



A LEADING AMERICAN UNIVERSITY WITH INTERNATIONAL REACH
BOARD OF REGENTS

January 29, 2016

MEMORANDUM

TO: Board of Regents
Dr. Gary A. Ransdell, President
Dr. David D. Lee, Provost
Ms. Ann Mead, Senior Vice President for Finance & Administration
Ms. Kim Reed, Budget Director
Dr. Kate Hudepohl, University Senate Chair
Mr. Josh Marble, Staff Council Chair

FROM: Finance and Budget Committee

SUBJECT: COMPENSATION REVIEW REPORT

The Finance and Budget Committee (“Committee”) has been directed by the Board of Regents Chair to review matters relating to Faculty/Staff Compensation. There are numerous aspects relating to University compensation: (1) Salary Raises (across-the-board and merit), (2) Salary Compression/Inversion, (3) Internal Equity Increases, (4) Market Increases, (5) Health Insurance, and (6) Other Benefits including professional development and retirement. Both Faculty and Staff are concerned not only with multiple aspects of University compensation, but they are also concerned with the overall budget process and decisions that impact academic quality.

Compensation is a central part of the budget process. The formulation of the University’s budget is a primary obligation of the University’s Administration. The process is complex and involves a multitude of factors, including: Appropriations from the Commonwealth’s Biennial Budget, projections of enrollment/tuition, other revenues generated by the University, expenditure priorities included in the Strategic Plan, and projected recurring fixed costs. Some of these factors are outside the control of the University’s Administration and vary from one budget period to the next.

The overall goal of any budget is to ensure that the University provides the highest academic quality and life learning experiences for all WKU students. Adequate staffing and competitive compensation of Faculty and Staff are integral parts of the budget formula in achieving these goals. Both have always been key considerations in the University Administration’s budget process.

Faculty and Staff recognize the difficulties of developing a budget and the uncertainty of revenue components that make up the budget which are outside the University’s control. Recognizing that decisions regarding a budget belong to the Administration, with final approval from the Board, Faculty and Staff want to be more actively engaged in the budget process, want to understand funding decisions, and want their voices to be heard. The Budget Council, advisory to the President, includes broad campus representation and is the appropriate body for addressing many of these concerns.

The Spirit Makes the Master

Compensation is also a personal issue for every WKU employee. Not one individual employed by the University, from the newest hire to the longest tenured employee, disputes that compensation must be one of the primary considerations in each budget period. The goals for any budget should include at least two elements:

- Sustainability/Long Term Goals
- Academic Quality

These two elements, however, are moot without effective campus-wide communication. With these goals in mind the Committee submits the following Report:

Scope of Review:

On August 28, 2015, the Chair of the Committee met with the University Senate Chair, Vice-Chair, Staff Council Chair, and the Provost. Following this meeting the University Senate compiled a report entitled “Faculty Feedback on Compensation” (“Faculty Report”), an informal feedback on compensation increases and other budgetary issues. The following table from the Faculty Report’s Summary of Findings ranks the type of compensation increase favored by Faculty submitting a response:

Type of compensation increase	Ranked 1st	Ranked 2nd	Ranked 3rd
Cost of Living	43	8	3
Compression Correction	17	21	4
Merit	12	17	16

The Faculty Report, as a whole, considers prioritizing compensation in the budget process is crucial in achieving and maintaining academic excellence.

In a second, but separate, series of emails Faculty expressed concerns regarding the Health Insurance Program at the University. General issues regarding the Health Insurance Program include:

- Premium increased costs to employees
- Deductibility/out-of-pocket costs

Both Faculty and Staff were concerned about the increasing cost of health care coverage for every University employee. A study of health care cost for 2015 shows that such cost rose at the lowest rate in at least the last twenty (20) years, but workers’ share of these cost continue to rise. Workers in America are paying an average of about \$600 a year more for their health care plan premiums in the last five (5) years. That trend is being felt by WKU employees, as well. When considering premiums, co-insurance, deductibles, and other out-of-pocket costs, employees are responsible for an increased cost share reflecting a decrease in purchasing power of their “total compensation.” This has occurred with limited to no increases in salaries.

WKU Health Plans, Wellness Incentives, and Employee premiums will remain unchanged for 2016. The University will increase its contribution from \$558 to \$575 for 2016. This cost increase will need to be funded by the 2016-17 budget. Dental premiums, however, will see a slight increase.

WKU Staff also prepared a report entitled “Staff Input on Compensation”, a compilation of Staff emails, compiled by Staff Regent Dr. Tamela W. Smith, (“Staff Report”). The Staff Report is similar to

the Faculty Report in that it identifies cost of living and merit increases as priorities. The Staff Report notes the dedication of Staff to the University's success but is concerned with the increasing number of Staff that voluntarily leave the University. For example, the Staff Report points out that in 2010 only 75 Staff members voluntarily left the University and in fiscal year 2015 that number increased to 166. The Staff Report concludes that the overall reason for this increase is that Staff often leave or change to seek a higher salary.

The Staff Report is mindful that there is no easy or simple fix and suggest the following:

- Study of compensation and classification across the board for Staff
- Utilized the Certified Compensation Professionals employed at WKU to:
 - Classify job titles
 - Determine whether individuals are being compensated or progressing appropriately within their salary grade
 - Determine whether WKU current salary structure is up-to-date

The one comment that best sums up the Staff Report's suggestions: "Each director/dean should be given X% of his or her total payroll to distribute how they see fit."

Next, the Committee Chair met with the Budget Council. The Budget Council is comprised of individuals representing every aspect of the University: Faculty, Staff, and Students. The Budget Council serves as an advisory board to the President. The role of the Budget Council is defined as follows:

"The Budget Council's role is to serve as an advisory board for recommendations to the President on current and multi-year issues. The Council should examine revenue streams to help recommend budgetary improvements and make suggestions for the implementation of short term and long term strategies to be aligned with WKU's strategic plan, *Challenging the Spirit*."

In a November 30, 2015 Memorandum to the Committee Chair, the Budget Council recommended a 15% compensation enhancement over a 5-year period. Additionally, the Budget Council will provide recommendations on the following:

- Revenue streams
- Institutional priorities, with compensation being the top priority (i.e. identified as a fixed cost)
- A financial strategy should performance and equity funding be approved or disapproved by the Commonwealth of Kentucky
- A FY 2016-17 balanced budget to be submitted to the President, including potential reallocations across units.

Finally, the Committee Chair met with the President, Provost and Senior Vice President for Finance and Administration for additional information and insight. A couple of comments were emphasized: The budget is complex and significant autonomy is provided to division heads for the allocation and reallocation of its resources. Also, compensation is a high priority identified in the Strategic Plan (Attachment "A") and increases have been funded, where feasible.

As presented to the Board of Regents at its summer retreat (Attachment "B"):

For Professors, the average salary in 2009-10 was \$82,939, ranked 15th out of 19 benchmarks or peer groups. In 2013-14 the average salary for Professors rose 2.85% to \$85,302 but still ranked 15th out of 19 benchmarks.

For Associate Professors the 2009-10 average salary was \$64,415. In 2013-14 the average salary for Associate Professors rose 3.8% to \$66,870, ranked 14th out of 19 benchmarks.

For Assistant Professors the 2009-10 average salary was \$52,997, ranked 16th out of 19 benchmarks. In 2013-14 the average salary rose 7% to \$56,718 but went down one place to 17th.

Attached to the report is a summary of salary increases among Kentucky universities and KCTCS since 2010. Increases have fluctuated and reflect significant state funding reductions during this time. However, WKU has provided at least a minimal increase in 5 of 7 years. (Attachment "C")

Each group, Faculty, Staff, and Administration, is keenly aware of the challenges facing WKU and the budget process. Each recognizes that compensation is the University's absolute greatest need at this time, and all agree that it is also WKU's greatest financial challenge. The key factors are enrollment stability and additional state funding. But, as the Budget Council suggest, reallocation of revenue streams and development of funding sources is a critical factor in the budget process and for prioritizing compensation within that process with or without state funding. It is understood that communication about the budget process can be enhanced starting with the Budget Council.

Conclusions/Suggestions:

The Administration is responsible for developing the budget and making final decisions as to balancing the University's revenues and expenditures. The Budget Council should advise and consult with the Administration at every level of the budget process. This will require incredibly difficult decisions for both the Administration and the Budget Council, which affects every department and college.

The following are specific conclusions/suggestions:

1. Compensation is an identifiable priority within WKU's Strategic Plan and should be addressed annually in the budget process
2. Establish a five-year plan to increase compensation. To attract, support, and keep Faculty and Staff, the Budget Council has recommended setting a target goal for compensation increases of 15% over a five-year period. A five-year compensation plan should also address (i) merit raises, (ii) compression corrections, (iii) health insurance, and (iv) other benefits such as cost of professional development.
3. Recognize that accomplishing a 15% compensation increase over a five-year period depends significantly on increasing State appropriations and stable to growing enrollment. If these revenue streams do not grow, any five-year plan regarding compensation must consider other sources of revenues and available budgeted reserves for potential reallocation. Develop a financial strategy if State appropriations are not sufficient and enrollment declines. All revenues sources, including tuition based revenues, must be considered.

4. Build into the 2016-17 Budget a compensation increase to the extent permitted by available revenues and/or a commitment to reallocation of the current budget. The majority of any State appropriation, beyond funds provided for the retirement contributions for unfunded liability, should be allocated to the 2016-17 Budget for compensation.

5. Professional development cost for Faculty and Staff, through travel, seminars and continuing education programs, should be a part of compensation plan and included in the budget by division heads.

6. The Budget Council, in its advisory capacity, should be engaged in the budget process at the very beginning. The Council should consider presenting a 2016-17 balanced budget proposal to the President, which includes new revenues and potential reallocations to address compensation and other very important Strategic Plan priorities in addition to funding the projected fixed cost increases.

7. As part of the overall compensation strategy in the budget process over a five-year period, the Administration should continue to work with University's Human Resources Department and the Benefits Committee to monitor and control health care costs of the University's self-funding Health Insurance Program. It is possible that health care cost will become an increasing cost factor in future budget years and a key component of compensation. The University cannot lose sight of this looming issue.

8. There should be periodic meetings between the President, Budget Council, the University Senate, and Staff Council throughout the year. Sharing information as results occur which impact the budget is important so that everyone stays aware of events and can work toward solutions or decisions required to address any events impacting the budget. The Budget Council includes representatives of University Senate, Staff Council and Student Government Association (SGA), and the views of these bodies should be communicated through their representatives to the Council. Effective communication is key.

Respectfully submitted,
FINANCE & BUDGET COMMITTEE

Attachments

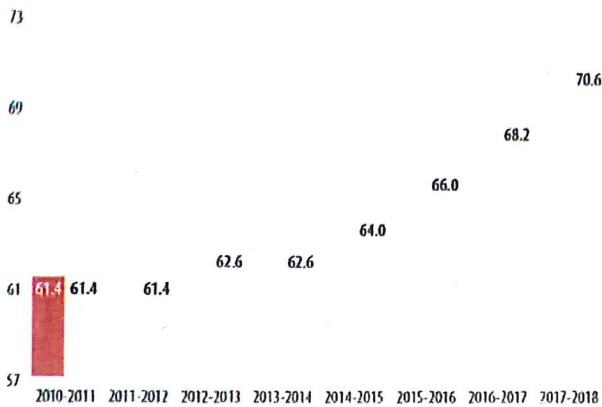
xc: Ms. Julia McDonald

FINANCE AND BUDGET COMMITTEE

**Compensation Review Report
January 29, 2016**

ATTACHMENT “A”

TARGET 1: FACULTY SALARIES - WEIGHTED AVG (x\$1000)



OBJECTIVE 1.2

ATTRACT AND SUPPORT EXCELLENT FACULTY AND STAFF.

Targets

1. Increase salaries of full-time faculty by 15% to better align with benchmark medians by ranks
2. Increase salaries of full-time staff by 15% to better align with market salary rates
3. Increase by 9% the ratio of full-time professorial faculty (PF) to full-time equivalent students (FTES)

Strategies

Allocate a significant portion of growth revenue to compensation

Earn state performance funding, to be allocated to staffing and compensation priorities

Reallocate budget line dollars to faculty salary lines and use one-time funds to support original areas

Allocate a portion of faculty staffing plan funds to augment salaries of existing faculty

Provide appropriate start-up packages for new faculty

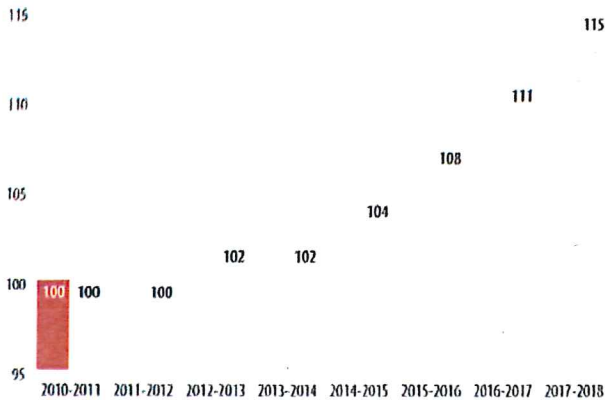
Conduct equity and market analyses of staff positions by job category

Adjust the salary grade structure to align with market

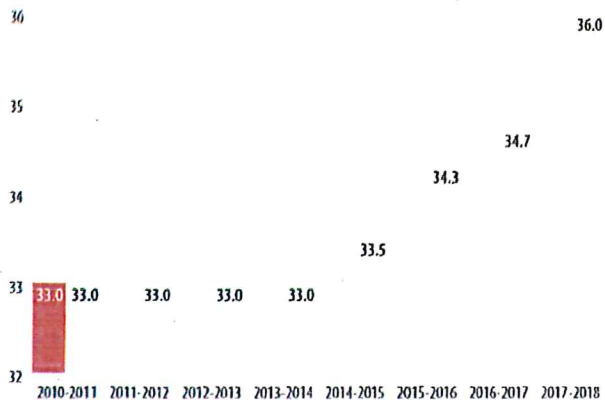
Implement a multi-year plan to achieve competitive staff salary levels

Implement strategic hiring of tenure-track faculty to address core and growth needs

TARGET 2: STAFF SALARIES - PERCENTAGE OF 2010/11

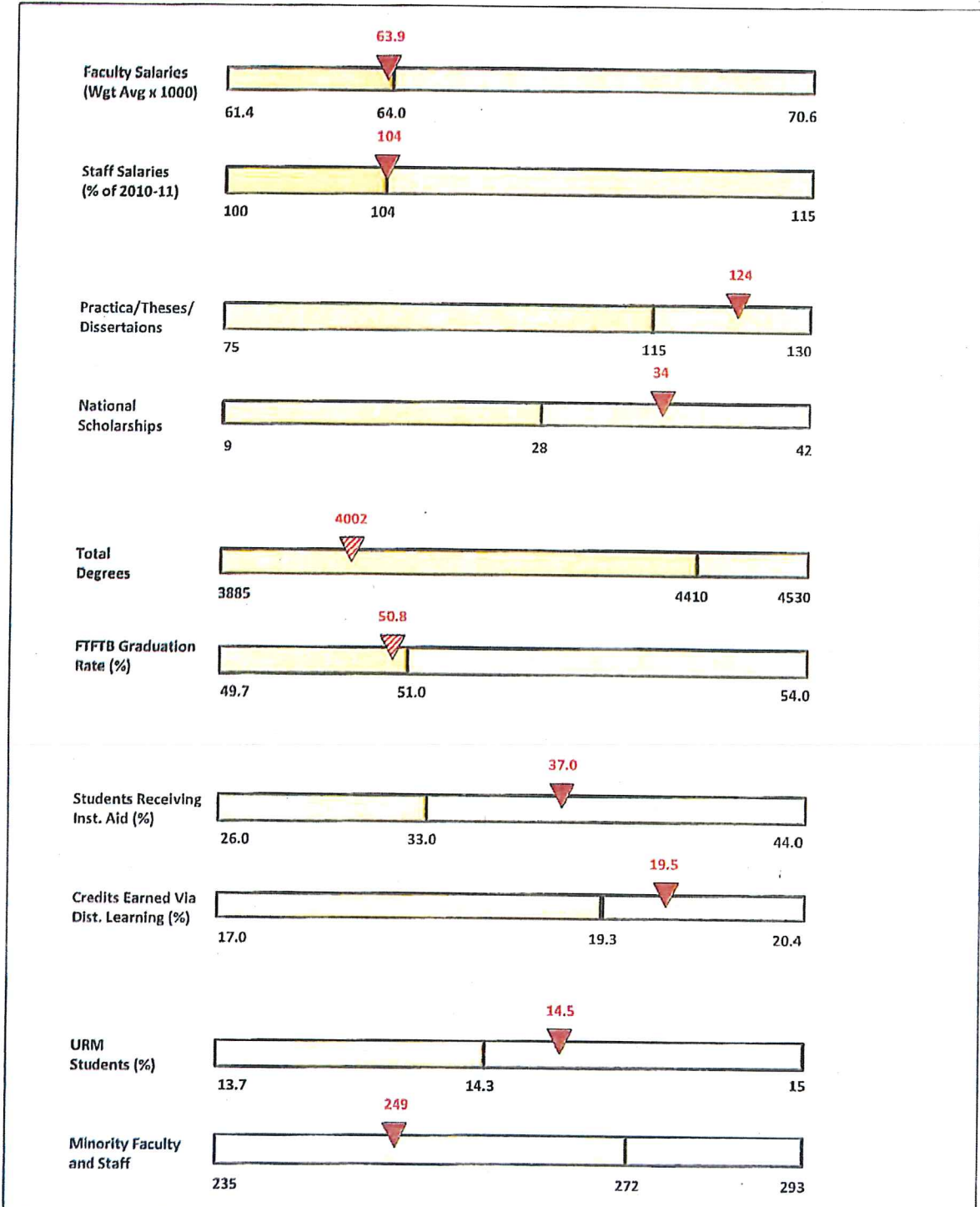


TARGET 3: PF:FTES (x 1000)



Projected Target ■ Actual

The slider graphs below chart progress to date on key indicators reflecting the domains of (1) faculty and staff compensation, (2) student success, (3) degree production, (4) student support, and (5) diversity. Each graph spans from the 2010-11 baseline to 2017-18 target; the division between yellow and green indicates the targeted value for 2014-15, and the red arrow shows progress to date. Hatched red arrows indicate metric data that are not finalized for 2014-15.



FINANCE AND BUDGET COMMITTEE

Compensation Review Report

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ATTACHMENT “B”

28. Salaries - Prof
(H-L)

\$110,604	UNCC	UNCC	\$112,311
\$108,519	UNCG	UNCG	\$105,903
\$97,593	OHIO	CMICH	\$100,629
\$96,022	ECAR	OHIO	\$100,008
\$95,929	CMICH	BGSU	\$98,442
\$92,719	BGSU	FATL	\$97,218
\$92,563	NILU	NILU	\$96,255
\$92,223	FATL	ECAR	\$93,294
\$90,308	APPSU	APPSU	\$90,657
\$90,197	TOWS	JMU	\$89,379
\$89,236	ILSU	ILSU	\$88,902
\$87,731	JMU	BALL	\$88,254
\$86,955	USAL	USAL	\$86,625
\$84,450	USM	INSU	\$86,292
\$82,939	WKU	WKU	\$85,302
\$82,089	MTSU	USM	\$84,843
\$82,060	BALL	TOWS	\$80,424
\$79,131	INSU	MTSU	\$80,055
\$72,311	ETSU	ETSU	\$78,912
91.9	% BM Median		94.8

30. Salaries -
Assoc
Prof (H-L)

\$82,426	UNCC	UNCC	\$80,244
\$77,623	UNCG	OHIO	\$77,148
\$75,179	ECAR	CMICH	\$76,644
\$73,744	OHIO	UNCG	\$75,501
\$73,548	TOWS	BGSU	\$74,169
\$73,128	APPSU	NILU	\$73,881
\$72,614	CMICH	ECAR	\$73,836
\$70,943	FATL	APPSU	\$71,586
\$70,626	NILU	FATL	\$71,100
\$70,136	BGSU	JMU	\$70,758
\$67,812	ILSU	ILSU	\$70,137
\$67,791	JMU	BALL	\$69,435
\$66,918	USAL	USAL	\$68,292
\$64,550	USM	WKU	\$66,870
\$64,415	WKU	USM	\$66,123
\$64,385	MTSU	TOWS	\$64,395
\$63,952	BALL	INSU	\$64,206
\$61,745	INSU	MTSU	\$63,486
\$59,244	ETSU	ETSU	\$62,973
91.5	% BM Median		94.3

30. Salaries -
Asst
Prof (H-L)

\$69,186	UNCC	UNCC	\$72,963
\$66,277	ECAR	UNCG	\$69,732
\$63,845	UNCG	FATL	\$68,661
\$62,981	ILSU	NILU	\$67,932
\$62,311	NILU	ECAR	\$66,753
\$62,075	FATL	CMICH	\$66,555
\$61,566	TOWS	JMU	\$63,891
\$59,621	APPSU	BGSU	\$62,955
\$58,140	CMICH	APPSU	\$62,847
\$57,791	OHIO	OHIO	\$62,793
\$57,646	JMU	USM	\$61,344
\$56,960	USAL	USAL	\$59,571
\$56,939	BGSU	BALL	\$58,698
\$55,548	USM	TOWS	\$58,095
\$54,467	INSU	INSU	\$58,050
\$52,997	WKU	ILSU	\$57,870
\$52,846	ETSU	WKU	\$56,718
\$52,532	MTSU	ETSU	\$56,493
\$51,985	BALL	MTSU	\$52,083
91.4	% BM Median		90.3

FINANCE AND BUDGET COMMITTEE

Compensation Review Report

January 29, 2016

ATTACHMENT “C”

Post-Secondary Institutions Annual Salary Increase Pools - Past Seven Years

	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Eastern Kentucky University	0.0%	2.0%	2.0%	0.0%	2.5%	0%	3%
						40% of staff received increase through a pay equity program.	Funding a second round of equity increases
Morehead State University	0.0%	0.0%	\$500 min 2.0%	0.0%	2.0%	4%	2.6% in aggregate
						Distributed as part of equity program	Partial funding of 3 yr plan to bring up to market plus partial funding of faculty salary plan
Murray State University	1.0%	0.0%	4.0%	0.0%	3.5%	1.0%	1.5% less than = \$25k and 1% if greater than \$25k
	\$450 min- \$1,200 max					\$250 min - \$1,200 max	
Northern Kentucky University	0.0%	0.0%	3.0%	0.0%	1.5%	0.0%	0.0%
Western Kentucky University	1.5%*	2%**	1.0%	2%***	0.0%	1.0%	0.0%
	\$500 min- \$1,000 max		\$500 min- \$1,000 max			\$500 min	
KCTCS	0.0%	0.0%	3.0%	2.5%	2.0%	1.0%	\$1,000 or 1%
					> of 2% or \$1,000		Whichever is larger for the regular employee
University of Kentucky	0.0%	0.0%	3.0%	0.0%	5.0%	2.0%	3.5% based on merit
							Also incr. pay for all non-stdt hriy workers from \$7.25 to \$10
University of Louisville	1.2%	0.0%	3.0%	0.0%	4.0%	2.0%	3.0%
	\$700 regular, full-time						
Kentucky State University				0.0%	2.0%	0.0%	0.0%

* FY2010 one-time payment disbursed in July 2009 and permanent in FY2011

**FY2011 increase in August 2010 and permanent through enrollment growth. (Total increase 3.5%)

***FY2013 2% salary increase was funded with carry forward in FY2013. In FY2014 it was permanently funded.