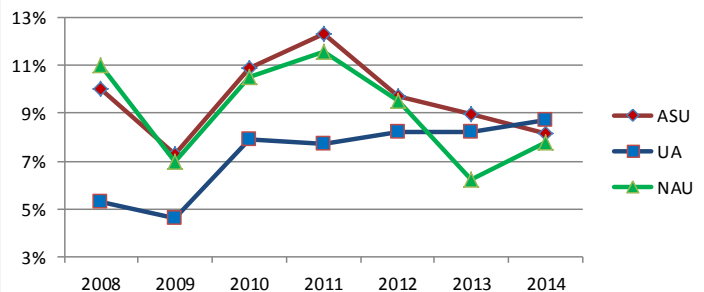
The effects of faculty turnover are often unpredictable and result in the loss of continuity in teaching and research programs, disruptions in graduate and undergraduate advising, and have a negative impact on departmental and institutional management and cohesiveness. Moreover, in many research-intensive 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 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 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 145,000+ students in the Arizona University System.

The cumulative effect of faculty turnover over the past several years is very 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 555 (8%) faculty members left the Arizona University System. The average turnover rate in FY 2014 for all categories of faculty at ASU is 8.2%; 7.8% at NAU, and 8.7% at the UA.

**Arizona University System
Faculty Turnover
FY 2008 - FY 2014**

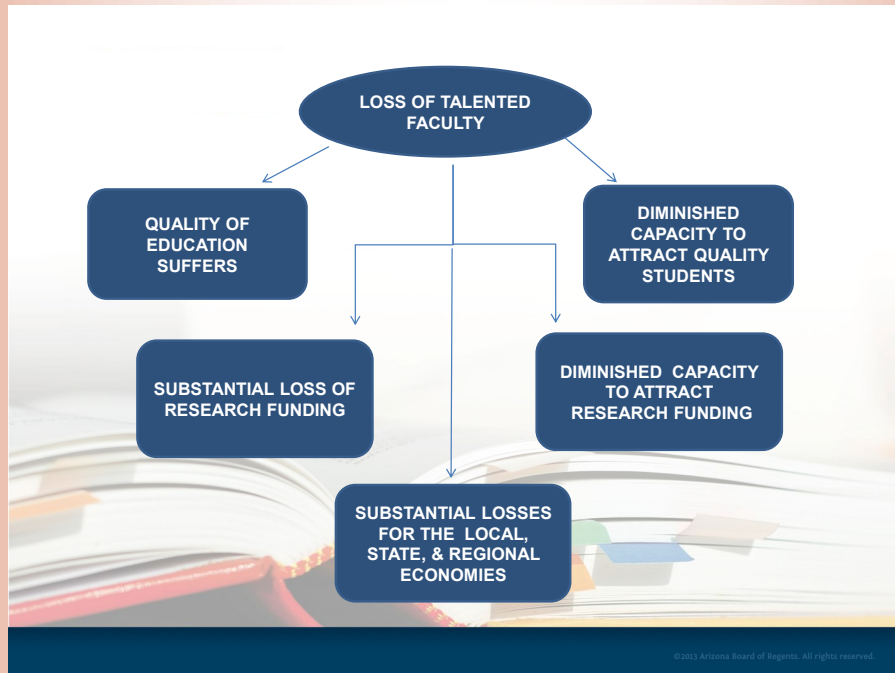


The continuing loss of faculty threatens the quality of the educational experience, weakens the universities, undermines programs and research efforts, and negatively affects statewide economies.

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.

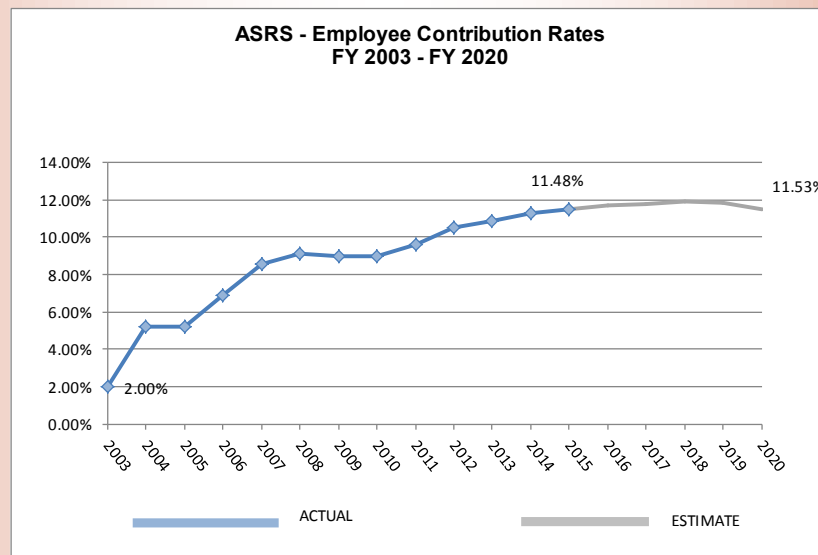
A major problem that results from having limited salary dollars when hiring new employees (who often command more competitive rates), is properly addressing salary equity (both in terms of salary compression and salary inversion) in order to retain key faculty.



STAFF SALARIES

Average staff salaries continue to lag market rates. Annual market movement has averaged between 2.6% - 3.0% the past few years, and is expected to be about 3.0% in FY 2015.

Employees enrolled in the Arizona State Retirement System saw required employee contribution rates increase nearly six-fold over the past decade, rising from 2% in FY 2003 to 11.48% in FY 2015. These employee contribution rate increases amount to real reductions to an employee's net pay.



STAFF SALARIES

Although Inflation has remained relatively low, averaging about 2.5% since 2003, the affects 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 the increase in ASRS contribution rate increases, subtracts further from the competitiveness of salaries offered to staff employees at Arizona's public universities.

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

AVERAGE PROJECTED SALARY INCREASES TO REACH MARKET FOR CLASSIFIED AND OTHER STAFF		
	CLASSIFIED STAFF	
	FY15	FY16
ASU	26.8%	27.6%
NAU	17.1%	19.0%
UA	16.7%	19.7%
ABOR	4.7%	7.9%
	OTHER STAFF	
	FY15	FY16
ASU	23.7%	24.5%
NAU	11.2%	12.3%
UA	11.4%	14.2%
ABOR	10.7%	15.7%

STAFF TURNOVER

FY 2014 AVERAGE TURNOVER RATE FOR CLASSIFIED, PROFESSIONAL and ADMINISTRATIVE STAFF			
	CLASSIFIED	PROFESSIONAL	ADMINISTRATORS
ARIZONA STATE UNIVERSITY	14.1%	16.4%	7.6%
NORTHERN ARIZONA UNIVERSITY	12.4%	10.3%	5.9%
UNIVERSITY OF ARIZONA	14.6%	12.2%	5.0%
ABOR	0.0%	12.5%	16.7%

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. Turnover in the Arizona University System has reached the level that, even in the midst of an economic downturn, more than one out of every seven classified

and professional staff employees leaves the system each year. In the past 12 months, 1,064 (14%) classified staff and over 1,000 (14%) professional 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. When a position is left unfilled, it puts additional stresses on existing employees who are already asked to do more as a result of reduced staffing levels. 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 2014 OVERTIME PAY

A.R.S.§41-763.01 requires the reporting of state-funded overtime pay paid. The majority of overtime paid is for positions associated with facilities management and campus police. Special events and inclement weather also contribute to overtime worked by employees, as well as the effects of a reduced work force. Total overtime paid from all sources decreased slightly from \$4.2 million in FY 2013 to \$4.0 million in FY 2014.

FY 2014 OVERTIME PAID (Dollars in Thousands)					
	STATE-FUNDED			OTHER SOURCES	TOTAL
	COMP	OT	TOTAL		
ASU	\$78.5	\$203.0	\$281.5	\$768.9	\$1,050.3
NAU	32.7	218.3	251.0	\$167.3	418.4
UA	348.2	598.8	947.0	\$1,583.7	2,530.7
ABOR	0.4	-	0.4	\$0.0	0.4
TOTAL	\$459.8	\$1,020.1	\$1,479.8	\$2,519.9	\$3,999.8