

Karen,

Attached is a **draft version** of the FSBC newsletter. FSBC has used the newsletter as our report. Unfortunately the data that we report annually will not be released until Monday. Therefore the tables in the newsletter have not been updated.

Cheers,
Bob

FACULTY SALARY & BUDGET COMMITTEE

ANNUAL REPORT

2014-2015 EDITION

MEMBERS

Marty Abramson
Aaron Baxter
Neal Buckwalter
Larry Burns
Gregg Dimkoff
Steve Glass
Kathy Gulembo (ex officio)
Bob Hollister (chair)
Lori Houghton-Rahrig
Brian Johnson
Zack Kurmas
Nancy Mack
Julia Mason
Paul Murphy
Jon Rose
Ashley Rosener
Paul Stephenson
Joel Stillerman
Lawrence Williams
Mike Yuhas

MAJOR RESPONSIBILITIES

- ✓ Analyze faculty salaries
- ✓ Review health benefits
- ✓ Evaluate budgetary impacts of proposed programs

MEETING TIMES

Fridays, Noon to 1:30pm

ACKNOWLEDGMENTS

Many thanks to the administration, especially Gayle Davis, Jim Bachmeier, Kathy Gulembo, & Dave Smith for meeting with us throughout the year and Lisa Surman Haight for assistance.

MAIN POINTS

- FSBC is an advocate for faculty on issues related to budgets
- Self-Study reports will require a Resource Analysis section
- As healthcare costs rise and in order to meet the State of Michigan cost sharing target of 80:20 our deductible is likely to rise
- Faculty salaries at GVSU remain below the mean of public universities in the State of Michigan
- GVSU budget allocation follows trends similar to other universities

RESPONSIBILITIES OF THE COMMITTEE

The Faculty Salary and Budget Committee (FSBC), as charged by the University Academic Senate (UAS), works to provide an informed understanding of the financial health of the university. The FSBC advocates for the faculty on all matters with significant budgetary implications with focused attention on new programs, salaries and healthcare benefits.

Below are the paraphrased charges from August 2014:

1. Compare faculty salaries and benefits with other MI public institutions.
2. Evaluate Instructional Costs: Work with the University Assessment Committee to incorporate instructional costs in 6 year reviews, work with graduate council to estimate the costs of graduate programs, and provide an update on achievements from the smart growth initiative.
3. Evaluate institutional budget trends.
4. Establish a task force to examine support for sabbaticals.
5. Examine workload for part-time faculty.
6. Provide proactive suggestions on relevant items.

We have addressed or begun to address the above items. As always the minutes of each meeting are posted on the faculty governance webpage.

APPENDICES

This year the newsletter includes two Appendices. Appendix 1 is an overview of the University budget. It is primarily graphical and focuses on analytical trends at GVSU and in relation to other public universities in Michigan.

UPDATE ON EFFORTS TO MAXIMIZE EFFICIENCY (SMART-GROWTH)

It is critical that all members of the University community maximize efficiency. Student enrollments have reached a plateau, funding from the State of Michigan is unlikely to increase significantly, and large tuition increases hurt students. Therefore, the best way to allocate money to new and growing programs is to maximize efficiencies across the University. Beginning next year, units that are due to submit a *self-study* to University Assessment Committee (UAC) will also be asked to complete a *resource analysis* which will be reviewed by FSBC. This new requirement will give units the opportunity to examine the analytical trends happening in a unit. This section was announced last year in the FSBC Annual Newsletter, but was delayed for one year. More details will be available on the UAC webpage over the summer.

The Provost's Office has taken a number of steps to become more efficient. These include procedures for faculty workload reassignment more transparent and accountable, continuing to reduce the number of course sections with low enrollment, and asking units to potentially realign their curriculum in ways that are most sustainable. We recognize that efforts to contain costs often result in increased workload for faculty. Therefore, we will continue to work to ensure that workload policies are fair and equitable and we will advocate for increases in faculty compensation.

HEALTHCARE

Most faculty utilize the High Deductible Healthcare Plan. Given that healthcare costs rise each year and faculty costs are capped at the deductible, this means each year the plan will need to be adjusted in order to meet the State of Michigan cost sharing target of 80:20 (meaning 20 percent of costs should be covered by employees). Previous plan changes have reduced the GVSU contribution to a faculty member's Health Saving Account (HSA). Now that the GVSU contribution has been eliminated, we expect that next year (2016) the deductible will rise by \$500 for family or \$250 for single. The following year (2017) we expect an additional increase in the deductible of \$500/\$250. We do not consider it sustainable to continue to increase the deductible by such a large amount annually. Previous changes to the GVSU contribution to the HSA were smaller in magnitude; this is because they impacted all faculty. Approximately half of the faculty reach the deductible in a given year; therefore, in order to capture the same amount of money the deductible has to rise by double the cost necessary per employee. In the future, we will be exploring the addition of a premium. FSBC will continue to encourage the University to develop and expand tools to contain costs (such as the Health Choice Program and the Priority Health Cost Estimator App). We will work to ensure that plan design changes (especially those involving changes to the deductible) are announced well in advance so that faculty can plan accordingly.

FACULTY SALARIES

Salary increases can be presented in many ways. Generally increases are calculated by taking the average base salary of a faculty member in the current year relative to what it was the previous year, for last year this number would be 5.4%. However, recently faculty have traded reductions in benefits for increases in base salary. Therefore, the FSBC and the administration have agreed to portray salary increases as the percentage change reported to faculty as the merit increment (**Table 1**). This is an underestimate because it does not account for proportional increments or other special salary increases like the salary adjustment faculty received in November.

FSBC will continue to advocate that faculty raises be at a minimum of 1.5% + CPI because this rate approximately maintains the status quo (given that older faculty retire and are replaced by younger faculty at a lower pay rate). Faculty salaries have hovered near the expectation of CPI + 1.5% and have been near the national average over most of the past decade (**Table 1**); however the raises reported are an underestimate as noted above. A simple comparison of the base salaries of faculty at GVSU with those of other public institutions in Michigan shows that GVSU salaries have remained below the mean for the past decade (**Figure 1, Table 2**).

FSBC is grateful that the administration has made strides to increase faculty salaries. The administration has been conservative with budget allocations (**Appendix 1**). Given that faculty salaries are a long-term commitment, the administration has been reluctant to provide a typical raise in years of uncertainty. However, once the uncertainty has passed the administration has found creative ways to make up for it; **Figure 1** illustrates this process clearly. The savings in costs incurred by allowing faculty salaries to fall relative to peers have helped fund necessary one time budget expenses such as new infrastructure. However this process is damaging to morale and creates significant inequities because performance based raises are in proportion to the annual raise. As FSBC we are aware of budget realities and uncertainties, but we ask the faculty salaries become a consistent priority.

Table 1. Average annual increases in faculty salaries at GVSU relative to the Nation.

	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	5-year Average	10-year Average
GVSU faculty raises [^]	2.3	1.8	3.0	5.2	5.4	3.6	-	2.4	3.5	2.0	2.9	3.12	2.92
Proposed minimum (CPI+1.5%)	3.9	4.7	4.2	5.2	1.2	4.5	3.3	4.3	3.3	2.5	2.2	3.31	3.57
Midwest CPI (Dec to Dec) ⁺	2.4	3.2	2.7	3.7	(0.3)	3.0	1.8	2.8	1.8	1.0	0.7	1.81	2.07
National raises [#]	4.5	4.4	5.0	5.1	4.9	1.8	2.5	2.9	3.2	3.4	3.4	3.40	3.74
National CPI (Dec to Dec) [#]	3.3	3.4	2.5	4.1	0.1	2.7	1.5	3.0	1.7	1.5	1.5	2.01	2.30
GVSU vs Proposed minimum	(1.6)	(2.9)	(1.2)	0.0	4.2	(0.9)	(3.3)	(1.9)	0.2	(0.5)	0.7	(0.19)	(0.65)
GVSU vs National (unadjusted)	(2.2)	(2.6)	(2.0)	0.1	0.5	1.8	(2.5)	(0.5)	0.3	(1.4)	(0.5)	(0.28)	(0.82)
GVSU vs National (CPI adjusted)	(1.3)	(2.4)	(2.2)	0.5	0.9	1.5	(2.8)	(0.3)	0.2	(0.9)	0.3	(0.08)	(0.59)

() Indicate negative numbers

[^] Values after 2010 do not include promotional increments, merit raises, compression or other special salary adjustments

⁺ Values from the Bureau of Labor Statistics

[#] Values from the AAUP (American Association of University Professors) Annual Report on the Economic Status of the Profession

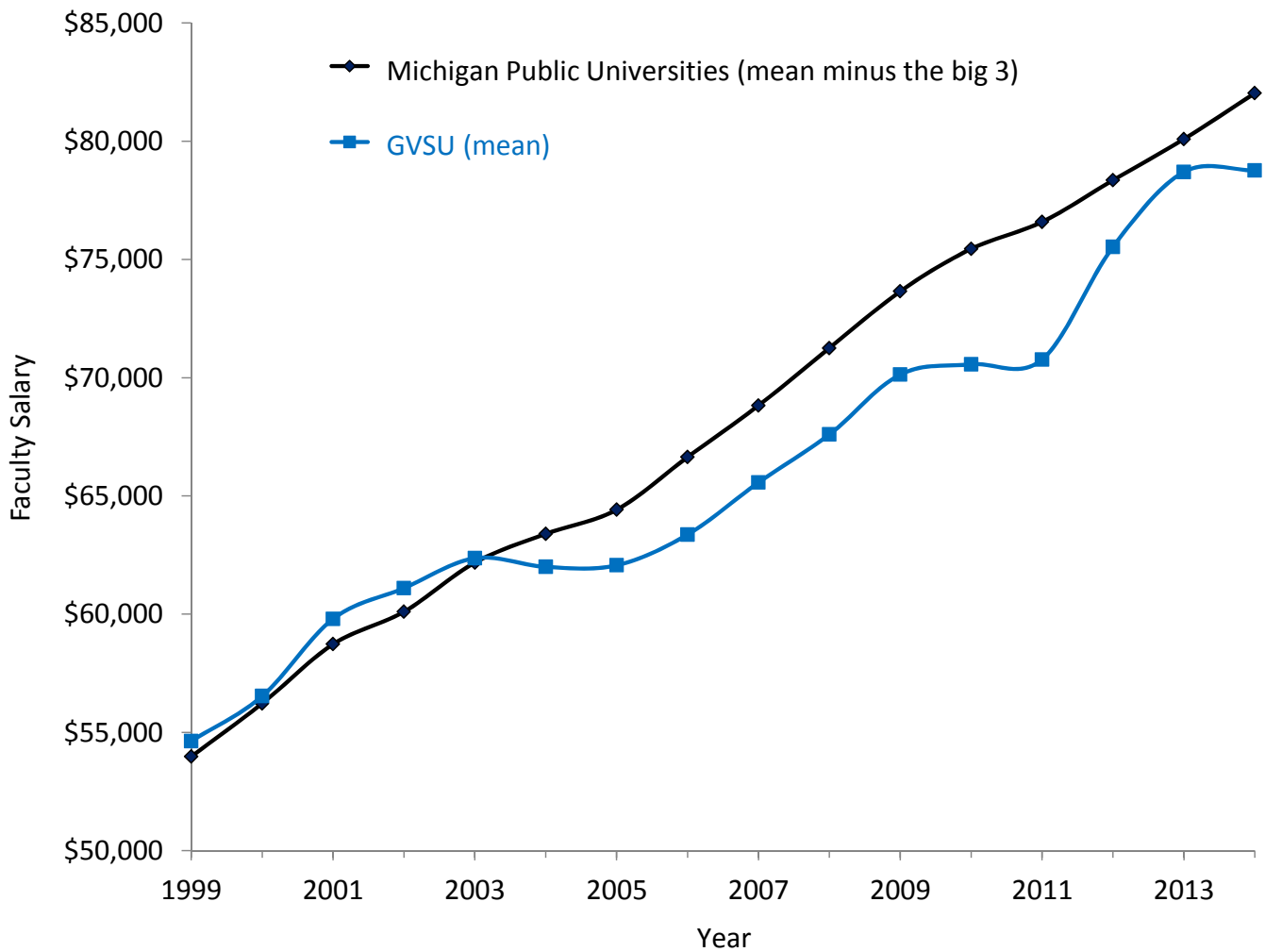


Figure 1. Mean faculty salary at Michigan Public Universities & GVSU over the past 16 years. The mean salary was calculated as the average of the three salaries posted by rank (Full, Associate, and Assistant) by AAUP (the big 3 include University of Michigan –Ann Arbor, Wayne State University, and Michigan State University). The graph is intended to show the trend and is not actually the salary of the average faculty member.

Table 2. Average faculty salaries by rank of Michigan Public Universities in select years.

1998-1999		2003-2004		2013-2014	
Professor					
UNIVERSITY OF MICHIGAN-ANN ARBOR	\$96,700	UNIVERSITY OF MICHIGAN-ANN ARBOR	\$117,800	UNIVERSITY OF MICHIGAN-ANN ARBOR	\$156,900
WAYNE STATE UNIVERSITY	\$82,100	MICHIGAN STATE UNIVERSITY	\$98,300	MICHIGAN STATE UNIVERSITY	\$135,100
MICHIGAN STATE UNIVERSITY	\$77,500	WAYNE STATE UNIVERSITY	\$95,200	WAYNE STATE UNIVERSITY	\$121,300
MICHIGAN TECH. UNIVERSITY	\$76,100	WESTERN MICHIGAN UNIVERSITY	\$84,100	MICHIGAN TECH. UNIVERSITY	\$111,200
OAKLAND UNIVERSITY	\$72,200	MICHIGAN TECH. UNIVERSITY	\$81,300	UNIVERSITY OF MICHIGAN-DEARBORN	\$110,100
WESTERN MICHIGAN UNIVERSITY	\$69,700	OAKLAND UNIVERSITY	\$80,800	OAKLAND UNIVERSITY	\$103,800
CENTRAL MICHIGAN UNIVERSITY	\$67,200	UNIVERSITY OF MICHIGAN-DEARBORN	\$79,600	CENTRAL MICHIGAN UNIVERSITY	\$102,000
GRAND VALLEY STATE UNIVERSITY	\$67,000	CENTRAL MICHIGAN UNIVERSITY	\$78,800	UNIVERSITY OF MICHIGAN-FLINT	\$102,000
NORTHERN MICHIGAN UNIVERSITY	\$66,500	GRAND VALLEY STATE UNIVERSITY	\$78,100	WESTERN MICHIGAN UNIVERSITY	\$101,700
UNIVERSITY OF MICHIGAN-DEARBORN	\$65,900	UNIVERSITY OF MICHIGAN-FLINT	\$71,500	GRAND VALLEY STATE UNIVERSITY	\$96,800
EASTERN MICHIGAN UNIVERSITY	\$63,700	NORTHERN MICHIGAN UNIVERSITY	\$70,500	FERRIS STATE UNIVERSITY	\$96,100
UNIVERSITY OF MICHIGAN-FLINT	\$62,400	FERRIS STATE UNIVERSITY	\$69,600	EASTERN MICHIGAN UNIVERSITY	\$96,000
FERRIS STATE UNIVERSITY	\$59,000	EASTERN MICHIGAN UNIVERSITY	N.R.	NORTHERN MICHIGAN UNIVERSITY	\$87,200
LAKE SUPERIOR STATE UNIVERSITY	\$59,000	LAKE SUPERIOR STATE UNIVERSITY	N.R.	LAKE SUPERIOR STATE UNIVERSITY	N.R.
SAGINAW VALLEY STATE UNIVERSITY	\$58,200	SAGINAW VALLEY STATE UNIVERSITY	N.R.	SAGINAW VALLEY STATE UNIVERSITY	N.R.
Associate					
UNIVERSITY OF MICHIGAN-ANN ARBOR	\$68,200	UNIVERSITY OF MICHIGAN-ANN ARBOR	\$80,900	UNIVERSITY OF MICHIGAN-ANN ARBOR	\$103,900
WAYNE STATE UNIVERSITY	\$62,600	WAYNE STATE UNIVERSITY	\$72,500	MICHIGAN STATE UNIVERSITY	\$92,800
MICHIGAN STATE UNIVERSITY	\$58,000	MICHIGAN STATE UNIVERSITY	\$72,400	WAYNE STATE UNIVERSITY	\$90,300
OAKLAND UNIVERSITY	\$57,500	UNIVERSITY OF MICHIGAN-DEARBORN	\$64,000	MICHIGAN TECH. UNIVERSITY	\$87,400
MICHIGAN TECH. UNIVERSITY	\$55,600	MICHIGAN TECH. UNIVERSITY	\$63,400	UNIVERSITY OF MICHIGAN-DEARBORN	\$87,000
WESTERN MICHIGAN UNIVERSITY	\$55,500	WESTERN MICHIGAN UNIVERSITY	\$63,300	CENTRAL MICHIGAN UNIVERSITY	\$78,700
UNIVERSITY OF MICHIGAN-DEARBORN	\$54,400	OAKLAND UNIVERSITY	\$63,200	UNIVERSITY OF MICHIGAN-FLINT	\$78,200
GRAND VALLEY STATE UNIVERSITY	\$54,400	CENTRAL MICHIGAN UNIVERSITY	\$61,200	FERRIS STATE UNIVERSITY	\$78,200
CENTRAL MICHIGAN UNIVERSITY	\$53,400	UNIVERSITY OF MICHIGAN-FLINT	\$61,100	OAKLAND UNIVERSITY	\$77,700
UNIVERSITY OF MICHIGAN-FLINT	\$52,400	GRAND VALLEY STATE UNIVERSITY	\$60,400	EASTERN MICHIGAN UNIVERSITY	\$76,700
NORTHERN MICHIGAN UNIVERSITY	\$51,600	FERRIS STATE UNIVERSITY	\$59,500	GRAND VALLEY STATE UNIVERSITY	\$76,500
FERRIS STATE UNIVERSITY	\$50,900	NORTHERN MICHIGAN UNIVERSITY	\$55,500	WESTERN MICHIGAN UNIVERSITY	\$75,500
LAKE SUPERIOR STATE UNIVERSITY	\$50,100	EASTERN MICHIGAN UNIVERSITY	N.R.	NORTHERN MICHIGAN UNIVERSITY	\$69,000
EASTERN MICHIGAN UNIVERSITY	\$49,500	LAKE SUPERIOR STATE UNIVERSITY	N.R.	LAKE SUPERIOR STATE UNIVERSITY	N.R.
SAGINAW VALLEY STATE UNIVERSITY	\$46,800	SAGINAW VALLEY STATE UNIVERSITY	N.R.	SAGINAW VALLEY STATE UNIVERSITY	N.R.
Assistant					
UNIVERSITY OF MICHIGAN-ANN ARBOR	\$54,500	UNIVERSITY OF MICHIGAN-ANN ARBOR	\$66,700	UNIVERSITY OF MICHIGAN-ANN ARBOR	\$89,600
WAYNE STATE UNIVERSITY	\$48,900	MICHIGAN STATE UNIVERSITY	\$58,900	WAYNE STATE UNIVERSITY	\$77,100
MICHIGAN TECH. UNIVERSITY	\$48,500	WAYNE STATE UNIVERSITY	\$58,700	MICHIGAN TECH. UNIVERSITY	\$77,000
UNIVERSITY OF MICHIGAN-DEARBORN	\$47,900	UNIVERSITY OF MICHIGAN-DEARBORN	\$58,500	UNIVERSITY OF MICHIGAN-DEARBORN	\$72,200
MICHIGAN STATE UNIVERSITY	\$47,500	MICHIGAN TECH. UNIVERSITY	\$57,200	MICHIGAN STATE UNIVERSITY	\$72,000
OAKLAND UNIVERSITY	\$46,300	OAKLAND UNIVERSITY	\$55,200	EASTERN MICHIGAN UNIVERSITY	\$69,000
WESTERN MICHIGAN UNIVERSITY	\$45,300	CENTRAL MICHIGAN UNIVERSITY	\$51,800	CENTRAL MICHIGAN UNIVERSITY	\$68,500
FERRIS STATE UNIVERSITY	\$44,900	FERRIS STATE UNIVERSITY	\$50,700	UNIVERSITY OF MICHIGAN-FLINT	\$68,200
CENTRAL MICHIGAN UNIVERSITY	\$44,100	UNIVERSITY OF MICHIGAN-FLINT	\$50,500	FERRIS STATE UNIVERSITY	\$66,900
UNIVERSITY OF MICHIGAN-FLINT	\$43,700	WESTERN MICHIGAN UNIVERSITY	\$49,400	OAKLAND UNIVERSITY	\$66,100
GRAND VALLEY STATE UNIVERSITY	\$42,500	GRAND VALLEY STATE UNIVERSITY	\$47,500	WESTERN MICHIGAN UNIVERSITY	\$64,500
EASTERN MICHIGAN UNIVERSITY	\$41,900	NORTHERN MICHIGAN UNIVERSITY	\$45,000	GRAND VALLEY STATE UNIVERSITY	\$63,000
SAGINAW VALLEY STATE UNIVERSITY	\$40,400	EASTERN MICHIGAN UNIVERSITY	N.R.	NORTHERN MICHIGAN UNIVERSITY	\$58,700
LAKE SUPERIOR STATE UNIVERSITY	\$40,200	LAKE SUPERIOR STATE UNIVERSITY	N.R.	LAKE SUPERIOR STATE UNIVERSITY	N.R.
NORTHERN MICHIGAN UNIVERSITY	\$39,500	SAGINAW VALLEY STATE UNIVERSITY	N.R.	SAGINAW VALLEY STATE UNIVERSITY	N.R.

N.R. Not Reported in the AAUP (American Association of University Professors) Annual Report on the Economic Status of the Profession

The FSBC, specifically Larry Burns with help from Robert Hollister, researched recent budget trends. Here we paraphrase the major findings with what we considered the most succinct graphical or tabular representation of the trends. Our hope is that this information will help inform faculty on the trends in higher education occurring within our State and specifically how the GVSU budget has changed over time. The past decade has been particularly turbulent in Michigan. A detailed review including nearly 40 years of state higher education budget data finds that GVSU utilizes an effective systematic budgetary strategy. The University is committed to long-term financially conservative policy principles while remaining sufficiently responsive to short-term necessity as evidenced by excellent ratings from external national, state, and local auditing agencies such as Standard and Poor’s, the Michigan House Fiscal Agency, and Plante Moran. Internal checks and balances are robust and include the University Budget Office, the Office of Business and Finance, the Board of Control, the Provost’s Office, and the FSBC.

GVSU has the lowest funding per student of all the institutions in Michigan. This happened because GVSU grew at a time when funding for higher education was declining (**FIG 1**). Given that tuition is near the State average despite limited funding from the State, GVSU has learned to do more with less. In particular, GVSU has more students per faculty (**FIG 2**). GVSU also has fewer administrators and many fewer buildings per student. Even with all the construction on campus, the square footage per student at GVSU will remain at less than half the State mean. These factors have prepared GVSU for the new economic reality. While other Universities have struggled to cope with declining State revenues GVSU has fared better than most because we’ve had fewer revenues to begin with. GVSU also has had lower costs because it has less physical infrastructure (buildings) and fewer employees (especially faculty).

Spending amongst categories within the GVSU budget can be presented in many ways and can be difficult to interpret because the University has grown so much. In recent years the proportion of the budget dedicated to instructional support has declined and financial aid has increased (**FIG 3**). These two trends are true across the State (**FIG 4, FIG 5**) and Nation. At the divisional level there have been shifts in spending over time (**FIG 6**). There are also significant differences in the cost of instruction between colleges (**FIG 7**). As we continue to review the University’s budget we encourage suggestions and comments. In order for the University to remain vibrant we must maximize efficiencies across all levels of the University.

Revenue Source at Public Universities in Michigan

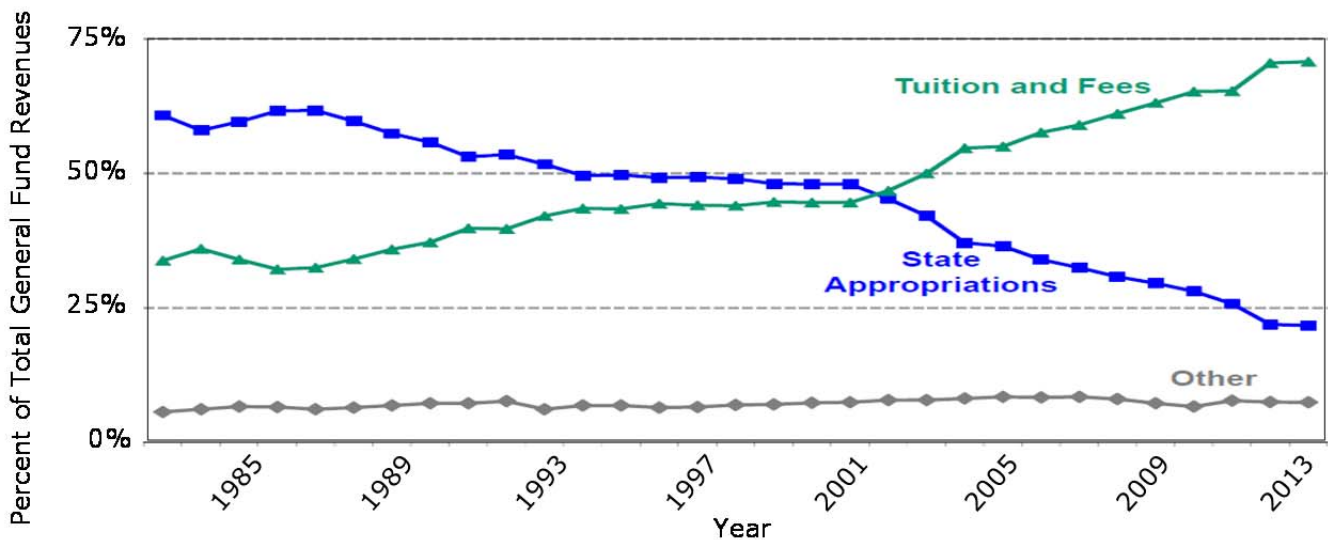


FIG 1. Funding for higher education has gone down significantly since the late 80’s. To make up for this tuition has gone up. Thus the reason for continually increasing tuition rates across the State and Nation is due in part to inflation, but primarily due to disinvestment by State Lawmakers across the Nation. Historically the government paid approximately 80% of University’s costs and tuition paid 20%, now government pays approximately 20% and tuition pays 80%.

GVSU has more students per faculty

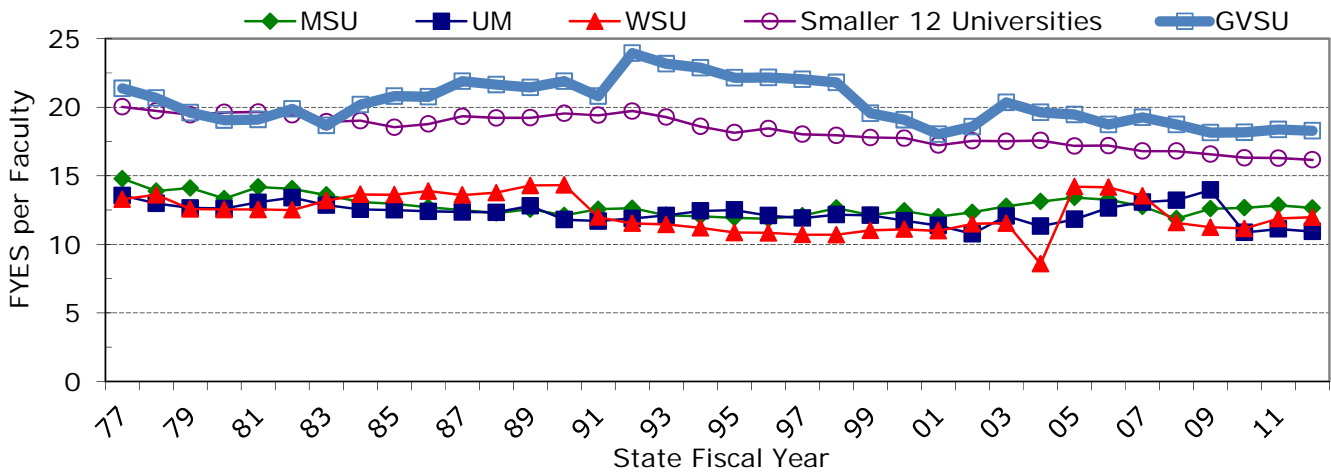


FIG 2. GVSU has more students per faculty member than the State average. However the trend has improved in recent years.

GVSU Spending over Time

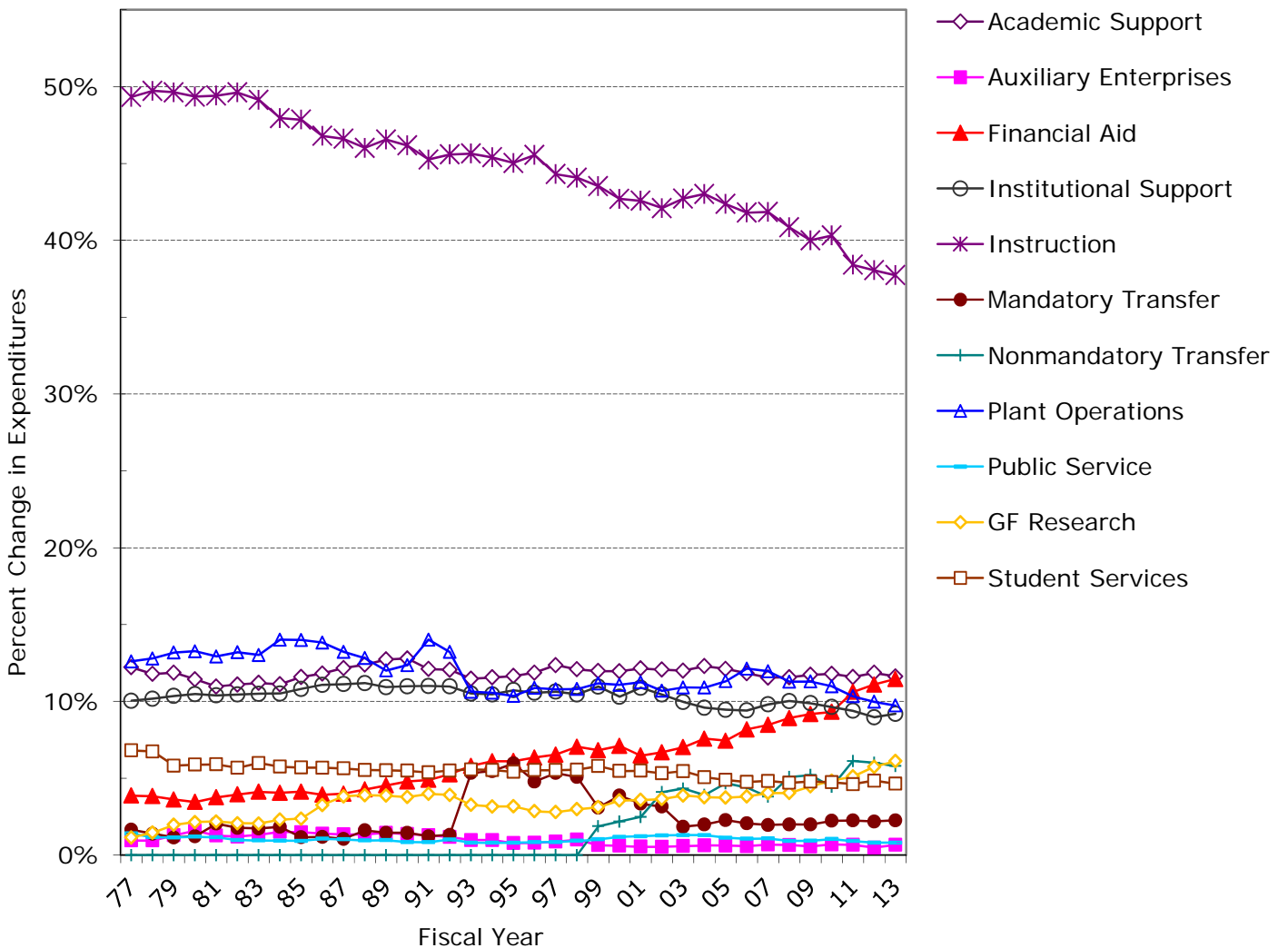


FIG 3. Spending at GVSU by category has remained relatively consistent when viewed as a proportion of the overall budget over time. However there are two major exceptions: instructional support has gone down and financial aid has gone up.

State-wide Overall Change in Expenditures

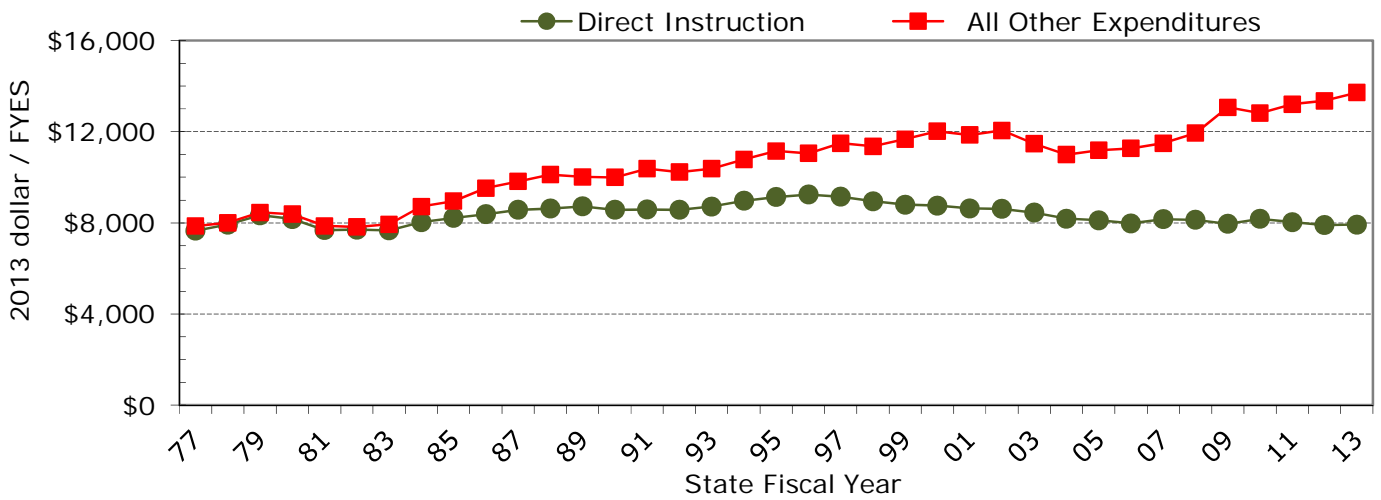


FIG 4. Across the State direct instructional support has remained approximately the same. Non-instructional support has increased. There are lots of items that fall into this category, but in general the amenities and support services are much greater now than in the past and financial aid is now a significant component of the budget. These trends are also true for GVSU.

Financial Aid as Percent of Total Expenditures

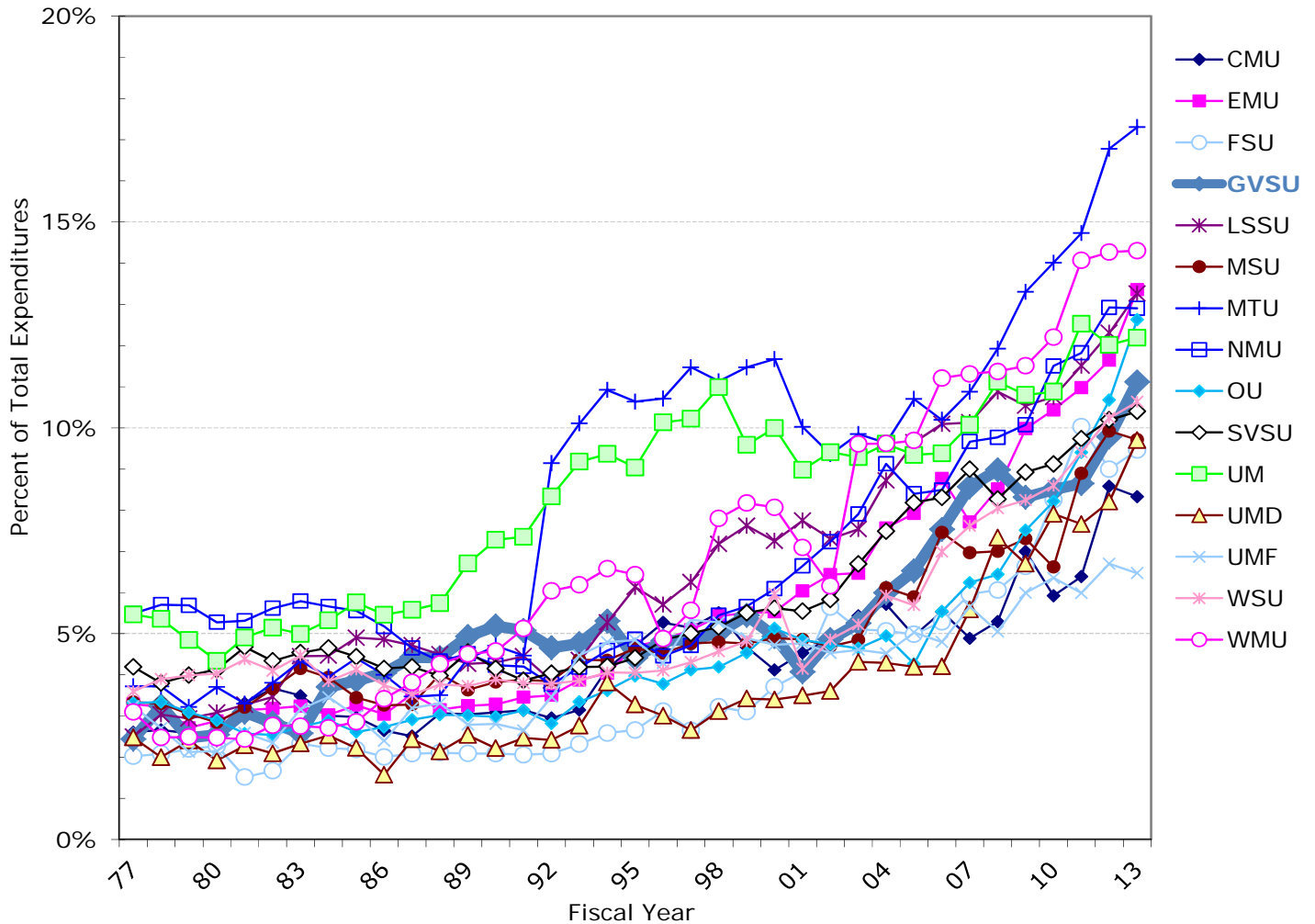


FIG 5. Financial aid has been cut by the State, therefore all the public Universities in Michigan (and across the Nation) have increased financial aid within the University's budget. Financial aid has become a major recruiting and retention tool.

GVSU Expenditures by Division

Expenditures	2004-2005	2014-2015	10-year change
Academic Affairs and Student Affairs Division	166,426,152	215,645,974	29.6%
<i>Percent of Total Budget</i>	64.0%	63.6%	-0.6%
<i>Per Total FYES</i>	\$9,353	\$10,082	7.8%
Inclusion & Equity Division	187,293	1,371,212	632%
<i>Percent of Total Budget</i>	0.07%	0.40%	462%
<i>Per Total FYES</i>	\$11	\$64	509%
Finance & Administration Division	28,604,774	34,567,523	20.8%
<i>Percent of Total Budget</i>	11.0%	10.2%	-7.3%
<i>Per Total FYES</i>	\$1,608	\$1,616	0.5%
University Relations Division	4,636,299	6,600,006	42.4%
<i>Percent of Total Budget</i>	1.8%	1.9%	9.2%
<i>Per Total FYES</i>	\$261	\$309	18.4%
Development & Alumni Relations Division	3,916,144	6,550,094	67.3%
<i>Percent of Total Budget</i>	1.5%	1.9%	28.3%
<i>Per Total FYES</i>	\$220	\$306	39.1%
Central Administration	4,539,572	5,372,245	18.3%
<i>Percent of Total Budget</i>	1.7%	1.6%	-9.2%
<i>Per Total FYES</i>	\$255	\$251	-1.5%
Institutional Funds	49,894,954	77,285,726	54.9%
<i>Percent of Total Budget</i>	19.2%	22.8%	18.9%
<i>Per Total FYES</i>	\$2,804	\$3,613	28.9%
Total	260,244,146	339,139,966	30.3%
	per FYES	per FYES	
	\$14,511	\$16,241	11.9%

FIG 6. Spending between Divisions has shifted over time. The University has grown, and there are many ways to represent the change. We chose to provide the dollar amount, proportion, and the per student (FYES) values. All values are adjusted for inflation.

The Cost of Instruction Varies by College

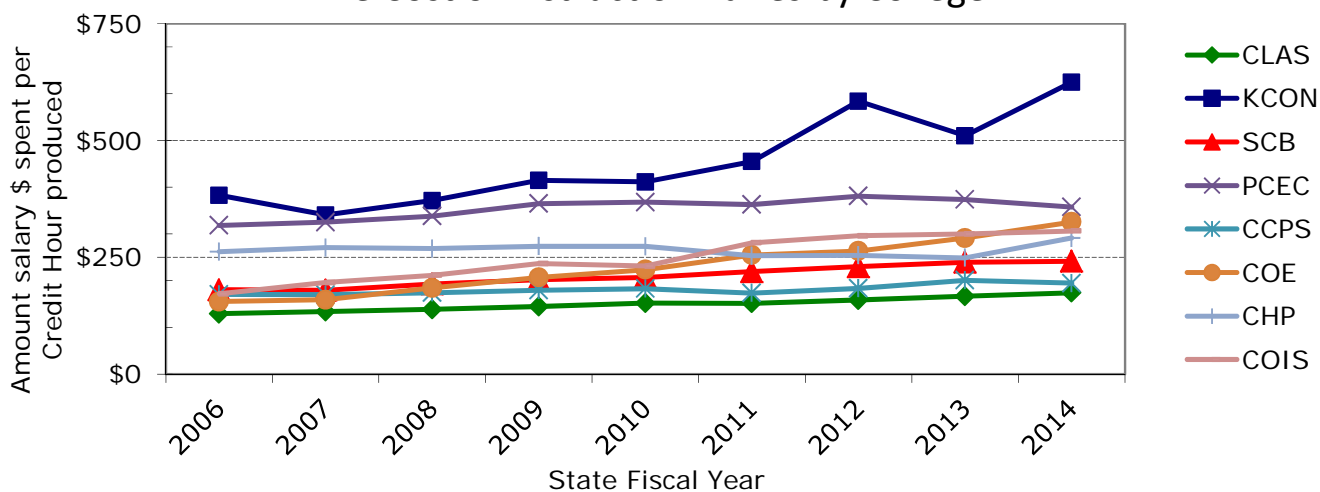


FIG 7. The cost of instruction varies significantly by college. The cost reported here is determined by class size and the salary of the instructor of record. Within a college costs also vary greatly between programs. Beginning next year Units will be asked to comment on their cost trend as part of the self-study reporting. It is important to recognize that some disciplines are naturally more expensive than others and we must find cost savings in all programs (not just the expensive ones).