



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #822

Retention of High Demand Faculty (UW System)

Bill Agency

[LFB 2007-09 Budget Summary: Page 573, #7]

CURRENT LAW

By statute, the UW Board of Regents is permitted to grant salary increases to recognize competitive factors. Under 2005 Act 25, the UW System was provided with \$1,667,000 GPR in 2005-06 and \$3,333,000 GPR in 2007-08 to support supplemental salary increases to faculty whose services are in high demand by other higher educational institutions. The Board must submit annually a report concerning the amounts of any salary increases granted to recognize competitive factors and the institutions at which they were granted to the Joint Committee on Finance, the Secretary of the Department of Administration (DOA), and the director of the Office of State Employment Relations (OSER).

GOVERNOR

Provide \$2,307,600 GPR and \$1,025,700 PR in 2007-08 and \$4,615,300 GPR and \$2,051,400 PR in 2008-09 to support competitive compensation of faculty in high-demand academic disciplines.

Specify that the Board of Regents could not expend moneys in any fiscal year from the UW System's largest GPR general program operations appropriation or the PR tuition appropriation for certain purposes. This restriction would apply to expenditures to support supplemental salary increases for faculty whose services are in high demand by other higher educational institutions in an amount that exceeds the amount expended for that purpose in the previous fiscal year. This restriction would not apply if the Board of Regents submits a plan for

expending that excessive amount to the Secretary of the Department of Administration (DOA) and the Secretary of DOA approves the expenditure of that excessive amount.

DISCUSSION POINTS

Funding for High Demand Faculty

1. In the fall of 2006, there were approximately 6,500 faculty positions at the 26 UW System campuses and the UW Extension. Increases in compensation for these faculty members, who are unclassified staff, is determined using a pay plan process similar to the process used to determine the compensation levels for all other non-represented state employees. By statute, the Board of Regents submits a pay plan request for the UW System's unclassified staff, which includes faculty, 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. Funding for all pay plan increases is not contained in agency budgets; rather, it is provided in separate compensation reserves for later allocation to agencies' appropriations.

2. UW-Madison is the only campus for which detailed information regarding outside offers made to faculty has been provided. In 2005-06, 116 faculty members at UW-Madison received outside offers; of this number, 34 left the University. According to the UW System, roughly two-thirds of faculty members who receive outside offers are full professors, which is the highest rank of faculty. Full professors generally produce a large amount of federal and private research grant and contract revenue. In 2005-06, the average research award for a full professor at UW-Madison was \$563,200. By comparison, assistant professors, a junior faculty rank, had an average research award of \$239,800.

3. When a faculty member leaves the University, it takes an average of one year to recruit and hire a replacement. In addition, these new hires are generally junior faculty members who generate a lesser amount of outside research funding. According to the UW System, it may take as many as seven years for a newly-hired junior faculty member to reach his or her full grant earning potential. Every year that a faculty position is vacant or is held by a faculty member who receives less grant funding than his or her predecessor represents a loss in grant funding for the University.

4. By statute, the Board of Regents can provide salary increases to faculty to correct salary inequities or to recognize competitive factors. Prior to the provision in 2005 Act 25, which provided funds for this purpose, these increases were funded solely through base budget reallocations. In 2004-05, the University provided salary adjustments totaling \$2,210,425 to 195 faculty and academic staff members. Most of these adjustments (170) were provided to faculty and academic staff members at UW-Madison.

5. Under 2005 Act 25, \$1,667,000 GPR was provided to the UW System to retain high

demand faculty in 2005-06. Subsequently, the number of faculty and academic staff who received salary adjustments in that year increased to 886 for a total of \$3,900,662. Faculty and academic staff at UW-Madison received the largest number of these adjustments but made up a much smaller portion of the total adjustments received than in previous years.

6. Data from UW-Madison suggests that the funding appropriated under 2005 Act 25 has increased the University's effectiveness in retaining faculty. In 2003-04, prior to the availability of these funds, 98 UW-Madison faculty received outside offers and 56, or 57%, were retained through counter-offers. By comparison, in 2005-06, the first year in which additional funding was available for counter-offers, 116 faculty members received outside offers and 82, or 71%, were retained.

7. According to UW-Madison, the number of outside offers received by faculty has doubled over the past five years. In 2001-02, 58 faculty members received outside offers. By 2005-06, that figure had increased to 116. Because the number of outside offers has increased significantly the Governor's budget would provide \$3,333,300 in 2007-08 and \$6,666,700 in 2008-09, which are the amounts requested by the UW System. As \$1,667,000 was provided in 2005-06 and \$3,333,000 was provided in 2006-07, the funding provided in the Governor's budget is twice the funding provided in each year of the 2005-07 biennium. However, SB 40 would use tuition revenue to fund a portion of this provision, while 2005 Act 25 only used GPR; Act 25 also did not require approval by the Secretary of DOA.

8. The SB 40 increase would be in addition to the \$3,333,000 GPR for this purpose in the UW System's base budget. However, as counter-offers involve an ongoing commitment, the funding in the UW System's base budget should be fully committed by the end of 2006-07. The funding in SB 40 would provide moneys for new counter-offers and adjustments in each year of the 2007-09 biennium.

9. The UW System cites low salaries and salary increases that have been lower than those provided at peer institutions for the recent rise in outside offers to UW-Madison professors. In the 2003-05 biennium, the pay plan for UW System unclassified staff provided no increase in 2003-04 and a 1% increase in 2004-05. While greater increases were provided in the 2005-07 biennium, these increases were still less than those provided at peer institutions. According to the UW System, in 2005-06, the average salary for a full professor at UW-Madison was \$91,200. This was \$13,200 less than the peer group median of \$104,400.

10. Due to the overall pay differential, faculty retention issues could be addressed through the normal pay plan process. In December, 2006, the UW System Board of Regents submitted a pay plan request to OSER for 5.23% increases in each year of the biennium for all unclassified employees to be funded entirely by GPR. According to the UW System, these increases along with increases of 5.23% in each year of the 2009-11 biennia would bring UW System faculty salaries to the peer group median in 2011. However, this approach would be costly. The UW System estimates that a 5.23% for all unclassified staff, which includes faculty members, would cost \$48 million in 2007-08 and \$96 million in 2008-09. Based on this potential cost, the

\$10 million in total funding provided in SB 40 could be a less costly way to enhance retention at the UW System.

11. On the other hand, as in all markets, there is a certain amount of ebb and flow that occurs as faculty members move from university to university to pursue their own interests. Presumably, it is normal to have a certain number of faculty members accept outside offers in any given year. Although no data is available, the UW System itself fills vacancies by hiring faculty from other universities on occasion. For this reason, additional funding for the retention of high demand faculty may be unnecessary.

DOA Approval of Plan

12. SB 40 would require the Board of Regents to submit a plan to the Secretary of DOA, and that the Secretary approve that plan, before the Board of Regents could spend an amount of funds from its GPR general program operations and PR tuition revenue appropriations for salary increases to high demand faculty that exceeds the amount expended in the previous fiscal year for that purpose. The plan would detail how any funding above the amount expended in the previous year would be expended.

13. By requiring the Board of Regents to obtain the approval of the Secretary of DOA, the provision would increase the Governor's oversight of salary increases granted to high demand faculty by the Board of Regents. One could question whether this additional authority for DOA is needed, because the Board of Regents governs operations of the UW System and 16 of the 18 Regents are appointed by the Governor, subject to Senate confirmation. In addition, under current law, the Board must submit annually a report concerning the amounts of any salary increases granted to recognize competitive factors and the institutions at which they were granted to the Joint Committee on Finance, the Secretary of the Department of Administration (DOA), and the Director of the Office of State Employment Relations.

ALTERNATIVES TO BILL

A. Funding Level

1. Approve the Governor's recommendation.

ALT A1	Change to Bill Funding	Change to Base Funding
GPR	\$0	\$6,922,900
PR	0	<u>3,077,100</u>
Total	\$0	\$10,000,000

2. Modify the Governor's recommendation to delete \$1,153,500 GPR and \$512,800 PR in 2007-08 and \$2,307,900 GPR and \$1,025,800 PR in 2008-09. This would provide an all funds

total of \$1,667,000 in 2007-08 and \$3,333,000 in 2008-09, which is equal to the amount provided in the 2005-07 biennium.

ALT A2	Change to Bill Funding	Change to Base Funding
GPR	- \$3,461,400	\$3,461,500
PR	- <u>1,538,600</u>	<u>1,538,500</u>
Total	- \$5,000,000	\$5,000,000

3. Delete provision.

ALT A3	Change to Bill Funding	Change to Base Funding
GPR	- \$6,922,900	\$0
PR	- <u>3,077,100</u>	<u>0</u>
Total	- \$10,000,000	\$0

B. DOA Approval of Plan

1. Approve the Governor's recommendation that requires approval of a plan by the Secretary of DOA before expenditure of additional moneys for supplemental salary increases.

2. Delete provision.

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