Contents

List of Tables, Exhibits & Appendices

Appendices

Part 1

The Committee's Charge

Faculty Senate

Campus Memorandum

314C Carrington ***Phone: 836-5257 Fax: 836-5560***

DATE: October 25, 2002

TO: Thomas L. Wyrick, Chair
Ad Hoc Committee on Faculty Salaries

FROM: Lois M. Shufeldt, Chair
Faculty Senate

SUBJECT: **CHARGES FOR 2002/03**

On behalf of the Executive Committee of the Faculty Senate, I request that the *ad hoc* Committee on Faculty Salaries exercise its own judgment in determining the best way to address the purposes of your committee, which are enumerated in the enclosed in Senate Action 32-00/01. Please consider the following suggestions:

1) Purpose (aa): Please do not conduct a new salary survey during 2002/03. Given the economic situation in the State and the "survey fatigue" from which many faculty suffer, a survey does not seem to be a very prudent exercise at this time.

2) Purpose (jj): Please more closely examine those issues that were identified in "Part 7: Future Salary Prospects" of the 2001/02 salary committee report. For example, attempt to discern how the level of our indebtedness compares with that of our sister institutions. Additionally, attempt to determine an appropriate reserve fund level—how does our level compare? How does this compare to that of our sister institutions? Given the rather large number of new faculty being recruited this year, monitor our progress on our growing reliance on lecturers.

   Also, please consider our capital improvement plans and their impact on our ability to meet our stated salary objectives. And finally, examine enrollment projections and their impact on our budget (e.g., if we consistently overestimate enrollment, the "extra" revenue dollars are not available for scrutiny in the budget process as a possible source for salary increases).

Thank you for your willingness to chair this important committee. As you know, I will serve in an *ex officio* capacity during this academic year. Please call the first committee meeting and keep me apprised of the committee's progress.

Part 2

Executive Summary

The Faculty Senate's 2002-2003 *ad hoc* Planning Committee for Faculty Salaries was asked to examine faculty salaries at SMSU and, if salaries are below target levels, recommend policies that would help SMSU achieve its salary goals without undermining the University's academic program. The Committee was also requested to make other recommendations flowing from its analysis. (The Committee's charge can be found on the previous page.)

The Committee's report documents a significant shortfall between faculty salaries at SMSU and those earned by faculty at public comprehensive universities throughout the nation. The gap is quite large in some disciplines, but small or zero in a few others. In fall 2001, the most recent year for which comparable data are available, the annual cost of closing the gap between SMSU and CUPA salaries was $2.88 million, or $3.45 million with fringe benefits. The cost is about $800,000 higher if lecturers also receive market adjustments. This is more than twice the cost of eliminating market differentials in 1996, when the Roles and Rewards plan was promulgated and endorsed by President Keiser. The cost of closing the gap is about 2.2% of SMSU's E&G budget.

Below-market salaries make it more difficult to hire quality faculty, and are a leading factor causing faculty to leave or contemplate leaving SMSU in the relatively near future. The loss of such faculty is incompatible with SMSU's goals in the five "theme" areas of its mission, with its desire to offer quality graduate programs, and with its high standards for faculty research. The only means of reaching SMSU's salary goal are to generate additional revenues or to reallocate resources away from other uses; doing either will require the administration to assign a higher priority to salaries than they have been given in quite some time.

The Planning Committee for Faculty Salaries reviewed University budget documents and budget requests, salary figures from the College and University Personnel Association (CUPA), information from CBHE, and other data. The following paragraphs summarize the Committee's recommendations. A more detailed list of the report's findings, with recommendations for the Senate, is provided in Part 3.

Recommendations requiring further <u>Senate action</u>:

1. The *Faculty Handbook*'s vague statement on market adjustments (Section 1.10.1) should be amended to include specific references to discipline and rank. The Senate should make the following recommendation to the Faculty Handbook Revision Committee:

The University goal is to increase the average faculty salary to the average of all faculty salaries <u>at the corresponding discipline and rank</u> at comparable public, comprehensive universities. (The suggested amendment is underlined.)

Recommendations regarding <u>faculty salaries</u>:

1. SMSU should commit to achieving CUPA salary levels for ranked faculty and a corresponding adjustment for full-time lecturers within a three-year time frame, with implementation beginning in fiscal 2004.
2. Dollars for market adjustments and other salary increases should be set aside at the *beginning* of each year's budget cycle, and other priorities should compete for remaining available funds.
3. SMSU should establish a five-year goal of raising faculty salaries significantly above the CUPA averages in five to 10 departments central to the University's mission.

Recommendations regarding <u>faculty hiring</u>:

1. Due to the unprecedented substitution of unranked faculty positions for ranked positions, SMSU should replace half (50%) of its FTE unranked faculty with assistant professors over a three-year period beginning in FY04.
2. A goal should be added to "Countdown" reflecting a plan to substitute ranked faculty for unranked faculty. SMSU's performance in this area in 1996 should be established as a benchmark.

Suggestions for <u>boosting SMSU revenues</u> to provide moneys to enhance faculty salaries:

1. Because SMSU obtains fewer tuition dollars per student and receives a smaller appropriation per student than Missouri's other regional state universities, the Board of Governors should develop and implement an aggressive action plan to increase SMSU's relative appropriation per student.
2. SMSU extracts fewer tuition dollars per student than other Missouri regionals. The administration should investigate SMSU's apparent tuition shortfall and, if possible, take immediate steps to close the gap.
3. SMSU should study the possibility of imposing differential tuition charges for undergraduate courses, where tuition would be lowered for 100-level courses and increased for 400- and 500-level courses.
4. University Advancement and Foundation officials should devote a greater share of their resources to promote academic fundraising, and establish a higher goal for the relative gift income of academics.

Suggestions for <u>reallocations within the SMSU budget</u> and procedural changes to provide moneys for faculty salaries or to protect future salaries:

1. SMSU should reduce expenditures in academic administrative lines. The elimination of positions in academic administration should follow a review of academic administrators which compares the contribution of each administrative position to the University's academic mission.
2. Funds provided by SMSU to KOZK should be considered a debt obligation of KOZK, and repaid (with interest) over the following five years.
3. Because they are above the average at other comprehensive universities, salaries of SMSU's top administrators and deans should be adjusted downward, to the same relative position to the national marketplace as SMSU's full professors.

4. SMSU should establish a voluntary debt ceiling 20% below the current level, and refrain from exceeding that ceiling for a five-year period.
5. SMSU should develop policies to make better use of existing classrooms and parking spaces during afternoons and evenings. Differential tuition charges (between mid-morning and other classes) should be considered. Until considerable progress has been made toward increasing utilization of existing facilities, SMSU should only request capital funds for renovation of existing facilities.

6. Due to large increases in intercollegiate athletics spending since 1997 and the need to protect SMSU's core academic program, SMSU should reduce financial support to intercollegiate athletics.
7. In the future, SMSU should not begin construction on any new building unless it has external funding for the project already in hand—appropriations, gifts, or contracts.
8. Over a five-year period commencing with the end of the current appropriations crisis, SMSU should raise (and to the extent possible) maintain its reserves (the so-called *general unrestricted fund balance*) at a level sufficient to cover three months' E&G spending.

Recommendations regarding <u>public relations efforts</u>:

1. The administration and Board should make greater efforts to redress SMSU's appropriations shortfall.

Recommendations regarding <u>enhanced communication</u> between SMSU's Faculty, Administration, Students, and Board of Governors:

1. The goal for faculty salaries in "Countdown" should be amended to reflect the goal established in the Roles and Rewards plan. The following goal is suggested:

    To eliminate the gap between faculty salaries at SMSU and salaries at other public comprehensive universities, as measured by the gross dollar amount required to close that gap at all ranks and disciplines.

2. The Senate Chair should be included as a nonvoting member of the President's Administrative Council.
3. The Office of Academic Affairs should share the CUPA report—particularly salaries for *new assistant professors*—with department heads and deans by November 1 each year.
4. SMSU should survey students to learn their feelings about further tuition increases compared to spending cuts for intercollegiate athletics.
5. SMSU's internal accountants and outside auditors should be asked to impute reasonable costs for the facilities used by intercollegiate athletics, for the support services provided by the Office of University Advancement to athletics, and similar items.
6. The administration and Board should instruct SMSU's external auditors, BKD, to supplement the annual *Financial Report* with information about SMSU's reserves, or *general unrestricted fund balance.*

Part 3

Findings & Recommendations

The Faculty Senate's Planning Committee for Faculty Salaries was first appointed in fall 2000 to evaluate SMSU's progress in meeting goals set for faculty salaries in 1996 and incorporated into the *Faculty Handbook* in 1997. If it discovered that SMSU had failed to achieve its salary goals, and was unlikely to achieve them in the near term, the Salary Committee was asked to recommend changes in University policy that would permit salaries to be increased to target levels over a three-year time frame. Then in March 2001, the Faculty Senate renewed the Salary Committee's charter indefinitely, until faculty salaries at SMSU are increased to national averages at each discipline and rank. Each year, the Committee "shall recommend a plan of action suggested by . . . the Committee's analysis to eliminate significant negative differences between SMSU salaries and those at the relevant peer institutions."

Because the report is fairly lengthy, not everyone will have time to read it in its entirety. Therefore, Part 3 provides a list of the Committee's findings and recommendations, including page references to the relevant discussion.

Findings

1. President Keiser states **different salary goals** in different settings. In official documents he states that the goal is to raise the *overall average* salary for all ranked faculty at SMSU to the overall average for all ranked faculty at CUPA institutions; on campus he endorses the goal of raising average SMSU salaries *at each rank* to the CUPA average for that rank. The President denies that it has ever been SMSU's policy to pay the market adjustments described in the Roles and Rewards plan (pages 13-4).

2. Not counting promotions, **SMSU faculty experienced general salary increases averaging 3.3% between fall 1996 and fall 2001** while the inflation rate averaged 2.4%, so the faculty have enjoyed *real* increases of 0.9% per year. By contrast, between fall 1989 and fall 1995—before the Roles and Rewards policy was adopted—average salaries rose by 4.0% annually and the inflation rate was 3.2%. That produces a real annual salary increase of 0.8%. So both periods included instances of significant budget problems, and real salary gains in the two periods has been remarkably similar (page 17).

3. When it computes the cost of providing market adjustments for the faculty and reports that cost to the Board, **the administration excludes faculty from the calculation of averages if CUPA salary surveys do not provide comparable salary data**. Since the *Faculty Handbook*'s provisions apply to all faculty, but do not rule out other sources for comparable salary data, the decision to exclude a segment of the faculty is unreasonable (page 20).

4. For all full-time ranked faculty, it would cost an estimated $2.88 million in higher salaries plus another $575,000 in fringe benefit costs, for a **total cost of $3.45 million to raise SMSU salaries to the average levels paid at public comprehensive universities** in each rank and discipline. Including full-time lecturers raises the annual cost by about $800,000. These costs have *more than doubled* since the 1996 Roles and Reward report was released (page 21).

5. A survey of public universities in Arkansas, Illinois, Iowa, Kansas, and Missouri found that **salaries at SMSU have risen less rapidly than the regional average** over the past 12-, eight- and six-year periods (page 23 and Appendix B-3).

6. Of Missouri's nine leading public four-year colleges and universities, all granted general salary increases in fall 2001 or fall 2002, but none granted increases in both years. Excluding SMSU, the group averaged raises of 3.5% over the two years. By contrast, general raises at SMSU (excluding promotions, etc.) totaled 2% over the two years (page 26).

7. SMSU devotes far more resources to **graduate education and research** than other regional state universities in Missouri (pages 28 and 33).

8. SMSU has lagged far behind Missouri's other regional state universities in attracting **private grants, gifts, and contracts** (page 31).

9. SMSU receives about 21% less **state appropriation** per student than Missouri's other regional state universities. This is a growing problem (page 30).

10. SMSU has unusually **high outlays on academic administration** compared to Missouri's other regional state universities (pages 31-3).

11. In recent years, SMSU's outlays on **community and public service** have far exceeded the average at other regional state universities in Missouri. This is largely due to SMSU's acquisition of KOZK (page 33).

12. SMSU offers more graduate courses and expects more research from its faculty than the other regional state universities in Missouri. This is inconsistent with the fact that **SMSU utilizes a far greater proportion of unranked faculty** than they do (page 34).

13. The **salaries of SMSU's top administrators** are about 7% above those of administrators at other comprehensive universities (page 35).

14. Compared to three of the other four regionals, SMSU has an excessive but not alarming amount of **indebtedness** relative to the size of the E&G budget (page 36).

15. Before recently announced tuition increases, **SMSU's tuition charges were about 3% higher than the average** at Missouri's other regional state universities. In recent years, SMSU's tuition has risen by about 7-8% compared to tuition at the University of Missouri (pages 37-8).

16. Including some charges overlooked by SMSU's accountants, total **spending on intercollegiate athletics** is approximately $11 million annually. More than half of those dollars come from SMSU's E&G budget or donations, while less than half is from revenue generated by ticket sales and other commercial activity. Since 1997, total spending on athletics has expanded far faster than spending in SMSU's instructional programs (pages 40-3).

17. SMSU has about 28% less **building space** per student than Missouri's other regional state universities. However, much of SMSU's classroom space is unoccupied during afternoons and evenings (page 36).

18. The administration's request for capital appropriations lists **$294.5 million in new construction and renovation projects** it hopes to complete between FY04 and FY10. Several of those projects are far more expensive than they were in last year's proposals (page 44).

19. Since 1996, **the proportion of unranked and part-time faculty has risen by 133%**. This move has increased the teaching and service burden on tenured faculty and has lowered SMSU's annual payroll costs by approximately $1.8 million. There are reasons for concluding that SMSU has carried this trend further than peer universities (pages 46-7).

20. In recent years the administration has depleted SMSU's **reserve funds** to construct, remodel, or acquire assets that are far less important to SMSU's core academic mission than the projects to which the funds were applied. Through hard experience, faculty have learned that although reserves can't be used to increase salaries, salary increases can be denied to rebuild reserves (page 47).

21. For technical and practical reasons, meaningful comparisons between the **cost of living** in Springfield and the cost of living elsewhere cannot be made. However, a comparison between living costs in Springfield and the other four cities hosting Missouri's regional state universities suggests that living costs are higher in Springfield than in the other four cities (page 51).

22. When he was hired, **the Board assigned President Keiser five goals**; the first was to raise salaries to national levels. According to President Keiser, the goals are "both appropriate and doable or we would not be here" (page 54).

*Based on these findings and the related analysis, **the following recommendations are offered as a Senate Action***. With these policy changes, the Committee is confident that SMSU can achieve its salary goals, as stated in the 1996 Roles and Rewards report endorsed by the administration and Faculty Senate, without endangering SMSU's academic program. Taken together, these recommendations provide an agenda for progress that deserves serious consideration by SMSU's administration and Board of Governors.

Recommendations

1. To avoid confusion concerning market adjustments to faculty salaries, the *Faculty Handbook* and the administration's "Countdown" report should be amended to incorporate language from the Roles and Rewards plan (page 15).

2. SMSU should commit to achieving CUPA salary levels for ranked faculty and a corresponding adjustment for full-time lecturers within a three-year time frame, and implement a specific plan beginning with the fiscal 2004 budget cycle (page 22).

3. SMSU should establish a longer-term (five-year) goal of raising faculty salaries significantly above CUPA averages in 5-10 disciplines critical to the University's mission (page 21).

4. SMSU's Office of Academic Affairs should provide CUPA data, particularly for new assistant professors, to department heads and deans by November 1 each year (page 21).

5. The SMSU administration should set aside dollars for market adjustments and other salary increases at the *beginning* of each year's budget cycle (page 22).
6. The SMSU administration should include the Senate Chair as a nonvoting member of the President's Administrative Council (page 22).

7. The administration should investigate SMSU's apparent tuition shortfall and, if possible, take immediate steps to close the gap (page 28). As part of that investigation, SMSU should study the possibility of imposing differential tuition charges for undergraduate courses (page 38).
8. The Board of Governors should develop and implement an aggressive action plan to increase SMSU's relative per-student appropriation (page 30).
9. SMSU should initiate an annual spending cut of $500,000 in academic administration (page 33). The elimination of positions in academic administration should follow a review of academic administrators which compares the contribution of each administrative position to the University's academic mission (page 33).
10. SMSU should survey students to learn their feelings about further tuition increases compared to spending cuts for intercollegiate athletics (page 33).
11. Funds provided by SMSU to KOZK should be considered a debt obligation of the KOZK, to be repaid (with interest) over the following five years (page 34).
12. Salaries of SMSU's top administrators and deans should be adjusted to the same relative position to the national marketplace as SMSU's full professors (page 35).
13. The administration should establish a voluntary debt ceiling 20% below the current level, and refrain from exceeding that ceiling for a five-year period (page 36).
14. SMSU should reduce the financial support it provides to intercollegiate athletics by at least $500,000 annually (page 42).
15. SMSU's internal accountants and outside auditors should be asked to impute reasonable costs for the facilities used by intercollegiate athletics, for the support services provided by the Office of University Advancement to athletics, and similar items (page 43).
16. University Advancement and Foundation officials should devote a greater share of their resources to promote academic fundraising, and establish a higher goal for the relative gift income of academics (page 43).
17. SMSU should develop policies to make better use of existing classrooms and parking spaces during afternoons and evenings. Until considerable progress has been made toward increasing utilization of existing facilities, SMSU should only request capital funds for renovation of existing facilities (page 46).
18. Over the longer term, SMSU should not begin construction on any new building unless it has all external funding for the project already in hand—appropriations, gifts, or contracts (page 46).
19. SMSU should reverse the trend toward substituting unranked for ranked faculty positions by replacing half (50%) of its FTE unranked faculty with assistant professors over a three-year period. This performance measure should be included in the administration's "Countdown" report (page 49).
20. The administration and Board should instruct the University's external auditors, BKD, to supplement SMSU's annual *Financial Report* with information about SMSU's *general unrestricted fund balance* (page 49).

21. Over a five-year period commencing with the end of the current appropriations crisis, SMSU raise (and to the extent possible) maintain its *general unrestricted fund balance* at a level sufficient to cover three months' E&G spending (page 49).

Part 4

Salary Policy and Salaries

SMSU's written salary policy typically changes very little from one year to the next, while larger changes generally result from new initiatives by the administration. Currently, the most prominent features of SMSU's salary policy are across-the-board increases to keep pace with the cost of living and a system of market adjustments to bring salaries into line with market conditions. Other elements of the policy include one-time awards for meritorious performance, raises for faculty receiving promotions, adjustments for those earning academic degrees, and equity adjustments for individual faculty whose salaries don't reflect their job responsibilities and performance. A record of SMSU's salary policies is available from the SMSU *Faculty Handbook*.

Salary increases require funds that could instead be put to other uses, so University officials confront tradeoffs between higher salaries and other activities or services that could be provided instead. Thus the matter of priorities must be addressed. Part 4 reviews statements from various sources to identify University policy toward faculty salaries as found in the *Faculty Handbook*, statements from President Keiser, and actual salary increases.

Market Conditions and Salaries

Table 1 describes the University's general salary policy in recent years (Section 2.10.1 of the current *Handbook*). The opening sentences have remained unchanged for more than a decade and state that *market conditions, rather than a fixed schedule, determine the starting salary for new faculty*; and that because of market conditions, the salaries of existing faculty differ across disciplines ("teaching areas") at SMSU. Through 1995, the improvement of faculty salaries was said to receive a "high priority" in budgeting, but no specific goal was targeted. Then in 1996, the Select Committee on Faculty Roles and Rewards recommended significant changes to the salary policy. Appointed the previous academic year by President Keiser, chaired by an Associate Vice President of Academic Affairs, and comprised of administrators and faculty, at the heart of the Roles and Rewards plan was *a system of market-based salary adjustments*. The following describes that system:

> Based on the averages in comprehensive public institutions, *target salary goals will be established for the different disciplines and faculty ranks*. . . . [A]vailable salary dollars—that is, beyond the across-the-board component—will be allocated to . . . move the salaries toward the targeted averages. This component of the annual salary raise would be calculated to increase incrementally everyone in a particular

rank and discipline the same amount. However, the increase will vary from one group (rank and discipline) to another. The amount of salary increase will be calculated to move everyone in a group a percentage of the group difference from the target goal; i.e., groups farther from their target get more money. [Roles and Rewards report (January 30, 1996), page 4; italics added for emphasis.]

Table 1. *General Salary Policy* (*Faculty Handbook* Section 2.10.1)

1989. SMSU does not have a formal salary schedule for faculty and other academic employees. The initial salary of a new faculty member is normally determined after consideration of the salaries being paid to currently employed faculty members in the same rank with similar training and experience and who are in the same department, teaching area, or other appropriate academic unit. While it is the ideal of SMSU to attain throughout the University essential parity in salaries among faculty members with comparable backgrounds and responsibilities, it is the practice at SMSU to offer higher salaries and/ or other financial incentives to faculty members in some teaching areas where experience has shown that there is difficulty in recruiting and retaining qualified faculty because of higher competitive market salaries.

Improvement of faculty salaries receives high priority each year in budget construction.

1997. SMSU does not have a formal salary schedule for faculty and other academic employees. The initial salary of a new faculty member is normally determined after consideration of the salaries being paid to currently employed faculty members in the same rank with similar training and experience and who are in the same department, teaching area, or other appropriate academic unit. While it is the ideal of SMSU to attain throughout the University essential parity in salaries among faculty members with comparable backgrounds and responsibilities, it is the practice at SMSU to offer higher salaries and/or other financial incentives to faculty members in some teaching areas where experience has shown that there is difficulty in recruiting and retaining qualified faculty because of higher competitive market salaries.

Improvement of faculty salaries receives high priority each year in budget construction. The University goal is to increase the average faculty salary to the average of all faculty salaries at comparable public, comprehensive universities.

2002. SMSU does not have a formal salary schedule for faculty and other academic employees. The initial salary of a new faculty member is normally determined after consideration of the salaries being paid to currently employed faculty members in the same rank with similar training and experience and who are in the same department, teaching area, or other appropriate academic unit. While it is the ideal of SMSU to attain throughout the University essential parity in salaries among faculty members with comparable backgrounds and responsibilities, it is the practice at SMSU to offer higher salaries and/or other financial incentives to faculty members in some teaching areas where experience has shown that there is difficulty in recruiting and retaining qualified faculty because of higher competitive market salaries.

Improvement of faculty salaries receives high priority each year in budget construction. The University goal is to increase the average faculty salary to the average of all faculty salaries at comparable public, comprehensive universities.

Source: *Faculty Handbook* (http://www.smsu.edu/AcadAff/FacultyHandbook/FacultyHandbook.PDF).

After the Roles and Rewards report was approved by the Faculty Senate in January 1996, the administration endorsed the report and sent a copy to the Board of Governors for informational purposes. At the June 21, 1996 Board meeting, SMSU's Vice President for Academic Affairs stated that "the Faculty Handbook Revision Committee will be working to incorporate the recommendations of this report into the *Faculty Handbook*. Next year [i.e., 1997] the Board will be asked to revise the *Faculty Handbook* to reflect the change in expectations for faculty Roles and Rewards." Then in his August 1996 "State of the University" address, President Keiser stated "last spring, the Faculty Senate approved a report submitted to them by the Faculty Roles and

Rewards Committee; and that report, as amended by the Senate, was received by the Board of Governors this summer. The Faculty Handbook Revision Committee is now dealing with incorporating the salient points of that report into the *Faculty Handbook* . . . It is . . . appropriate that the administration implement the rewards system recommended by the Faculty Senate as soon as possible in recognition of the hard work and dedication of the faculty" (http://www.smsu.edu/president/statead7.html).

Subsequently, the Handbook Revision Committee condensed the Roles and Rewards plan for market adjustments. That condensed statement was approved by the Faculty Senate, the administration, and Board of Governors, so the following clause was added to the 1997 *Handbook* and remains there still:

> The University goal is to increase the average faculty salary to the average of all faculty salaries at comparable public, comprehensive universities.

Under the Roles and Reward interpretation, this means that the average (say) associate professor in the (say) Chemistry Department at SMSU would earn the same as the average associate professor in all chemistry departments at more than 200 so-called CUPA universities. The same would be true for faculty in other disciplines and ranks.

However, SMSU's top administrators state that the *Handbook* requires only that the average ranked faculty member at SMSU earn as much as an average ranked faculty member at CUPA institutions, averages computed without regard to discipline or rank. That is clearly *not* the interpretation one would have expected following the administration's ringing endorsement of the Roles and Rewards plan, which shortly preceded the *Handbook* change.

Since its meaning is now in dispute, the *Handbook* passage on market adjustments must be read in context. A nearby sentence in the *Handbook* acknowledged the necessity of bringing SMSU salaries up to market levels in each discipline, even before the Roles and Rewards policy was adopted. Using the term "teaching areas" instead of "disciplines":

> [I]t is the practice at SMSU to offer higher salaries and/or other financial incentives to faculty members in some *teaching areas* where experience has shown that there is difficulty in recruiting and retaining qualified faculty because of higher competitive market salaries. [*Handbook* (Section 2.10.1), italics added for emphasis.]

This is consistent with the Roles and Rewards plan, and supports rather than clashes with the passage, *two sentences later*, now in dispute.

There is also an historical context which suggests the meaning of the *Handbook* statement on market adjustments. As already noted, the final report of the Roles and Rewards Committee specified that *rank and discipline* both should be considered when setting salary targets. The administration endorsed that policy in 1996, when President Keiser and VPAA Schmidt both stated that the report's recommendations would soon be incorporated into the *Faculty Handbook*. The administration didn't wait to implement the new policy, however, because in fall 1996 significant market adjustments were granted under Roles and Rewards guidelines; those adjustments closed 40% of the gap *at each rank and discipline* between salaries at SMSU and those at public comprehensive universities. In subsequent years, SMSU's Office of Academic Affairs has distributed a table every year (or nearly every year) comparing faculty salaries at SMSU to those at public comprehensive institutions *for each discipline and rank*. Indeed, the original table comparing SMSU to CUPA salaries *by discipline and rank* was developed in 1995 when President Keiser requested it from Dr. Don Landon, his assistant at the time.

This extended history of SMSU's policy on market adjustments is necessary because President Keiser articulates *two* distinct policies with respect to raising salaries to market levels—though neither of them agree with the Roles and Rewards plan. For example, in the administration's "Countdown to the SMSU Centennial," a combined performance measures report and long-range plan for SMSU, the following salary goal is stated:

> To increase SMSU's average faculty salary to the average of all faculty salaries at comparable public, comprehensive universities.

This is virtually equivalent to the statement quoted above from the 1997 *Faculty Handbook*, and is interpreted as the administration interprets the *Handbook*; the administration computes a single average salary for (virtually) all ranked faculty at SMSU, and compares it to a single salary average for all ranked faculty at public comprehensive universities. Then, the two salary averages are used to compute the ratio of SMSU's salaries to those at all public comprehensive universities. For fall 2002, the administration estimates that ratio at 98.2%. Unfortunately, *the administration approach overlooks the importance of rank and discipline in salary policy*. It conflicts with the Roles and Rewards policy, which it endorsed and said it would to use "to revise the *Faculty Handbook*."

On other occasions, President Keiser has stated that his policy is to raise SMSU salaries to the national average *at each rank*. For example, during his August 2002 "State Of the University" address, he said that "achieving equity [i.e., parity between SMSU salaries and CUPA salaries] by academic rank . . . is recognized . . . but equity by discipline is not" (http://www.smsu.edu/president/statead19/text.htm).

Thus, various interpretations exist over SMSU's actual policy. Due to the controversy surrounding this issue, **Faculty Senate leaders met with top administrators on August 21, 2002**. That meeting was attended by Lois Shufeldt (Senate Chair), Jim Giglio (Senate Chair-Elect), the salary committee chairperson, President John Keiser, VPAA Bruno Schmidt, and Associate VPAA Frank Einhellig (who chaired the original Roles and Rewards Committee). *Throughout the meeting, President Keiser and VPAA Schmidt maintained that the faculty's frustration over salaries is based on its confused reading of the University's salary policy.*

In the first place, they stated, SMSU never adopted the market adjustments plan in the Roles and Rewards report, and the University's official policy is the one expressed in "Countdown"—i.e., where the overall average salary at SMSU should be brought up to the overall average at CUPA universities, without regard to discipline or rank. Second, VPAA Schmidt explained that the salary goal in "Countdown" and the *Faculty Handbook* was actually developed by him prior to President Keiser's arrival at SMSU in 1993. Third, President Keiser acknowledged that in addition to the goal contained in "Countdown," he has an *unofficial salary goal* which is not stated in the University's public documents—namely, raising SMSU salaries to the national average at each rank (professor, associate professor, etc.). According to the President, his two-policy approach is a more effective way of raising salaries because the legislature and general public already believe faculty are overpaid and won't support a request by SMSU for funds to increase salaries. Instead, his approach is to ask for a general appropriations increase, then apply some of those dollars to promote his unofficial salary goal. Each point deserves closer examination.

First, it is clear from the historical record that the administration endorsed the Roles and Reward Committee's plan for salaries when, in 1996, it presented that plan to the Board of Governors and said it would recommend changes in the *Faculty Handbook* to implement the plan. President Keiser appointed the Committee and placed an associate VPAA at its head, so it cannot be said that the administration was either surprised or confused by the Roles and Rewards system of market adjustments; that was the *central feature* of the plan. A few months later, the administration granted substantial market adjustments to the faculty based on the Roles and Rewards formula—adjustments that varied by rank and discipline.

Given this level of administrative support for the Roles and Rewards plan, the brief, vague sentence added to the *Faculty Handbook* concerning reaching parity with other public comprehensive universities has always been interpreted by the faculty as a shorthand version of the salary goal described in detail by the Roles and Rewards report. Recall that President Keiser assured SMSU's Board and its faculty that the Roles and Rewards plan would be incorporated into the *Faculty Handbook*, that it would become policy. If he *didn't* intend for the Roles and Rewards plan to become policy, how is one to interpret the words and actions of the President and his administration during 1996 and 1997? When during those years did he openly reject the Roles and Rewards plan to raise salaries to national levels in each discipline and rank?

The second revelation from the August 21 meeting was VPAA Schmidt's contention that the salary goal included in "Countdown" and added to the 1997 *Faculty Handbook* was actually developed by him prior to President Keiser's coming to SMSU in 1993. This means that the VPAA, apparently with no faculty input, established a goal for faculty salaries but decided not to inform the Roles and Rewards Committee that its plans for market adjustments were subject to this overall constraint. Nor did he inform the faculty while the Roles and Rewards report was being debated across campus. This version of events says that the University's true salary target was never modified as a result of the administration's endorsement of the Roles and Rewards report. That is disturbing because *the Roles and Rewards plan not only prescribed an appropriate salary policy, but also defined new roles and responsibilities for the faculty*. If the University's salary objective wasn't altered by the Roles and Rewards report, the President's purpose in appointing a Roles and Rewards Committee must have been to impose new responsibilities on the faculty without granting anything in return—an exercise that was all roles and no rewards. One wonders about the validity of such a deal. ***If the rewards are not real, should the faculty's roles and responsibilities be rolled back to pre-1996 levels?***

The other surprising development from the August 21 meeting is that President Keiser openly described his two salary policies: an official policy, whose goal is to raise SMSU's *overall average* salary to the national average, and an unofficial policy, whose goal is to raise SMSU salaries to national levels *at each rank*. Only the official policy is mentioned in "Countdown," the University's appropriations request, and other communications with outsiders. This approach can be criticized on at least two grounds. First, it is inappropriate for a public university to have two salary objectives, one for presentation to the public and another for internal consumption. Second, it is not possible for the faculty to support the administration's official position, since that public support could be cited by the administration in denying a salary increase. Consequently, the administration's two-policy approach is an ongoing source of controversy between the administration and faculty.

It may not have occurred to top administrators, but SMSU has never distributed salary increases according to rank alone, which is the President's unofficial goal, yet it is *a practical impossibility* for SMSU to reach parity with CUPA institutions at each rank without granting such raises.

Finally, it must be pointed out that President Keiser is factually incorrect when he states that raising SMSU salaries to national levels *by rank* would place a heavier burden on the University's budget than raising SMSU salaries to national levels *by rank and discipline*. Because SMSU has a smaller share of faculty in the highest-paid disciplines than other CUPA universities, the cost of raising SMSU salaries to national levels is actually *less* when disciplines are figured into the mix than when they aren't. Thus, the President's approach not only clashes with the policy articulated in the Roles and Rewards report, but poses a greater risk to the University's financial stability.

These observations suggest a need for the SMSU administration to bring its salary policies into line with the recommendations of the Roles and Rewards Committee, which the faculty and administration both endorsed in 1996. That includes a) updating the *Faculty Handbook* (Section 2.10.1) to describe market adjustments in more explicit terms, and b) developing a new performance measure for faculty salaries to be included in future editions of "Countdown to the Centennial," where the administration reports progress each year toward various University goals. The Committee recommends the following changes in the *Handbook* and "Countdown":

a) *Faculty Handbook*: The University goal is to increase the average faculty salary to the average of all faculty salaries *at each discipline and rank* at comparable public, comprehensive universities. (The suggested amendment is *italicized*.)

b) “Countdown”: To eliminate the gap between faculty salaries at SMSU and salaries at other public comprehensive universities, as measured by the gross dollar amount required to close that gap at all ranks and disciplines.

Table 2. ***Across-the-Board Raises*** **(*Faculty Handbook* Section 2.10.1.3)**
1989. In most years faculty members receive a salary increase. The size of the increase is dependent primarily upon the amount of funds appropriated by the legislature for that year and upon the amount of funds generated locally. In recognition of the importance of economic security to faculty, the following salary policy has been adopted. In any year when faculty salary moneys are allocated for distribution, the minimum percentage increase for an individual faculty member shall not be less than the smaller of (1) the increase in the cost of living index (CPI; Kansas City, all items) increase for the preceding year or (2) a percentage increase equal to three-fourths of the percentage determined by dividing the total dollars available for ranked faculty salary increases by the aggregate dollar value of all existing faculty salaries for all ranked faculty.
1997. In most years faculty members receive a salary increase. The size of the increase is dependent primarily upon the amount of funds appropriated by the legislature for that year and upon the amount of funds generated locally. In recognition of the importance of economic security to faculty, the following salary policy has been adopted. In any year when faculty salary moneys are allocated for distribution, the minimum percentage increase for an individual faculty member not under salary sanction shall not be less than the smaller of (1) the increase in the cost of living index (CPI for urban consumers) increase for the preceding year or (2) a percentage increase equal to three-fourths of the percentage determined by dividing the total dollars available for ranked faculty salary increases by the aggregate dollar value of all existing faculty salaries for all ranked faculty.
2002. In most years faculty members receive a salary increase. The size of the increase is dependent primarily upon the amount of funds appropriated by the legislature for that year and upon the amount of funds generated locally. In recognition of the importance of economic security to faculty, the following salary policy has been adopted. In any year when faculty salary moneys are allocated for distribution, the minimum percentage increase for an individual faculty member not under salary sanction shall not be less than the smaller of (1) the increase in the cost of living index (CPI for urban consumers) increase for the preceding year or (2) a percentage increase equal to three-fourths of the percentage determined by dividing the total dollars available for ranked faculty salary increases by the aggregate dollar value of all existing faculty salaries for all ranked faculty.

Source: *Faculty Handbook* (http://www.smsu.edu/AcadAff/FacultyHandbook/).

Table 2 describes the policy governing **across-the-board salary increases** for current faculty (*Handbook* Section 2.10.1.3). After emphasizing that the pool of dollars available for salary increases can be unpredictable, the *Handbook* states that if funds are available, a share of those dollars will be devoted to across-the-board raises so salaries approximately keep pace with the cost of living. Through 1995, the across-the-board component was tied to the cost of living as measured by the Kansas City Consumer Price Index (CPI), but the 1997 *Handbook* changed the benchmark to the United States Consumer Price Index for urban consumers (CPI-U). Both before and after 1997, the *Handbook* has provided alternative formulas for computing across-the-board raises: either the CPI increase for the preceding calendar year or 75% of total funds are available for raises. The across-the-board component must at least meet the lower of the two standards in any given year, but no maximum is specified. Thus, the division of funds between across-the-board raises and market adjustments can vary over time within the range specified by Section 2.10.1.3. However, emphasis on market adjustments calls for the smallest possible across-the-board raise.

Table 3. *Faculty Salary Increases at SMSU, fall 1989-2002*

(1) Year	(2) Across-the-board Salary change %	(3) General faculty Salary change %#	(4) Inflation Rate %*	(5) Real salary Change %
2002-2003	2.0	2.0	1.1	0.9
2001-2002	0.0	0.0	3.7	-3.7
2000-2001	2.9	4.0	2.7	1.3
1999-2000	2.0	2.6	1.7	0.9
1998-1999	4.0	4.0	1.6	2.4
1997-1998	4.0	4.0	3.0	1.0
1996-1997	2.6	6.5	2.7	3.8
1995-1996	2.3	3.3	2.8	0.5
1994-1995	2.6	4.1	2.5	1.6
1993-1994	2.3	3.5	2.8	0.7
1992-1993	3.0	3.0	2.5	0.5
1991-1992	0.0	0.0	3.3	-3.3
1990-1991	3.6	6.0	2.6	3.4
1989-1990	3.8	8.0	5.7	2.3
		Average annual changes (%)		
Full period				
1989-2002	2.51%	3.64%	2.76%	0.88%
Keiser Years				
Pre: 1989-1993	2.54%	4.10%	3.38%	0.72%
Keiser: 1994-2002	2.49%	3.39%	2.42%	0.97%
Roles & Rewards Years				
Pre: 1989-1995	2.51%	3.99%	3.17%	0.81%
R&R: 1996-2002	2.50%	3.30%	2.36%	0.94%

* Previous calendar year (Jan.-Jan.)

\# Excludes dollars for promotions, completion of a degree, or equity adjustments.

Both market adjustments and across-the-board salary increases are justified by the need for SMSU to pay competitive salaries to attract and retain quality faculty. For that reason the 1996 Roles and Rewards report emphasized that market adjustments must be "viewed as a commitment that is in concert with other quality initiatives of the institution." Without that commitment, the report stated, other University goals would become difficult, if not impossible, to reach. That insight is strengthened by the 2001-2002 Faculty Concerns Committee's findings. Its "Follow-up Analysis," distributed to the Senate in February 2002, documents a strong relationship between faculty intentions to leave SMSU and dissatisfaction with current and future salary prospects.

This report does not examine the salary increases associated with **promotions**, mainly because the policy has changed little over the years and is not a controversial subject. Currently, a promotion to assistant professor is worth $2,163 per year; a promotion to associate professor is worth $2,704; and a promotion to professor is worth $3,245. These are 4%, 5%, and 6%, respectively, of the average salary of all ranked faculty, so the dollar amounts change slightly every year.

Another salary issue not examined in detail by this report is that of **equity adjustments** for individual faculty whose salaries are "significantly below the market in an area of high demand." For the 2002-2003 academic year, equity adjustments totaling $49,800 were granted—only about 45% of the amount granted the previous year. The need for such adjustments would be minimal if salaries were brought up to the national average in each discipline and rank.

Salary Increases

The foregoing survey of SMSU policy shows that individual faculty may receive salary increases for one or more of several reasons—cost-of-living, market adjustments, promotion, completion of a doctorate, equity adjustments. University-wide, however, once the total pool of dollars for salary increases is fixed, the more that is spent on one type of raise or adjustment means less is available for others.

Table 3 shows that in nearly all of the past 14 years, the cost-of-living component (column 2) has captured the lion's share of funds available for general raises (col. 3). For two of the 14 years (1991, 2001), there were no general salary increases. Only in a single year (1996) was a relatively large share of the salary pool devoted to market adjustments. Thus, the record reveals no real commitment by the administration to market adjustments.

Table 3 shows that since fall 1989, across-the-board raises (averaging 2.51% annually) are slightly below the average inflation rate over that period (2.76%)—a shortfall of about 0.25% per year. However, all of that shortfall occurred before 1994, the first year President Keiser awarded raises. His across-the-board raises have actually exceeded inflation by 0.1% per year. Thus, it appears that *President Keiser is more committed to across-the-board raises than previous administrations*—and less committed to other salary increases.

Column (3) shows that overall, salaries occasionally have risen somewhat faster than the across-the-board component (in col. 2), since faculty may also receive market adjustments. Since 1989, general salaries have risen by about 3.64% annually, while across-the-board raises averaged 2.51%. Thus, all other salary increases boosted average salaries by about 1.13% per year.

Because general salaries (in col. 3) rose slightly faster than the CPI (col. 4), inflation-adjusted salaries at SMSU have risen by about 0.88% per year since 1989 (col. 5). This average does not change much after President Keiser was hired or when the Roles and Rewards plan was promulgated. Thus, despite all of the talk about inadequate faculty salaries and the need to increase them, a new administration (in 1993) and a new salary policy (1996) had very little effect on the SMSU faculty's salary situation.

CUPA Market Adjustments

Table 4 compares SMSU salaries to the average salaries paid at other public comprehensive universities, for each discipline and rank, for the 2001-2002 academic year—i.e., one year in the past. The salaries against which SMSU's are compared are taken from a survey of 210 "Public Comprehensive Institutions" that submit salary information to the College and University Personnel Association (CUPA). From 1996 until January 2001, SMSU's Office of Academic Affairs mistakenly compared SMSU salaries to those of *all* CUPA member institutions instead of public comprehensive universities, the comparison prescribed in the *Faculty Handbook*. Because relative salaries differ between the two CUPA groups, the distribution of market adjustments at SMSU was somewhat in error between 1996 and 1999. Though the mistake was not intentional, it favors faculty in some departments and penalizes those in others; the size of the error is unknown, but is probably no more than a few hundred dollars (or less) for most faculty.

Column headings in Table 4 are descriptive and require little explanation. For present purposes, columns labeled “Difference” are the most relevant ones. Those values were calculated by subtracting CUPA average salaries from SMSU salaries for the same discipline and rank. A

Table 4.pdf goes here: CUPA vs. SMSU salaries

positive Difference indicates that SMSU salaries exceed the average at 210 public comprehensive universities, while a *negative Difference* (shown in parentheses) indicates that SMSU salaries fall below the national average.

Summed over all departments and ranks included in Table 4, the cost of raising SMSU salaries to the CUPA averages is about $2.78 million per year. In addition, some fringe benefit costs increase with salaries, so the total cost to SMSU of achieving CUPA averages by rank and discipline is about $3.34 million. This compares to a cost estimate of $1.23 million in salaries and $1.47 million including fringes during 1994-95, when the Roles and Rewards report was prepared. ***Thus, the cost of achieving SMSU's salary goal is far higher today than it was in 1996!***

According to the Roles and Rewards Committee's guidelines, all faculty in a given department and at the same rank should receive an identical pay increase, equal to the corresponding Difference in Table 4. In most departments and at most ranks, the Differences are negative. Several of the shortfalls are large—more than $10,000—and the average is approximately $5,159 per ranked faculty member. The salary deficits average about $5,438 apiece for full professors, $6,652 for associate professors, $3,653 for assistant professors and $697 for instructors.

Table 4 includes no earnings differential for 46 ranked faculty from the Department of Defense and Strategic Studies, Meyer Library, and Greenwood Laboratory School. The CUPA report does not provide data for faculty in these areas. The administration addresses this issue by simply ignoring the existence of these 46 faculty members when computing the cost of reaching salary goals. However, the *Faculty Handbook* neither states nor implies that CUPA data must be used to in computing market adjustments, and the *Handbook* clearly refers to all ranked faculty. *Therefore, the decision by the Office of Academic Affairs to exclude a segment of the faculty from these procedures conflicts with the Faculty Handbook*. A fair application of University policy calls for market adjustments for the 46 ranked faculty, too. The following estimates suggest that market adjustments for the 46 faculty in these three groups would cost about $95,000:

1 associate professor in Defense & Strategic Studies	$5,000
25 ranked faculty in Meyer Library (@ $2,000)	$50,000
20 ranked faculty in Greenwood Lab School (@ $2,000)	$40,000
Total	$95,000

With fringe benefits, the annual cost for this group is approximately $114,000. These imputed values are included in the total cost figures provided below, but are admittedly rough estimates whose accuracy should be compared not to perfection but to their treatment by the administration.

A second group omitted from Table 4 are 92 full-time lecturers. Lecturers are appointed on a year-by-year basis and as such, receive no salary increases in the sense that continuing faculty do. Nevertheless, the same logic that justifies market adjustments for ranked faculty applies equally to lecturers, and SMSU's growing dependence on lecturers makes it imperative that market conditions not be overlooked for this important group. Although lecturers aren't covered under the *Faculty Handbook*'s provisions for salary adjustments, Section 2.10.1 of the *Handbook* emphasizes that market conditions are consulted in setting salaries for "new appointments"—and that includes lecturers, whether joining SMSU for the first time or signing new one-year contracts.

Although lecturer salaries are not included in the CUPA report, the American Association of University Professors (AAUP) reports that lecturers at public comprehensive universities averaged $36,905 during academic year 2001-2002 (refer to **Appendix F**, item 24). Meanwhile, SMSU's average lecturer earned $29,211 that year—almost 21% below the AAUP average. One may question whether these figures are comparable, but the specific institutions included in AAUP's group of "public comprehensive universities" differs only slightly from the 210 "public comprehensive institutions" surveyed by CUPA, so the two sources show nearly identical all-discipline averages at each rank. Therefore, the AAUP's $36,905 figure is probably a reliable estimate of full-time lecturer salaries at CUPA universities. Because the *Faculty Handbook* does not specify a particular source for obtaining information about salaries in the national market, it is reasonable to rely on another reputable source to remedy shortcomings of the CUPA study.

According to the SMSU *Fact Book*, SMSU had 95 full-time lecturers in 2002-2003. The cost of increasing the average salary of that group from $30,037 to $36,905 is $652,460. With fringe benefits, the total is $782,952.

Market adjustments for remaining faculty members cannot be estimated with available data because of the varied credentials, experience, and responsibilities of those faculty. Virtually all faculty in this group hold part-time status. Therefore, no attempt is made in the present report to impute market-based salaries for this group.

These figures summarize the foregoing analysis:

Ranked faculty in departments covered by CUPA reports	
Market adjustments	$2,780,449
Fringe benefits (@ 20%)	556,090
Ranked faculty in departments not covered by CUPA reports	
Market adjustments	95,000
Fringe benefits (@ 20%)	19,000
Lecturers (full-time)	
Salary increases (in new contracts)	652,460
Fringe benefits (@ 20%)	130,492
Total cost of raising **ranked faculty** salaries to national averages (w/fringes)	$3,450,538
Total cost of raising **all faculty** salaries to national averages (w/fringes)	$4,233,490

For all full-time ranked faculty, it would cost an estimated $2.88 million in higher salaries plus another $575,000 in related fringe benefit costs, for a total of $3.45 million, to raise faculty salaries at SMSU to the levels paid at public comprehensive universities nationwide across disciplines and ranks. If lecturers are included, the annual cost is $4.23 million. Thus, salary increases would amount to about 9.8% of 2001-2002 salaries for the ranked faculty. That is approximately 2.2% of SMSU's total E&G budget. Larger increases would be received in some departments (and ranks), while others would receive less. However, market adjustments would be received by 92% of the ranked faculty. By comparison **Appendix A** shows that somewhat larger (10.5% to 15.3%) raises would be required to bring salaries up to levels paid at "peer" institutions identified by the SMSU administration in recent years.

The foregoing analysis assumes that CUPA salary averages are an acceptable target for SMSU's salary policy. **In practice, CUPA averages may not be an appropriate target in several departments**. If SMSU salaries match CUPA averages in every discipline, then SMSU should, theoretically, attract and retain faculty of average quality in every academic department. However, SMSU has identified several areas of emphasis (or "themes") and included them in its mission statement, aiming to perform at above-average levels in those areas. SMSU may have above-average aspirations in other activities, too (e.g., graduate programs, research), but may not be able to employ faculty capable of attaining those aspirations simply by paying average salaries. Thus, SMSU should establish a longer-term (five-year) goal of raising faculty salaries significantly above CUPA averages in 5-10 disciplines central to the University's mission.

Finally, the Committee repeats a recommendation from last year: The Office of Academic Affairs should order the CUPA report at the earliest possible date each fall semester, then share that data—particularly salaries for *new assistant professors*—with department heads and deans by November 1 each year. That would inform heads and administrators about market conditions at a critical time in the hiring process.

Summary and Observations

In the seven years since the Roles and Rewards Committee recommended (and the administration endorsed) raising salaries to market levels in each discipline, only limited progress has been made toward that goal. The annual cost of bringing SMSU salaries up to CUPA levels is now about $2.88 million plus associated fringe benefit costs, or $3.45 million altogether. This amounts to a 9.8% average salary increase, or 2.23% of SMSU's total E&G budget for fiscal year 2003. (The cost is about $783,000 more if full-time lecturers are also brought up to market levels.)

This is a significant amount of money, but it is equally significant to faculty who have been waiting since 1996 for promised market adjustments. At a time of rising tuition, growing enrollment, and higher student/faculty ratios, the Committee recommends that SMSU commit to achieving CUPA salary levels for ranked faculty and a corresponding adjustment for full-time lecturers within a three-year time frame, and implement a specific plan beginning in fiscal 2004. To increase the likelihood of this goal being achieved, the SMSU administration should set aside dollars for market adjustments and other salary increases at the *beginning* of each year's budget cycle, and include the Senate Chair as a nonvoting member of the President's Administrative Council. That would provide the Administrative Council a faculty perspective on important issues, and help the faculty gain a better understanding of the administration's policies.

The 2001-2002 Faculty Concerns Committee surveyed faculty about their intentions to leave SMSU. Chaired by an associate professor of Industrial Organizational Psychology with expertise in employee turnover, the committee found that approximately one in three associate and assistant professors reported that they are actively seeking another academic position. In light of the large number of faculty retirements expected over the next decade, these findings are alarming and further highlight the need for SMSU to bring salaries into line with external market conditions.

When the Roles and Rewards Committee recommended market-based salary adjustments in 1996, both the administration and Faculty Senate strongly endorsed that policy. Yet, no market adjustments have been granted in the past two years. Surveyed in 2001 about their preferred method of allocating dollars for salary increases beyond the cost-of-living, the faculty identified CUPA-based market adjustments as their top preference. For two years running (2001 and 2002) the Faculty Senate has endorsed market adjustments by an overwhelming majority. Thus, conditions are ripe for the University to make a meaningful investment in market-based salary adjustments. That would fulfill the administration's long-standing commitment to the faculty and would also help SMSU attract and maintain the quality faculty needed to promote the University's mission.

Part 5

Missouri's Regional State Universities

SMSU is one of Missouri's five regional public universities, competing for many of the same students and the same dollars from the same State legislature. Thus, the five have comparable revenue-generating abilities. Whether university revenues are used to increase faculty salaries or for some other purpose, however, comes down to internal policies and priorities—decisions to move funds from some budget lines to others. In this context, it is natural to inquire how salaries at SMSU have performed relative to salaries at its four "sister" institutions (Central, Northwest, Southeast, and Truman/Northeast). To investigate, Part 5 compares the salaries, budget, and key performance variables at SMSU to those at the other regional state universities. Much of the data relied on in Part 5 was provided by Missouri's Coordinating Board for Higher Education. Some of that data are available from the CBHE's website (http://www.cbhe.state.mo.us/stats/statspg.htm).

Salary Comparisons

Table 5 on the following page presents average salaries at each rank for Missouri's five state universities between fall 1993 and fall 2001, the most recent year for which comparable data for the other institutions are available. In addition, *the center panel rank orders salaries* from high to low, with 1 representing the top salary at a given rank among the five universities, and 5 representing the bottom salary at that rank. *The far-right panel shows percentage salary increases at each rank* (for each university) compared to the previous year.

A quick examination of the "All Ranks" column reveals that SMSU's average salary was second-highest of the five in fall 1995—just before the Roles and Rewards Committee recommended, and the administration endorsed, a plan for market-based salary adjustments—*and remained in second place (tied) in fall 2001*. That was similar to the situation inherited by President Keiser when hired by SMSU for the 1993-1994 academic year. In fall 1993, SMSU's average salary was second of five. Therefore, SMSU has not succeeded in increasing salaries relative to those paid at the other regionals. Much the same conclusion results when one examines how SMSU has fared at each rank.

The apparent exception is SMSU's instructors, whose salaries rose *much* more rapidly than those at the other regionals in recent years. On closer examination, however, much of the average salary increase among instructors occurred because SMSU converted nearly all instructors to lecturer status; now, SMSU has only about 18 instructors—many with tenure and many years of service. Thus, even if the salaries of instructors were frozen over the entire period, the average salary of instructors would have risen as lower-paid instructor positions were eliminated.

For readers who desire a broader perspective than that provided by Table 5, **Appendix B** provides salary averages by rank throughout Missouri and in other nearby states. **Appendix B-3** shows that salary increases at SMSU have lagged behind those throughout the region (Arkansas,

Table 5.pdf goes here: Salaries at MO state universities.

Illinois, Iowa, Kansas, and Missouri) over the past 12 years (1991-2001), eight years of President Keiser's administration (1993-2001), and six years since the Roles and Rewards report was endorsed by the Faculty Senate and President Keiser (1995-2001). SMSU's salaries lag the average for every period, at all ranks except instructor. *During President Keiser's term at SMSU, relative faculty salaries have declined by about 1% annually.* Other universities in the region clearly place a higher priority on faculty salaries than SMSU.

Currently, the number of Missouri high school graduates is growing while the state government's spending on higher education is constrained by a weak economy and weak tax revenues. So all five Missouri regionals will probably share a similar fate over the next 3-5 years: moderate enrollment gains and steady or possibly declining state appropriations. Thus, the external environment is not favorable for increasing faculty salaries by the 9.8% indicated in Part 4.

If this analysis is correct, it implies that significant *salary increases at SMSU must be financed with local policy changes which generate greater revenues or lower operating costs in other segments of the budget*. The 2001 "Salary Report" by this Committee listed several cost-saving measures favored by the faculty; the four most popular were to reduce construction spending across campus, eliminate positions in academic administration, lower program support for intercollegiate athletics, and shrink the subsidy for the Performing Arts Hall. Annual cuts of $630,000 were suggested in the final three categories, though larger cuts may be called for now that the budget situation has worsened.

To generate larger revenues, over the past year SMSU's administration and Board increased tuition by about 15%, while other universities in the state generally enacted comparable increases. The Board recently enacted a $10 (7.8%) tuition increase for fall 2003, plus higher fees, for an overall 8.5% increase. If other Missouri universities levy comparable increases for fall 2003, SMSU will probably experience about a 6-7% increase in tuition revenues, since not all students will remain at SMSU following a tuition hike; the largest enrollment losses would be among freshman and sophomores. Under the circumstances, SMSU's tuition revenues would increase by about $2.5 million in fall 2003 (compared to fall 2002), plus perhaps another $700,000 due to growth of the college-age population.

Statewide Salary Increases in 2001 and 2002

It is not news that a slow economy and sagging tax collections have stretched the Missouri State Government's budget to the limit, and recent rounds of belt-tightening have cut deeply into higher education spending throughout the state. Although no general salary increase was granted at SMSU for the fall 2001, SMSU faculty received 2% across-the-board raises in fall 2002. The salaries of a few faculty were increased due to promotions, the completion of degrees, and equity adjustments. To monitor SMSU's relative performance during this period, the Committee obtained salary information from Missouri's Coordinating Board for Higher Education (CBHE) for the past two years. That information is summarized in **Table 6** on the following page. Of the nine universities listed in the table, all but SMSU granted raises in 2001. The raises averaged 3.54%. In 2002, SMSU was the only one of the nine granting a general salary increase; that raise was 2%. Therefore, SMSU salaries fell about 1.5% behind the others over the two-year period. Thus, it can be said that over the past two years SMSU placed a lower priority on faculty salaries than the other regionals and the four University of Missouri schools.

Budget & Performance Analysis

One gains a better appreciation of SMSU's situation by comparing its budget, enrollment, and other performance measures against comparable figures for Missouri's other four regional state universities. That analysis is carried out in Tables 7-8 below.

Table 6. ***General Salary Increases at Nine Missouri Universities, fall 2001 and fall 2002*** #

General salary increases.

College or University	2001	2002	Total
Central Missouri State	3.0%	0.0%	3.0%
Northwest Missouri State	2.0	0.0	2.0
Southeast Missouri State	2.3	0.0	2.3
Southwest Missouri State	***0.0***	***2.0***	***2.0***
Truman State	3.0	0.0	3.0
University of Missouri System*	4.5	0.0	4.5
Average, excluding SMSU	3.54%	0.00%	3.54%

Source: CBHE. * Consists of four universities at Columbia, Kansas City, Rolla, and St. Louis.

General salary increases for continuing faculty, not including promotions and other individual adjustments.

Table 7 on the following page presents several budget and performance measures for SMSU over the most recent three-year period. Because the data were taken from an appropriations request prepared for the CBHE, the current-year figures (for 2002-2003) are projections and not a report of actual experience. For that reason, it is advisable in most instances to place greater weight on the data for 2001-2002. The figures for 2002-2003 represented the administration's expectations during 2002, but subsequent appropriation holdbacks almost certainly reduced some of the values in the table's far-right column. Yet, because few positions were lost due to state holdbacks in FY03, many of the figures for that year remain fairly accurate.

A few preliminary comments may simplify interpretation of Tables 7-8. "E&G expenditures" on line 9 refers to spending on educational and general operations—all of the regular activities of a university, not including auxiliary operations (e.g., bookstore, dormitories, Hammons Student Center) or outlays on capital projects. Certain funds—such as federal aid to students or research grants—come with spending restrictions attached, and those outlays fall into the so-called *restricted budget* (r). Remaining revenues and expenditures fall in the *unrestricted budget* (ur). With few exceptions, dollars from state appropriations go into the unrestricted budget. At SMSU, 86.4% of all spending is financed with unrestricted dollars. Top administrators exercise considerable latitude over the allocation of unrestricted dollars among different programs and activities.

Two categories in the tables relate to SMSU's faculty, staff, and administration. The first category, "Faculty, staff & admin.—budget," shows SMSU's annual payroll cost for each group of employees. This includes both salaries and fringe benefits. The following category, "Faculty, staff & admin.—FTE," shows the full-time equivalent (FTE) number of SMSU employees in various groups: professorial faculty, lecturers, top administrators, etc. It should be noted that “other professional staff” members include a wide range of employees, such as the University attorney, assistants to President Keiser, the Coordinator of Career Services, the Director of Sponsored Research, Greenwood faculty, mid-level functionaries, and assistants.

Table 7 provides much information that, viewed in isolation, is difficult to analyze. Without some standard, how does one judge whether SMSU spends too much on faculty or the library?

Table 7. *Budget & Performance at SMSU, fiscal years 2001-2003**

	Budget category or performance measure	*Audited* 2000-01 & FY 2001	*Estimated* 2001-02 & FY 2002	*Projected* 2002-03 & FY 2003
	Students			
1	Enrollment, fall (FTE)	15,036	15,442	15,736
2	Undergraduate Enrollment, fall (FTE)	13,530	13,867	
3	Graduate Enrollment, fall (FTE)	1,506	1,575	
4	Student/Faculty ratio (FTE/FTE)*	16.6	17.4	18.3
	Revenues			
5	State appropriation (ur)	$84,714,466	$73,949,655	$80,294,626
6	Tuition revenue	$56,395,234	$61,339,750	$67,690,708
7	Private gifts, grants & contracts	$4,123,392	$5,665,531	$3,743,927
	Expenditures			
8	Total E&G expenditures (r+ur)	$173,260,260	$180,297,195	$189,843,498
9	Scholarship & fellowship expenditures	$25,732,692	$28,554,402	$29,087,449
10	Academic support expenditures	$21,177,254	$19,902,341	$20,082,993
11	Academic Administration & Pers Development	$6,103,985	$6,321,157	$6,826,603
12	Libraries	$5,702,677	$5,648,806	$5,877,819
13	Student services expenditures	$14,871,860	$15,034,126	$15,852,674
14	Student services *less* intercollegiate athletics	$10,705,260	$10,772,656	$11,127,517
15	Intercollegiate athletics (excl. off-budget items)	$4,166,600	$4,261,470	$4,725,157
16	Total research expenditures	$5,189,455	$5,559,843	$5,666,238
17	Total public service expenditures	$4,920,966	$9,357,044	$9,228,665
	Faculty, staff & admin.— budget			
18	Total faculty	$44,480,568	$45,353,884	$47,963,997
19	Prof. + Asoc. prof. + Asst. prof.	$35,369,351	$35,780,272	$38,589,348
20	Instructors + Lecturers + Other faculty	$9,111,217	$9,573,612	$9,374,649
21	Total: Exec. + Admin. + Manag.	$5,225,543	$5,349,002	$5,639,687
22	Total: Other professional staff	$14,098,111	$15,208,520	$15,766,004
	Faculty, staff & admin.—FTE			
23	Total faculty in instruction	907.5	887.4	859.3
24	Prof. + Asoc. prof. + Asst. prof.	686.0	690.2	684.9
25	Instructors + Lecturers + Other faculty	359.3	356.5	334.4
26	Total: Exec. + Admin. + Manag.	69.9	70.3	71.3
27	Total: Other professional staff	378.7	408.9	417.4
	Facilities			
28	Gross square feet (buildings, nonauxiliary)			2,541,641
	Indebtedness			
29	Long-term debt (bonds, notes, leases)		$78,544,086	$73,772,450

Source: SMSU 2003 Appropriations Request. * Includes all three SMSU campuses.

Table 8 on the following page addresses this issue by comparing SMSU's situation to that of Missouri's other four regional state universities. Instead of unadjusted data like those in Table 7, the figures in Table 8 reflect two adjustments to simplify comparisons between SMSU and the other four universities. First, the budget and performance values in Table 7 are converted to *per-student measures* by dividing each item in a column by the number of FTE students in line 1.

Second, *each per-student measure for SMSU is expressed as a ratio to the corresponding per-student measure for the other four regional universities combined*. What this means, for example, is that if SMSU incurs the same costs when educating the average student as the other universities, the *ratio* of SMSU's costs to costs at the other four equals one (1); expressed as a percent, the ratio is 100%. If SMSU's costs were twice as high as others' costs, the ratio would equal 200%.

In fact, the only 100% values in Table 8 are in row 1, "Enrollment." This is the trivial case, where SMSU has the same number of students per capita (i.e., one) as the other universities (i.e., one). In the remainder of the Table 8, however, SMSU's per-student budget figure or performance measure either exceeds or falls short of 100%, parity with the other four universities. *If the difference from 100% is significant, it may identify something which SMSU does particularly well or an area where its policies should be reexamined and possibly changed*. The following comments highlight those differences with implications for faculty salaries.

- SMSU is more involved in **graduate education** than the other four institutions, while their emphasis is educating undergraduates (lines 2-3). Graduate education is significantly more costly to provide than undergraduate education, so these measures imply that the state should provide larger per capita appropriations to SMSU or that SMSU should charge a higher tuition price for graduate courses than for undergraduate courses. SMSU does levy a 15.6% higher tuition charge for graduate courses, but it is unlikely that this covers the incremental cost of offering graduate education.

- SMSU's **student/faculty ratio**, at 99%, is nearly on a par with the other four regional state universities (line 4). The trend on this indicator is positive; in recent years, SMSU's student/faculty ratio has risen relative to that of the other institutions. Two years ago this Committee recommended a moderate increase in the student/faculty ratio to help pay for faculty salary increases (which were not granted), and last year the Committee warned that a large increase in the S/F ratio will undermine SMSU's graduate programs and the research responsibilities of its faculty (lines 3 and 17). In the next year or two, demographic trends and reductions in the number of faculty may increase SMSU's S/F ratio above that of the other four regional state universities. This may represent a false economy that in the long run will undermine SMSU's ability to fulfill its mission.

- SMSU generates about 11% less **tuition revenue** per student than the other four regional universities (line 6). This is surprising, since SMSU's tuition price is somewhat above the tuition they charge (refer to Table 10 below), and it also appears SMSU has relatively more out-of-state and graduate students (paying a higher tuition per hour) than they have. Possibly the other universities have larger spring or summer school enrollments or a more active intersession program than SMSU has, or perhaps it doesn't generate as much tuition revenue from graduate and out-of-state students as nominal tuition charges would suggest. Alternatively, perhaps the shortfall can be explained by the fact that SMSU requests and receives fewer dollars from the State to distribute for scholarships (line 10). It is impossible to solve this puzzle without more information, but it is possible that SMSU may need to implement a new tuition structure to generate more revenue per student—e.g., a lower tuition price for lower-division courses and a higher price for upper-division courses. Because the apparent shortfall represents about $8.6 million, the Committee recommends that the administration investigate SMSU's apparent tuition shortfall and, if possible, take immediate steps to close the gap.

Table 8. ***Budget & Performance at SMSU Relative to Missouri's Other Regional State Universities, fiscal years 2001-2003***

	Budget category or performance measure	*Audited* **2000-01 & FY 2001**	*Estimated* **2001-02 & FY 2002**	*Projected* **2002-03 & FY 2003**
	Students			
1	Enrollment, fall (FTE)	100.0%	100.0%	100.0%
2	Undergraduate Enrollment, fall (FTE)	96.2%	96.4%	
3	Graduate Enrollment, fall (FTE)	154.7%	148.8%	
4	Student/Faculty ratio (FTE/FTE)*	93.7%	97.8%	99.0%
	Revenues			
5	State appropriation (ur)	80.8%	80.4%	79.0%
6	Tuition revenue	89.4%	90.0%	88.7%
7	Private gifts, grants & contracts	68.7%	112.8%	74.1%
	Expenditures			
8	Total E&G expenditures (r+ur)	87.3%	87.7%	88.7%
9	Scholarship expenditures	114.5%	101.9%	96.1%
10	Academic support expenditures	141.5%	134.0%	119.6%
11	Academic admin. & Pers. dev. —services	133.5%	145.2%	135.6%
12	Libraries	78.4%	80.3%	76.8%
13	Student services expenditures	74.7%	74.9%	80.7%
14	Student services *less* intercollegiate athletics	75.7%	75.4%	78.1%
15	Intercollegiate athletics (excl. off-budget items)	72.3%	73.9%	87.2%
16	Total research expenditures	270.3%	348.5%	323.2%
17	Total public service expenditures	87.7%	167.0%	183.7%
	Faculty, staff & admin.— budget			
18	Total faculty	91.8%	91.8%	96.1%
19	Prof. + Asoc. prof. + Asst. prof.	85.7%	86.0%	90.3%
20	Instructors + Lecturers + Other faculty#	126.8%	122.4%	131.1%
21	Total: Exec. + Admin. + Manag.	79.5%	79.0%	80.6%
22	Total: Other professional staff	112.3%	109.0%	110.9%
	Faculty, staff & admin.—FTE			
23	Total faculty in instruction	106.7%	102.3%	101.0%
24	Prof. + Asoc. prof. + Asst. prof.	88.4%	88.6%	87.8%
25	Instructors + Lecturers + Other faculty#	230.9%	285.5%	310.8%
26	Total: Exec. + Admin. + Manag.	49.8%	48.8%	50.9%
27	Total: Other professional staff	118.5%	120.3%	130.8%
	Facilities			
28	Gross square feet (buildings, nonauxiliary)			71.2%
	Indebtedness			
29	Long-term debt (bonds, notes, leases)	--	104.7%	76.9%
30	Long-term debt per $1 of unrestricted E&G budget §	--	123.6%	89.3%

Source: CBHE, SMSU 2004 Appropriations Request; annual *Financial Report* of individual universities.

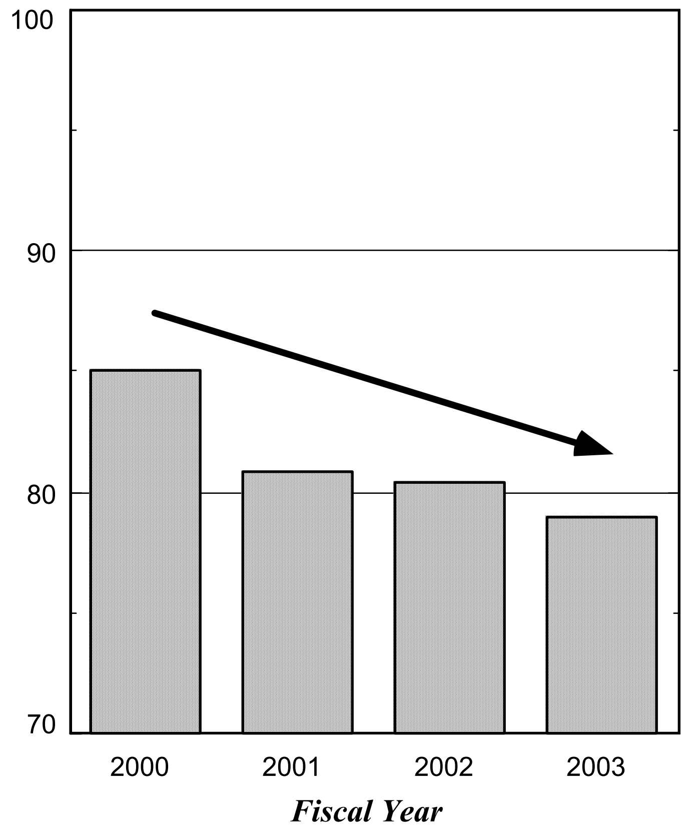
FTE faculty data may provide undercounts for other MO regionals.

§ Expressed as a share of the E&G budget, not a per capita measure.

* Expressed as a simple ratio, not a per capita measure.

■ SMSU's **state appropriation** is 21% less per student than that received by Missouri's other four regional state universities (line 5). **Exhibit 1** reveals that the trend on this variable is downward; in fiscal year 2000, SMSU received 85% of the per-student appropriation granted to the other four regionals, but this year will receive only 79% as much. This setback alone represents an annual loss of $6.1 million—far more than is needed to raise faculty salaries to CUPA levels. An appropriations increase of $21 million would bring SMSU's per-student appropriation fully into line with the other regional universities. The University's top administrators and its lobbyist in Jefferson City are responsible for making the case for an appropriations increase, but have not been successful when compared to their counterparts at the State's other regional state universities. This Committee recommends that the Board of Governors develop and implement an aggressive action plan to increase SMSU's relative per-student appropriation. The policy should redirect the activities of University personnel or agents charged with this responsibility.

Exhibit 1. ***SMSU Appropriation as a % of Appropriations at Other Missouri Regional State Universities, FY00-FY03***



Source: CBHE. Appropriation expressed on a per-student basis.

In the news again this year are proposals to change SMSU's name to "Missouri State University," which would presumably elevate it to first among equals among Missouri's regional state universities. Although the name change wouldn't be accompanied by an immediate increase in state appropriations, over the longer term those increases would likely occur. However, it is unlikely that SMSU's name will be changed until the public and its elected representatives in Jefferson City are persuaded that the change is deserved. Last year, this Committee recommended that SMSU develop a more effective public relations campaign to inform the public about research and other faculty activities at SMSU that distinguish SMSU from Missouri's other state universities—which, in turn, would justify an increase in SMSU's core appropriation. SMSU administrators agreed to make greater efforts in this area. The Committee appreciates this commitment, and would appreciate receiving news from the Vice President of Academic Affairs about progress made in this endeavor.

■ SMSU lags far behind the other regional universities in attracting **private grants, gifts, and contracts**, although it did enjoy a temporary bulge during FY02 (line 7). This bulge may be explained by several gifts received to support SMSU's acquisition of KOZK in 2001. Responsibility for attracting gifts, grants, and contracts from SMSU's external constituents does not fall exclusively to the administration, but it does bear a heavy responsibility in this area. A few months ago SMSU contracted for the services of a Washington, D.C. lobbyist which, if successful, will presumably help the University attract new grants and contracts; the President and Board are primarily responsible for generating large gifts at most universities. Finally, it should be noted that line 7 does *not* include contributions to the SMSU Foundation.

The picture painted by lines 5-7 in is not a pretty one. SMSU is far behind the other four universities in generating external revenues—whether from appropriations, tuition, or grants. *This is a significant shortcoming which must be addressed if SMSU is to adequately support its academic programs.* Responsibility for SMSU's revenue problems fall squarely on the shoulders of top administrators, since it is not the responsibility of either the faculty to extract dollars from the legislature or students. ***If this is not already a major concern for the Board, it should be.*** Without adequate revenues, SMSU cannot fulfill its mission.

■ SMSU's **E&G expenditures** per FTE student are about 11-12% below those at the other regionals (line 8). This is not altogether surprising, since SMSU's state appropriation is 21% below theirs (line 5), and it collects 11% less tuition per FTE student (line 6). Fortunately, one might expect SMSU, with its greater concentration of students in one location, to achieve *economies of scale* in the provision of certain services—general education courses, library services, administration, etc.—so it shouldn't need to spend 100% as much per student as the other four universities.

■ SMSU outlays on **scholarships and fellowships** are about 4% below those of the other four regionals (line 9). The trend on this indicator is negative; only two years ago, SMSU's outlays were 14.5% *above* those of the other institutions. Students receive additional scholarships and grants from outside sources which are not counted in line 9.

■ SMSU's spending on **Meyer Library** and other library facilities around campus is about 23% below that of the other four regionals; this figure has not changed much in recent years (line 12). As noted earlier, the cost of providing library services should probably decline with a growing student population because enrollment gains don't require proportional increases in library expenditures on books, periodicals, library staff, and many other items. Meyer Library's collection compares favorably to those at other universities of comparable size, and its space needs have been met with the recent library addition and remodeling of the original library building. Thus, additions to the library budget should be used to add staff members to support faculty research and SMSU's graduate programs.

■ SMSU's expenditures on **student services**, not including intercollegiate athletics, are about 22% below those of the other regional universities (line 14). As for Meyer Library (above), *economies of scale* in the provision of certain student services (e.g., recruitment, record keeping, career services, administration) permits larger universities such as SMSU to experience lower per-student operating costs than smaller institutions.

■ SMSU's **academic support expenditures** are almost 20% higher than those of the other four universities (line 10). This is partly because a few big-ticket items (the Marching

Band, Greenwood, and the Performing Arts Hall) in this category for SMSU either do not exist at the other universities or exist on a smaller scale. However, these ancillary items don't explain the entire gap between academic support spending at SMSU and the other four universities.

In addition, SMSU has abnormally high outlays on **academic administration and personnel development** (line 11). Actually, only a modest fraction of the total goes for personnel development; the lion's share of the expenditures highlighted on line 11 are for academic administration. See below a *complete listing* of items identified with academic administration and personnel development in the FY03 budget. The items highlighted here and on line 11 refer to spending on personal services, *not equipment or operations*:

COAL administration, dean's office	$480,003
COBA administration, dean's office	$840,811
COE administration, dean's office	$684,315
CHHS administration, dean's office	$369,808
CHPA administration, dean's office	$355,889
CNAS administration, dean's office	$394,122
CNAS development	$62,802
University College administration, dean's office	$392,426
University College, advisement center	$333,087
University College, faculty development	$693
Academic Affairs administration, VPAA's office	$564,517
Computer literacy	$46,509
Continuing Education administration, dean's office	$289,752
Center for Assessment & Instructional Support	$140,105
Continuing Education, distance learning	$368,762
Graduate College administration, dean's office	$385,315
Graduate assistant training	$3,078
Summer session administration	$178,270
Sponsored research administration	$158,742
Administration of master's program	$100,810
Academic Development Center	$138,806
President's office, public service	$8,209
West Plains, all academic administration	$432,488

With the other four institutions averaging $320 per student in this category, SMSU averages $434. When one multiplies the "extra" $114 in spending per student by SMSU's 15,736 FTE students, *the excess outlays total $1.8 million*.

This problem was exacerbated about a year ago when the University employed a full-time administrator for the Academic Development Center; the personnel cost of operating that office is $138,806 per year. Despite worries being expressed at the time about the University's deteriorating budget situation, the new administrator was hired to take over the faculty development responsibilities of the associate VPAA, which effectively shifted even greater resources to the VPAA's office.

Others have questioned the now-universal associate dean in every college. In the seven academic colleges (COAL, COBA, COE, CHHS, CHPA, CNAS, University), the payroll cost of associate deans is $740,000. ***Are associate deans necessary in every college or***

simply an entitlement of every dean? At a time when faculty positions are going unfilled, this is an issue that needs to be addressed.

Whatever else they accomplish, many believe that associate deans and other mid-level administrators are responsible for numerous paperwork requirements, committee assignments, and projects of low utility that create new requirements on faculty and prevent them from fulfilling their primary teaching, research, and service responsibilities. From that perspective, the elimination of administrative positions would provide *double benefits* to the University: lower operating costs and less busywork for the faculty. In a 2001 survey conducted by this Committee, a reduction in the number of academic administrators was the faculty's number-one choice for cutting costs. (See **Appendix C**.) Thus, this Committee recommends an annual spending cut of $500,000 in academic administration. After that, SMSU would still have $1.3 million higher administration outlays than the other regional state universities would incur with an equal student body—plenty to administer West Plains, the College of Continuing Education, the Graduate College, and other operations where SMSU has appreciably higher costs than the other state universities. *Many U.S. universities house a dozen or more academic departments within a single college, so if the current budget crisis worsens, consolidation of SMSU's six academic colleges could generate additional savings*.

In cases where it is not possible to eliminate entire administrative positions, savings can nevertheless by achieved by requiring administrators to teach two or three sections of IDS 110 or a course in their own discipline every semester. This would effectively shift fractional positions from administration to teaching. Budget savings would be achieved by reducing the salaries of such individuals to reflect their new job assignments.

The Committee recommends that the elimination of positions in academic administration should follow a review of academic administrators which compares the contribution of each administrative position to the University's academic mission. This review would be comparable to the academic program review which the Office of Academic Affairs recently initiated. The review committee for administrators should be comprised of a small group of faculty leaders, the VPAA, and one or two others.

- SMSU's outlay on **intercollegiate athletics** apparently compares very favorably to intercollegiate athletic spending by the other regional state universities (line 15). However, SMSU spends far more on its athletics program than the $4.7 million appropriations request to the State (see Table 7, line 15). For example, the FY03 "Internal Operating Budget" shows $9,713,342 budgeted for the "Athletics Fund" for coaches, equipment, travel expenses, scholarships, and other items (pages 52-3). Given this disparity, it is not possible to conduct a comparative analysis of SMSU's intercollegiate athletics program. Nevertheless, more will be said about athletic spending later in this report. Before moving on to the next item in Table 8, note that intercollegiate athletics is included under the heading of "student services." Given SMSU's difficult budget situation which made it necessary to increase tuition, the Committee recommends that SMSU survey students to learn their feelings about further tuition increases compared to spending cuts for intercollegiate athletics.

- SMSU's expenditures on **research**—personnel, support, equipment, and related outlays—are about 323% as much as those at the other four regional universities (line 16). Its research output is one of SMSU's distinguishing characteristics that is frequently under appreciated. To increase visibility for the high-quality research being done at SMSU, it was recommended by this Committee last year that all recipients of University grants, summer research fellowships, sabbaticals, and recognition awards be asked to appear for one 15-30 minute taped interview for possible airing on KOZK or cable channel 24 programming. The administration agreed to implement this proposal, but specific details of the administration plan have not been publicly disclosed.

■ Over the years, SMSU's outlays on **community and public service** have traditionally been below the statewide average (line 17). However, they exceed the average in FY02 and FY03 following SMSU's acquisition of KOZK public television. When KOZK was acquired , President Keiser pledged that all KOZK-related expenses will be recovered through donations, grants, and other outside sources. To prevent KOZK from inadvertently becoming a drain on SMSU's academic programs and to dispel doubts within the University community, both this Committee and the Senate's Budget and Priorities Committee recommended that SMSU prepare a consolidated statement of income and expenditures for KOZK and KSMU each year, and share that statement with the Senate leadership. That was done, and the Budget and Priorities Committee currently monitors costs and revenues associated with operating KOZK and KSMU. In that connection, *the Budget and Priorities Committee recently learned that despite the President's assurances in 2001 that KOZK would be self-financed, SMSU subsidizes KOZK's operating revenues and will soon have to spend about $2.7 million from its reserve funds to cover KOZK's capital outlays.* This Committee recommends that funds provided by SMSU to KOZK be considered a debt obligation of KOZK, to be repaid (with interest) over the following five years.

■ SMSU has about the same number of **total faculty in instruction** per student as the other regional state universities (line 23). Thus, it comes as no surprise that SMSU's student/faculty ratio is about the same as that of the other institutions (line 4). It was predicted earlier that if trends continue SMSU's S/F ratio will exceed that of Missouri's other regional state universities, and if that happens it will have fewer faculty in instruction than they do. This is not a desirable trend at a university whose goal is to expand faculty research and add graduate programs.

■ SMSU has about 12-13% fewer **professorial faculty** (ranked assistant professor or higher) per student than the other regionals (line 24). Consequently, it also has about 10% lower payroll costs at these ranks (line 19). The other side of that coin is that SMSU has far more **instructors, lecturers, and other faculty** per student (line 25) and higher payroll costs for those positions (line 20). However, because the other universities do not report precise numbers in these positions (particularly lecturers and other faculty), the comparisons in lines 20 and 25 are not very reliable. At best, they indicate that SMSU relies far more heavily on non-professorial faculty than the other regional universities in Missouri. This is unfortunate, since in most cases non-professorial faculty participate less in service activities, do less research, are less prepared to teach upper-division courses, and are not qualified to teach graduate courses. Despite the valuable service lecturers and other unranked faculty provide in the classroom, SMSU's heavy reliance on them undermines the University's ability to accomplish its mission.

■ SMSU has almost 31% more **professional staff** members than they the other regional state universities (line 27). As a share of the E&G budget, SMSU's outlays on professional staff are about 11% higher than at the other regionals (line 22). This category includes the University attorney, assistants to the president, the Coordinator of Career Services, the Director of Sponsored Research, Greenwood faculty, and other mid-level functionaries. In Greenwood, SMSU has the state's only lab school; if the figures in lines 22 and 27 are adjusted for Greenwood, SMSU has 123.3% as many professional staff as the other regionals, with a payroll 103.9% of theirs. These figures suggest that SMSU has more professional staff than the other four universities and that SMSU's professional staff have lower average salaries than theirs.

■ SMSU's administrators have observed on previous occasions that SMSU has fewer **top administrators** than Missouri's other regional state universities, and the figures in Table 8 support that claim (line 26). The number of top administrators is nearly 50% below the statewide average. This is, of course, to be expected since the services of top administrators exhibit significant *economies of scale*. For example, both SMSU and a university one-third its size require a single president and vice president of academic affairs (or dean of faculties, etc.), so operating costs do not rise in proportion to enrollment.

Although Table 8 reports that SMSU has some 50% fewer top administrators than the other state universities, its budget for these positions is only about 20% below theirs (line 21). This suggests that salaries of SMSU's top officials are somewhat above salaries at those institutions. Rather than compare top administrators' salaries at SMSU to those elsewhere in Missouri, for present purposes it is more interesting to compare salaries at SMSU to those earned by administrators at other comprehensive universities. This is similar to the

Table 9. ***Administrator Salaries at SMSU & Comprehensive Universities, Fiscal Year 2002**** *

Position (SMSU budget number)	National Salary	SMSU Salary	Ratio SMSU/National
Chief executive (P684)	$164,650	$154,984	94.1%
Assistant to chief executive (P681)	69,630	97,528	140.1%
Assistant to chief executive (P682)	69,630	52,735	75.7%
General counsel (P687)	94,260	100,824	107.0%
Chief academic officer (A977)	117,000	111,607	95.4%
Associate chief academic officer (A978)	90,693	98,318	108.4%
Chief financial officer (P625)	91,719	105,103	114.6%
Chief student affairs officer (P696)	92,394	102,374	110.8%
Chief development officer (P936)	99,599	99,599	100.0%
Dean, arts & letters (A162)	96,441	95,623	99.2%
Dean, business (A316)	106,898	116,166	108.7%
Dean, continuing education (P298)	87,000	94,192	108.3%
Dean, education (A430)	93,000	90,736	97.6%
Dean, graduate programs (A980)	86,000	100,370	116.7%
Dean, humanities (A717)	84,555	93,000	110.0%
Dean, library & info. sciences (A941)	90,000	92,212	102.5%
Dean, sciences (A890)	95,880	99,531	103.8%
Director, athletics (P847)	73,000	100,302	137.4%
Average	$94,575	$100,289	107.2%
Target#			91.5%

* Source: *Chronicle of Higher Education* (8/30/02). National salaries are medians. Salary for chief executive and assistants are for a single institution rather than a university system. Salaries do not include fringe benefits, such as homes or cars.

Target equals the ratio of full professor salaries at SMSU to those at all CUPA schools. See Table 4.

comparison performed for faculty in Part 4 of this report. A survey published in the *Chronicle of Higher Education* (August 30, 2002) provides median salaries for administrators at comprehensive institutions for 2001-2002, while the "Faculty-Staff Salaries Budget 2003" provides FY02 salaries for SMSU officials. **Table 9** presents the results of the comparison; of 18 positions included in the table, SMSU salaries are *above the national level in 12*, equal to the national level in one, and below the national level in five.

Overall, therefore, administrators' salaries at SMSU appear to be about 6-7% higher than at other comprehensive institutions. Recall that for faculty, SMSU salaries are 9.8% *below* the corresponding national figures (see Table 4). Given the University's difficult financial situation, it is reasonable that the same budget constraints which prevent SMSU from paying market salaries to faculty should have a similar impact on administrators' salaries. Therefore, this Committee recommends that salaries of SMSU's top administrators and deans be adjusted to the same relative position to the national marketplace as SMSU's full professors. Table 4 shows that full professors at SMSU earn 8.5% less than professors at other comprehensive institutions. By that standard, *salaries for SMSU administrators should be reduced by an average of 13.7%*, though the reduction should vary from one position to the next. The savings should be used to increase faculty salaries.

■ It is an old story that SMSU has less **classroom and office space** per student than Missouri's other universities, and here it is seen that SMSU has only 71.2% as much space as the four regionals (line 28). This figure does not include auxiliary operations such as dormitories, Hammons Student Center, or the bookstore. Although many cite this figure as evidence that SMSU should have more classroom and office space, universities experience economies of scale with such facilities; other things being equal, universities with larger enrollments should have less space per student than those with fewer students. Economies of scale experienced in other areas of SMSU operations bring down personnel and operating costs by 20% or more (lines 11, 13, 26). Thus, the actual shortfall in classroom and office space may be modest. *One 150,000 square-foot building would raise the ratio on line 28 to 75%, and two would raise it to 80%.* (Glass Hall and Strong Hall are about 150,000 square feet.) By comparison, SMSU's administration has requested funding from the state legislature to finance several new buildings and major additions. This issue is examined in greater detail in Part 6 of the report.

■ Recent concerns have been voiced about SMSU's high level of **indebtedness** (line 29). Last year's Committee report evaluated the indebtedness of Missouri's five regional universities by totaling the face value of bonds and notes each issued over the previous 12 years. Following that report's release, the VP of Financial Services explained that SMSU has refinanced its debts by issuing new bonds, so SMSU's debt situation is not as bad as the salary report made it appear. This year's report reflects actual indebtedness for each institution at the start of FY03. Table 8 shows that SMSU currently carries about 23% *less* debt per student than the other regional universities. That is largely due to the recent activities of Southeast Missouri State, which incurred more than $39 million in new debt in barely over a year. Prior to SEMO's debt buildup, the FY02 figure shows that SMSU had 4.7% *more debt* per student than the other regionals—about $3.5 million higher than average.

From a different perspective, it may not be appropriate to analyze SMSU's debt burden on a per-student basis, since a university can't call upon students to service its debts. Alternatively, line 30 highlights SMSU's *debt burden relative to its unrestricted E&G budget*—i.e., debts relative to the dollars available for servicing those debts if operations such as the dormitories, the bookstore, or the student union can't generate enough cash to finance themselves. Another reason for comparing the debt burden to the unrestricted E&G budget is that some debt is the general obligation of the university, not auxiliary operations. In line 30, SMSU's current (FY03) debt load relative to its unrestricted E&G budget is 89% of the four-university average. That is down from nearly 124% last year, prior to SEMO's debt buildup.

In conclusion, last year's salary report overstated the magnitude of SMSU's indebtedness, but accurately portrayed SMSU as carrying more than the "average" amount of debt. SMSU's situation looks far less dire now, but largely because of SEMO's recent plunge into the credit markets. If SEMO is removed from the mix, the FY03 value on line 30 becomes 118.4%. This is a rather high figure. To safeguard the University's academic program and faculty salaries, this Committee recommends that SMSU establish a voluntary debt ceiling 20% below the current level, and refrain from exceeding that ceiling for a five-year period. That would bring it within range of the three other regionals (excluding SEMO).

Tuition Comparisons

It is occasionally suggested that SMSU address its financial difficulties by increasing its tuition charges. For a full-time student, **Table 10** shows that SMSU's tuition and fees this year are $4,274. The next-to-bottom row of that table reveals that in fall 2002, SMSU's charges were

Table 10. *Tuition & Required Fees at Missouri Public Universities, 2000-2003*

University	Fall 2000	Fall 2001	Fall 2002	Fall 2003	%Δ '01-'02	%Δ '00-'02	%Δ '00-'03
Central	$3,210	$3,510	$4,110	*na*	17.1%	28.0%	*na*
Northwest	$3,330	$3,600	$4,110	*na*	14.2%	23.4%	*na*
Southeast	$3,390	$3,525	$4,035	*na*	14.5%	19.0%	*na*
Southwest	*$3,564*	*$3,748*	*$4,274*	*$4,636*	*14.0%*	*19.9%*	*30.1%*
Truman	$3,712	$3,832	$4,300	*na*	12.2%	15.8%	*na*
UM-C	$4,726	$4,887	$5,552	$5,748	13.6%	17.5%	21.6%
UM-KC	$4,754	$5,036	$5,573	$5,768	10.7%	17.2%	21.3%
UM-R	$4,805	$4,975	$5,561	$5,756	11.8%	15.7%	19.8%
UM-SL	$4,940	$5,116	$5,813	$6,016	13.6%	17.7%	21.8%
Average—All	$4,048	$4,248	$4,814	*na*	13.5%	19.4%	*na*
Average—Regionals	$3,441	$3,643	$4,166	*na*	14.4%	21.2%	*na*
Average—U of MO	$4,806	$5,004	$5,625	$5,822	12.4%	17.0%	21.1%
Ratio: *SMSU/Other*							
SMSU/All	88.0%	88.2%	88.8%	*na*			
SMSU/Regionals	103.6%	102.9%	102.6%	*na*			
SMSU/U of MO	74.2%	74.9%	76.0%	79.6%			

Source: SMSU administration (March 10, 2003).

102.6% of the average at Missouri's other regional state universities—or 2.6% above the average. Because SMSU's relative charges have changed very little in previous years, SMSU has neither attracted students from the other regionals nor lost students to them over the issue of price. At this writing it is not known what prices the other four regional state universities will charge, but recent experience suggests that their charges will be similar to SMSU's.

Notice, however, in the bottom row of Table 10 that SMSU's charges have risen with respect to the University of Missouri System since 2000; beginning at 74.2%, SMSU's tuition will be 79.6% of Mizzou's in fall 2003. This represents a 7.3% relative increase that will probably cause a few students to attend a University of Missouri school instead of SMSU; a rough estimate is 50-100. The loss of 50 students costs SMSU $213,700 in tuition revenue—actually more, since some students attend summer school.

This discussion highlights the danger SMSU and other universities face as they consider tuition and fee increases: a higher price drives students to other colleges and universities. That offsets some—and potentially all—of the revenue increases associated with higher tuition charges. For example, if SMSU increases its tuition by 1% relative to all other institutions in the state, its net tuition gains will amount to only a fraction of 1%. First impressions can be deceiving, though; the enrollment loss will be small in the first year, since its biggest impact will be on the incoming freshman class, but after four years the enrollment losses will almost certainly exceed 0.5% and may even approach 1%. If a 1% tuition increase drives away more than 1% of the student body, a university's financial health may actually worsen following a tuition hike.

Fortunately, demographic trends have increased the number of people attending college in recent years, a trend that will continue until late in the decade. Thus, if it maintains a constant price with respect to other universities, SMSU's enrollment will tend to increase by about 1-2% annually. Given the recent increases in the Student/Faculty ratio (Table 8, line 4), unfilled positions in the professorial ranks, and lack of capacity in the dormitories, it would probably not benefit SMSU's for enrollment to increase by much, if any. Therefore, it is both possible *and profitable* for SMSU to adopt a slightly aggressive pricing policy to prevent enrollment from increasing above current levels. Thus, Table 10 shows that SMSU's tuition and fees will jump to $4,636 in fall 2003—a substantial 8.5% increase compared to the 3.5% increase for the Missouri System.

The far-right column of Table 10 shows that SMSU will have raised its charges by 30.1% between fall 2000 and fall 2003, compared to 21.1% at the four-campus Missouri System. (The %Δ symbol at the top of the far-right columns is interpreted as "percentage change.") Thus, SMSU's aggressive tuition policy has probably driven some students to the Missouri System. However, it has already been noted that the four regionals increased their charges slightly faster than SMSU between 2000 and 2002, and that would have attracted a few students from their doors to SMSU's. Of course, SMSU may also be gaining students from, or losing them to, universities in other states because of differences in tuition policy, though the strength of that relationship decreases with distance. Anecdotal evidence (chiefly from the *Chronicle of Higher Education*) suggests that SMSU's tuition increases over the past two years have not been excessive. It remains to be seen what other universities will do about tuition in 2003, but since its current tuition is still moderate, SMSU's 8.5% increase appears not to be excessive.

Although SMSU's *average* tuition is probably about right, serious consideration should be given to raising some tuition charges and lowering others. There are two important reasons for doing so. First, SMSU faces intense competition for some classes and very little for others; for example, many students take introductory courses at OTC but transfer to SMSU for upper-division courses. A second reason for imposing differential tuition charges is cost; SMSU's cost of teaching upper-division courses is much higher for the average student than for 100-level courses. That is because senior faculty, who earn more, are more likely to teach upper-division classes, and because upper-division classes tend to have far fewer students in them than 100-level courses. Thus, SMSU may be better off lowering its tuition prices somewhat for 100- and 200-level courses, possibly maintaining its charge for 200-level courses, and increasing the price of 400- and 500-level courses.

If properly managed, differential tuition charges permit a university to raise enrollment without increasing its average tuition price or to increase its tuition revenue while maintaining enrollment. At a time of budget crisis, the Committee recommends that SMSU study the possibility of imposing differential tuition charges for undergraduate courses. It is certainly within the realm of possibility that the new policy would permit SMSU to collect significantly more revenue each year, and some of the increase could be devoted to faculty salaries. The charge for graduate courses is already greater than that for undergraduate courses, so this move would not represent a radical departure from current policy.

Summary and Observations

The budget analysis accompanying Tables 7-8 reveals much about SMSU's operations, both in isolation and relative to those of Missouri's other regional state universities. Most importantly, the analysis helps explain why faculty salaries at SMSU aren't higher and offers a basis for policy change. Table 8 shows that SMSU's graduate programs are significantly larger than those of the other four regional state universities and its investment in research is about 300% of theirs—yet, SMSU operates with fewer professorial faculty (per student) than they do and has experienced difficulties providing modest salary increases. *It appears that SMSU's ambitions exceed its budget by a few percent each year, and to make good on its salary commitment to the faculty, it needs to adopt less costly operations, lower support for intercollegiate athletics, and do a better job of generating local revenue.* Among the options identified in Part 5 is the need to cut back on athletic spending, reduce payroll costs for administrators (both by eliminating positions and by lowering salaries) , and implement a tuition policy that generates more revenue per student. Following a drop-off in their effectiveness, the University's top officials and lobbyist also need to do a better job in Jefferson City to restore the University to the relative appropriation it achieved in 2000.

SMSU faces a longer-term threat as long as its faculty salaries remain below market levels. As existing faculty retire (at an increasing rate) or move to jobs elsewhere, SMSU may be unable to recruit and retain equally productive faculty to replace them. If that happens, the quality of SMSU's graduate programs and research output will be most adversely affected, though its undergraduate program will also suffer. The quality deterioration is expected to be most pronounced in disciplines that are central to SMSU's mission, where salaries must remain at comparatively high levels to maintain successful, high-visibility programs. But about 60 faculty will retire during the current fiscal year, and a survey by the 2001-2002 Faculty Concerns Committee found that about one in three of SMSU's associate and assistant professors reported that they are actively seeking an academic position at a different university. That more have not done so may be more a sign of bad economic times elsewhere than to any commitment to SMSU. Indeed, back-of-the-envelope calculations suggest that the typical SMSU department may lose an average of about one faculty member every year over the coming decade. Thus, it is important for SMSU to pay competitive salaries so that it can attract and retain high-quality scholars and teachers.

Part 6

Other Salary Issues

In addition to the matters examined in Parts 4 and 5 of this report, the Committee's charge instructed it to look at several other issues that bear, either directly or indirectly, on faculty salaries. The purpose of Part 6 is to examine several of those issues ranging from intercollegiate athletics to capital spending to the management of reserve funds. Some of these reports produce specific recommendations, while others are preliminary looks at issues which the Committee may investigate in greater depth next year.

Intercollegiate Athletics

It was mentioned in Part 5 of this report that SMSU's spending on intercollegiate athletics is far more than the amount mentioned in the University's state appropriation request. SMSU's FY03 "Internal Operating Budget" shows $9,713,342 budgeted for the "Athletics Fund" for coaches, equipment, travel expenses, scholarships, and other items (pages 52-3). Of this total, about $4.7 million comes from SMSU's general operating budget, additional dollars come from gate receipts and other revenues generated by athletics, and other funds are received from the SMSU Foundation—a conduit through which donors provide support. Only about 18% of athletic spending is covered by ticket sales.

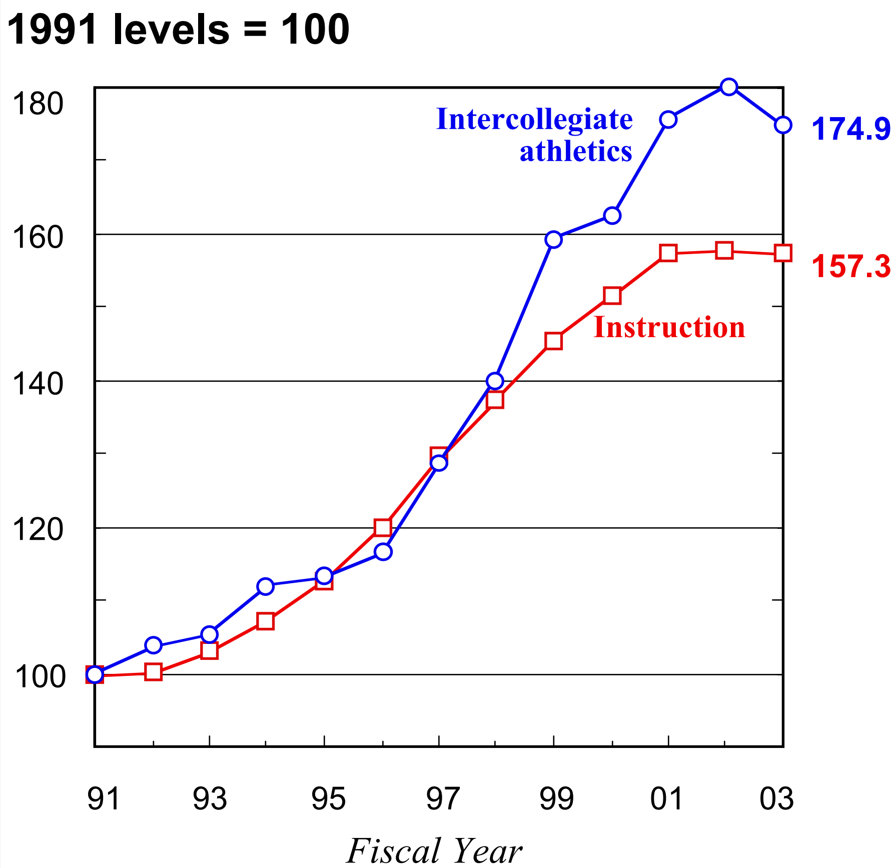
Because of the budget problems SMSU has faced over the past two years, spending in nearly all broad categories of university operations has been curtailed. But in the years leading up to SMSU's financial problems, total spending on intercollegiate athletics rose from $7.1 million in FY97 to $9.8 million in FY01—a four-year increase of 36%. This compares with a 21% increase in instructional spending (Springfield campus) over the same period. **Exhibit 2** reveals that prior to 1997, athletic and academic spending rose at about the same rate, but a considerable disparity has arisen since 1997. The gap between the curves labeled intercollegiate athletics and instruction represents almost exactly $1 million in FY03. Senate leaders have raised this issue, but the administration response has been to question the data, explain that intercollegiate athletics does not really cost the University very much since the program generates some revenues from ticket sales and donations, or point out that the University's academic program runs a deficit, too.

Unfortunately, the "official" spending figures do not capture the total costs of supporting SMSU's intercollegiate athletics program. For example, SMSU's FY03 operating budget (page 55) shows that the annual cost of operating Hammons Student Center and Plaster Sports Complex is $1,983,000. The FY03 budget does not identify any rental income for Hammons and

Plaster from the intercollegiate athletics program (page 30), although $112,312 is listed as a "facility expense" of the athletics program. So it is not clear whether that represents a rental payment or the cost of improvements and modifications to the facilities. If this represents a rental payment for the use of the facilities, athletic programs cover only 5.7% of the operating costs of Hammons and Plaster. If the facility expense represents improvements or modifications to the facilities, the athletic programs cover *none* of the cost of operating Hammons and Plaster.

Thus, either 94.3% or 100% of the costs of operating the arena and stadium appear elsewhere in the operating budget, and are covered by student fees, tuition revenue, and SMSU's state appropriation.

Exhibit 2. ***Athletic vs. Academic Expenditures at SMSU, 1991-2003***



Source: SMSU Office of Institutional Research. Spending on Springfield campus only.

To estimate the value of this subsidy, it is helpful to place approximate values on the other uses to which the facilities are put. Without better information, it appears reasonable to assume that the two facilities provide services worth about $300,000 to the academic program, about $100,000 for events such as concerts and high school track meets, and $350,000 for student recreational activities such as handball, swimming, weightlifting, etc. That leaves $1,230,000 to be allocated to intercollegiate athletics—for games, practices, offices, locker rooms, utilities, and so forth. If the "facility expenses" described above represent rental payments, the cost of SMSU's athletic program is about $1.12 million more than the figures included in the athletic budget; otherwise, the entire $1.23 million should be added to athletic costs.

Athletic supporters may object that such costs should not be charged against the athletic program, since the cost of classrooms and offices are not charged against the academic program, but that argument fails to acknowledge that *SMSU is an academic institution, not a sports franchise,* so it is not appropriate to apply the same financial standards to athletics as to academics. Dollars diverted from the University's core activities to enlarge a stadium, operate an arena, or subsidize a move from Division II play to Division I do nothing to advance SMSU's mission and only a little to increase the entertainment level of students, faculty, and staff. Therefore, such expenses should not be incurred unless outside sources of funding are available—from ticket receipts, broadcast revenues, donations, etc.

SMSU operates other athletic facilities besides the arena and stadium. For example, earlier this spring (2003) the SMSU administration decided to spend \$1.82 million to remodel the Forsythe Athletics Facility—a building on Kings Street containing lockers, offices, and other facilities to support the athletics program. About \$750,000 of the \$1.82 million will be financed from University reserves. This amount will, it is said, be repaid later, but repayment will come from the pool of dollars that includes SMSU's subsidy to athletics. Under the circumstances it is difficult to say that the dollars will actually be repaid—particularly because the subsidy grows most years. Certainly the University's reserves are a scarce resource right now, during a budget crisis whose end is not in sight, so the capital outlays and operating costs at Forsythe should also be considered a cost of the athletics program. Given the University's difficult financial situation, the decision to use reserves to finance a project of such low priority has proved controversial across campus.

The administration's justification for the Forsythe expenditure is to comply with Title IX rules mandating equal treatment of male and female athletics, but it is difficult to understand how new lockers for the football team advances that objective (*Springfield News-Leader*, February 8, 2003). Moreover, equal treatment for males and females could be achieved at lower cost by reducing resources to male athletic programs instead of increasing resources to both male and female programs. So the \$1.82 million for Forsythe clearly represents an intentional shift of University resources to athletics, and is another symbol of the high priority assigned to athletics by the SMSU administration.

Another cost that should be imputed to intercollegiate athletics is the cost of attracting (and extracting) gifts from donors. Indeed, it appears that the most important mission of SMSU's University Advancement division is to promote intercollegiate athletics, and it does not appear that SMSU's internal accountants or external auditors impute a fair share of the costs of running that office to the athletic program. For example, salaries, equipment, and operating expenses of the University Advancement office, including that division's vice president, will total \$244,132 in FY03; yet, none of those costs are allocated to intercollegiate athletics. Figures from the FY02 budget (page 50) suggest that about 60% (if not more) of the activities of University advancement are devoted to the support of athletics, so it follows that 60% of the administrative costs of that division should be allocated to athletics, too. At that rate, *another \$146,479 should be added to the cost of SMSU's intercollegiate athletics program*. Other overhead costs in University Advancement should also be allocated to intercollegiate athletics, but it will take someone with detailed information about the operation of that office to make such a determination.

Adding these expenses to officially measured spending on intercollegiate athletics, then, *the FY03 cost of SMSU's intercollegiate athletics program is at least \$11 million on a continuing basis plus \$1.82 million for the Forsythe renovation***.** University officials frequently point out that they rely on accounting procedures that conform to NCAA standards, so objections to their accounting procedures are not valid. However, the NCAA's mission is not the same as SMSU's or that of this Committee; for its own purposes, the NCAA *purposely excludes* certain overhead costs from its regulations. Therefore, conforming to the NCAA's standards is not synonymous with identifying all of the costs of the athletics program.

A 2001 survey conducted by this Committee revealed that, for the faculty, cuts in athletic spending are the second most strongly favored policy for lowering SMSU's operating costs (see

Appendix C). To support the University's academic program and promote higher faculty salaries, this Committee recommends that SMSU reduce the financial support it provides to intercollegiate athletics by at least $500,000 annually. That is only about 4.6% (or less) of the program's total cost, and about 50% of the athletic spending gap revealed in Figure 1 above. Cutting one or two athletic programs with the largest operating losses are an obvious choice. For example, many faculty believe that SMSU's football program should be downgraded to Division II or III.

In its FY03 operating budget the administration responded positively to earlier recommendations by this Committee (and others) to consolidate revenues and expenditures for intercollegiate athletics in a single table. Previously, those figures had been scattered throughout the operating budget, and could be identified only with great difficulty. This year, this Committee recommends that the University's internal accountants and outside auditors be asked to impute reasonable costs for the facilities used by intercollegiate athletics, for the support services provided by the Office of University Advancement to athletics, and similar items. Only then will it be possible to gauge the true cost of intercollegiate athletics—a prerequisite for rational policy making.

Finally, there may be another cost of intercollegiate athletics which no accountant can measure, a cost which occurs through the fundraising activities of the SMSU Foundation, in concert with the Office of University Advancement. The two undertake numerous activities to promote the University and its causes, and an important payoff from such activities comes in the form of contributions to the SMSU Foundation, which spends those funds to support activities at SMSU.

To assess the impact of University Advancement and the Foundation on SMSU's *academic* program, it helps to divide donors into three categories. Prior to talking with a representative of the Foundation or University Advancement, one group of donors already considers themselves supporters of academic programs and directs their donation to an academic department, scholarship fund, or other scholarly unit. Many of these individuals are SMSU alumni. A second group of donors only gives for the purpose of supporting specific athletic programs, or athletics in general, and directs their dollars to those uses; if they couldn't contribute to athletics, these individuals wouldn't contribute at all. Many are season ticket holders for one or more major sports. Finally, a third group of donors don't have a fixed opinion about the ultimate use of their dollars, but wants to provide general support to SMSU and is willing to donate their dollars to the area "where the need is greatest." *These individuals are subject to considerable influence by the University representative who contacts them*. Therefore, if officials of the Foundation and University Advancement are dedicated to the advancement of athletics over academics, the opportunity exists for them to channel dollars to athletics from this third group of donors—dollars that might instead have gone to academics if the donors had been provided different guidance by the fund-raiser.

The relative success enjoyed by athletics in fundraising is partly a function of ability. Some individuals are more talented or better trained to generate donations than others, and experience greater success. Thus, it matters whether the University's most effective development officers are assigned to athletics or academics. It also matters whether the VPAA and deans receive the same training and place the same emphasis on fundraising as the athletic director and team coaches.

Foundation officials also affect the relative gift income of academics and athletics through the selection of particular fundraising activities. With a wide range of possible activities from which to select—telephone solicitations, mailings, development officers, vacation cruises, etc.—the decision to implement one fundraising activity instead of another will have a different impact on giving to academics than it has on giving to athletics. If top Foundation officials are oriented toward athletics over academics, that may be as a criterion in the selection of fundraising activities.

In short, the University's fundraising activities are multi-dimensional, so the relative success experienced by academics depends on many variables which are largely under the control of Foundation and University Advancement officials.

Whether, deep down, Foundation and University Advancement officials intentionally promote athletics over academics cannot be known with certainty. However, casual observation over the years suggests that University Advancement officers frequently advocate athletic causes in meetings and policy discussions, and it was noted earlier that about 60% (if not more) of the resources available to University Advancement are devoted to athletics. Thus, it *appears* that the policies of the Foundation and University Affairs do favor athletics over academics, and that funding for academics suffers as a consequence. With total giving of about $6 million, the amounts are potentially very large. The Committee recommends that University Advancement and Foundation officials devote a greater share of their resources to promote academic fundraising, and establish a higher goal for the relative gift income of academics.

Table 11. *SMSU's Capital Improvement Plans, 2004-2010*

Priority	FY	Project	FY04 Cost	%Δ since FY03
1	**2004**	Facility Reutilization Plan (FREUP)—Phase I	$13,969,911	
2	2004	New Library/Info Res. Center—Planning, West Plains	$814,231	
3	2004	New Ozarks Public Health Institute Bldg.—Planning	$1,918,923	
4	2004	McDonald Hall—Renovation & addition	$12,539,169	6.1%
5	2004	University College Hall—Renovation & addition	$7,951,851	19.5%
6	2004	Carrington Hall—Planning	$1,553,200	
7	**2005**	Facility Reutilization Plan (FREUP)—Phase II	$15,639,423	
8	2005	New Library/Info Res. Center—Construction, West Plains	$9,949,360	3.5%
9	2005	New Ozarks Public Health Institute Bldg.—Construction	$25,510,409	3.9%
10	2005	Carrington Hall —Renovation	$18,360,166	63.4%
11	2005	New Support Services Building—Planning	$897,650	
12	**2006**	Facility Reutilization Plan (FREUP)—Phase III	$6,855,828	
13	2006	New Arts & Letters Complex—Planning	$4,043,654	
14	2006	New Support Services Building—Construction	$11,475,843	12.8%
15	2006	Science Complex—Planning	$2,703,772	
16	**2007**	New Art & Design Building—Construction	$33,726,575	-31.1%
17	2007	Science Complex—Renovation	$38,786,626	14.2%
18	2007	Professional Building—Planning	$2,000,000	
19	**2008**	Ellis Hall—Renovation	$18,000,000	42.9%
20	2008	Professional Building—Construction	$21,422,226	10.2%
21	2008	Cheek Hall—Planning	$1,300,000	
22	**2009**	Theater & Dance Building—Construction	$19,402,462	82.3%
23	2009	Cheek Hall—Renovation	$15,178,675	229.6%
24	**2010**	Craig Hall—Renovation	$10,495,575	43.8%
Projected construction costs, 2004-2010			$294,495,529	

Source: *Appropriations Request for Capital, Fiscal Year 2004* (SMSU).

Capital Improvements

The University's capital plans are described in its "Appropriations Request for Capital" for FY04. **Table 11** summarizes that document. The SMSU administration would like to spend $294.5 million on such projects between FY04 and FY10. ***That is an annual average of $42.1 million!***

It may appear that the construction plans don't threaten SMSU's financial situation since it is requesting funds from the State—not taking dollars from its E&G revenues. However, new buildings cost the University a substantial amount to operate even when construction is financed by the State; if SMSU increases its classroom and office space by 25%, its annual utility and maintenance costs should grow by 25%, too. Moreover, the CBHE—which recommends projects to the legislature and governor—generally applies a 20% rule on new construction. That rule requires included in last year's request. To the extent possible, combined planning and construction costs on the institution receiving funding to finance at least 20% of the cost of new construction from local sources. (This information was provided by former Financial Services VP Tom Allen in a March 26, 2002 interview.) At that rate, a $20 million building imposes a $4 million burden on SMSU.

One interesting aspect of the administration's construction plans is illustrated by the far-right column of Table 11. Most of the projects in the current (FY04) appropriations request were also those projects are compared to planning and construction costs in the FY03 request. In one instance a project's cost has been reduced (priority 16), and in three cases the cost has been increased by 6.1% or less (priorities 4, 8, 9). In the nine remaining cases where comparisons are possible, costs have risen by double-digits—by 10.2% for priority 20 to 229.6% for priority 23. Since construction costs obviously have not risen at that rate, these represent significantly more ambitious plans by top administrators since last year.

A review of recent history illustrates the threat that an ambitious building program poses to SMSU's academic program. Constructed in 1992 by a previous administration, **Hammons Hall for the Performing Arts** was far more costly than original estimates—more costly, even, than was revealed by the expense statements the administration presented to the public. A project that many referred to as a "white elephant"—more of a city civic center than a university facility—it was ultimately necessary for SMSU to issue $4.8 million worth of bonds to finance the Hall. This year, some 13 years after those bonds were issued, annual debt service is $391,253. That accounts for about half of the Hall's $784,011 operating deficit. Both interest costs and the rest of the Hall's deficit are covered from SMSU's E&G budget—the same budget from which academic programs and faculty salaries are financed.

Another experience where construction costs impacted the E&G budget is provided by the administration's decision to construct the **Public Affairs Classroom Building**, now Strong Hall, in 1998. Including furnishings, SMSU paid more than $20 million for the building, but was unable to find a donor willing to cover the difference between the building's cost and the state's contribution. Therefore, it was necessary for SMSU to issue bonds to cover the excess; ultimately, about $6,500,000 worth of bonds were issued. However, state laws prevent SMSU and other state universities from issuing bonds that are not backed by revenue-generating projects such as dormitories or the bookstore. To skirt this issue, SMSU made use of a *loophole* funding procedure, which the University had never before used, to issue securities with a claim on SMSU's tuition revenues. (On this subject, see the discussion of the Missouri Health and Educational Facilities Authority in this Committee's 2001-2002 report.) SMSU still has $5.4 million of these bonds outstanding and will pay $260,000 in interest this year; scheduled interest payments rise each year (*Mergent Municipal & Government Manual*, 2001, vol. 2, page 4048).

In a similar move, in 1999 the administration constructed the $3.2 million **Physical Therapy Building** on Cherry Street. Details are not widely known, but the administration apparently had a private-sector partner who promised to finance a substantial part (if not all) of the new building's costs. Evidently, when the private partner backed out, the administration went ahead with the project and financed the project's entire cost from University reserves. The impact on the academic program (and faculty salaries) wasn't felt until 2000 and 2001, however, when it became necessary to hold down spending on other things to rebuild University reserves. This illustrates an important principle: *although reserves can't be used to increase salaries, salary increases can be denied to rebuild reserves.* Therefore, faculty are very concerned about the management of University reserves.

When the administration acquired **KOZK** , the public television broadcaster, in 2001, it promised that the station would generate enough revenue to pay its own operating costs, and said that it would use grants and gifts to cover the one-time costs of moving KOZK to SMSU and upgrading to digital technologies. Now, two years later, it is necessary to supplement KOZK revenues to cover its operating costs and up to $2.7 million of University reserves will soon be needed KOZK's digital upgrade and other one-time costs. Then to replenish reserves, dollars will ultimately be taken from the University's operating budget in future years. These remarks are not intended to challenge KOZK's day-to-day management, but to highlight how the administration's ambitious plans have once again prevented it from fulfilling its previous commitments.

Finally, the recent decision to spend $1.82 million to remodel **Forsythe Athletics Facility** was described earlier in regard to intercollegiate athletics. Of the $1.82 million, University reserves provided $750,000. Yet, further bad news from Jefferson City is likely to require SMSU to tighten its belt even more. Since reserves are the final cushion before it becomes necessary for SMSU to cut essential programs, services, and positions, the decision to spend $750,000 from reserves may eventually cost the jobs of several SMSU employees before the athletics program is able to "pay back" the reserve account. In the meantime, it will undoubtedly be necessary for the administration to limit financing of SMSU's academic program in FY04 to rebuild reserves to a level required for coping with the state's budget problems.

It was noted in Part 4 of this report that SMSU has only 71% as much space as the other four regional state universities in Missouri (Table 8, line 28 plus the related discussion). Despite the disparity, reasons were provided in that earlier discussion for a university to experience *economies of scale* in classroom and office space, so it is not necessary for the figure to become 100% for SMSU to accommodate the same activities for its various constituent groups. It is undeniable that SMSU has huge amounts of unused classroom space during afternoons and evenings, and a plan to utilize that space more effectively would reduce the amount of necessary construction. While many faculty support new construction when it would benefit their own discipline, in the general case they are not very supportive of new construction; the 2001 survey conducted by this Committee learned that new construction projects are the first thing faculty would cut, if doing so would facilitate salary increases. (See Appendix C, item n.) Therefore, this Committee recommends that SMSU develop policies to make better use of existing classrooms and parking spaces during afternoons and evenings. Among other alternatives, it should consider *differential tuition charges*—granting, say, a $20 per credit hour discount for afternoon and evening classes, and imposing a $20 hourly surcharge on morning classes. If SMSU needs to construct additional classroom buildings to accommodate students who insist on taking morning classes, then it is fair for those students to contribute toward the effort. Furthermore, the Committee recommends that until considerable progress has been made toward increasing utilization of existing facilities, SMSU only request capital funds for renovation of existing facilities. Over the longer term, to avoid developments like those described above, where new construction caused the unexpected issuance of new debt or a draw down of reserves, both of which eat into future E&G budgets, the Committee recommends that SMSU not begin construction on any new building unless it has all external funding for the project already in hand—appropriations, gifts, or contracts. Experience shows that good intentions are not a secure safeguard for the University's reserves or debt level, so explicit operating procedures should be adopted instead.

Growing Reliance on Unranked Faculty

An issue examined in each year's salary report is the continuing increase in SMSU's reliance on lecturers and other unranked faculty. According to **Table 12**, the number of full-time lecturers at SMSU (Springfield campus only) rose by 313% from fall 1996 to fall 2002. That compares with a 0.8% (5 FTE) increase in the number of full-time faculty ranked assistant professor or higher over the same period. The comparison to 1996 was selected because that is the first year under the new salary policy recommended by the Roles and Rewards Committee and endorsed by the administration. There was a significant cost of complying with the Roles and Rewards plan, so top administrators may have decided to substitute unranked for ranked faculty positions to lower the cost of complying with the new policy. Such a decision was never made public, but the data are clearly consistent with that hypothesis.

To gauge the substitution of unranked faculty for professorial faculty over the years, the number of lecturers, column (6) expresses the number of unranked and part-time faculty (FTE) as a ratio to the number of full-time professorial faculty. Reaching a low of 14.4% in 1996, that ratio

Table 12. *Unranked & Part-Time Faculty, fall 1990-2002**

(1) Academic year	(2) Full-time Lecturers	(3) Full-time "Other" faculty	(4) Part-time Faculty (FTE)#	(5) Total L+OF+PT	(6) L+OF+PT as a % of P+Ao+As
2002-2003	95	16	90	201	33.4%
2001-2002	92	14	87	193	32.2
2000-2001	88	12	78	178	29.4
1999-2000	72	15	74	161	26.8
1998-1999	63	13	66	142	23.9
1997-1998	27	11	54	92	15.2
1996-1997	23	10	53	86	14.4
1995-1996	21	7	71	99	17.0
1994-1995	35	10	66	111	19.0
1993-1994	45	5	73	123	21.3
1992-1993	32	1	74	107	18.6
1991-1992	35	3	62	100	17.5
1990-1991	43	7	65	115	20.6
Change, '96-'02:	313%	60%	69%	133%	131%

Memo: Increase in the number of professorial faculty, 1996-2002 = 0.8%

Source: *SMSU Fact Book* (http://www.smsu.edu/OIR/factbook/faculty.pdf). *Springfield campus. #Estimate.
Notes: Because the *Fact Book* does not include faculty at the Meyer Library or Greenwood, neither group is included here.
L+OF+PT = unranked faculty (columns 2-4). P+Ao+As = faculty holding the rank of assistant professor or higher.

has risen steadily since the 1996 Roles and Rewards Committee's report was issued and now accounts for more than one-third (33.4%) of the faculty at SMSU's Springfield campus. The figure at the bottom of column (6) shows that this ratio rose by 131% over the past six years. The substitution has reduced SMSU's annual payroll costs by at least $1.81 million, and probably more. Because the administration excludes unranked faculty when computing the cost of bringing salaries up to CUPA levels, *the substitution of unranked for ranked faculty creates the impression that progress is being made toward the salary goal even when it isn't; SMSU would be even $1.81 million (or further) from the salary goal if not for the substitution*. This reduction in SMSU's payroll costs has been used elsewhere in the E&G budget.

These comments are not intended to minimize the significant contributions of lecturers and other unranked faculty to SMSU's mission. In fact, some of those holding lecturer positions today would have held ranked faculty positions a decade ago. However, many administrators prefer unranked over ranked faculty because of the lower payroll cost and because of the added flexibility they gain for moving positions between departments if student enrollments shift over time.

While the Salary Committee was unable to locate the necessary data for making comparisons between SMSU and public comprehensive universities across the nation, the VPAA and his staff

Table 13. ***Assistant, Associate, and Full Professors as a Percent of Full-Time Faculty at Metropolitan Universities, 2001-2002***

Rank	Institution	Prof.+Asoc.+Asst. % of Total Faculty
1	University of Missouri—St. Louis	99.2%
2	University of Wisconsin—Milwaukee	93.7
3	Oakland University	90.5
4	IUPUI	90.1
5	Boise State University	86.7
6	Kennesaw State University	85.1
7	Southern Illinois University—Edwardsville	85.1
8	Eastern Michigan University	84.8
9	Wayne State University	82.9
9	*Southwest Missouri State University*	*82.9*
11	Northern Kentucky University	66.4
12	Georgia State University	32.8
Mean		81.7%
Mean, excluding #11 and #12		88.1%

Source: PUMA data (May 2002); excludes part-time faculty; excludes Greenwood and Meyer Library faculty.
Notes: "Prof.+Asoc.+Asst." are faculty holding the rank of assistant professor or higher. The cohort group of metropolitan university peers was selected by Academic Affairs.

recently compared SMSU's performance in this area to that of other "metropolitan universities." President Keiser frequently refers to SMSU as a metropolitan university ("[T]he metropolitan university, as SMS is classified and as I have stressed so often, is at the dynamic center of the future of higher education" http://www.smsu.edu/president/statead20/text.htm).

The comparison between SMSU and other metropolitan universities is provided in a table titled "Comparison of Full-Time, Tenure-Eligible and Non-Tenure-Eligible Faculty at Metropolitan Universities in Academic Year 2001-2002," dated June 24, 2002. Table 13 shows the percentage of total full-time faculty holding the rank of assistant professor or higher. Remaining faculty include instructors, lecturers, and other faculty. Of the 12 metropolitan universities included in the Academic Affairs comparison, SMSU tied for the ninth- (or tenth-) lowest share of faculty holding a professorial rank; in fact, the only universities with lower shares are obvious outliers. By this measure, SMSU clearly relies more heavily on unranked faculty than peer institutions identified by the Office of Academic Affairs.

This is an important issue. Because unranked faculty have fewer service responsibilities to the University than ranked faculty, the substitution increases the committee work load of ranked faculty members and reduces the time available for their other responsibilities. And since unranked faculty (as a group) hold fewer academic credentials than ranked faculty, they are less likely to teach upper-division and graduate courses and less able to conduct academic research. These limitations further increase the responsibilities of ranked faculty members, and make it more difficult (if not impossible) for SMSU to fulfill its mission. Given the propensities of the administration and the large number of expected retirements over the coming decade, this problem seems likely to worsen before it improves.

Ironically, SMSU adopted a more ambitious mission at about the same time it began the wholesale substitution of unranked for ranked faculty. Common sense suggests that *the administration must eventually reconcile this inconsistency*, either by altering the University's mission or by devoting a larger share of its resources to the faculty. Accordingly, the Committee recommends that SMSU reverse the trend toward substituting unranked for ranked faculty positions by replacing half (50%) of its FTE unranked faculty with assistant professors over a three-year period beginning in FY04. This performance measure should be included in the administration's "Countdown" report. Including fringe benefits, the annual cost of replacing half of the FTE unranked faculty positions with assistant professors is estimated at approximately $905,000. It would cost about $1.81 million to restore the *status quo ante* of 1996.

Reserves

It was mentioned earlier that in 1999 the administration constructed the $3.2 million **Physical Therapy Building** on Cherry Street. Evidently left in the lurch by a partner, the administration financed the entire project from University reserve funds. According to former Financial Services Vice President Tom Allen, that represented the single largest unplanned outlay financed from SMSU's reserves since he had joined SMSU well over 30 years ago. The expenditure drew the University's reserves down to $2.9 million at the close of FY99—only enough to cover SMSU's normal E&G expenditures for seven (7) days.

During a March 26, 2002 interview, Allen stated that to be fiscally responsible he would like to maintain reserves adequate to cover 25% of SMSU's annual expenditures—enough to cover three months' spending—and that he would "hate to see it go below $5 million." Yet, that is what happened in 1999. The impact on the academic program (and faculty salaries) wasn't felt until 2000 and 2001, however, when it became necessary to curb spending on other items to rebuild University reserves. This illustrates an important principle: *although reserves can't be used to increase salaries, salary increases can be denied to rebuild reserves.* Therefore, faculty are concerned about the management of University reserves.

Unfortunately, SMSU's auditor no longer reports the University's reserve situation at the close of each fiscal year, so the only way of obtaining that figure is to request it from the Office of Financial Services. *In recent weeks, however, this Committee's requests for reserve levels and other data have not been granted.* To shed light on this important issue, the Committee recommends that the administration and Board instruct the University's external auditors, BKD, to supplement SMSU's annual *Financial Report* with information about SMSU's *general unrestricted fund balance*. In addition to an end-of-year figure, the supplement should also describe purposes for which funds were removed from reserves.

It was recommended earlier that SMSU hold a tight rein on new construction, largely to preserve University reserves from spending on new projects that it can ill afford. Comments from the managers of other organizations suggest the wisdom of Tom Allen's three-month rule for reserves. Therefore, the Committee recommends that over a five-year period commencing with the end of the current appropriations crisis, SMSU raise (and to the extent possible) maintain its *general unrestricted fund balance* at a level sufficient to cover three months' E&G

spending. That reserve would permit SMSU to weather future state holdbacks and appropriations cuts with less interruption to SMSU's core mission than has been possible during the current setback.

Enrollment Projections and the Budget

To fulfill one of its charges, the Committee has made inquiries into the administration's use of enrollment forecasts in the budget process. Unfortunately, the process is not transparent and administration officials do not encourage faculty questions or input, so the investigation of this issue will likely continue over an extended period.

The faculty's interest in this subject is related to abuses by a previous administration, where intentional enrollment underestimates were used to justify smaller salary increases; then later, when more than the predicted number of students registered for classes, "extra" revenue flowed into the E&G fund and was used by the administration for other purposes not subject to regular budget scrutiny.

It is possible that the same practice has been employed in recent years, as substantial unbudgeted dollars have been found to replenish reserves depleted on new construction, the KOZK acquisition, and other activities. During a March 26, 2002 interview that touched on the depletion of reserves associated with construction of the Physical Therapy Building, former Vice President of Financial Services Tom Allen was asked how he expected to rebuild SMSU's reserve account after it had been drawn to such a low level. His reply: "We were counting on unplanned enrollment increases" to generate needed revenues. The administration's admission that it was depending on an unexpected enrollment increase to generate extra revenues was tantamount to acknowledging that it used an extremely conservative enrollment figure in its budget analysis. Pressed to explain, Allen changed the subject.

Given this history, it is disappointing now to learn that SMSU's Enrollment Management office forecasts fourth-week headcounts while Financial Services forecasts annual credit hours when building the budget. Currently, the former forecasts an 0.8% enrollment increase for fall 2003, while the latter forecasts 1.22% growth in credit hour production. (Evidently the new students plan to take *far* more courses than existing students!)

A recent examination of a FY04 budget analysis suggests that Financial Services makes enrollment assumptions that both understate SMSU's likely tuition revenue and overstate it. For example, in "Revenue Options, FY 2004," the analyst assumes that SMSU's annual credit hour production will equal 435,000—despite the fact that actual credit hour production already exceeded 435,000 in FY02, and since that time SMSU has grown by approximately 2.5% or more. Thus, actual revenues should be somewhat greater than projected. On the other hand, the analysis assumes that credit hour production will remain at 435,000 whether SMSU maintains a constant tuition price in fall 2003 or increases tuition by 18%; this clearly overstates the tuition SMSU will generate from a tuition hike. Given the offsetting nature of these errors, it is difficult to know whether revenue projections are high, low, or about right. Asked about these issues, the budget officer shrugged off all questions and replied that she is "comfortable" with her analysis. This approach to budgeting appears to be based on the theory that two wrongs *do* make a right.

Other problems with the same budget analysis artificially *lower* the cost-of-living raises that faculty and staff would receive if state appropriations are adequate. A discussion during the Senate's March 2003 meeting addressed this issue, and the Senate adopted a related resolution.

Salaries and the Cost of Living

Although this issue was addressed in the 2001-2002 salary report and was therefore not one of the Committee's charges, a comment by President Keiser during the Board of Governors' March

(2003) meeting makes it necessary to return to this subject yet again. Proclaiming the progress his administration has made toward raising faculty salaries to national levels, President Keiser even suggested that SMSU faculty may be paid above national levels once living costs are put into the mix. "Everyone knows that it only costs 89% as much to live in Springfield as it does everywhere else," he said.

It appears that President Keiser was relying on a figure computed by the American Chamber of Commerce Research Association (ACCRA), which recently put the cost of living in Springfield at 89.2, compared to 100 for the nation as a whole. Local Chambers of Commerce around the nation quote the ACCRA figures in a bid to attract new companies and residents to their cities.

Despite the widespread use of the ACCRA index, it is useful to consider a few other points before following President Keiser to his conclusion:

- The ACCRA cost-of-living report reflects prices for a basket of goods and services that is not the same one used by the U.S. Bureau of Labor Statistics in computing the Consumer Price Index (CPI). Nor does the basket contain the same goods and services purchased by a typical university faculty member. Instead, the basket used by ACCRA contains goods and services purchased by a typical payroll employee with a lower living standard than the typical faculty member. Thus, the ACCRA's cost-of-living index may not be very informative for purposes of comparing real faculty compensation across the nation.
- The ACCRA's cost-of-living index compares the cost of a basket of goods in Springfield to the average city included in the ACCRA survey, while cities that do not participate in the price survey are excluded from the report. As a result, even if the cost of every good and service remains unchanged, a city's cost-of-living index will change if some cities drop out of the survey group or others join it. Participation in the survey is voluntary, so the composition of "everywhere else," to which President Keiser referred, changes from one survey to the next.
- The theoretical underpinnings of the ACCRA index are questionable. Economists at the Federal Reserve Bank of Dallas recently examined the ACCRA index and found it lacking in "theoretical design, data collection, and sampling design," leading them to suggest "caution in the use of ACCRA indexes" (http://www.amstat.org/publications/jbes/abstracts00/Koo.htm).
- A variety of other private organizations (including the Yahoo website cited in the table below) develop their own local and regional cost of living indexes, but those are subject to many of the same criticisms leveled against the ACCRA index. Those indexes frequently disagree with one another, both in an absolute and relative sense, in comparisons between two given cities. Some studies report that it costs more to live in Springfield than in Cape Girardeau, while others report that it costs less. On which report should one rely?
- Even if the ACCRA index were not flawed, President Keiser's remark about this city's 89% living cost advantage compares Springfield to *all other U.S. cities*. However, SMSU's goal is to increase salaries to levels paid by CUPA institutions, so instead of comparing living costs in Springfield to the average city, President Keiser should have compared them to the average for cities where CUPA universities are located. Moreover, a properly constructed average would weight each city's living costs by the number of CUPA faculty located there. Since it is common for universities to be located in somewhat smaller cities, and because living costs tend to be lower in smaller cities, it is likely that the average cost of living in cities hosting CUPA universities is less than 100—so Springfield has a smaller cost-of-living advantage, or perhaps no advantage—when the relevant comparison is made. The comparison by President Keiser was not relevant, because he compared Springfield to the wrong collection of cities.

- Even if it could be shown that living costs in Springfield are below those in other CUPA cities, the plan for market adjustments described by the Roles and Rewards Committee—a plan endorsed by this administration—makes no mention of relative living costs. Likewise, section 2.10.1 of the *Faculty Handbook* makes no mention of relative living costs. President Keiser, in proclaiming salary increases his top priority for fiscal year 2003, made no mention of relative living costs. Hence, the introduction of living costs at this late stage suggests that the administration is trying to justify its salary policy rather than advancing a serious argument.
- If it is decided that SMSU's salary policy should be reinterpreted to include relative living costs, and if it becomes possible to compute a meaningful cost-of-living index for scores of

Table 14. *Cost-of-Living Indexes for Selected Missouri Cities*

City & University	Cost-of-Living Index	Compared to SMSU
Cape Girardeau—Southeast Missouri State	96	+4.3%
Kirksville—Truman State	77	-16.3%
Maryville—Northwest Missouri State	85	-7.6%
Springfield—Southwest Missouri State	92	-
Warrensburg—Central Missouri State	86	-6.5%
Simple average, four cities	86.0	-6.5%
Weighted average, four cities*	86.6	-5.9%

Source: Yahoo.com, "Neighborhood information" (http://list.realestate.yahoo.com/re/neighborhood/main.html).
* Cost of living indexes for each city are weighted by the number of FTE faculty at each university (excl. SMSU).

U.S. cities, then *that policy should be applied uniformly across the campus—including administrators*. It was shown in Table 9 that salaries of top SMSU administrators are already about 7% higher than the average at other comprehensive universities *before* adjustment for the cost of living. Thus, administrative salaries should be lowered by at least 7% to bring them to the national average, plus another 11% to adjust for Springfield's low living costs, for a total of 18%. For faculty, who require a 9.8% salary increase to reach CUPA levels, an 11% deduction for local living costs would result in a net salary reduction of 1.2%. Thus, the administration's pay cut should be about 15 times that of the faculty's.

Thus, it does not appear likely that the administration can, or will want to, make a case for adding relative living costs to the statement of SMSU's salary goals. Nevertheless, **Table 14** is provided for the purpose of comparing living costs in Springfield to those in the other four cities that host Missouri's regional state universities: Cape Girardeau, Kirksville, Maryville, and Warrensburg.

According to the table, the cost of living is about 6% higher in Springfield than in the other four cities hosting Missouri's regional state universities. *This indicates* that *real faculty salaries at SMSU compare even less favorably to those at its sister institutions than was described earlier in this report* (refer to Table 5).

These findings do not provoke a recommendation by this Committee. Questions about the reliability of such cost-of-living measures have already been raised, and the salary goal in the *Faculty Handbook* makes no mention of local living costs. The exercise in Table 14 merely provides information that President Keiser could use to test his hypothesis that because of low living costs, salaries at SMSU stack up favorably against salaries elsewhere. Within Missouri, at least, that hypothesis appears doubtful.

Summary and Observations

The purpose of Part 6 has been to examine special issues relating to faculty salaries, including circumstances that impair SMSU's ability to pay higher salaries and matters pertaining to the administration's perspective on salary issues.

The first issue examined was SMSU's **intercollegiate athletics** program, which since 1996-1997 has expanded far more rapidly than SMSU's academic program. Between FY97 and FY03, intercollegiate spending has grown 36%, while the instructional budget at SMSU's Springfield campus has risen just 21%. To bring athletic spending into line with instructional spending, the former would need to be cut by at least $1 million annually; this Committee recommended a cut of only half that amount.

The administration's zeal for **capital improvements**—new buildings and major remodeling projects—has not been dampened by the state budget crisis. On the contrary, its FY04 capital spending plan is for $294.5 million, some $89 million more than its FY03 plan. The construction goals of the administration, if carried to fruition, would impose a heavy burden on SMSU and further reduce the likelihood that it could afford salary increases for the faculty. The Committee recommended, first of all, that no new buildings be constructed until SMSU makes greater efforts to utilize existing classrooms during afternoons and evenings.

The number and share of SMSU **faculty holding unranked status** continues to grow, and whether one compares SMSU to Missouri's other regional state universities or to a group of peer metropolitan universities, it appears that SMSU's use of such faculty is excessive. This lowers the quality of SMSU's academic program, reduces the quantity and quality of research produced here, inflates the average salary figure presented by the administration to the Board each year, and frees up dollars which the administration can apply to its priorities. The Committee recommended that the administration take immediate steps to reverse this destructive trend.

University **reserves** are a shock absorber whose intended purpose is to cushion the blow of a financial setback or to acquire assets under favorable terms on short notice. Unfortunately, the administration has also used reserves to recover from its own overcommitments—e.g., the Physical Therapy Building in 1999, the KOZK acquisition in 2001, and the Forsythe remodeling in 2003. All of this would be of little consequence to the faculty if SMSU's state appropriations were not being cut or if the administration didn't replenish reserves by taking funds from the E&G budget. But state appropriations are being cut, and depleted reserves are being replenished from E&G revenues. Thus, it was recommended that when the current appropriations crisis ends, SMSU's reserve fund be increased so to cover 25% of annual E&G spending. Because the University's external auditors have ceased mentioning reserve balances in SMSU's annual *Financial Report*, it was recommended that SMSU's auditors be instructed to supplement the *Financial Report* with detailed information about the University's *general unrestricted fund balance*.

Enrollment increases generate additional revenue that could theoretically be used to raise faculty salaries, so the Committee examined **enrollment projections in the budgeting process**. SMSU's budget is typically based on conservative assumptions, and that includes its enrollment forecast, too. So revenue estimates are probably low. But it is not believed that FY04 enrollment projections are being reduced to obscure a large source of revenue. However, past use of this technique, probably including 1999 through 2001, make it important to monitor this critical budget variable in future years.

Finally, Springfield's relative **cost of living** was examined following a statement by President Keiser at the March 2003 Board meeting. In effect, he stated that the gap between CUPA salaries and SMSU salaries is more than compensated by this city's low living costs. However, a widely used cost-of-living survey indicates that living costs in Springfield are about 5.9% higher than in the other four Missouri cities hosting regional state universities. This suggests that SMSU's relative salary situation is even less favorable than previously believed, thus undercutting the President's claim.

SMSU faces other long-term problems not examined in this report. For example, the March 2003 "Annual Report of Performance Measures" states that SMSU has deferred $45.6 million in maintenance outlays on existing plant (page 45). Such outlays are necessary to halt the decay of vital facilities, and to avoid even larger repair costs a few years down the road. Second, it appears that when SMSU refinances its debts by issuing new bonds, interest savings are used to boost expenditures rather than being applied against the debt. Third, in addition to new construction, SMSU apparently has plans to lease space in the downtown area. According to President Keiser, "SMS occupies nearly 110,000 square feet of downtown office, classroom, and warehouse space. Its footprint could more than double over the next five years" (*Springfield News-Leader*, March 9, 2003, page 7A).

In each instance, long-term obligations will come due and expenditures will have to be made, so it will become progressively more difficult for SMSU to achieve its CUPA salary goal. For that reason, progress will only be possible if the administration becomes truly committed to salary increases and makes it a top priority. Part 7 examines the administration's priorities with regard to faculty salaries.

Part 7

Faculty Salaries as a Priority

While there has been no shortage of excuses for SMSU's inability to achieve its salary objective, it is undeniable that SMSU has an annual budget exceeding $180 million and could achieve the salary objective if the administration assigned it a high priority. This report has demonstrated that the administration's inability to raise salaries to a modest target established seven years ago reflects an unwillingness to use resources for that purpose—resources that it uses for other activities it values more highly.

Five Goals for the President

Shortly before President Keiser arrived at SMSU, the Board of Regents (now Governors) issued a public statement listing what they expected from him. He acknowledged the Board's expectations in his January 7, 1994 "State of the University" address (http://www.smsu.edu/president/statead2.html). According to President Keiser, "The first goal in the Board of Regents' mandate to the new administration is 'to concentrate on upgrading faculty and staff salaries to nationally competitive levels and to work to end salary compression and salary inversion problems as soon as possible.'" This and the Board's four other goals, said Keiser, are "both appropriate and doable or we would not be here."

Appropriate and doable, but never done.

The performance measure used by the administration to gauge its own success reveals that since 1997, faculty salaries at SMSU have lost ground to those at other public comprehensive universities—and the administration's measure understates by a wide margin the cost of raising SMSU salaries to levels specified in the Roles and Rewards plan. Over the same period, faculty salaries at SMSU have made no progress relative to salaries at Missouri's other regional state universities. By any reasonable measure, then, the administration has failed to accomplish the first objective assigned it by SMSU's Board of Governors.

A Matter of Priorities

Why faculty salaries at SMSU have lost ground over the years can be traced to a series of decisions by top administrators to apply University resources to other objectives. It is not possible to obtain a list of administrative priorities by reading the minds of administrators, interrogating them, or reading their personal diaries. In real life, the only way to discern someone's priorities is to observe them over time, as their behavior reveals what they value most.

Previous parts of this report have discussed several areas where SMSU devotes excessive resources—at least from a faculty perspective. Consider a few examples. It was shown that since 1997, spending for **intercollegiate athletics** has grown far more rapidly than spending on

SMSU's instructional programs. Athletic spending would have to be cut by $1 million annually just to restore the relationship that existed between athletics and instruction in 1997, and many believed that athletic spending was already too high that year. It was observed that SMSU's spending on **academic administration** is far higher, on a per-student basis, than at other regional state universities. Meanwhile, Academic Affairs continues adding mid-level administrators to its roster. In 1999, the administration continued plans to construct the **Physical Therapy Building**, even though its private-sector partner backed out. The building was financed from University reserves. Two years ago, SMSU's top administration acquired **KOZK**, provided weak explanations for doing so, and promised that the deal would be self-financing. It wasn't. Meanwhile, the **salaries of SMSU's top administrators** are above the average at other comprehensive universities.

When communicating with the General Assembly and CBHE, the administration refuses to emphasize the need for salary increases at SMSU. In an August 2002 public meeting, Senate Chair Shufeldt asked Jerry Burch, SMSU's lobbyist in Jefferson City, whether the administration had informed the legislature that faculty salaries at SMSU are "low." Mr. Burch replied that the legislature does not know that SMSU's faculty salaries are low, and that President Keiser has not informed the legislature that they are. On other occasions the President has said that it is not politically advantageous to tell the CBHE and legislature of SMSU's need for salary increases, that it would only backfire. However, there is very little evidence that the President's approach works. If it did, SMSU's relative appropriation wouldn't decrease year after year (see Table 8, line 5).

In another case, a flier prepared by the administration for distribution in Jefferson City lists SMSU's "2003 Legislative Session Goals." A request for $1.4 million for faculty salary increases is the fourth operating budget item listed. The flier goes on to say that "if additional funds become available, SMSU encourages the Missouri General Assembly to revisit the capital budget for SMSU in order to fund the university's No. 1 priority: the Facilities Reutilization Plan" to renovate and remodel buildings.

In short, if faculty salaries are a leading priority of this administration, that fact is not apparent from the administration's past behavior, either on campus or off.

Perhaps mindful of the faculty's mood, President Keiser began the 2002-2003 academic year with a "State of the University" address that proclaimed "people and salaries will remain the institution's highest priority" (http://www.smsu.edu/president/statead19/text.htm). He gave assurances in smaller groups, too, that raising salaries is his highest priority. Yet, two recent decisions suggest that the administration continues to place a low priority on faculty and faculty salaries.

First, an unusually large number of faculty members—particularly those ranked associate professor and professor—retired during the current academic year. During VPAA Schmidt's September 12, 2002 remarks to the Faculty Senate, he explained that SMSU would experience about 60 faculty retirements, and would go into the job market and replace them over the winter. Since replacement faculty earn less than the senior faculty who are retiring, he estimated the annual savings at $25,000 per faculty retirement. The implied budget savings is $1.5 million. Senate leaders suggested that the $1.5 million be applied to faculty salaries (http://www.smsu.edu/acadaff/fsenate/minutes/2002_Sept.pdf).

Instead of rolling those payroll cuts back into faculty salaries, however, the administration used the $1.5 million to address SMSU's broader financial problems. Later, it was decided not to fill approximately 22 faculty positions, which lowered payroll costs by at least another $1 million. Those dollars, too, were used by the administration for other purposes, while the number of students in the typical classroom was increased. If it had been applied to faculty salaries, the $2.5 million in payroll savings could have closed 72% of the gap between SMSU and CUPA salaries for ranked faculty or 59% of the gap for all faculty, both ranked and unranked. The administration states that the moves were necessary to ensure that no current SMSU employee will be impacted by SMSU's budget problems, and says that it intends to fill the 22 vacant positions as soon as circumstances permit. No offer was made to return the $1.5 million to the faculty salary pool.

Nearly the same day the administration was cutting faculty payrolls to deal with SMSU's budget crunch, it announced a decision to spend $1.82 million on the Forsythe Athletics Center— for "remodeling of the first floor, new locker rooms and support areas for several . . . teams, new lockers in the football locker room and improvements for the coaches' locker rooms" (*Springfield News-Leader*, February 8, 2003). Funds for the project will come from a loan from the University's reserves ($750,000), the SMSU Foundation, and the athletic fund (which includes E&G dollars).

When the Senate Chair suggested a few weeks earlier that reserves could be used to minimize cuts in the academic program, the administration's response was that reserves were being preserved to deal with state funding cuts over the coming year (FY04). However, that statement was contradicted by the administration's decision to spend reserve funds on Forsythe.

Under the circumstances—with faculty payrolls being cut, University reserves going to remodel an athletic facility, the administration refusing to use reserves for the academic program—one must conclude that the administration continues to assign a lower priority to faculty salaries than other objectives, and that the pool of funds for faculty salary increases is residually determined (i.e., "funds permitting"), rather than receiving the "high priority" promised by every *Faculty Handbook* since 1997 and the "top priority" promised by President Keiser at the beginning of the current academic year.

How to Raise Salaries

The administration typically blames its lack of success toward the salary objective on an insufficiency of funds, especially now that state appropriations are being cut. However, during most of the past seven years tuition revenues and state appropriations outpaced the inflation rate, and ranked faculty were gradually replaced with lower-paid unranked faculty. For example, SMSU's unrestricted E&G budget expanded by nearly $9 million in FY00 and by almost $8 million in FY01. Given those funding increases in only two years, it is not clear why, if salaries had been a priority, the administration was unable to raise them by, say, $3 million. So revenues have been available for faculty salary increases, if only the administration had been willing to set dollars aside for that purpose early in the budget process and considered that a constraint on spending elsewhere in the organization.

Recent experience suggests another approach to salary increases. During the appropriations holdbacks and reductions of FY02 and FY03, the administration has been able to identify millions of dollars in budget savings—both ongoing and one-time. Thus, the administration can identify numerous budget savings when real pressure is applied. If, seven years ago, faculty salary increases had been a top priority of the administration, modest spending cuts throughout the organization could have been used to pay for salary increases. Unfortunately, the administration has not done this on its own accord, and the Board of Governors has not pressured the President to fulfill his promises to the faculty. Therefore, specific spending cuts are suggested throughout this report.

Such outcomes would be far more likely if certain institutional changes were made. Some were already recommended earlier in the report, and it is timely to recall them here. It was recommended that: a) SMSU should commit to achieving CUPA salary levels for ranked faculty and a corresponding adjustment for full-time lecturers within a three-year time frame, and implement a specific plan beginning with the fiscal 2004 budget cycle; b) the administration should set aside dollars for market adjustments and other salary increases at the *beginning* of each year's budget cycle and protect those dollars despite other requests; and c) the Senate Chair should be included as a nonvoting member of the President's Administrative Council.

Summary and Observations

It is nearly ten years since President Keiser was informed by the Board that his first goal was to bring salaries up to national levels, and almost seven years since the administration endorsed the Roles and Rewards plan for salaries and pledged to implement it "in recognition of the hard work and dedication of the faculty."

Given its long history of failure in this area, now is the time for the administration to take decisive action, either by implementing many of the recommendations developed in the current report, or other policies of its own choosing, which would raise salaries to market levels by discipline and rank without undercutting SMSU's academic core.

Appendices

Appendix A

This table compares faculty salaries at SMSU to those at fifteen other institutions, which the SMSU administration has identified as "peers" in applications submitted to CBHE. *To attain the salary average (by rank) paid at those universities, professors at SMSU would have to earn $7,900 more each year, associate professors would require $6,200 more, and assistant professors would need $3,200.* Only a handful of instructors remain at SMSU, so the comparison at that rank is not meaningful. For the three professorial ranks combined, the average salary increase (in fall 2001) would need to be 10.5%.

Faculty Salaries at 16 Peer Universities, 2001-2002

		Average Salaries (thousands of dollars)			
University	AAUP **Category**	**Prof.**	**Asoc.**	**Asst.**	**Instr.**
Appalachian State University	IIA	$69.0	$57.3	$46.6	$44.5
Boise State University	IIA	63.4	55.1	46.2	39.2
Central Connecticut State University	IIA	76.3	61.0	49.6	43.6
Eastern Michigan University	IIA	70.8	55.5	47.7	43.5
Florida Atlantic University-Boca Raton	I	75.8	57.6	48.8	36.0
Georgia Southern University	IIA	70.7	56.1	46.4	34.3
Indiana State University	I	66.3	52.6	44.7	27.5
Minnesota State University-Mankato	IIA	65.7	56.3	47.1	
Montclair State University	IIA	83.7	67.2	53.1	33.8
SMSU	*IIA*	*64.5*	*51.5*	*44.5*	*41.1*
Southwest Texas State University	IIA	67.6	55.1	43.4	30.1
University of Nevada-Las Vegas	IIA	88.6	67.4	52.7	64.0
University of Northern Iowa	IIA	73.9	57.6	47.9	40.2
Western Illinois University	IIA	72.8	57.1	46.5	33.5
Western Kentucky University	IIA	66.7	51.7	44.2	34.0
Wichita State University	I	74.7	57.8	50.0	33.8
Average: All 15 peers.		$72.4	$57.7	$47.7	$38.4
Difference: Peers minus SMSU		$7.9	$6.2	$3.2	-$2.7
% Difference		12.2%	12.0%	7.1%	-6.5%
SMSU **rank** (of 16)		15	16	14	5

Source: *Chronicle of Higher Education* (http://chronicle.com/stats/aaup/2002/2002index.php3).

AAUP Categories: I = Doctoral institution, IIA = Comprehensive institution.

This table compares faculty salaries at SMSU to those at 11 other metropolitan universities. The Office of Academic Affairs considered the 11 universities peers for the purpose of evaluating SMSU's use of instructors and lecturers (June 24, 2002). *To attain the salary average (by rank) paid at those universities, professors at SMSU would have to earn $14,336 more each year, associate professors would require $9,327 more, and assistant professors would need $6,009.* For the three professorial ranks combined, the average salary increase (in fall 2001) would need to be 15.3%.

Faculty Salaries at Metropolitan Universities, 2001-2002

		Average Salaries		
University	**Professor**	**Associate**	**Assistant**	**Instructor**
Boise State University	$63,400	$55,100	$46,200	$39,200
Eastern Michigan University	70,800	55,500	47,700	43,500
Georgia State University	106,300	67,400	55,400	35,500
IUPUI	80,700	62,400	52,700	44,800
Kennesaw State University	72,500	59,000	45,800	38,900
No. Kentucky University	67,500	53,800	47,300	35,200
Oakland University	79,900	62,000	53,700	41,700
SIU—Edwardsville	73,800	60,700	47,900	34,400
SMSU	*64,500*	*51,500*	*44,500*	*41,100*
Univ. of MO @ St. Louis	81,500	60,700	49,800	
Univ. of Wisconsin @ Milwaukee	80,600	62,800	54,300	43,600
Wayne State University	90,200	69,700	54,800	48,500
Mean, excluding SMSU	$78,836	$60,827	$50,509	$40,530
Difference: Peers minus SMSU . .	$14,336	$9,327	$6,009	-$570
% Difference.	18.2%	15.3%	11.9%	-1.4%
SMSU **rank** (of 12).	11	12	12	6

Source: *Chronicle of Higher Education* (http://chronicle.com/stats/aaup/2002/2002index.php3).

Appendix B

Salaries at Midwestern Universities

Appendix B.pdf goes here: Salaries at Midwestern Universities.

- **A-1 — Salaries**
- **A-2 — One-year salary changes**
- **A-3 — Long-term salary changes**

Appendix C

Two years ago, this Committee surveyed the SMSU faculty for the purpose of learning, among other things, which budget cuts, revenue-increasing measures, and other policies had their support. The top three vote-getters were (n), (b), and (f). Choices (i) and (k) were also popular.

Faculty Attitudes, 2000-2001

Q26. If the Missouri legislature will not pay for faculty salary increases at SMSU, which of the following internal policies should be adopted to finance salary increases? Select your top three (3) preferred policies.

Options	**Response %**
a. Increase service charges, fees, & fines across campus.	18.3%
b. Reduce positions in academic administration.	43.0%
c. Reduce professional staff positions.	4.3%
d. Reduce non-professional staff positions.	4.3%
e. Reduce program support for library books & periodicals.	0.3%
f. Reduce program support for collegiate athletics.	42.7%
g. Reduce program support for Greenwood lab school.	15.8%
h. Reduce technology spending on campus (computers, internet, labs).	4.5%
i. Sell the Performing Arts hall to private investors or city government.	25.6%
j. Shrink the budget for the Marching Band & related activities.	17.3%
k. More revenue-producing (commercial) activities on campus.	21.0%
l. Shrink or eliminate academic programs in low-priority disciplines.	16.3%
m. Belt-tightening that lowers expenditures in every area of the budget.	16.8%
n. Put salaries ahead of construction projects in all requests to the state.	43.5%

Number of surveys returned	402
Average number of selections per survey	2.75

Response % is the percentage of returned surveys with that option selected.

Source: SMSU Salary Report 2000-2001 (p. 31).

Appendix D

Administration's Response to the 2001-2002 "Salary Report"

In March 2001, the Planning Committee for Faculty Salaries (PCFS) was charged with carrying out several activities each year. Among other things, the Committee was asked to "monitor SMSU's progress toward recommendations made by the Committee in previous years and conduct follow-up inquiries, as appropriate."

In September 2002, Vice President For Finance Tom Allen and Vice President for Academic Affairs provided the administration's response to most of the recommendations contained in the April 2002 salary report. To provide their response wider circulation, it is provided on the following pages. The Committee comments follow those of Vice Presidents Allen and Schmidt, and are identified by the acronym *PCFS*.

RESPONSES TO SELECTED SPECIFIC RECOMMENDATIONS FOUND IN THE REPORT OF THE FACULTY SENATE PLANNING COMMITTEE FOR FACULTY SALARIES (April 11, 2002)

Prepared by Tom Allen, Vice President for Finance, and Bruno Schmidt, Vice President for Academic Affairs – September 2002.

Recommendation 1: To avoid confusion resulting from the *Handbook's* vague statement on market adjustments, it should be amended to include specific reference to discipline and rank.

> **Administration Response:** The university's six-year plan Countdown to the Centennial discusses salary goals in one of the performance measures, and describes the implementation of that goal in the main text through reference to the Faculty Roles and Rewards document. Further discussion of salary polices is found in The *Faculty Handbook*. While these three discussions are not contradictory, the fact that they are in three separate places does breed confusion. Since it should be understood that The *Faculty Handbook* is the ruling document, it seems reasonable that the Senate would make revisions to The *Faculty Handbook* to reduce confusion and misunderstanding.

Recommendation 2: SMSU should commit to achieving CUPA salary levels for ranked faculty and a corresponding adjustment for full-time lecturers within a three-year time frame, and implement a specific plan beginning with the fiscal 2003 budget cycle.

> **Administration Response:** Given the state economic situation and its many uncertainties, it would be impossible to implement this recommendation without making major cuts that would disrupt or eliminate functions that are seen as essential to the mission of the University.
>
> > **PCFS:** Whether certain functions are essential to SMSU's mission is a matter of opinion. When President Keiser pledges to make salaries his number one priority, doesn't that mean he will reallocate resources from other uses toward salaries?

Recommendation 3: The SMSU administration should designate dollars for market adjustments at the beginning of each year's budget cycle, and keep Senate leaders informed throughout the year regarding progress toward that year's target.

> **Administration Response:** The University could set aside an amount of money for "market adjustments" before any other salary commitments are made. However, that set aside would reduce the balance of the money available for across-the-board raises, promotions and sabbaticals. The reason is that setting aside money does not increase the overall amount of money available.
>
> > **PCFS:** Setting money aside for market adjustments followed the recommendation that SMSU commit to achieving CUPA salary levels. That commitment, in combination with Recommendation 3, means that *more* dollars would be allocated to salaries—

contrary to the administration's assertion. It appears the administration was not being forthcoming in its response.

Recommendation 4: SMSU should establish a longer-term (five-year) goal of raising faculty salaries 15% above CUPA averages in at least 10 disciplines critical to the University's mission.

Administration Response: The concept of setting a goal of 15% above CUPA averages seems to be completely unrealistic in view of the current salary level and the ability of the State of Missouri to increase the appropriations to SMSU. In addition, the cost of living in Springfield, Missouri, is about 10% to 15% below the national average. A salary level 15% above CUPA would provide faculty a level of compensation in excess of what is necessary to hire and retain quality employees.

PCFS: The 15% figure was admittedly arbitrary, but it is undeniable that if SMSU wants to operate at a high level of distinction in a few disciplines, it will need to offer salaries that are above average. The claim that living costs in Springfield are 10-15% lower than the national average is not relevant to this particular issue, but was addressed elsewhere in the 2002 salary report. If VPs Allen and Schmidt had consulted that discussion, they would have learned that the cost of living is higher in Springfield than in many cities hosting universities—including the Missouri cities hosting the other four regional state universities.

Recommendation 5: SMSU's Office of Academic Affairs should expand its collection of discipline-specific salary data and include that information in the Academic Affairs resource room.

Administration Response: The Office of Academic Affairs has asked deans and department heads to provide discipline-specific salary data in order to make it available in the Academic Affairs resource room. Some of that data have been received. Institutional Research is also being asked to obtain other national studies that can be broken down by discipline-specific salaries, for inclusion in the research room. Those data, along with all other documents in the AA resource room, are available to all faculty.

PCFS: Thank you. Perhaps the data would be used by more faculty if it were better publicized. This year's report requests that Academic Affairs distribute CUPA data, particularly for new assistant professors, to departments by November 1 each year.

Recommendation 6: SMSU should develop a more effective public relations campaign to inform the public (and elected officials in Jefferson City) about research and other activities at SMSU that distinguish it from Missouri's other state universities and thereby justify an increase in its core appropriation.

Administration Response: The staff of the University Advancement unit provides the media with a number of quality information pieces. These include faculty achievements, student activities, athletic events, performances, etc. The media then controls what they will and won't print or broadcast. With the availability of KOZK, the University has increased its ability to get its message before the public.

The University currently interacts with the people in Jefferson City. This includes CBHE staff, the Governor and his staff, and members of the General Assembly. The President or a member of the Administrative Council makes a trip to Jefferson City each week during the legislative session to represent SMSU and its needs. In addition, the University has a lobbyist who works for the University on a daily basis. Relations have improved over the past several years with that group. However, when there is little money at the state level, all that work does not add a lot of dollars to the University's appropriation.

PCFS: The recommendation was to better inform the public about research, teaching, and other faculty activities, and that has very little to do with the administration's interaction with Jefferson City. Over the past year, has the administration devoted additional resources to promoting faculty media interviews, creating a website to presents faculty research and teaching accomplishments, or producing video clips or short features that could be aired during televised sporting events or distributed among local media outlets? If Missouri voters are convinced that SMSU deserves greater distinction and funding, it will be a lot easier to convince their representatives in Jefferson City.

Recommendation 7: All recipients of University grants, summer research fellowships, sabbaticals, and recognition awards be requested to appear for one 15-30 minute taped interview for possible airing on KOZK or cable channel 24 programming.

Administration Response: This appears to be an excellent opportunity to promote the university image as well as give recognition to many of our most honored faculty. This recommendation has been forwarded to our public broadcasting administration for consideration.

PCFS: What was the result of this inquiry? Has the administration considered airing material on cable channel 24?

Recommendation 8: SMSU should institute a modest $200,000 annual cut in budget outlays for academic administration.

Administration Response: Each of the four universities that are compared to SMSU are organized differently. Even though there are guidelines on what items to put where there are differences in reporting. Items that are included here include the budgets of the Academic Deans, The Advisement Center, University College, Continuing Education administration, Graduate College, Summer Session Administration, The Assessment Center, Sponsored Research Administration, and the Vice President for Academic Affairs. In addition, candidate recruitment, Funding for Results, the new Academic Development Center, and accreditation costs as well as the Faculty Development budget are recorded in this area. Reductions in this section of the budget would require eliminating some of these services.

PCFS: The comment that “Reductions in this section of the budget would require eliminating some of these services” was assumed by the Committee, and considered an acceptable tradeoff. However, since the lion’s share of dollars going to academic administration are for salaries of administrators, it would be unfair to take disproportionately from funds for summer research grants and sabbaticals. This year’s salary report discusses the issue at greater length.

Recommendation 9: To aid rational decision making, SMSU’s administration and Board should request auditors to provide a consolidated and detailed statement of income and expenses for SMSU’s intercollegiate athletics program each year, and share the results of that audit with Faculty Senate leaders.

Administration Response: The University has had a combined audit report of the athletic program for several years. This was done to comply with NCAA regulations. That report can be viewed in the President’s Office. In addition, in FY03 the University has combined the athletic costs into one budget section. The Athletic Fund budget is displayed on pages 9

& 10 (in summary) and on pages 52 &53 (in more detail) in the Internal Operating Budget for Fiscal Year 2003.

PCFS: The Committee appreciates the improved reporting measures for intercollegiate athletics in the SMSU budget. However, the audit which complies with NCAA regulations is not the same as a financial audit, since the mission and purpose of NCAA is different than that of an academic institution. This year's salary report recommends improved accounting measures to identify the full costs of SMSU's intercollegiate athletics program.

Recommendation 10: To better support SMSU's academic program, SMSU should reduce the financial support it provides to intercollegiate athletics by at least $250,000 annually.

Administration Response: Decreased support of the athletic program will lead to the elimination of one or more sports over time. A decision of that kind would need to be made in the context of the overall University plan considering the legal ramifications that eliminating sports would bring to the University.

PCFS: The administration's response is based on a faulty premise; the reduction of support to the athletic program would not have to lead to the elimination of one or more sports. For example, SMSU could reduce support to the football program, drop to division II or III, and maintain the sport. If legal ramifications are really the issue, SMSU has a full-time attorney who could prepare a report on that subject.

Recommendation 11: SMSU should prepare a consolidated, and detailed, statement of income and expenditures for KOZK and KSMU each year, and share that statement with the Senate leadership.

Administration Response: When the University started operating KOZK it created a new group of accounts called "Broadcast Services." These accounts include the total operation of both the TV station as well as KSMU. The planned budget for that area is included in a separate section of the University's internal budget. They are recorded on pages 19, 20 and 61 in the Internal Operating Budget for FY03. These accounts are also summarized together in the Monthly Financial Statement that is presented to the Board of Governors each month.

PCFS: The purpose of the recommendation was make it possible to learn whether KOZK generates enough revenue to cover its operating costs, as the administration promised at the time of the acquisition. Would it be possible to add a line in the budget with that bit of information? It certainly appears that KOZK will not break even during FY03, and will require assistance from the E&G budget.

Recommendation 12: SMSU's administration and Board should identify efficiencies to bring SMSU's costs for professional staff in line with costs at the other four state universities.

Administration Response: The University should always be looking at costs to see if there are efficiencies that can be achieved. This would apply to all staff, faculty and operating costs. However, over the past several years "professional staff" have been added to enhance the other functions of the University. These include computer support personnel who support the academic function as well as other areas and fundraising personnel to support the academic program. In addition, several personnel have the staff rank of "professional," which in many universities is considered faculty. An example of this are the supervising teachers in the College of Education. That being said, the University is committed to reviewing all positions to see if they continue to be important in the fulfilling of our mission.

> **PCFS:** Although SMSU spends more and has more FTE professional staff members than the other regional state universities, last year's salary report exaggerated the size of that difference due to a data entry error. This year's figures (Table 8) show that much of the difference can be explained by Greenwood, so the number of professional staff is not a major concern.

Recommendation 13: SMSU should develop a policy for addressing salary inversion and salary compression within academic departments. At the very least, observed cases of inversion and compression should trigger a formal review of salaries in the corresponding department by the Office of Academic Affairs.

> **Administration Response:** While it may seem a good goal to avoid salary inversion and compression, it is a fact that in many instances, both inside and outside the university, salary compressions and inversions do exist. Oftentimes, there simply is not enough money to attract qualified new people and to raise the salaries of present employees to avoid either compression or inversion. In reviewing national salary studies in higher education, it is found that for many disciplines, average starting salaries for new assistant professors is near or above the average salaries for all assistant professors, meaning that salary compression and inversion frequently occur, usually because of limited funding. Sometimes, compression and inversion are a result of a heritage of merit pay increases from the 1970s and 1980s. And with the limited ongoing implementation of merit pay through Faculty Roles and Rewards, increased compression and inversion can occur.
>
>> **PCFS:** Sometimes, salary inversion occurs because an administration fails to bring salaries up to national levels, but the administration is forced to meet the market when hiring new faculty. So new faculty earn more than existing faculty. In response to the 2001 salary report's call for a policy to deal with salary inversion, VPAA Schmidt stated: "We would be willing to make a commitment to this in principle, but we would have to realize there will always be instances where it won't be feasible." This Committee believes that most of the problems with salary compression and inversion will disappear when the administration brings salaries up to market levels in each discipline and at each rank.

Recommendation 14: Next year's Senate appoint an ad hoc Committee on Rewards to study and recommend changes in (or replacement of) the existing recognition awards program.

> **Administration Response:** Obviously, the Senate may implement this recommendation if it desires.

Recommendation 15: SMSU should retire 30% of its total indebtedness before embarking on new construction projects that require dollars from the E&G budget, reserve funds, or new debt.

> **Administration Response:** With the exception of the bonds that were issued in May 1996 all of the bonds issued have involved auxiliary activities of the University. Those bonds that were issued in May 1996 were used to support the construction of Strong Hall. The University received an appropriation of $20.25 million and needed to match that amount to complete the construction. The payment of approximately $500,000 per year is budgeted in the Educational & General Fund to cover the required payment. In addition to issuing bonds for new construction projects, bonds are also issued to refinance old bonds to take advantage of changing interest rates that lower the cost to the University. On page 56 of the Faculty Senate's "SMSU Salary Report 2001-2002," it listed the total bonds issued 1991 to 1999 as $94,560,000. This is compared to other institutions that issued from $8.4 million to $48.2 million during the same period. When you examine the purpose of the bonds issued by

SMSU during that period you find that only $49.275 million was for new projects and $45.285 million was for refinancing. In each of the refinancing the University had a savings because the interest rate on the new bonds was less than the ones being replaced. Of the new bonds issued, as listed in the report, \$16.775 million were issued for new construction and \$32.5 million for renovation projects. Wells House, Freudenberger House, and Student Union projects are included in those renovation projects.

PCFS: This year's salary report uses different, and more useful, data to compare SMSU's indebtedness to that of Missouri's other regional state universities. If Southeast Missouri State is excluded from the comparison—SEMO incurred nearly \$40 million in new debt in about a year—SMSU's debt load is considerably heavier than that carried by the other regionals. That is true whether one looks at the debt on a per-student basis or relative to the E&G budget.

Some elements of SMSU's budget and Financial Report are difficult to interpret, but it appears that when SMSU refinances its debts, the interest savings are used to finance University E&G operations rather than to pay down the debt. Could the administration comment on this matter?

Recommendation 16: SMSU should reduce its capital requests and lobbying effort in Jefferson City on behalf of capital appropriations, and devote more effort to obtaining an increase in its core operating appropriation.

Administration Response: The approach to getting capital money and operating money is somewhat different. While both are requested from the state, many times the source of the money to fund the two different requests is different. The state needs to be sure that the sources used to fund operating budgets have a good chance of remaining year after year. Therefore, they use revenue sources that are ongoing to fund budgets that continue from year to year. Capital projects, however, can be funded using non-recurring sources of funds. As the University applies to the state for funds, the ability to tap non-recurring sources of funds has permitted the University to receive money to enhance the physical plant. An example of this type of funding was when the state issued the Fourth State Building Bonds in 1994. Getting operating money from this source was not an option.

PCFS: The Committee has no doubt about the Fourth State Building Bonds of 1994. However, the recommendation was for SMSU to spend less time lobbying for capital appropriations and spend more time lobbying for a larger operating appropriation. This can be done by calling SMSU's lobbyist.

The Committee notes that an SMSU flier titled "2003 Legislative Session Goals" distributed in Jefferson City (and dated October 24, 2002) requests that the legislature fund "the university's No. 1 priority: the Facilities Reutilization Plan." *That's* the kind of thing SMSU wouldn't say if it were more interested in obtaining operating funds than capital funds.

Recommendation 17: SMSU should reverse the trend toward substituting unranked for ranked faculty positions by replacing one-third of its FTE unranked faculty with assistant professors over a three-year period. This goal should be included in the administration's "Annual Report of Performance Measures."

Administration Response: Given the limited amount of funding resources, this would be very difficult to implement, for at least two reasons: 1) the cost of ranked faculty is greater than that of unranked faculty, decreasing the funding available for salary increases; and 2) a simple one-for-one replacement will not work, as the average ranked faculty member, with tenure requirements that include significant scholarly work, teaches far fewer students than the average unranked faculty member. Thus additional faculty would need to be hired, exacerbating the resource problem. In fact, this is one of the reasons that more unranked faculty have been hired over the last several years—the teaching productivity of ranked faculty members has declined significantly, necessitating the addition of more teaching personnel.

> **PCFS:** The cost of ranked faculty has *always* been greater than the cost of unranked faculty, but previous administrations have paid that cost because that is where they placed their priorities. This administration has lowered its payroll costs by replacing ranked with unranked positions, and used those dollars for other activities (see Table 8, line 18).
>
> The administration's observations about declining teaching productivity (credit hours taught) are not particularly surprising. Because the administration frequently hires lecturers in the place of new assistant professors, a growing share of the ranked faculty are professors or associate professors. Thus, the administration's "productivity" statistics now reflect the activities of a more senior faculty than in earlier years. Senior faculty tend to teach upper-division and graduate-level courses, which are almost always taught in small sections. Moreover, senior faculty have greater committee and other service responsibilities, and remain active in research. To reverse the trend on the ranked faculty's productivity statistics, the administration should replace 40 or 50 lecturer positions with new assistant professors.
>
> Committee members are aware that not enough dollars are available to replace unranked with ranked faculty while the administration's spending priorities remain unchanged.

Appendix E

The Committee's Charter

This *ad hoc* **Committee on Faculty Salaries** was established by the Faculty Senate in April 2001 to continue monitoring events on the salary front, conducting faculty surveys, and recommending policy changes pertaining to faculty compensation. The Committee also serves as a resource to the Senate if the administration recommends significant changes in salary policy.

The ad hoc Committee on Faculty Salaries

(a) **Purpose**

(aa) (Primary Purpose) Shall monitor trends in SMSU salaries, administer (in November) a faculty survey on salaries no less frequently than once every two years, and recommend policy changes relating to faculty compensation arising from their analysis or surveys.

(bb) Shall monitor SMSU's progress toward recommendations made by the Committee in previous years and conduct follow-up inquiries, as appropriate.

(cc) Shall conduct follow-up analysis of survey data during the year in which the faculty survey is not administered.

(dd) Shall compare the average percentage salary increase among *all* SMSU faculty to the CPI inflation rate over the comparable period.

(ee) Shall review and update the list of peer institutions used by the previous year's Committee to determine whether faculty salaries at SMSU are at "market" levels. If not, the differential should be quantified.

(ff) Shall collect salary, enrollment, budget, and related data for other Missouri state universities and compare to comparable SMSU data.

(gg) Shall collect other salary data related to salaries, as needed.

(hh) Shall analyze all data including faculty survey results.

(ii) Shall recommend a plan of action suggested by survey results and the Committee's analysis to eliminate significant negative differences between SMSU salaries and those at the relevant peer institutions.

(jj) Shall provide other recommendations relating to existing policy or its implementation.

(kk) Shall consult with appropriate University committees (such as the Budget & Priorities Committee).

(ll) Shall present a written report of their findings and a briefing to the Faculty Senate no later than its March meeting every year.

(b) **Membership**

(aa) Shall consist of five regular members and two ex officio members.

(bb) Shall include the Chair of the previous Faculty Salaries Committee as ex-officio or Chair again.

(cc) Shall include another member of the previous year's Faculty Salaries Committee.

(dd) Shall consist entirely of ranked and tenured faculty members.

(ee) Shall be appointed by the Faculty Senate Chair, who will also serve as an ex officio member.

3/8/01

Appendix F

Related News Items

Articles in the *Springfield News-Leader* and a few other publications have a bearing on the issues discussed in this report. It is useful to document these items to illustrate a perspective that has not been fully developed within this report, or for later reference.

1. "Faculty pay gets only lip service," *Springfield News-Leader* (April 20, 2003), 4A.
2. "Schools' merger plan endorsed," *Springfield News-Leader* (April 19, 2003), 2B. NW Missouri State moves ahead with merger plans with the University of Missouri.
3. "Cuts devastate educators: Slashes proposed by committee to decimate universities, leaders say," *Springfield News-Leader* (April 19, 2003), 1A.
4. The case for non-scholarship football," *Springfield News-Leader* (April. 20, 2003), 1D.
5. "Cut sports, raise teacher pay, SMS faculty says," *Springfield News-Leader* (April 17, 2003).
6. "As tuition soars, OTC gains popularity," *Springfield News-Leader* (April 16, 2003), 1A.
7. "Families work hard at slaying tuition beast," *Springfield News-Leader* (April 13, 2003), 1A.
8. "Faculty salaries inch upward, survey finds," *Chronicle of Higher Education* (April 18, 2003), http://chronicle.com/stats/aaup/2003.
9. "SMS board approves tuition hike," *Springfield News-Leader* (March 22, 2003), 1B.
10. "Downtown, "Springfield *News-Leader* (March 9, 2003), 7A.
11. "Universities bare teeth in budget battle," *Springfield News-Leader* (February 19, 2003), 1B.
12. "Keiser should ax football program," *Springfield News-Leader* (February 19, 2003), 9A.
13. "SMS considers what sports to ditch in budget crunch," *Springfield News-Leader* (February 17, 2003), 1A.
14. "Athletics: Bid for SMS renovations approved," *Springfield News-Leader* (February 8, 2002).
15. "SMS to save money with consolidation," *Springfield News-Leader* (February 8, 2003).
16. "SMS name change to rear its head again," *Springfield News-Leader* (January 3, 2003), 1B.
17. "Higher-ed cuts leave students in tight spot," *Springfield News-Leader* (Dec. 30, 2002), 1A.
18. "Central Missouri State faculty launches drive to start union; Teachers say university overlooked their views when cutting budget," *St. Louis Post-Dispatch* (December 8, 2002).
19. "Lobbyist to battle for SMS funding," *Springfield News-Leader* (November 16, 2002), 1A.
20. "Higher-ed leaders fighting more cuts," *Springfield News-Leader* (November 24, 2002), 1A.
21. "SMS board OKs request to seek funds," *Springfield News-Leader* (June 22, 2002).

22. “Keiser: Budget won’t enfeeble SMS,” *Springfield News-Leader* (June 21, 2002).

23. “SMSU Focus,” especially May and June 2002, February 2003.

24. “What professors earn,” *Chronicle of Higher Education* (April 19, 2002); http://chronicle.com/free/v48/i32/4832aaup.htm#increases.