

MEMORANDUM

To: Board of Regents
From: Board Office
Subject: Incremental Salary Appropriations Requests for FY 2005
Date: September 8, 2003

Recommended Actions:

Authorize the Board Office and Regent institutions to actively seek state funding for incremental salary needs for FY 2005 as its highest priority for requested appropriations.

Executive Summary:

Importance of
Faculty and Staff

Salaries comprise almost 75% of the institutions' general education budgeted expenditures. Competitive salaries are crucial in attracting and retaining outstanding faculty and staff who embody the core of the Regent institutions.

The Board and its institutions enhance the quality of life for Iowans through a strong, dedicated, and professional workforce. The best faculty and staff are essential to providing exceptional learning opportunities, widely disseminating knowledge, including those that stimulate economic growth in Iowa, and delivering valued public services that Iowans expect from its Regent institutions.

The Board, in its commitment to Iowans and its students to seek continuous improvement, must also be committed to its employees.

Full Funding of
Salary Increases
from State
Appropriations

The highest priority of the Board and its institutions continues to be full funding of salary increases from state appropriations, however, a dollar amount has not been determined at this time.

Over the last 25 years, the state has utilized a legislative mechanism whereby appropriations for state employees' salary increases are separate and distinct from other operating appropriations.

The legislature did not fund FY 2004 salary increases for the universities and the Board Office. Only the Iowa School for the Deaf and the Iowa Braille and Sight Saving School were allowed to receive funding for salary increases.

Background:

State Processes Iowa Code §8.43 establishes a separate "*salary adjustment fund*" for funds appropriated by the General Assembly for distribution to various state departments to fund salary increases for state employees.

Moneys distributed from the salary adjustment fund are subject to the approval of the Governor and director of the department of management.

The state determines the salary increases for numerous state employees through its process of negotiating collective bargaining agreements. The state's negotiation of the AFSCME contract covers approximately 7100 Regent employees. Certain other Regent salary increases are determined through various collective bargaining agreements.

Until FY 2004, the state has mandated that the Regents provide salary increases comparable to those provided for similar contract covered employees.

Incremental Salary Funding Legislative funding for state employees' salary increases has been funded significantly less than the determined need for several years.

**Unfunded Incremental
Regent Salary Needs**

| | |
|---------|----------------------|
| FY 2001 | \$16.7 million |
| FY 2002 | \$7.0 million |
| FY 2003 | <u>\$8.0 million</u> |
| FY 2004 | \$33.3 million |

Analysis:

Full Funding of Salaries from State Appropriations Full funding from state appropriations of the state's salary policy and state negotiated agreements for Regent institutions is a key component of the Board's strategic plan for quality. State funding of salaries is necessary for the institutions to be competitive with their peers and is a beneficial investment for the state.

The dollar amounts for FY 2005 incremental appropriations for increases in salary are not yet available for the Regent appropriations requests.

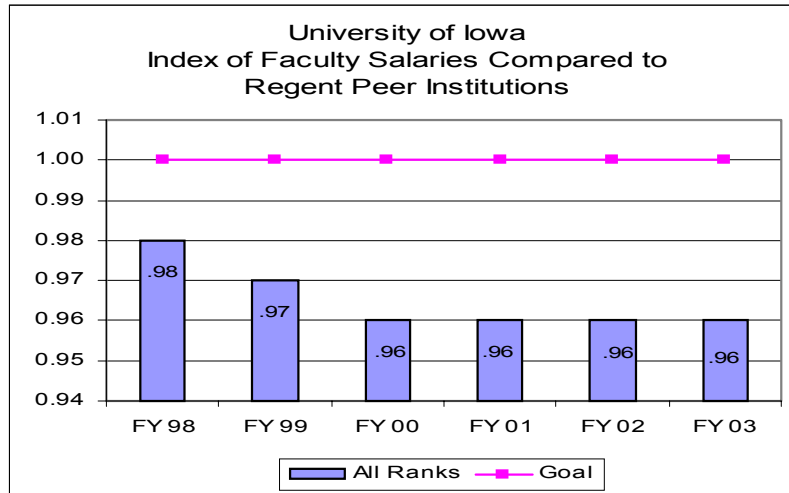
- Factors to Consider
- Quality faculty and staff are essential to the implementation of the Board's and institutions' strategic plans because they:
 - Advance Regent and institutional goals and objectives related to undergraduate and graduate instructional programs.
 - Foster distinguished research, scholarship and artistic creation.
 - Facilitate interdisciplinary interaction in teaching, research, and service.

- To recruit and retain top faculty in a global marketplace, the Regent institutions must remain competitive by paying competitive salaries in each discipline.
 - The reputation of a university/school and the ability to recruit and retain students is largely dependent on the range of offerings and the quality of the people who provide instruction, conduct research, and support academic activities.
 - Premier programs are developed and maintained by attracting and retaining premier faculty and staff.
- The Regent institutions face serious competition from other institutions of higher learning as well as from the private sector, which pays market rates.
 - Faculty and staff in public universities have many opportunities to leave academe to work for private employers, sometimes at higher salaries.
 - Public and private institutions of higher education are in keen competition with each other for the best and the brightest.
- To remain competitive for essential positions within the professional & scientific compensation plans, it is not sufficient just to keep pace with inflation, especially in high demand occupational groups such as sciences and technology.
- The state benefits from quality faculty and staff.
 - Quality faculty and staff are dedicated to discovering, disseminating, and preserving knowledge and to the development of an educated citizenry.
 - Through teaching, research, scholarship, clinical practice, and public outreach, the institution develops ideas, enlarges understanding, and extends its resources to society.
 - Faculty determine what students should learn and shape the body of knowledge that will be passed on to future generations.
 - It is also the institution's obligation to engage all members of its community in collective reflection on their responsibilities not only to their disciplines and professions but also to the institution and to society.

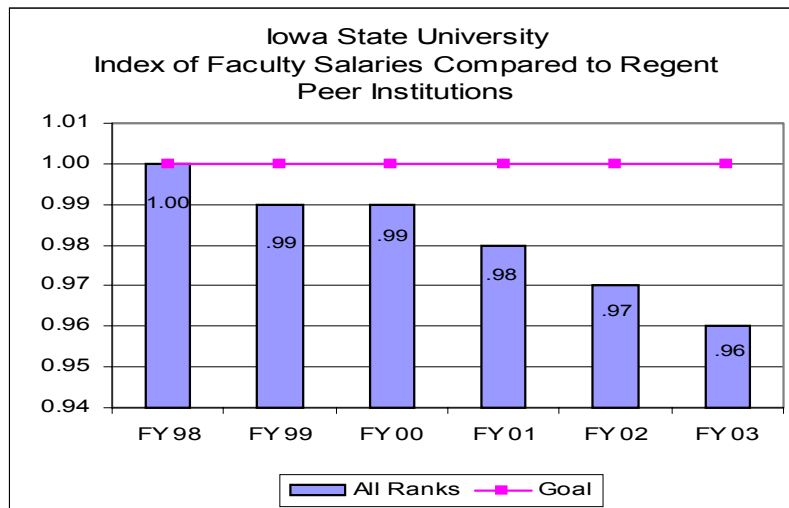
The costs of personnel benefits are rising rapidly. The continued escalation of these costs erodes the institutions salary dollars for competitive position.

In recent years, faculty salaries at the University of Iowa and Iowa State University have lost significant ground compared to those at peer universities, while the University of Northern Iowa has exceeded its goal as evidenced in the following tables.

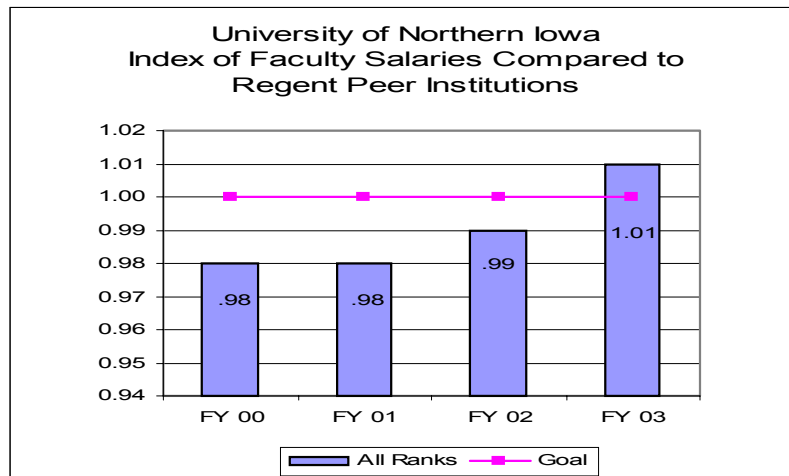
University of Iowa



Iowa State University



University of Northern Iowa



Deb A. Hendrickson
 Deb A. Hendrickson

Approved: *Gregory S. Nichols*
 Gregory S. Nichols