

FISCAL YEAR 2021

ANNUAL PERSONNEL REPORT



ABOUT THIS REPORT

A.R.S.§41-751 (D) requires the board to submit an annual report on its personnel that includes:

1. Information concerning the number of employees affected by and reasons for turnover of their employees.
2. Information concerning the compensation during the preceding year and the coming year of their employees and the compensation of other public employees and private employees.
3. An advisory recommendation on the salary plan and adjustments for their employees. In establishing the salary plan, they shall consider the relative levels of duties and responsibilities of the various classes of positions, rates paid for comparable positions elsewhere and other relevant factors.
4. The overtime pay for their employees.

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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John Arnold

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INTRODUCTION

Talented faculty and staff are necessary to achieve ABOR's strategic enterprise metrics. Successful employee recruitment and retention is a core objective to meet the challenges of driving student educational success and learning, and to build on research activities to benefit Arizona. In order to attract and keep top talent, Arizona's public universities and system office must be proactive in offering competitive salaries.

Arizona's public universities compete with hundreds of other public and private universities throughout the country to attract and retain talented faculty and staff. In spite of quality of life arguments made for Arizona, higher remuneration is still a key reason an individual accepts other employment or stays with Arizona's public universities. It is essential that the universities see people as assets and not just an expense, and therefore investments in people are a strategic priority for the universities. Salary investments based on performance for faculty and staff whose salaries lag the market help retain the top performing talent. In addition to the need for salary adjustments to retain faculty and staff, the universities are committed to increasing the number of tenured and tenure track faculty.

- **Arizona State University's** Office of Human Resources provides guidance, recommendations and strategic solutions to the hiring and retention of university employees. Objectives include consideration of relevant markets, flexibility in pay administration, opportunities to reward performance, proficiency and outcomes, and support of employee's desire for career growth. ASU maintains a compensation structure reflective of job market dynamics. Each job is assigned a market zone consistent with compensation principles and market relationship.
- **Northern Arizona University** Total Rewards Philosophy is designed to recruit, develop and retain a diverse, high quality and motivated workforce. NAU believes that through market-competitive compensation practices, the university can engage the talent necessary to realize its vision, mission and goals. This year, NAU implemented an updated compensation and classification structure that seeks to align total compensation with market, and in turn, foster expectations of employees that are consistent with other leading organizations. The core principles of the updated structure include:
 - Accountability - Leaders must be charged with making and taking responsibility for compensation decisions at all levels.
 - Adaptability - The classification and compensation structure must include a defined process of monitoring, reviewing and updating to optimize its effectiveness and responsiveness to the market and other changing conditions.
 - Clarity - Create a classification and compensation structure that is straightforward and understandable to leaders, managers and employees. Create clarity to support NAU staff in identifying career paths.
 - Relevance - NAU's compensation levels for positions must be based on external benchmarking of relevant markets as well as the internal value of the roles.
 - Stewardship - The structure will reflect NAU's budget and priorities, while also demonstrating effective expenditure of university resources.

- **The University of Arizona** established a compensation investment program that raises annual salaries for all benefits-eligible faculty, classified staff and appointed professionals; and elevates stipend levels for graduate assistants and associates. Through this program, the university demonstrates its commitment to increasing the competitiveness of compensation and stressing the importance of recognizing the contributions of those individuals. UArizona's compensation philosophy acknowledges that a key strategy in attracting, retaining and engaging remarkable talent is an innovative career and compensation architecture that provides market-informed compensation, clear career pathways and career progression opportunities. UArizona's University Career Architecture Project (UCAP), replaced the current classified staff and appointed professional categories of employment with market-informed job functions and families, and developed:
 - A compensation philosophy and total rewards strategy to attract the best talent necessary to deliver on the mission of the university.
 - A career architecture that makes it possible to benchmark compensation to the external market and manage like positions similarly across all locations.
 - An annual lifecycle model for strategic compensation planning and management.
 - Market-based salary ranges for all positions.
 - Modernized policies and procedures to support the new system.

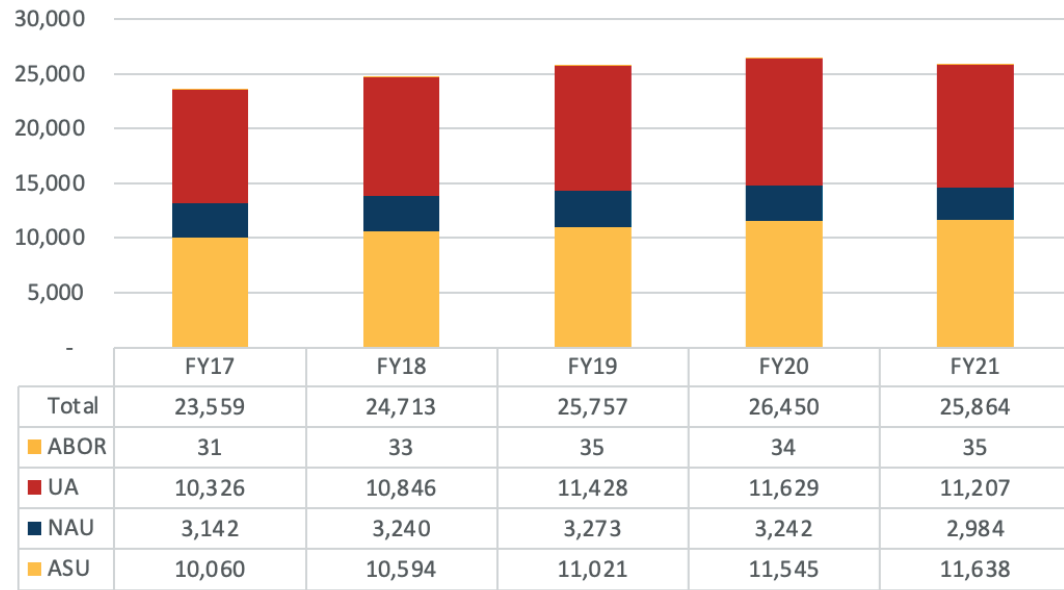
Arizona is one of twelve states that remain at least 20 percent below pre-recession (2008) education appropriations per FTE.¹ The largest declines from 2008 to 2020 are in Arizona (42.7 percent), Oklahoma (38.6 percent) and Louisiana (37.3 percent). In addition, Arizona is the only state where the majority of higher education funding did not come from state tax appropriations.¹ Consequently, the universities have reallocated funds and used other university-generated revenues to address salary deficiencies and salary competitiveness.

¹ SHEEO, SHEF: State Higher Education Finance, 2020 Report. https://shef.sheeo.org/wp-content/uploads/2021/05/SHEEO_SHEF_FY20_Report.pdf

EMPLOYEE POPULATION

The total number of benefits eligible employees is approximately 26,000, increasing 10 percent between fiscal year 2017 and fiscal year 2021, but decreasing slightly between fiscal year 2020 and fiscal year 2021. The overall increase in staff corresponds with student enrollment growth, which increased 16 percent during those years.

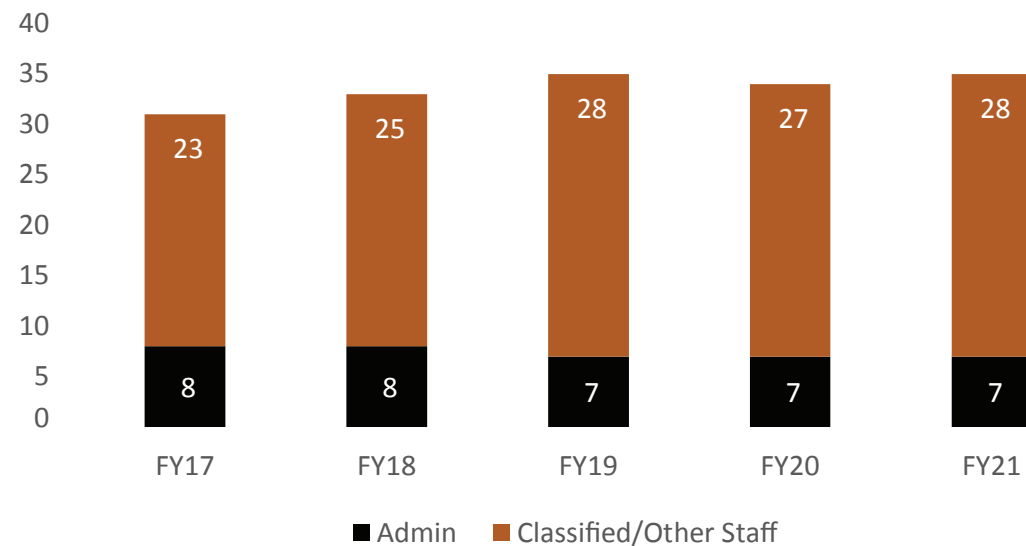
ARIZONA UNIVERSITY SYSTEM EMPLOYEE POPULATION¹



ASU NAU UA ABOR

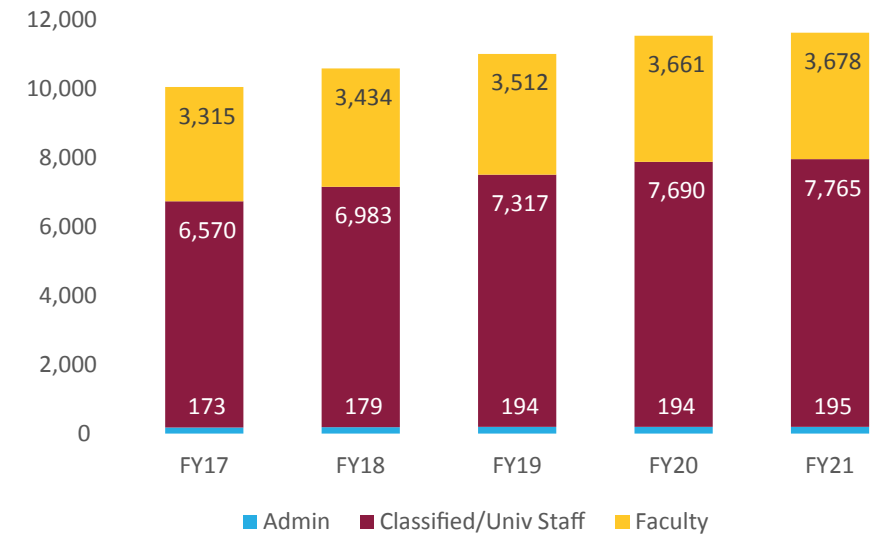
¹ Only Benefits-Eligible Included

ABOR EMPLOYEE BY TYPE



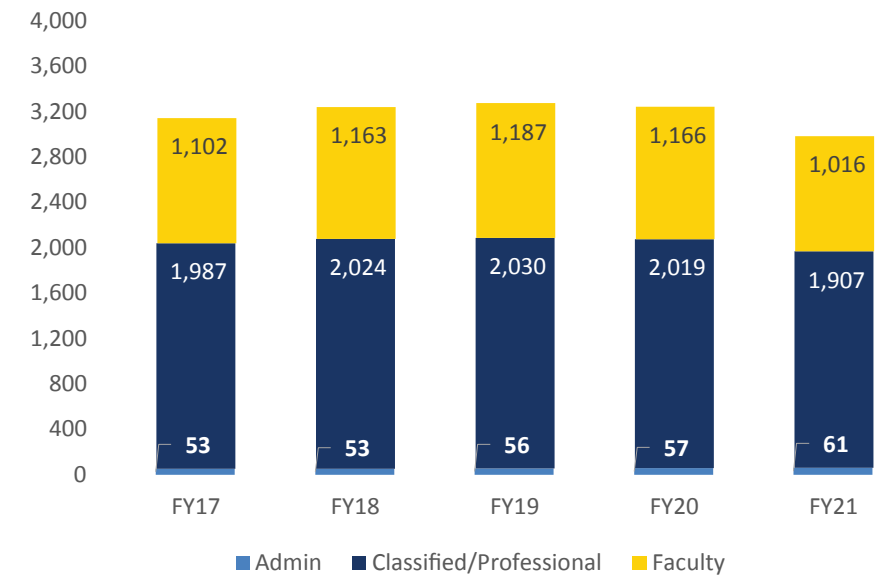
Admin Classified/Other Staff

ASU EMPLOYEE BY TYPE



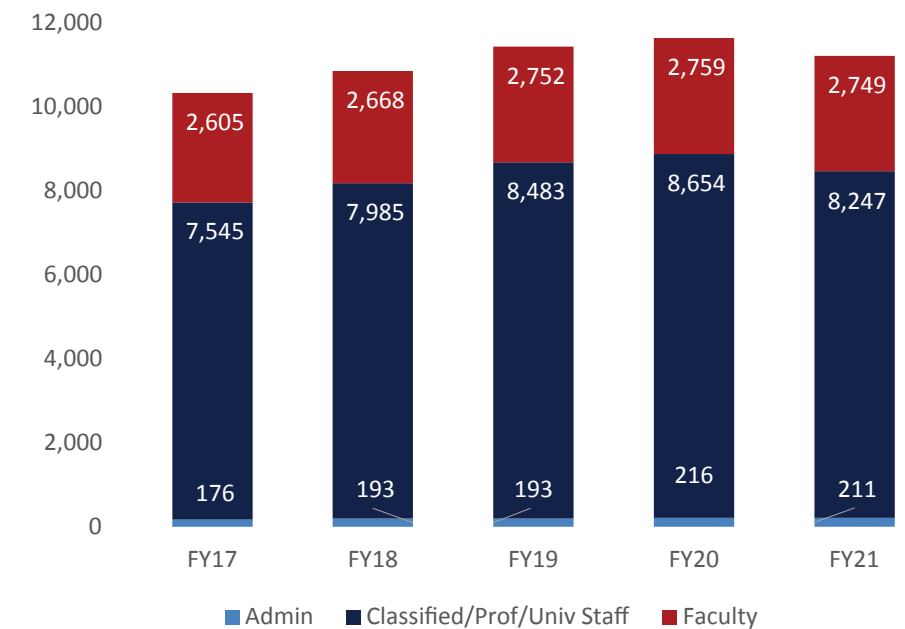
Admin Classified/Univ Staff Faculty

NAU EMPLOYEE BY TYPE



Admin Classified/Professional Faculty

UARIZONA EMPLOYEE BY TYPE



Admin Classified/Prof/Univ Staff Faculty

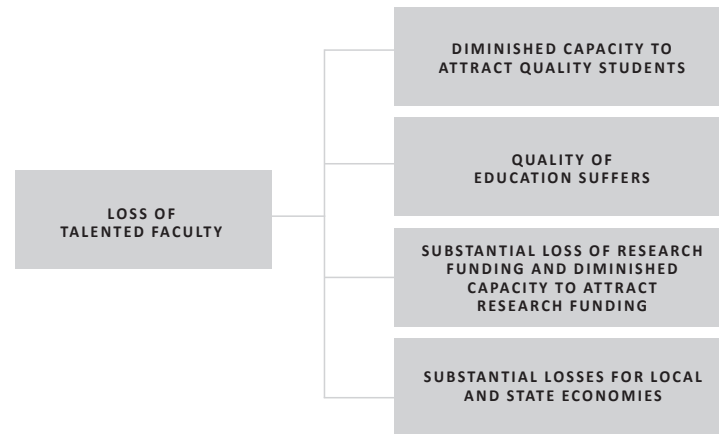
TURNOVER IMPACTS ARIZONA'S PUBLIC UNIVERSITIES

Turnover is an undeniable fact in any organization and Arizona's public universities are no exception. Turnover impacts the system not only when large numbers of employees leave, but also when the most talented and most experienced employees leave.

A major problem that results 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 and staff

FACULTY TURNOVER COSTLY TO UNIVERSITIES

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, 540 (7.3 percent) faculty members left the Arizona university system. This is down considerably from the prior year and aligns with the national trend of low level of "quit rates" in 2020 due to the pandemic.



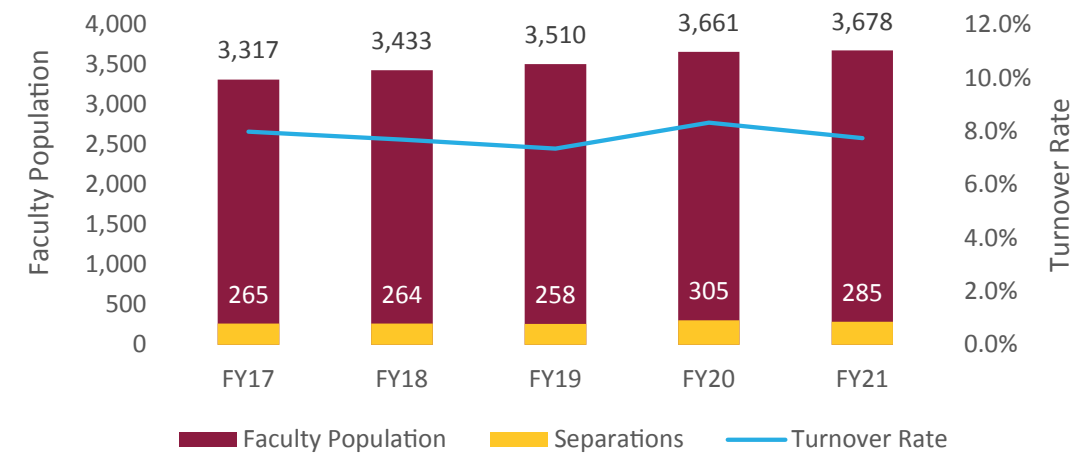
There are many reasons for faculty turnover such as retirement, end of assignment, limited term appointments or resignation. Retirement is a major factor among full professors, but for other faculty resignations to leave the institution for positions in other organizations is the primary factor, with faculty members 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. Educators who are leaders in their fields contribute to the quality of the educational experience for the 204,460 students in the Arizona university system.

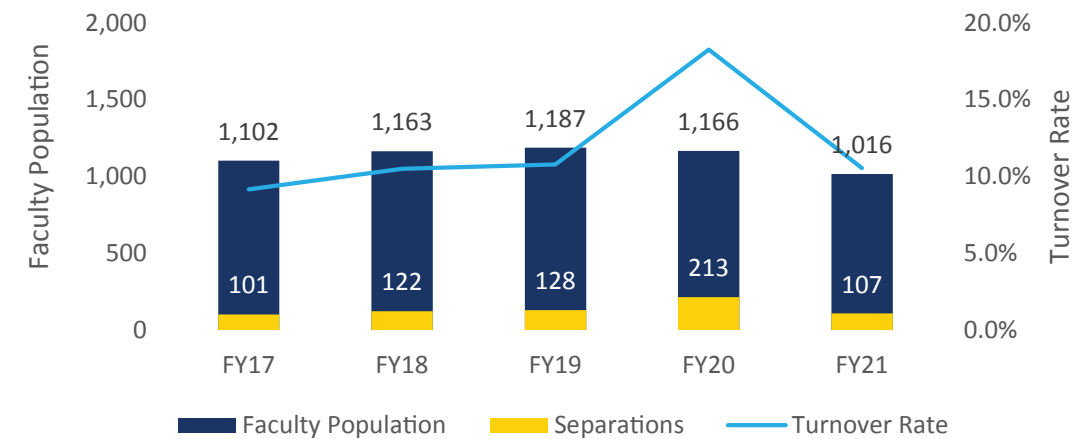
Moreover, in many research-intensive disciplines where the start-up package for a new faculty member can often run into the hundreds of thousands of dollars, the lost investment made by the institution can be substantial and can include losses in external funding and grant competitiveness. Additional negative effects are harder to quantify, such as loss in program reputation and faculty morale.

The universities and the communities they serve suffer 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. When universities' research efforts are curtailed, it has a negative impact on the local, state and regional economies.

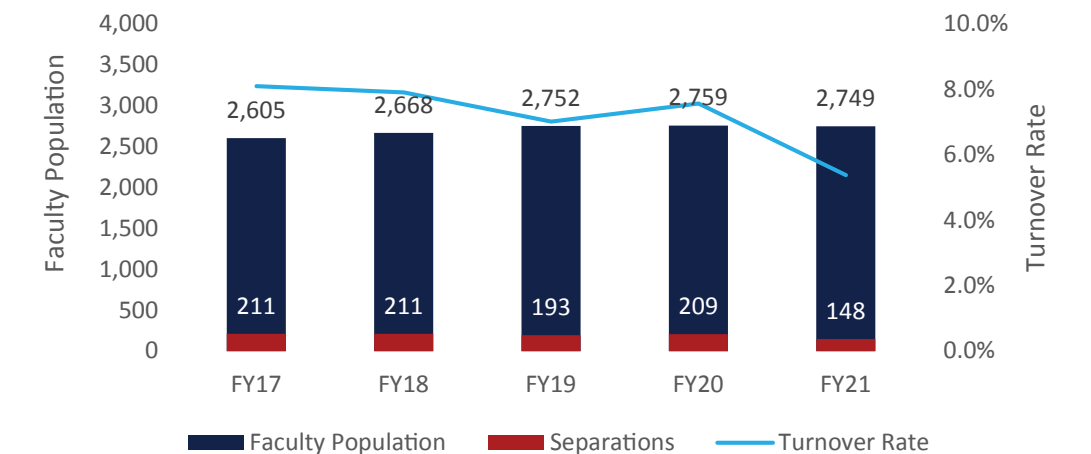
ASU FACULTY SEPARATIONS AND TURNOVER RATE



NAU FACULTY SEPARATIONS AND TURNOVER RATE



UARIZONA FACULTY SEPARATIONS AND TURNOVER RATE

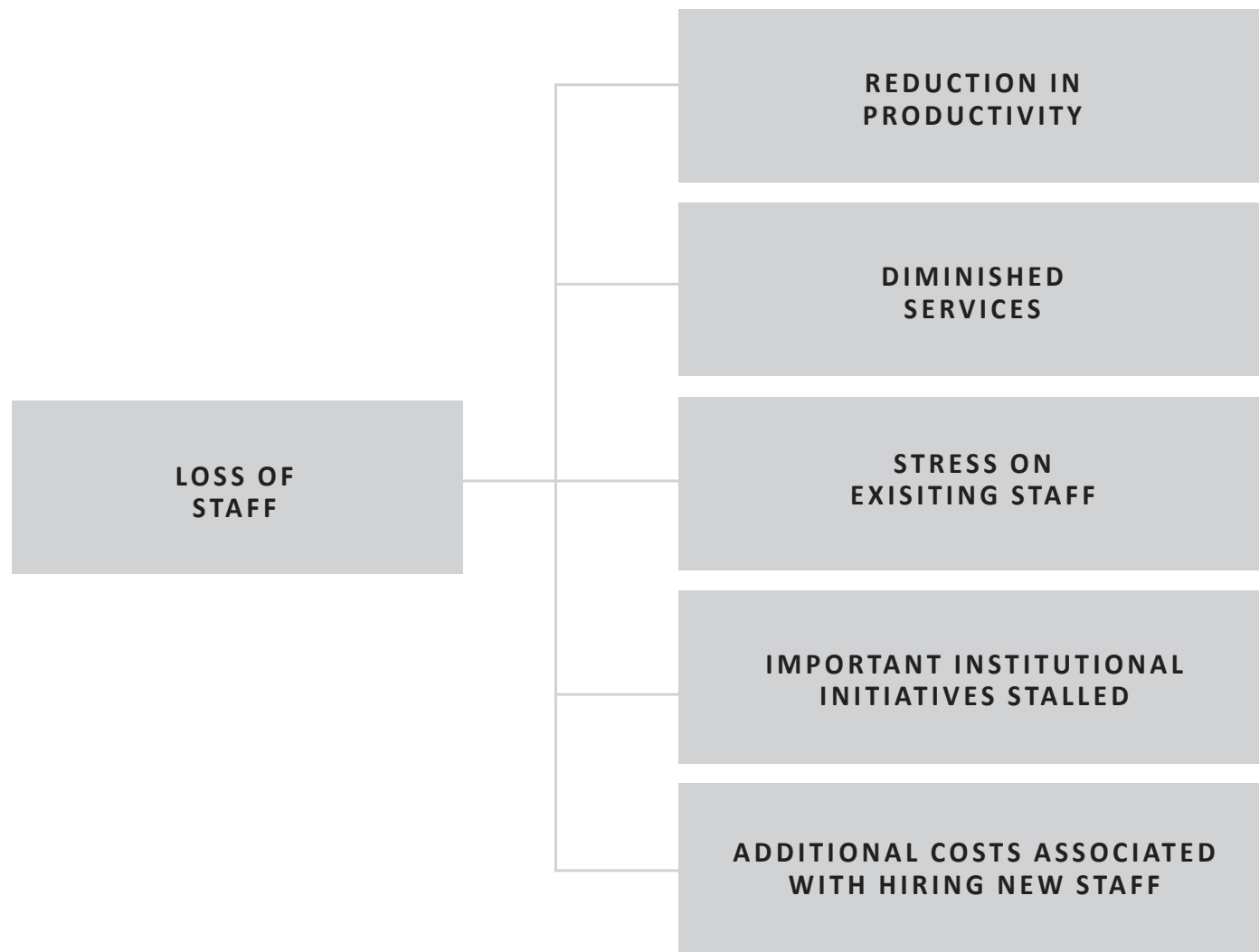


STAFF TURNOVER

Each time a staff member leaves, the universities are faced with the advertising, interviewing and training costs associated with hiring a new employee. The cost of turnover is generally estimated at one to two times the salary of a departing employee. When a position is left unfilled, it puts additional stresses on existing employees, who are already asked to do more as a result of increased demands and fewer personnel resources, and often at lower than competitive salaries. This cycle can exacerbate turnover and the universities' ability to attract and retain high quality staff.

Because of the pandemic, the task of replacing staff was more difficult and also added to the costs due to extended recruitment periods and extended advertising.

When staff turnover increases, losing the human resources that are essential to the operation and success of the institutions creates reductions in productivity, the potential for diminished services to students, and stalls important institutional initiatives.



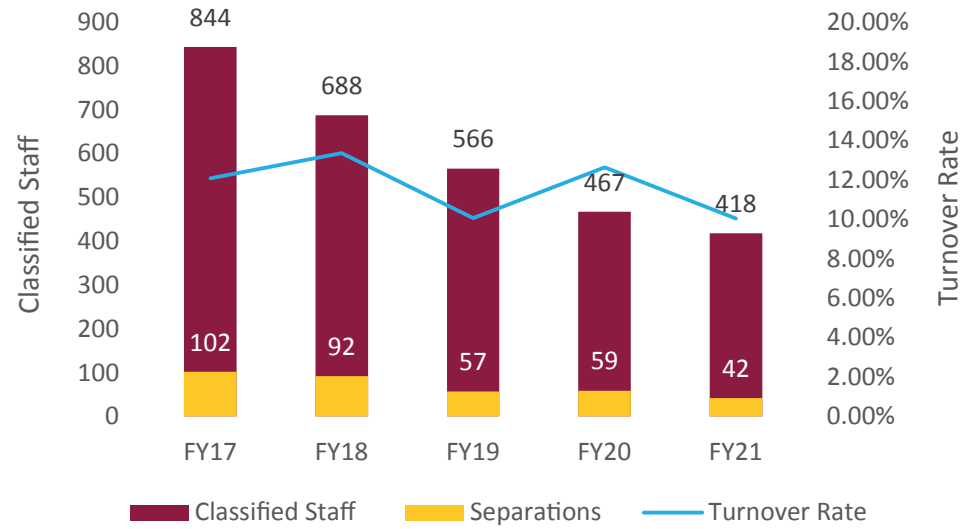
FY 2021 AVERAGE TURNOVER RATE FOR CLASSIFIED, PROFESSIONAL AND ADMIN STAFF

	CLASSIFIED	PROFESSIONAL/ UNIVERSITY STAFF*	ADMIN
ASU	10.0%	14.4%	4.6%
NAU	23.0%	17.3%	13.1%
UA	11.0%	11.1%	1.4%
ABOR	0.0%	9.1%	0.0%

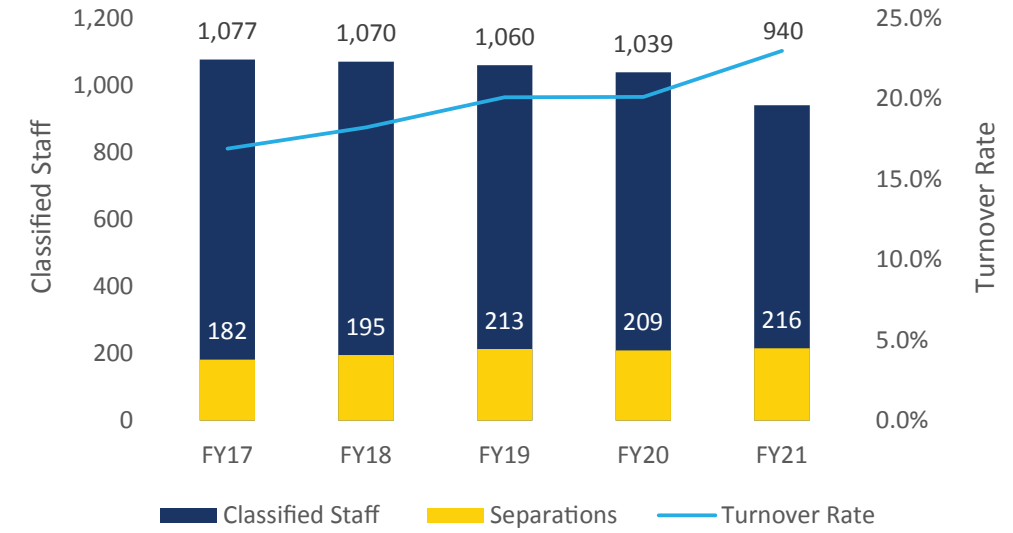
* Professional includes Academic and Service Professionals. University staff carry a secondary designation of "administrative," "professional" or "other."



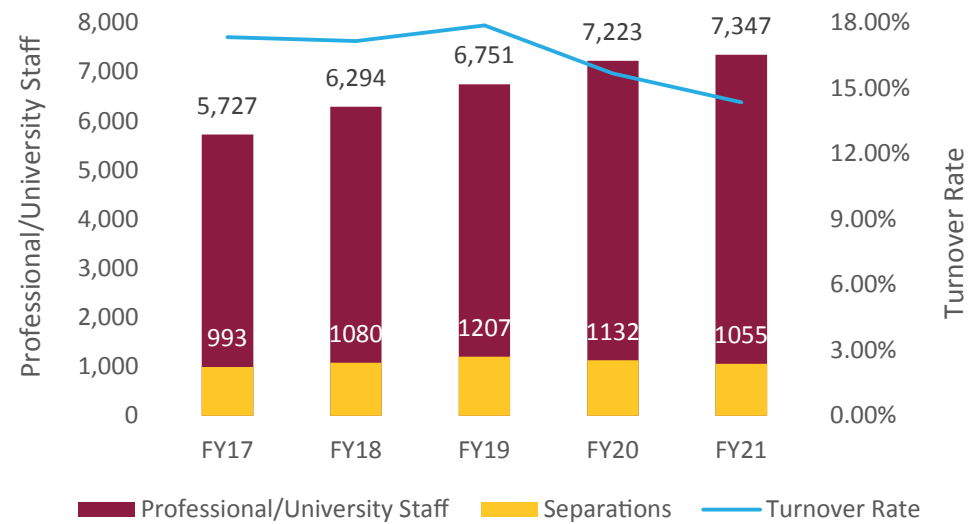
ASU CLASSIFIED STAFF SEPARATIONS AND TURNOVER RATE



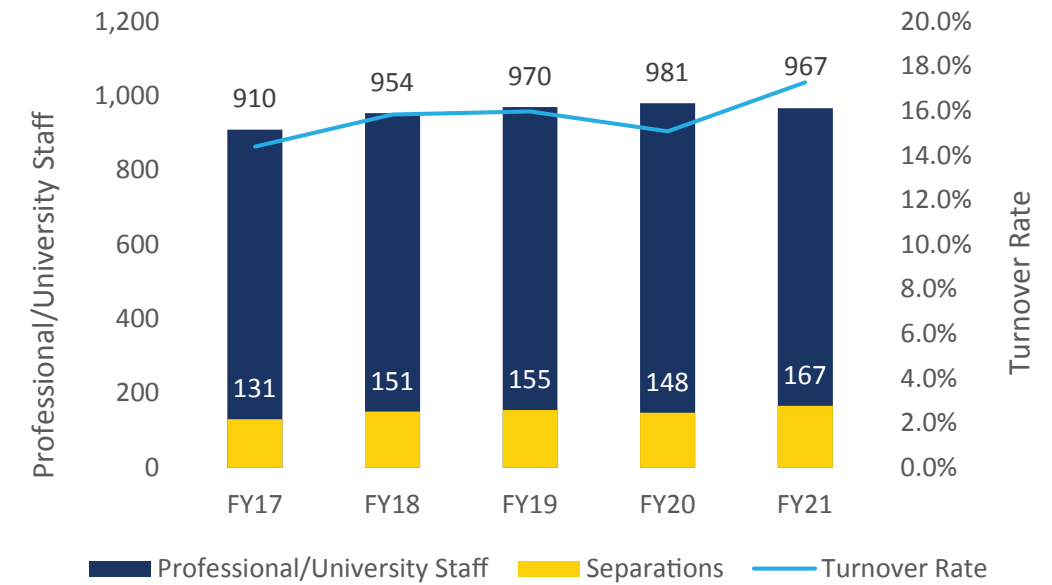
NAU CLASSIFIED STAFF SEPARATIONS AND TURNOVER RATE



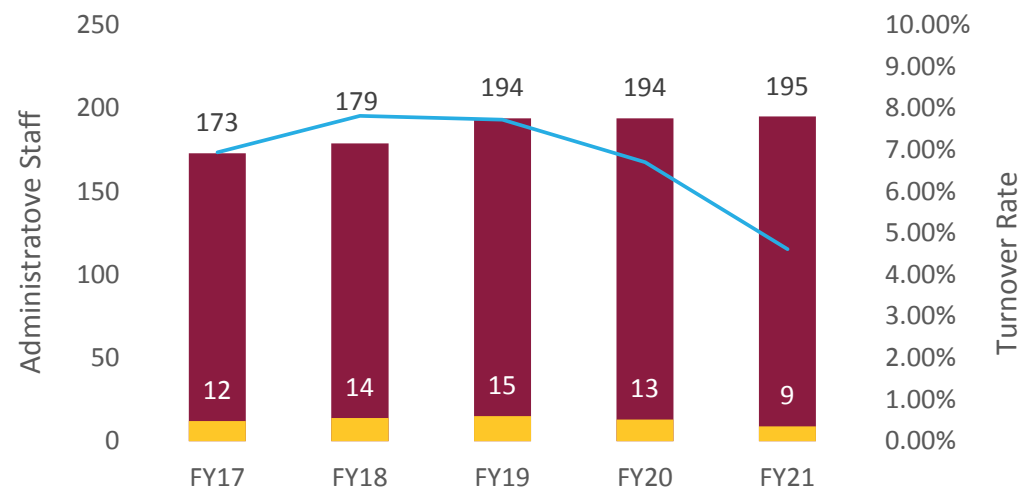
ASU PROFESSIONAL/UNIVERSITY STAFF SEPARATIONS AND TURNOVER RATE



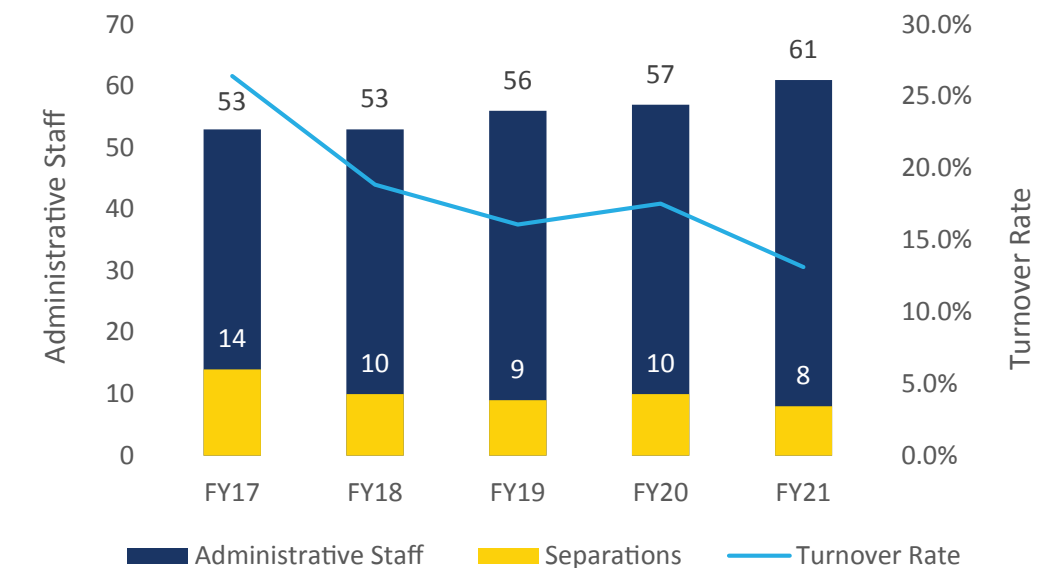
NAU PROFESSIONAL/UNIVERSITY STAFF SEPARATIONS AND TURNOVER RATE



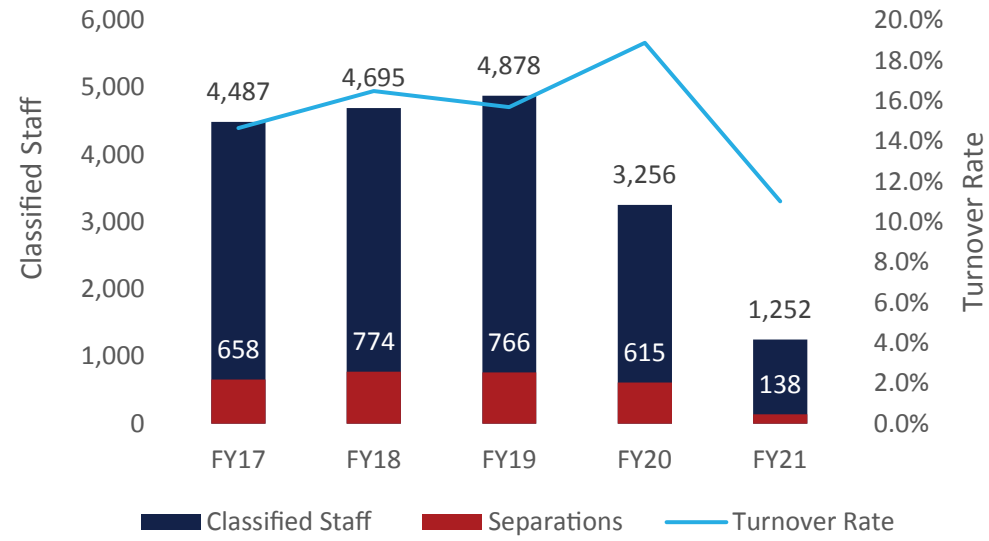
ASU ADMINISTRATIVE STAFF SEPARATIONS AND TURNOVER RATE



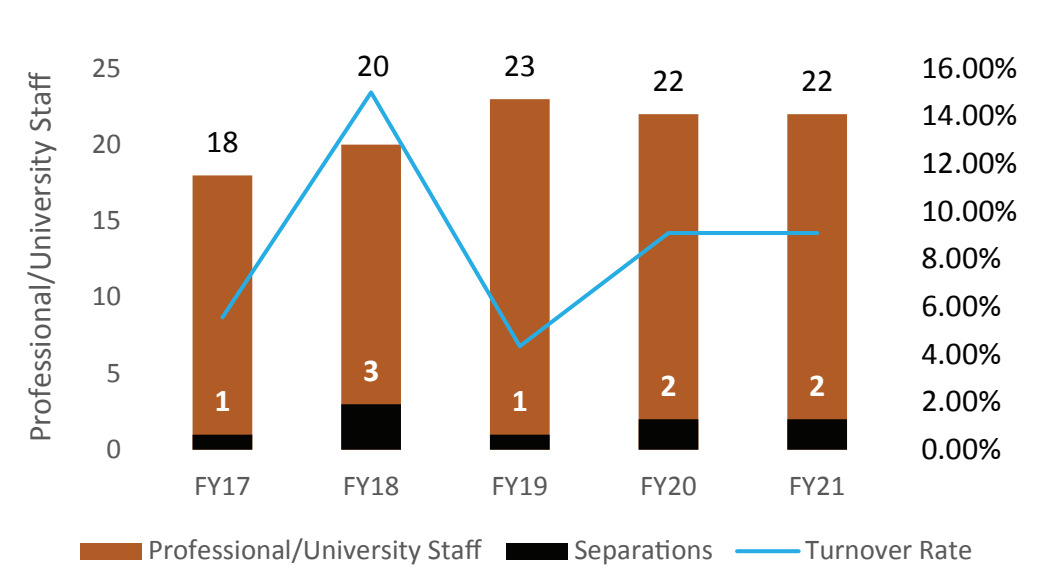
NAU ADMINISTRATIVE STAFF SEPARATIONS AND TURNOVER RATE



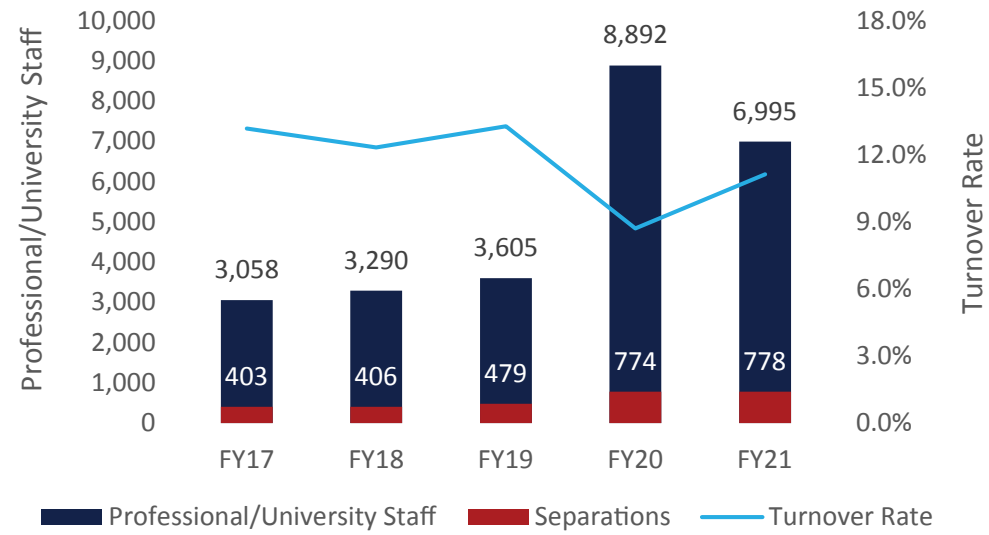
UARIZONA CLASSIFIED STAFF SEPARATIONS AND TURNOVER RATE



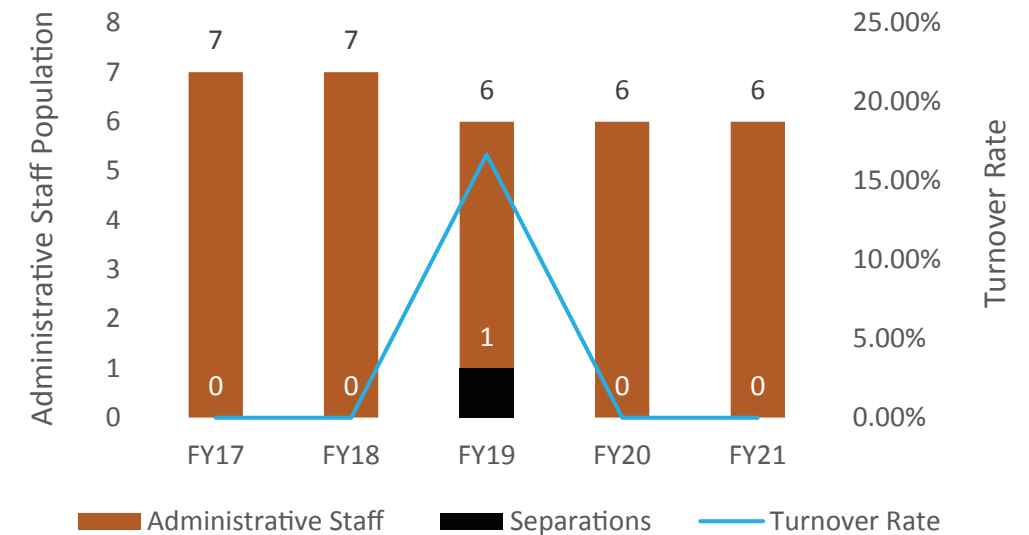
ABOR PROFESSIONAL/UNIVERSITY STAFF SEPARATIONS AND TURNOVER RATE



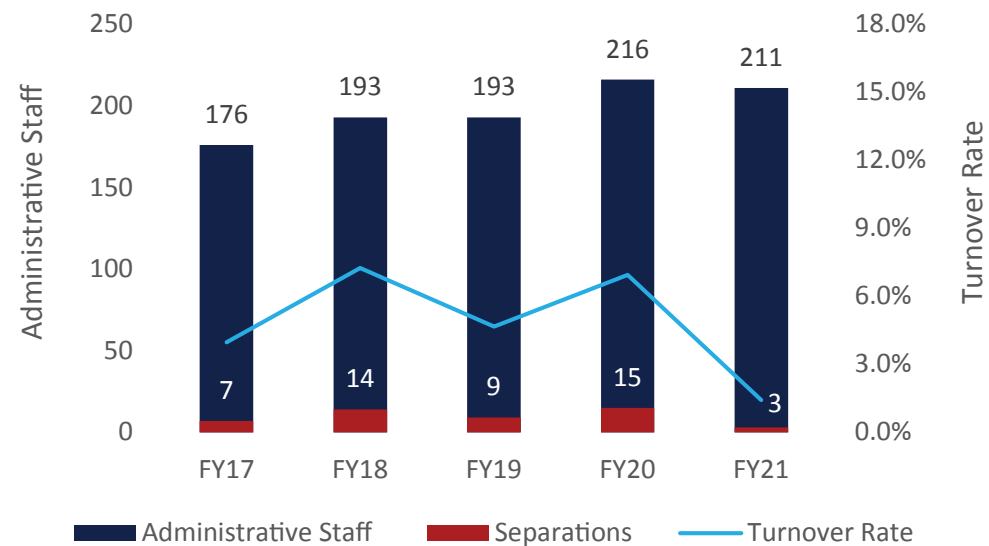
UARIZONA PROFESSIONAL/UNIVERSITY STAFF SEPARATIONS AND TURNOVER RATE



ABOR ADMINISTRATIVE STAFF SEPARATIONS AND TURNOVER RATE



UARIZONA ADMINISTRATIVE STAFF SEPARATIONS AND TURNOVER RATE

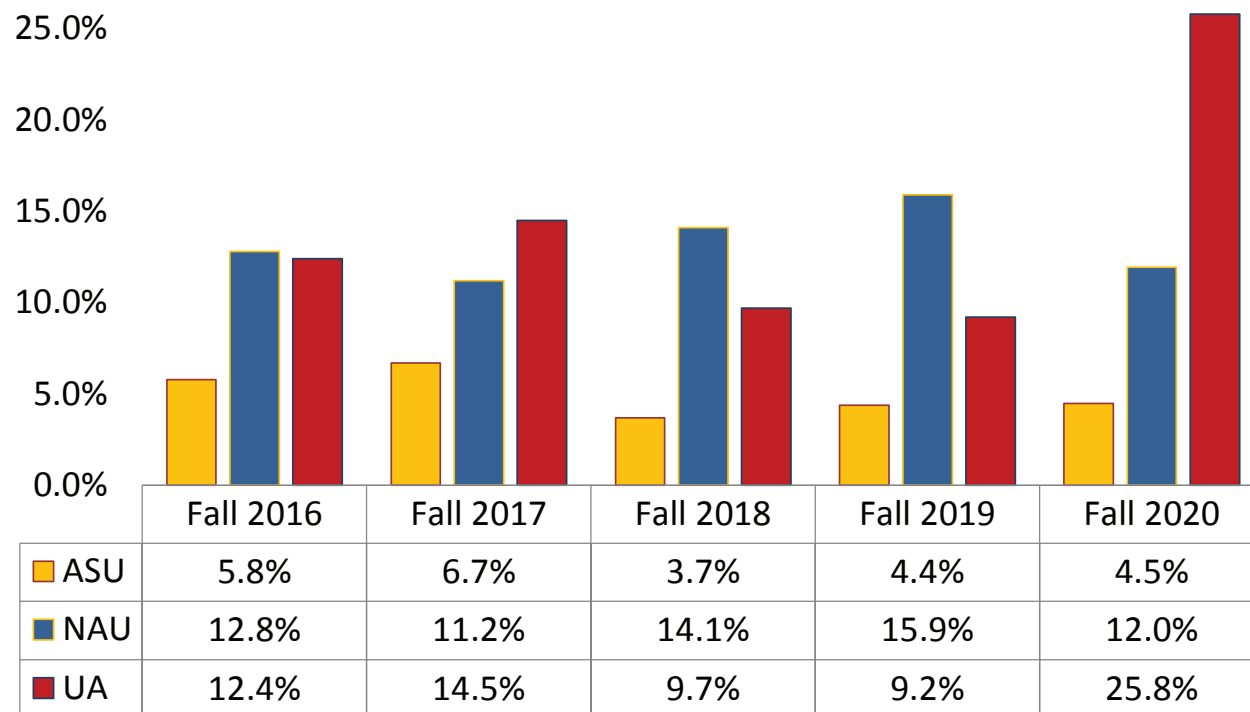


MARKET COMPARISONS

To assess the competitiveness of Arizona university system salaries, the universities and system office conduct an annual comprehensive market study to determine employee pay. Data on average and median pay from a variety of salary surveys² is the basis of this analysis.

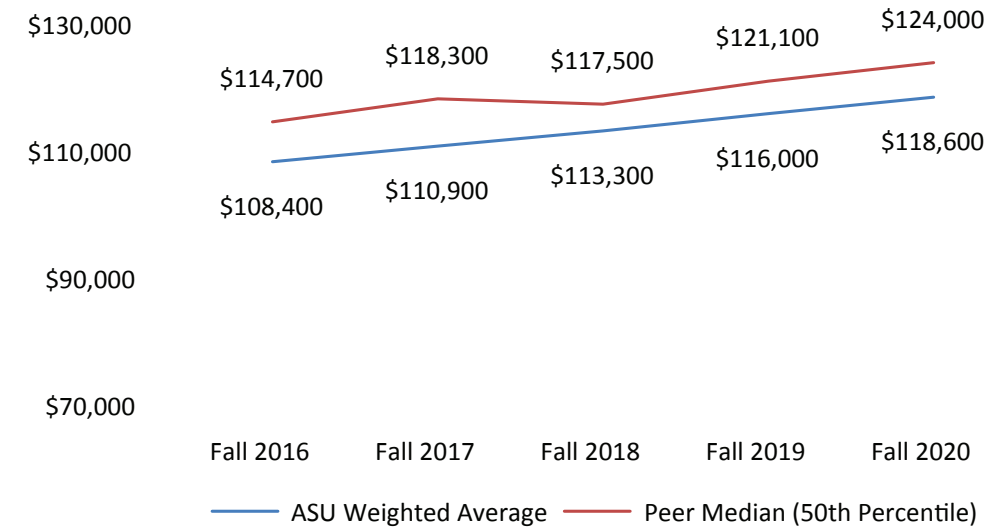
- For faculty, the universities calculate average and median salaries comparing faculty salaries in Arizona to those at peer institutions using the most recent data (fiscal year 2020) from the American Association of University Professors (AAUP). These comparisons include all ranked faculty - professors, associate professors and assistant professors.
- Nearly all of the universities' peer institutions pay higher average salaries than Arizona's three universities, demonstrating the challenges Arizona faces.
 - All three universities' average faculty salaries rank below their peers. ASU ranked 10th among its 15 peers in average faculty salaries; NAU ranked 12 among 14 peers; and UArizona had the lowest average salaries compared to peer institutions.
- For staff, the universities and system office use market survey data. For those jobs where direct comparison data were available, the calculation is the difference between average market salaries and university/ABOR staff average salaries. For titles with no direct comparison data, similar employee categories are used.

ARIZONA UNIVERSITY SYSTEM MAIN CAMPUSES AVERAGE FACULTY SALARY INCREASE NEEDED TO REACH MEDIAN OF PEERS

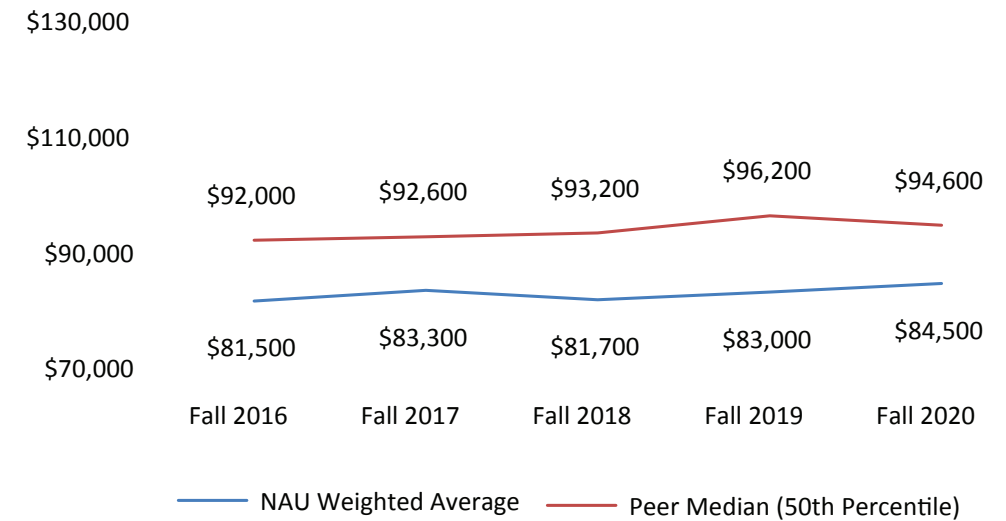


²American Association of University Professors (AAUP), Association of American Medical College (AAMC), Association of American Universities Data Exchange (AAUDE), Association of Research Libraries (ARL), College and University Professional Association of Human Resources (CUPA-HR), State Higher Education Executive Officers (SHEEO) Staffing and Salary Survey, Bureau of Labor Statistics (BLS), other local and job-specific survey data.

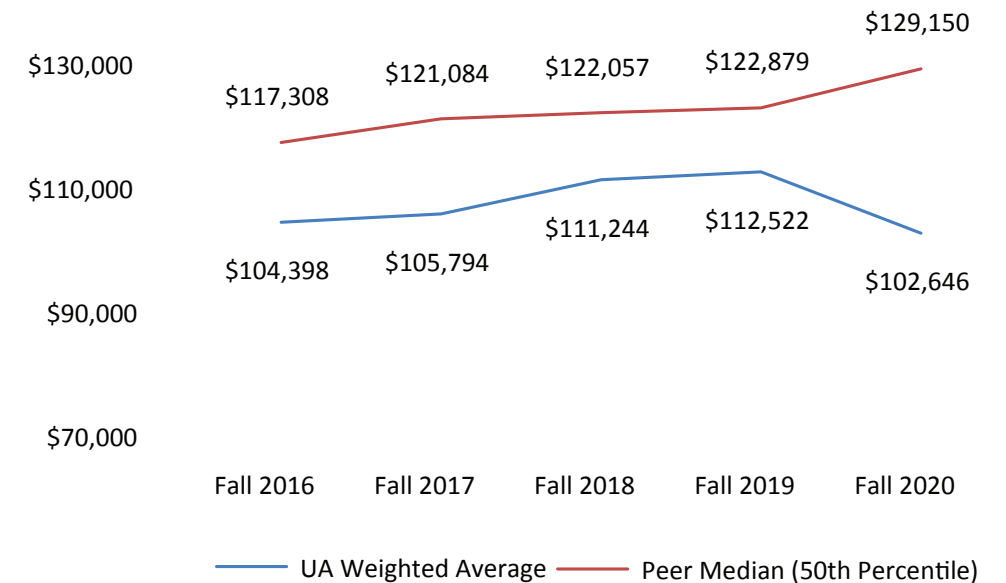
ASU AVERAGE FACULTY (ALL RANKS) SALARY COMPARED TO PEERS



NAU AVERAGE FACULTY (ALL RANKS) SALARY COMPARED TO PEERS

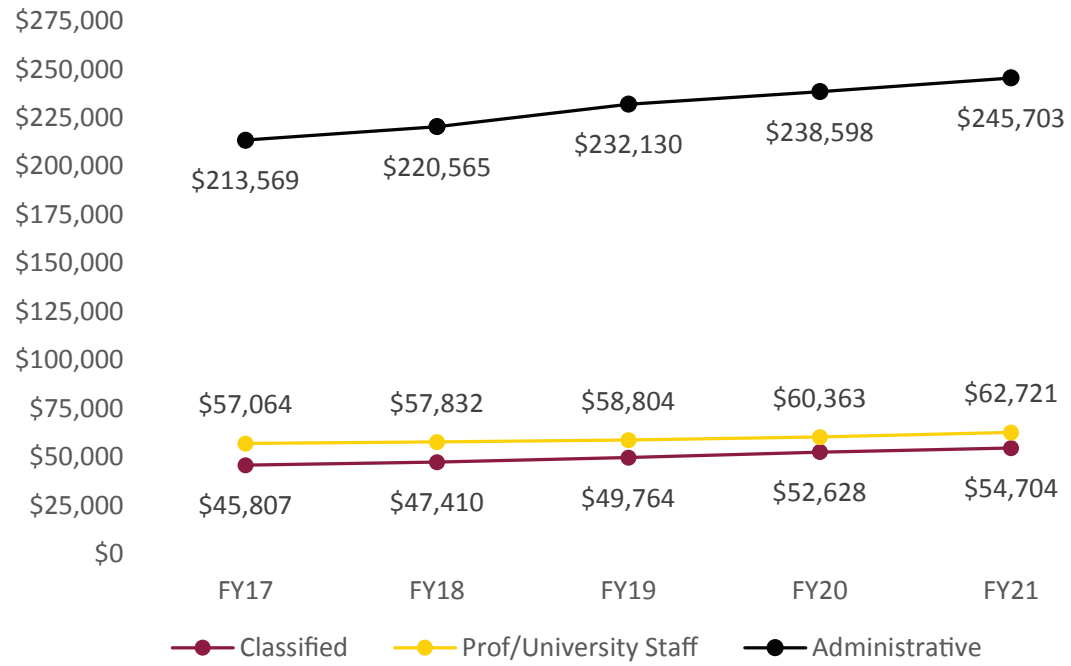


UARIZONA AVERAGE FACULTY (ALL RANKS) SALARY COMPARED TO PEERS

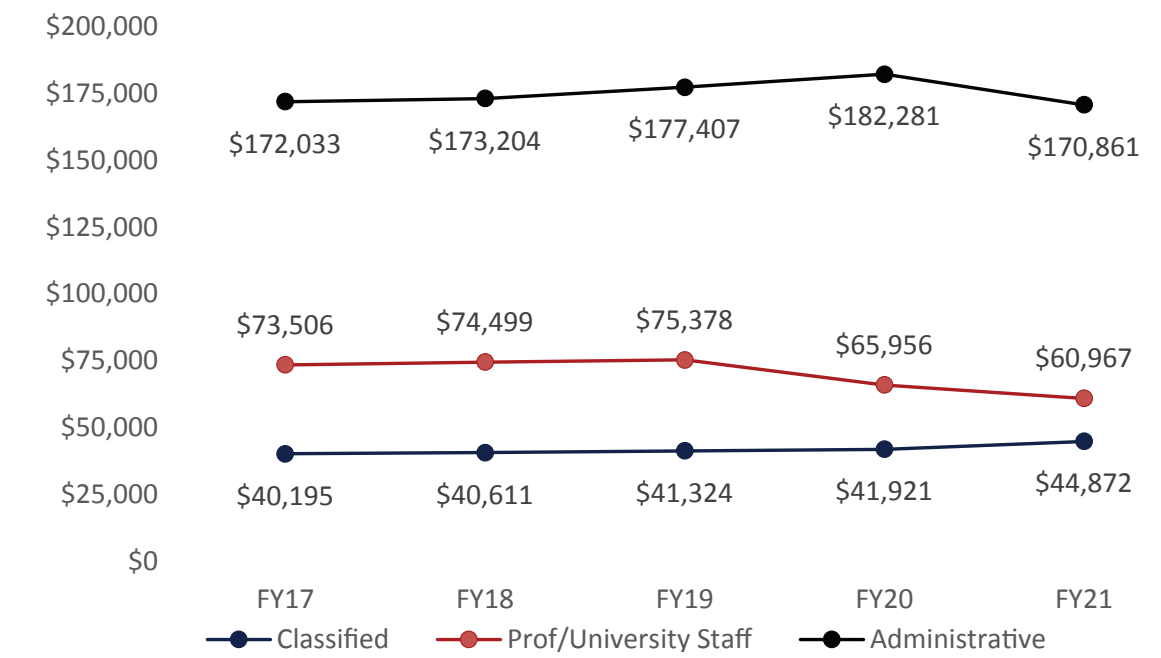


STAFF AVERAGE SALARIES

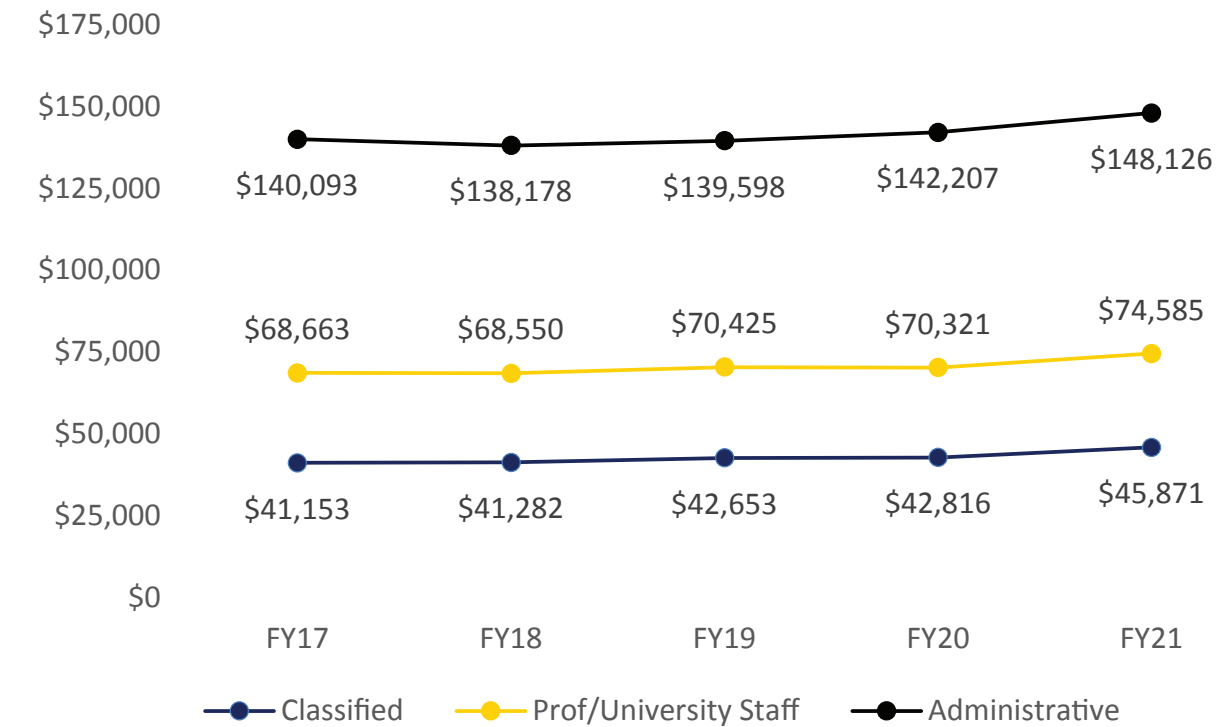
ASU STAFF AVERAGE SALARIES



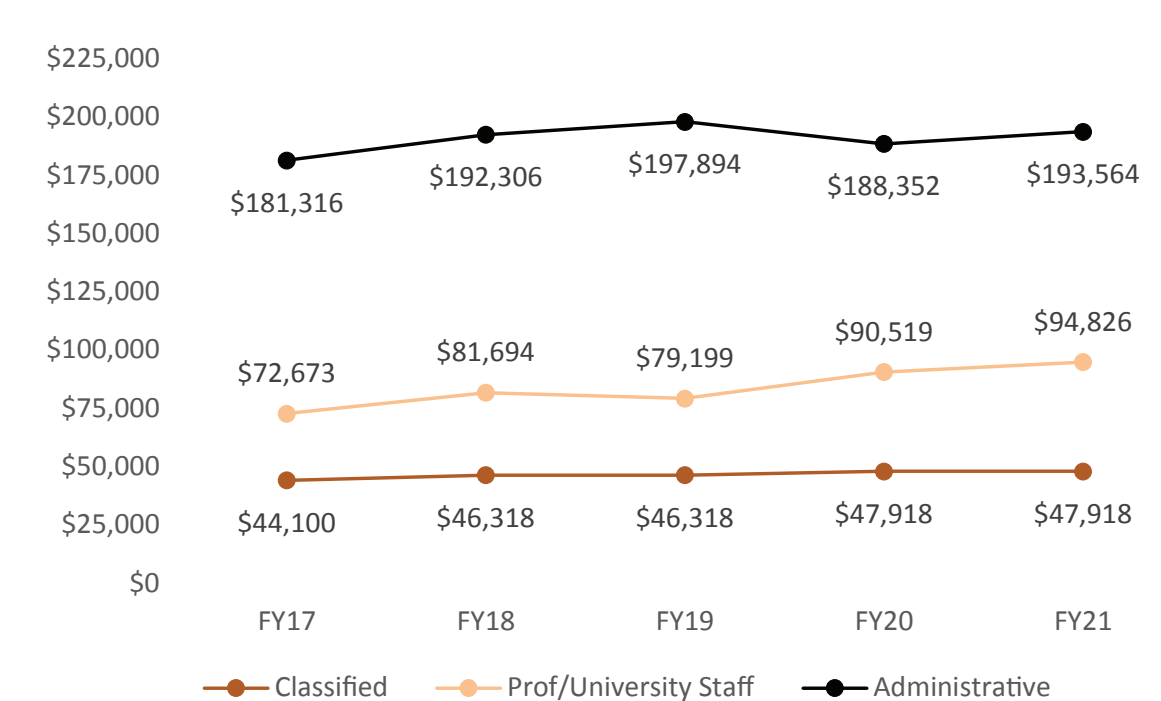
URIZONA STAFF AVERAGE SALARIES



NAU STAFF AVERAGE SALARIES

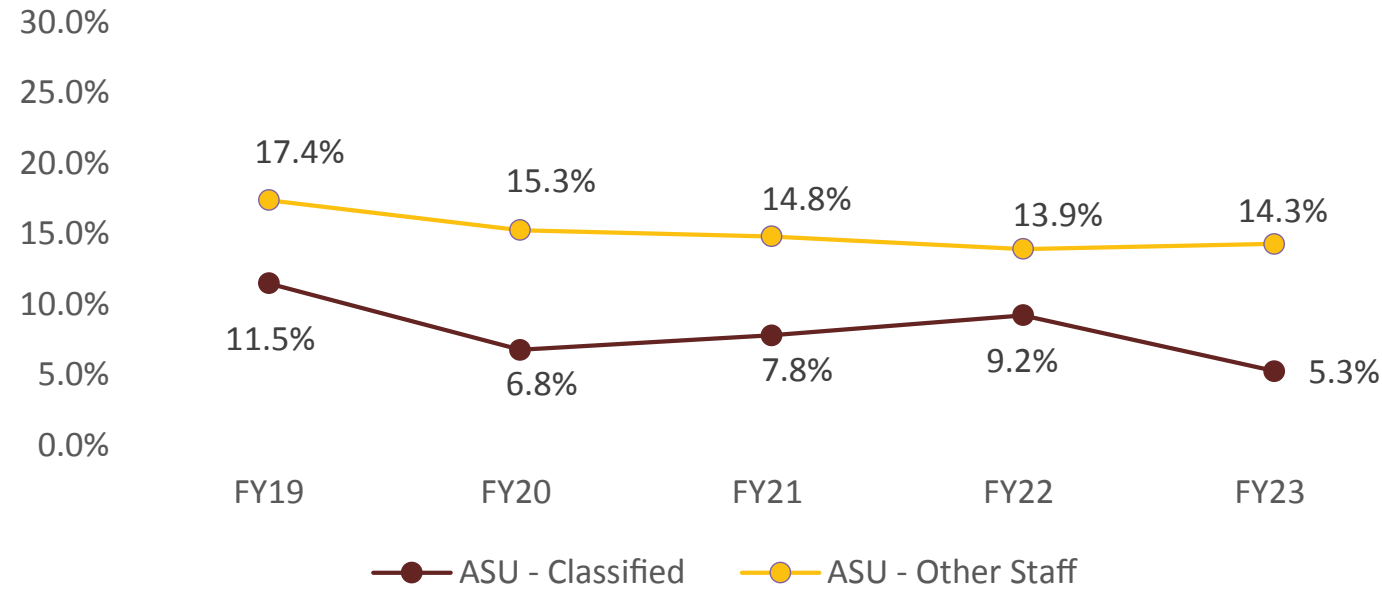


ABOR STAFF AVERAGE SALARIES

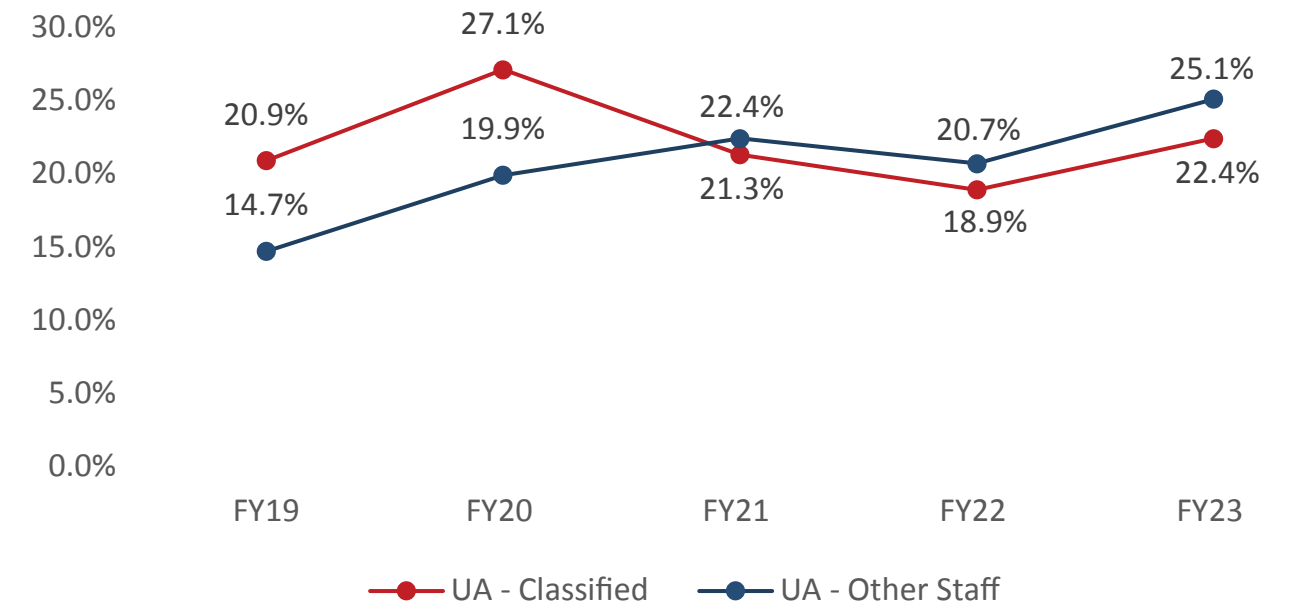


STAFF INCREASES NEEDED TO REACH MARKET

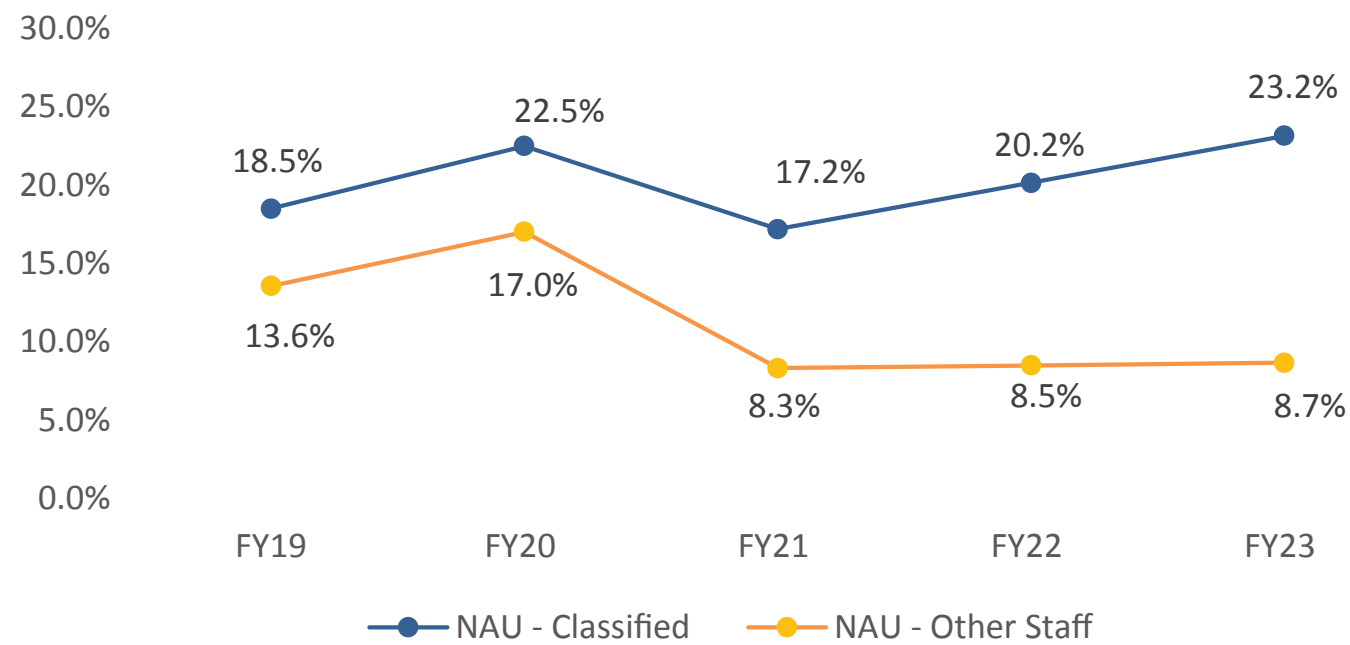
ASU STAFF SALARY INCREASE TO REACH MARKET



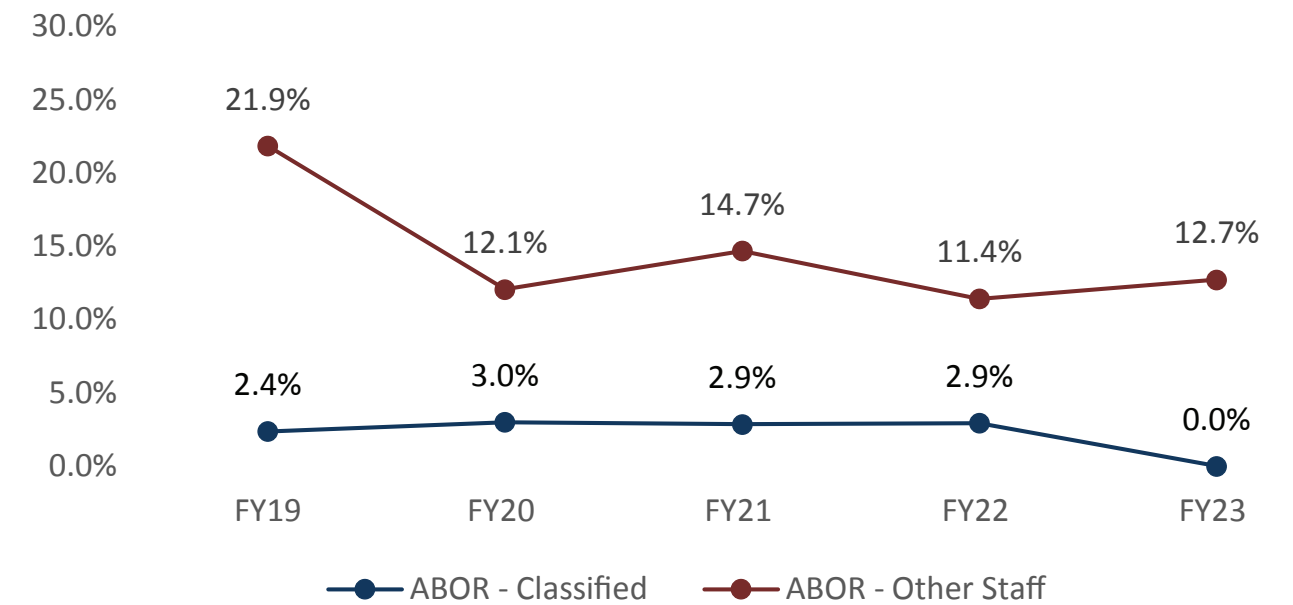
UARIZONA STAFF SALARY INCREASE TO REACH MARKET



NAU STAFF SALARY INCREASE TO REACH MARKET



ABOR STAFF SALARY INCREASE TO REACH MARKET



*Other staff is defined as professional staff, university staff category and administrative staff.

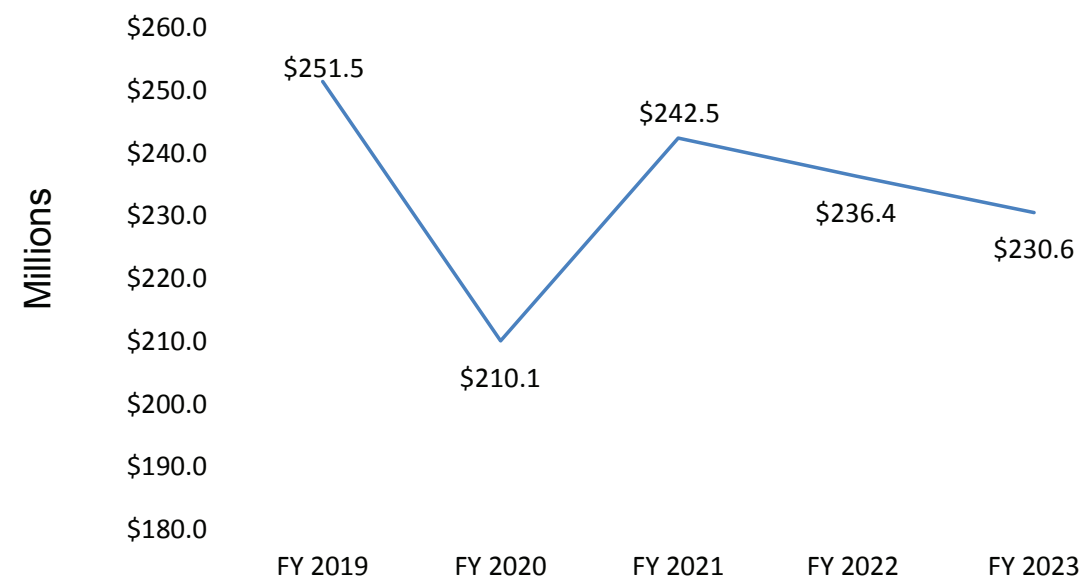
RESOURCES NEEDED TO MEET MARKET LEVELS

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 fiscal year 2023 the projected unmet salary need for the Arizona university system is \$230.6 million, a slight decrease from the fiscal year 2022 estimate of \$236.4 million.

Employees' salaries are expected to remain lower than those at peer institutions and in other relevant markets through 2023. 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. U.S. salaries are projected to rise by an average of 3 percent in 2022, (up slightly from the projected average of 2.7 percent in 2021), thus affecting Arizona's universities ability to catch up and keep up with salary needs.

FY 2023 ESTIMATE (IN THOUSANDS)	
ASU	\$89,782.7
NAU	\$30,384.7
UARIZONA	\$109,856.7
ABOR	\$556.2
TOTAL	\$230,580.3

PROJECTED UNMET SALARY NEED FOR THE ARIZONA UNIVERSITY SYSTEM



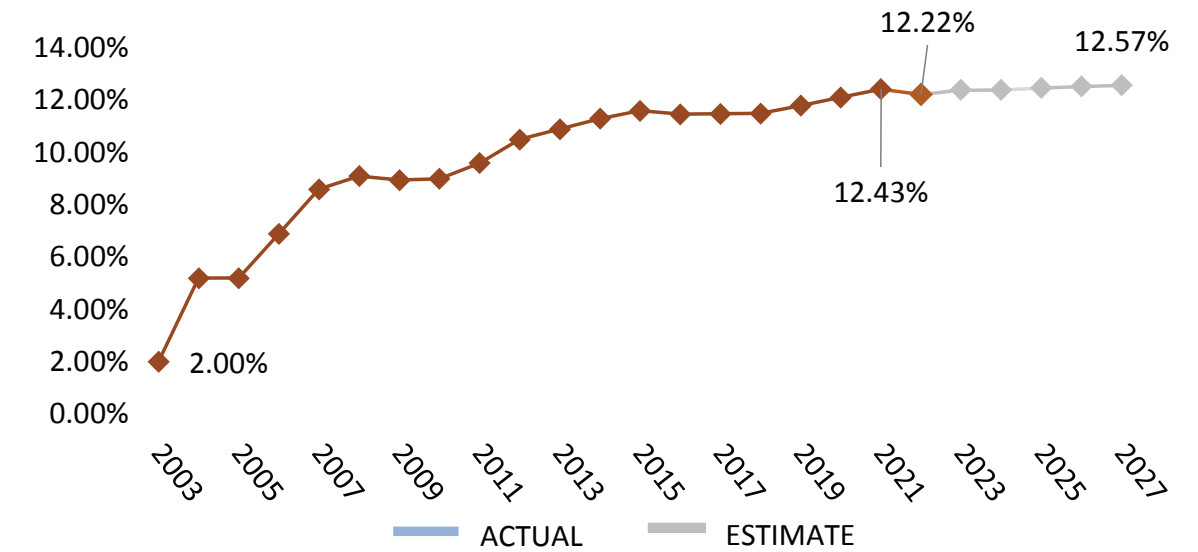
³ Society for Human Resource Management (SHRM) 2019/2020 US Compensation Planning Survey

OTHER SALARY ISSUES

Employees enrolled in the Arizona State Retirement System have seen their employee contribution rates increase six-fold over the years, from 2 percent in fiscal year 2003 to 12.2 percent in fiscal year 2022 and increasing to 12.39 percent in fiscal year 2023. According to ASRS, contribution rates are expected to increase gradually for a few more years. These rate increases amount to real reductions to an employee's net pay.

Although inflation had remained relatively low, averaging just under 2 percent through 2020, in 2021 inflation is closer to 5 percent with even larger impacts in Arizona felt through increasing housing costs. 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 employees at Arizona's public universities.

ASRS - EMPLOYEE CONTRIBUTION RATES¹ - FY 2003 - FY 2027



¹ Excludes Long Term Disability (LTD)

COMPENSATORY TIME AND OVERTIME

The majority of overtime paid is for positions associated with facilities management and campus police. Inclement weather and the response to the COVID-19 pandemic also contributed to overtime worked by employees, as well as the effects of a reduced workforce. Total overtime paid from all sources decreased slightly from \$5.2 million in fiscal year 2020 to \$4.7 million in fiscal year 2021. See chart on next page.

FY 2021 COMP TIME AND OVERTIME COSTS (IN THOUSANDS)

	STATE APPROPRIATED			OTHER SOURCES	TOTAL
	COMP	OT	TOTAL	COMP & OT	
ASU	\$201.6	\$764.6	\$966.2	\$1,222.0	\$2,188.2
NAU	\$6.6	\$22.2	\$28.8	\$301.8	\$330.6
UA	\$70.5	\$614.4	\$684.9	\$1,522.6	\$2,207.5
ABOR	0	0	0	1.0	1.0
TOTAL	\$278.7	\$1,401.2	\$1,679.9	\$3,047.4	\$4,727.3

