



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #744

Compensation for Faculty and Academic Staff (UW System and UW-Madison Authority)

[LFB 2011-13 Budget Summary: Page 465, #8, 469, #17, and 471, #22]

CURRENT LAW

The Board of Regents may only increase the salaries of continuing faculty, academic staff, and certain administrative positions as follows: (a) as provided in the pay plan approved for those positions by the Joint Committee on Employment Relations; (b) to correct for salary inequities; (c) to fund job reclassifications and promotions; and (d) to recognize competitive factors. In addition, the Board of Regents may only increase the salaries of continuing senior executives as specified in (a), (b), and (d) above.

The UW System Board of Regents must establish salary ranges for university senior executives, including the UW-Madison chancellor and vice chancellor, based on an analysis of salaries paid for similar positions at comparable universities in other states. The salaries of these senior executives may not exceed to maximum of the salary range for the position.

No person who is employed or retained in a full-time capacity with a state agency or authority may hold any other position or be retained in any other capacity with an state agency or authority from which the individuals receives more than \$12,000 in compensation during the year.

GOVERNOR

The ability of the UW-Madison Board of Trustees to increase the salaries of continuing faculty, academic staff, and senior executives would not be limited by statute.

Provide that UW-Madison employees would be exempt from a statutory provision prohibiting full-time employees of one agency or authority from holding a position in another

agency or authority for which the employee receives more than \$12,000 in compensation in any year.

DISCUSSION POINTS

1. Under current law, the Board of Regents submits pay plan recommendations for faculty, academic staff, and senior executives to the director of the Office of State Employee Relations (OSER). The OSER director then submits a pay plan proposal for UW System faculty, academic staff, and senior executives to the Joint Committee on Employment Relations (JCOER). By law, this proposal is based on the competitive ability of the Board of Regents to recruit and retain qualified faculty and academic staff; data collected as to rates of pay for comparable work in other public services, universities, and commercial and industrial establishments; the recommendations of the Board of Regents; and the recommendations of any special studies carried on as to the need for any changes in compensation and employee benefits. The proposal may contain recommendations for across-the-board pay adjustments, merit, or other adjustments and employee benefit improvements.

2. Table 1 shows annual pay plan increases approved by JCOER for UW faculty and academic staff from 2001-02 to 2010-11. Since 2003-04, pay plans for UW System faculty, academic staff, and senior executives have been less than the pay plans recommended by the Board of Regents.

TABLE 1

**Faculty and Academic Staff Pay Plan
2001-02 to 2010-11**

2001-02	3.2%
2002-03	4.2
2003-04	0.0
2004-05	1.1
2005-06	2.0
2006-07	4.3
2007-08	2.0
2008-09	1.0
2009-10	0.0
2010-11	0.0

3. Under current law, the Board of Regents may only increase faculty and academic staff salaries under the following circumstances: (a) as provided under the pay plan approved by the Joint Committee on Employee Relations (JCOER); (b) to fund job reclassifications or promotions; (c) to correct salary inequities; and (d) to recognize competitive factors. In past biennia, JCOER-approved pay plans have allowed the Board to distribute increases in payroll to be used for merit, retention, across-the-board, or other pay increases. Under prior Regent policy, when pay plan exceeds 2%, institutions must distribute the increase as follows: (a) not less than one-third distributed on the basis of merit and market factors; (b) not less than one-third distributed on the

basis of solid performance; and (c) the remainder distributed to address other compensation needs. When pay plan increases are 2% or less, the increase must be distributed across-the-board on the basis of strong performance unless the institution receives a waiver from the Board of Regents. Due to the relatively small increases in pay plan that have been provided during the previous four biennia, institutions have had limited ability to provide merit-based salary increases.

4. In December, 2010, the Board of Regents submitted its pay plan recommendations to OSER for the 2011-13 biennium. In that document, the Regents supported salary increase of 2% annually for faculty and academic staff. In addition, the Regents requested that the ability to distribute any salary increases provided through the 2011-13 compensation plan on the basis of merit and solid performance.

5. Due to pay plan increases that were less than those of peer institutions, salaries for UW System faculty and academic staff have decreased with respect to their peers since 2000-01. Table 2 shows the average salaries (adjusted for cost of living) for full professors (the highest faculty rank) at UW System institutions and their respective peer institutions in 2000-01 and 2009-10. As shown in Table 2, the average salary for full professors at UW-Madison was 1.4% less than the average salary for a full professor at peer institutions in 2000-01; by 2009-10, this gap had increased to 7.1%. Salaries for full professors at UW-Milwaukee and the comprehensives (the 11 four- year institutions) have fallen even farther from those of their peers. The gap in average salary between Milwaukee and its peers has increased from 4.4% in 2000-01 to 29.6% in 2009-10. The gap in average salary between the comprehensives has grown from 8.4% in 2000-01 to 25.0% in 2009-10.

TABLE 2

**Average Salaries for Full Professors at UW System Institutions and Peers
(Adjusted for Cost of Living)
2000-01 and 2009-10**

	2000-01			2009-10		
	Average Salary	Peer Average Salary	Percent Difference	Average Salary	Peer Average Salary	Percent Difference
Madison	\$85,700	\$86,900	1.4%	\$111,000	\$118,900	7.1%
Milwaukee	75,200	78,500	4.4	79,400	102,900	29.6
Comprehensives	63,500	68,800	8.4	71,700	89,600	25.0

6. The gap between UW assistant professors' salaries, who are the most junior faculty, and those at peer institutions is generally smaller than for full professors. Assistant professors are generally new Ph.D.s who have recently been hired by the University. As such, their salaries are determined by the market, instead of by previous pay plans. The salaries of assistant professors tend to be closer to the peer average than those of full professors who are mid- to late-career professionals. At the assistant professor level, the salary gap was 11.0% at UW-Milwaukee and 12.2% at the comprehensive institutions in 2009-10. Salaries for assistant professors at UW-

Madison were 4.9% above the peer median

7. As JCOER-approved pay plans have not provided funds for merit-based salary increases in seven of the past eight years and the Board of Regents are prohibited from increasing salary to recognize performance outside of pay plans, the salaries of continuing faculty have stagnated. Meanwhile, junior faculty members are hired at market rates which may be close to or even greater than the salaries of more senior faculty members. Often, the only way for a continuing faculty or academic staff member to increase his or her salary is to elicit employment offers from other institutions or to take a new position. This creates retention issues which may be costly to the University.

8. The loss of a full professor is costly to the University both in terms of the funds required to replace the faculty member and the loss of research grant funding. Recruiting new faculty members can be a long and costly process. At UW-Madison, for example, recruiting and hiring for a faculty position generally takes over a year. In addition, new hires, whose salaries are determined by the market, may start at salaries equal to or greater than the faculty member who left. In addition, professors who produce large amounts of federal and private research grant and contract revenue take that funding with them. New hires are generally junior faculty members who generate a lesser amount of outside research funding. These new hires may also require start-up funds to retrofit laboratory space, purchase equipment, support graduate assistants or laboratory technicians, and otherwise support the faculty member's research until he or she can secure sufficient extramural grant funding. The loss of research funding associated with the departure of a faculty member and the cost of start-up funding for new hires is of particular concern to UW-Madison which has a large research program. Between the cost of hiring a replacement and the loss of grant funding, it is estimated that the loss of a full faculty member at UW-Madison costs the University \$1.2 million.

9. In each of the past three biennia, the UW System has received funding to support the recruitment and retention of high demand faculty and academic staff. In 2005-07, \$2,500,000 GPR was provided for this purpose; in 2007-09, \$6,922,900 GPR and \$3,077,100 PR-tuition was provided; and in 2009-11, \$9,750,000 GPR and \$5,250,000 PR-tuition was provided. UW institutions have used this additional funding to address compensation issues. In some cases, these funds have been used to make counteroffers to faculty and academic staff members who have received employment offers from other institutions or to offer higher starting salaries to faculty and academic staff in high demand fields. In other cases, these funds have been used to proactively adjust the salaries of faculty and academic staff who may be recruited by other institutions. In 2009-10, UW-Madison used the recruitment and retention funds allocated to it by the Board of Regents to provide salary adjustments totaling \$2.0 million to 193 faculty and research academic staff. All other UW System institutions provided adjustments totaling \$2.0 million to 572 faculty and research academic staff using these funds. The bill would provide no funding to support the recruitment and retention of high demand faculty and academic staff during the 2011-13 biennium.

10. Under current law, UW institutions can also provide salary increases to faculty and academic staff to correct salary inequities or to recognize competitive factors through base budget reallocations. In 2009-10, UW-Madison provided salary adjustments funded through base reallocations totaling \$1.5 million to 162 faculty and academic staff. All other UW institutions provided adjustments totaling \$0.6 million to 176 faculty and academic staff. UW-Madison, which arguably faces more competition for faculty and academic staff than do the other UW institutions,

has made salary adjustments to correct salary inequities or to recognize competitive factors a priority with the aim of improving faculty and academic staff retention. To this end, UW-Madison has reallocated significant amounts of its base resources to fund these adjustments. This may be one reason why the gap between salaries at UW-Madison and its peer institutions is less than at other UW institutions.

11. Under the bill, Board of Regents employees currently assigned to UW-Madison would become employees of the UW-Madison authority and would no longer be considered state employees. Consequently, JCOER would no longer approve pay plans for UW-Madison employees. The bill does not include any statutory language that would limit the Board of Trustees' ability to increase the salaries of unclassified employees meaning that the Board of Trustees would be able to address current salary issues at UW-Madison. However, as any salary increases would have to be funded within the Board of Trustees' operating budget, the Board would be limited in terms of how much it could pay its employees.

12. Under current law, all agencies, including the UW System, receive pay plan supplements through the compensation reserves to fund salary and fringe benefit increases approved by JCOER during the biennium. Agencies request full funding of salaries and fringe benefits as a standard budget adjustment through the biennial budget process. GPR funding provided to the UW System for full funding of salaries and fringe benefits in recent biennia has been significant. The UW System received \$20,363,500 annually for full funding of salaries and fringe benefit costs in the 2005-07 biennium; \$45,707,400 in 2007-08 and \$47,163,000 in 2008-09; and \$37,552,600 annually in the 2009-11 biennium. The bill would provide the UW System with \$61,693,800 GPR annually for the full funding of salaries and fringe benefit costs previously approved by JCOER.

13. Under the bill, UW-Madison would not receive pay plan supplements during this or future biennia and would not request standard budget adjustments for full funding for salaries and fringe benefits beginning in the 2013-15 biennium. Under the Wisconsin Idea Partnership proposed by the Board of Regents, the UW System would similarly not receive pay plan supplements or full funding of salaries and fringe benefits in the future. Instead of receiving additional state funds for these costs, UW-Madison or the UW System would have to fund these costs using their own resources which would include GPR base funding, tuition, gifts and grants, and other resources. UW-Madison and the UW System have proposed that if GPR funding is provided in the form of a block grant, percentage increases could be provided through the biennial budget to fund increases in salaries and fringe benefits and other costs. However, if no increases are provided, UW-Madison and the UW System would have to fund these costs through internal reallocations, tuition increases, or increases in other revenues such as gifts and research grants. Given UW-Madison's unique access to other funding streams, UW-Madison may be able to fund increases in salary and fringe benefit costs in the case that additional GPR is not provided to fund these costs in the future. However, given that federal grants and contracts and gifts and grants make up a smaller portion of all other UW System institutions' budgets, those institutions may have a more limited ability to fund increases in salary and fringe benefit costs in the absence of additional state GPR funds.

14. Another provision of the bill would grant the UW-Madison authority Board of Trustees the authority to set tuition rates for all UW-Madison students including resident undergraduate students. The Board of Regents has requested the same authority through the proposed Wisconsin Idea Partnership. These provisions are discussed in a separate budget paper

prepared by this office. If the UW Board of Regents or the proposed UW-Madison authority Board of Trustees were provided both unlimited tuition authority and the ability to approve pay plans for faculty, academic staff, and senior executives, the Legislature would not be able to limit the amount by which resident undergraduate tuition would be increased to fund those pay plans. If the Committee permits either board to approve pay plans for faculty, academic staff, and senior executives, the Committee may want to limit the tuition authority of the Board of Regents and the Board of Trustees

15. The UW-Madison GPR block grant provided under the bill includes amounts intended to correspond to the amount of money that UW-Madison would have received in pay plan supplements (\$7 million in 2011-12 and \$14 million in 2012-13). Based on UW payroll data, it is estimated that \$4.6 million in 2011-12 and \$9.2 million in 2012-13 could be attributed to pay plan supplements that would have been provided for unclassified employees. Under the Wisconsin Idea Partnership, the UW System would similarly not receive pay plan supplements. If the Committee authorizes the UW System to approve pay plans for its unclassified employees, the Committee could increase the amount of GPR provided for the UW System by \$7.5 million in 2011-12 and \$15.0 million in 2012-13 and reduce the amounts provided in the compensation reserve by those amounts. These amounts would be consistent with the amounts provided under the bill for UW-Madison. Conversely, if the Committee does not approve the bill provisions and UW-Madison would continue to receive pay plan supplements for unclassified employees, the Committee could reduce the GPR provided to UW-Madison by \$4.6 million in 2011-12 and \$9.2 million in 2012-13 and increase the compensation reserves by those amounts.

16. Permitting UW-Madison to establish its own compensation plan separate from the compensation plan that would be approved for the rest of the UW System may be warranted given the relatively large number of faculty and academic staff who are funded with federal grants and other non-state funds. As of April 1, 2011, 32% of UW-Madison unclassified employees were funded through a combination of state GPR and tuition revenues; 33% were funded with federal grants, contracts, and indirect cost reimbursements; and 23% were funded with gifts and grant funds. By comparison, 70% of all other UW System unclassified employees were funded through a combination of state GPR and tuition revenues; 8% were funded with federal grants, contracts, and indirect cost reimbursements; and 4% were funded with gifts and grant funds. The state may have less of an interest in limiting the salaries of faculty and academic staff who are not funded with state GPR and tuition revenues. On the other hand, the Legislature may continue to have an interest in the level of compensation provided to faculty and academic staff. For this reason, the Committee may want to maintain JCOER approval of compensation plans from UW faculty and academic staff.

17. Salaries at UW-Milwaukee and the comprehensives are significantly farther behind their peers than salaries at UW-Madison are. For this reason, the Committee may want to extend any compensation flexibilities that may be provided to UW-Madison to all UW institutions.

18. Alternatively, the Committee could modify current law to permit the Board of Regents to increase salaries to recognize performance. This would allow the Board of Regents to address compensation issues at the various institutions using base resources, which would include state GPR, tuition, gift and grants, and other resources, without removing the UW System from the state compensation plan. To limit the cost of such increases to the state, the Committee could specify that full funding for salary increases granted to recognize performance could not be

requested as a standard budget adjustment through the biennial budget process. Under current law, the UW System does not request full funding of salary increases granted to recognize competitive factors through the biennial budget process.

19. Under 2001 Act 16, the UW System's senior executive positions, including the UW-Madison chancellor and vice chancellor, were removed from the state's salary plan and the Board of Regents were given the authority to set the salaries and salary ranges for these positions. The Board of Regents is required to base any changes in salary levels on an analysis of salaries paid for similar positions at comparable universities in other states. The Board uses the peer group salaries to determine the salary range for each position with a midpoint equal to 95% of the median of the peer group salaries. According to Regent policy, the salary range is set between 90% and 110% of the midpoint established by the Board. The Board may pay a salary that exceeds 110% of the midpoint of any salary range if approved by JCOER.

20. The current salary range approved by the Board of Regents for the UW-Madison chancellor is \$369,907 to \$452,109; the salary range approved for the UW-Madison vice chancellor is \$238,468 to \$291,461. In 2010-11, the UW-Madison chancellor's salary is \$437,000 and UW-Madison's vice chancellor's salary is \$291,461. The UW-Madison chancellor's salary includes \$100,000 from private sources; however, the rest of the chancellor's salary and all of the vice chancellor's salary is funded with state GPR.

21. Under the bill, the salaries of the UW-Madison chancellor and vice chancellor would be set by the UW-Madison authority Board of Trustees. Currently, these salaries of these positions are funded mostly with state GPR; however, these salaries could be funded with other revenue sources under the authority model. Regardless of how these salaries would be paid in the future, the chancellor and vice chancellor would continue to participate in the Wisconsin Retirement System (WRS). As future WRS benefits would be based on these salaries, the state may have an interest in continuing to limit the salaries of the UW-Madison chancellor and vice chancellor. If the Committee wishes to limit future salary increases for the UW-Madison chancellor and vice chancellor, the Committee could require the UW-Madison authority Board of Trustees to establish salary ranges for the UW-Madison chancellor and vice chancellor based on an analysis of salaries paid for similar positions at comparable public universities in other states. Specify that the chancellor's and vice chancellor's salaries may not exceed to maximum of the salary range for the position.

22. Under current law, full-time employees of state agencies and authorities are prohibited from receiving more than \$12,000 in compensation for work performed at a state agency or authority in addition to their normal duties. Under the bill, UW-Madison authority employees would be exempted from this provision; under the Wisconsin Idea Partnership, all UW employees would be exempted. This provision may prevent faculty members employed by one institution from offering multiple courses, either in a traditional classroom setting or through a distance education platform, at other UW institutions.

23. According to staff at UW-Extension, which offers continuing education courses, instructors are generally paid \$7,500 for teaching additional courses. Under the current law provision, a full-time faculty member or academic staff person would not be able to teach more than one additional course in an academic year. This may be inefficient from a state perspective in that additional faculty or academic staff members may have to be hired to teach these courses. The

ability to earn extra income by offering additional courses may also be an important recruitment and retention tool for faculty members whose base salaries may lag behind their peers. In addition, this provision does not prevent a faculty member from offering courses at a non-UW institution. Therefore, this provision does not prevent a faculty member from taking on additional instructional duties, it simply prohibits the faculty member from doing so within the UW System.

24. To allow UW faculty and academic staff members to teach multiple additional courses during an academic year, the Committee could exempt UW employees from this provision. Alternatively, the Committee could increase the cap on additional earnings for UW employees from \$12,000 under current law to \$25,000, which would allow faculty and academic staff members to teach three additional courses in any year.

ALTERNATIVES

A. UW-Madison Authority

1. Approve the Governor's recommendations.
2. Modify the Governor's recommendation to require the UW-Madison authority Board of Trustees to establish salary ranges for the UW-Madison chancellor and vice chancellor based on an analysis of salaries paid for similar positions at comparable public universities in other states. Specify that the chancellor's and vice chancellor's salaries may not exceed to maximum of the salary range for the position.
3. Delete provisions. Reduce GPR provided to UW-Madison by \$4.6 million in 2011-12 and \$9.2 million in 2012-13 and increase the compensation reserves by those amounts.

B. UW System

1. Specify that the Board of Regents, instead of JCOER as under current law, would approve annual pay plans for UW System faculty and academic staff. These pay plans would be funded with resources available to the Board of Regents including state GPR, tuition, gifts and grants, and other revenues. The Board of Regents would no longer receive pay plan supplements for faculty, academic staff, and senior executives from the compensation reserve during the biennium and would not request full-funding of salaries and fringe benefits for these employees as a standard budget adjustment beginning in the 2013-15 biennium. Increase GPR funding for the UW System by \$7.5 million in 2011-12 and by \$15.0 million in 2012-13 and reduce the compensation reserves by the same amount to reflect that UW System would not receive pay plan supplements for faculty, academic staff, and senior executives during the biennium. In addition, specify that the salaries of UW System senior executives would be set as under current law.
2. Modify current law to permit the Board of Regents to increase salaries for faculty and academic staff to recognize performance.
3. No action.

C. Dual Employment

1. Approve the Governor's recommendations with regard to UW-Madison authority employees. In addition, exempt UW System employees from the cap on additional earnings from state agencies and authorities.
2. Increase the cap on additional earnings from state agencies and authorities from \$12,000 to \$25,000 for UW employees.
3. Delete the provision

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