



## Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #779

### Retaining High Demand Faculty (UW System)

[LFB 2005-07 Budget Summary: Page 500, #8]

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#### CURRENT LAW

In 2004-05, the adjusted base budget for the UW System totals approximately \$3,822.0 million, of which \$976.6 million or 25.6% is funded from state, general purpose revenues. Approximately 75% of the University's GPR adjusted base budget is provided under an appropriation for general program operations for University education, research, and public service. The UW System has the ability to combine the GPR general program operations funds with monies received from tuition and certain federal indirect cost reimbursements, creating an approximate \$1.5 billion pool of funds that it may use to run its operations.

#### GOVERNOR

Provide \$2,500,000 GPR annually to support supplemental salary increases to faculty whose services are in high demand by other higher educational institutions.

#### DISCUSSION POINTS

1. In the fall of 2003, there were approximately 6,620 faculty positions at UW campuses and UW Extension. By statute, faculty are defined as individuals holding a specific rank within an academic department or its functional equivalent, such as assistant professor, associate professor, and full professor. Systemwide, 42.0% of UW faculty are full professors, 26.4% are associate professors, 30.9% are assistant professors, and 0.7% are instructors or other unranked faculty.

2. Increases to base funding for UW faculty and academic staff compensation are determined using the same pay plan process in which compensation levels for all other non-

represented state employees are established. Funding for all pay plan increases, both salary and fringe benefits, is not contained in agency budgets; instead, it is provided in separate compensation reserves for later allocation to agencies' appropriations. The state's non-represented pay plan is usually approved at approximately the same time as the biennial budget, but follows a separate process.

3. Unlike other state agencies, the Board of Regents submits a pay plan request for UW unclassified employees to the Office of State Employment Relations (OSER). The OSER Director then submits a separate recommendation for UW unclassified staff pay increases to the Joint Committee on Employment Relations (JCOER), which can approve, modify, or reject the OSER recommendation. Any modification by JCOER of OSER's recommendation is subject to gubernatorial veto.

4. In an effort to recruit and retain top faculty, the UW System Board of Regents included a request for \$26.1 million in 2005-06 and \$53.9 million in 2006-07 for an annual 3% increase in the UW System's unclassified pay plan to improve recruitment and retention of faculty and staff and increase the number of tenure-track faculty in the classroom. The request was in addition to the UW System's pay plan request to OSER of 3% annually for unclassified employees. The specific funding increase for unclassified pay plan was intended to bring the salaries of faculty, academic staff, and graduate assistants to the average levels of those at peer institutions in 2003-04.

5. As an alternative to the UW System's budget request, AB 100 would provide \$2,500,000 annually to support supplemental salary increases to faculty whose services are in high demand by other higher educational institutions. The funding provided would be allocated for the salary and fringe benefit cost increases associated with a counter-offer. [Executive budget staff have sent an errata to reallocate \$265,200 of fringe benefit expenses to the salary line since the fringe benefit costs were over-allocated under the Governor's original bill.]

6. Because funding for counter-offers would involve an ongoing commitment, if the UW System fully committed \$2.5 million in 2005-06, it would not have monies available for new counter-offers in 2006-07. As a result, the Committee may wish to shift \$833,000 from 2005-06 to 2006-07 to fund counter-offers in each fiscal year; this would provide \$1,667,000 for counter-offers in each year of the 2005-07 biennium with \$1,667,000 in 2005-06 and \$3,333,000 in 2006-07.

7. The Governor's provision does not define the types of high demand faculty that would be eligible for the supplemental salary. According to UW System staff, the Board of Regents would allocate the funding based on each institution's share of the UW System's 2004-05 GPR/Fee budget excluding debt service, utilities, financial aid, separately budgeted academic tuition, and Extension credit programs. Campuses would be free to establish eligibility standards. Among UW System campuses, faculty in business, computer science, health and science professions, mathematics education, statistics, and psychology are in demand both within and outside of academia. However, offers to UW System faculty have not been restricted to these areas.

8. UW-Madison is the only campus that has centrally tracked outside offers made to

faculty and the number of faculty retained. In 2003-04, some 98 UW-Madison faculty received outside offers with 56 retained through counter-offers. Currently, UW System campuses may provide a counter-offer to a faculty member provided the faculty member has a verified offer of employment and if the academic department determines that a counter-offer is appropriate. In making a counter-offer, the department and campus determine the availability of funds from other sources or the feasibility of reallocating base resources.

9. The funding provided under the Governor's budget would help campuses retain faculty that receive outside employment offers without reallocating base resources to fund the counter-offer. However, outside of UW-Madison, the extent of the faculty retention issue has not been well documented. One could argue that faculty retention issues be addressed through the normal pay plan process with the University continuing their current policy of providing counter-offers to retain faculty through their base resource reallocations. In addition, although data from the UW System is not available, presumably the UW System also fills vacancies on occasion by hiring faculty from other universities.

## **ALTERNATIVES**

1. Approve Governor's recommendation, but reallocate \$265,200 annually from fringe benefit expenditures to salary.
2. Modify Alternative 1 to shift \$833,000 of funding from 2005-06 to 2006-07.
3. Delete the provision.

<b>Alternative 3</b>	<b>GPR</b>
<b>2005-07 FUNDING</b> (Change to Bill)	- \$5,000,000

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