A Review of Faculty Salaries and Budget Priorities at Appalachian:

Trends in the Allocation of Positions and Funding

March 2019

This report was commissioned by the Faculty Senate in February 2019. The purpose is to improve the campus' understanding of current trends in faculty salaries and budget allocations. Data was provided by the University Budget Office and Institutional Research, Assessment and Planning.

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OVERVIEW

This report examines the status of faculty salaries and the creation of new positions and allocation of new funding at Appalachian State University. The study was commissioned by the Faculty Senate and used data provided by the Budget Office and Institutional Research, Assessment and Planning. Below is a summary of the findings and recommendations.

RESULTS

Faculty salaries at Appalachian have declined significantly relative to our institutional peers and to the cost of living. Since 2009, faculty salaries have lost considerable ground to those at peer institutions, falling from about the 75th percentile to below the average of our peers. Also, since 2009, faculty salaries have fallen significantly behind the cost of living, translating to an average annual loss of $4,388 in purchasing power in 2018 and an average cumulative loss of $21,112 in purchasing power since 2009.

Recent allocations of positions prioritize upper- and mid-level administration. Since 2014, the number of full-time equivalent (FTE) upper- and mid-level administrative positions increased three times faster than FTE faculty positions. Among the three employment categories (SHRA, EHRA Non-Faculty and Faculty), faculty positions increased at the slowest rate.

Recent allocations of funds prioritize institutional support and student support. Since 2013, the budget allocation increased 30% for Student Support and increased 27% for Institutional Support, while the budget allocation increased 17% for Academics/Faculty.

Recent allocations of funds for compensation (salary and benefits) prioritize institutional support and student support. Since 2013, the allocation of funds for compensation increased 37% for Institutional Support and 29% for Student Support, while it increased 21% for Academics/Faculty.

Trends in allocations reveal recent shifts in budget priorities. In the five-year period between 2008-2013, funding for the academic budget grew faster than funding for each of the three support budgets (institutional, academic and student). In the most recent five-year period, funding for each of the three support budgets grew considerably faster than funding for the academic budget.

RECOMMENDATIONS

Recommit to the 80th percentile goal and implement a plan to achieve it. In 2008, the University's Strategic Plan committed to having faculty salaries at the 80th percentile of those at our peer institutions and maintaining salaries at that level. The University should recommit to this goal and work with faculty to meet this goal.

Conduct a review of support programs to identify resources and options for realigning priorities with the university's mission. In recent years, the University has performed reviews of academic programs, centers and institutes to identify underperforming units and degrees, and reduce costs. Given the recent growth outside academics, the University should conduct a review of administrative offices and support programs in order to identify funds that can be used to recover the lost ground on academics and faculty salaries.

Reallocate the budget to better align campus funding with the mission of the university. Options are limited within a fiscal year, but year-to-year decisions are possible and can reallocate budgets. Since 2013, budget planning, requests and decisions led to greater increases in funding for administration and support relative to academics (25% vs. 17%). The University should identify 5% annual budget reductions in administrative and support budgets for three years and redirect these funds to academics and faculty salaries. The savings should be sufficient to approach the 80th percentile goal.

Learn from others. Appalachian State is not the first public university to experience reductions in state funding. Many other institutions have acted creatively and aggressively to find new streams of revenue that offset reductions in public funding. Changing the funding model is one opportunity, but the University should create and pursue all opportunities, including an assessment of priorities for existing funds.

INTRODUCTION: THE PROBLEM

Appalachian State University's 2008-2012 Strategic Plan states the following goal for the administration: "*increase faculty salaries to the 80th percentile of those at our peer institutions and maintain salaries at that level* " (Priority 3; Initiative 1; p. 13). The goal was set because it was understood that competitive salaries are fundamental to attracting and retaining an outstanding faculty, which is essential to the university's mission and success. Indeed, the strategic plan accurately states that "*an outstanding faculty is the foundation of a great university*."

In 2009, the university administration largely accomplished the 80th percentile goal, with faculty salaries at Appalachian State University nearly reaching the 75th percentile of its peer institutions. Since that time, there has been insufficient attention to realize the second part of the goal—*maintain salaries at that level*. As presented at the January 14, 2019 Faculty Senate meeting, Figure 1 illustrates faculty salaries have fallen from being at the 75th percentile of its peers to being below the average of its peers.

The inability to maintain faculty salaries has created two fundamental threats to the viability of the university. First, the stagnation of faculty salaries between 2009 and 2018 has caused faculty salaries at Appalachian to fall significantly behind its peer institutions. The less competitive salaries have diminished the university's ability to attract and retain quality faculty. Increasingly, talented faculty are choosing to go elsewhere. For instance, in 2014, after years of no raises for faculty, the Dean of the College of Arts and Science stated that faculty departure was about five times higher than the previous five years (Oakes, 2014). The inability to attract and retain faculty directly undermines the ability of the university to advance its mission and maintain its standing as a high-quality institution.

Second, the stagnation in faculty salaries has been so persistent that salaries have actually decreased relative to the cost of living since 2009, even after receiving meaningful raises in recent years. This means that, adjusting for the cost of living, faculty at Appalachian earned less in 2018 than they did in 2009.

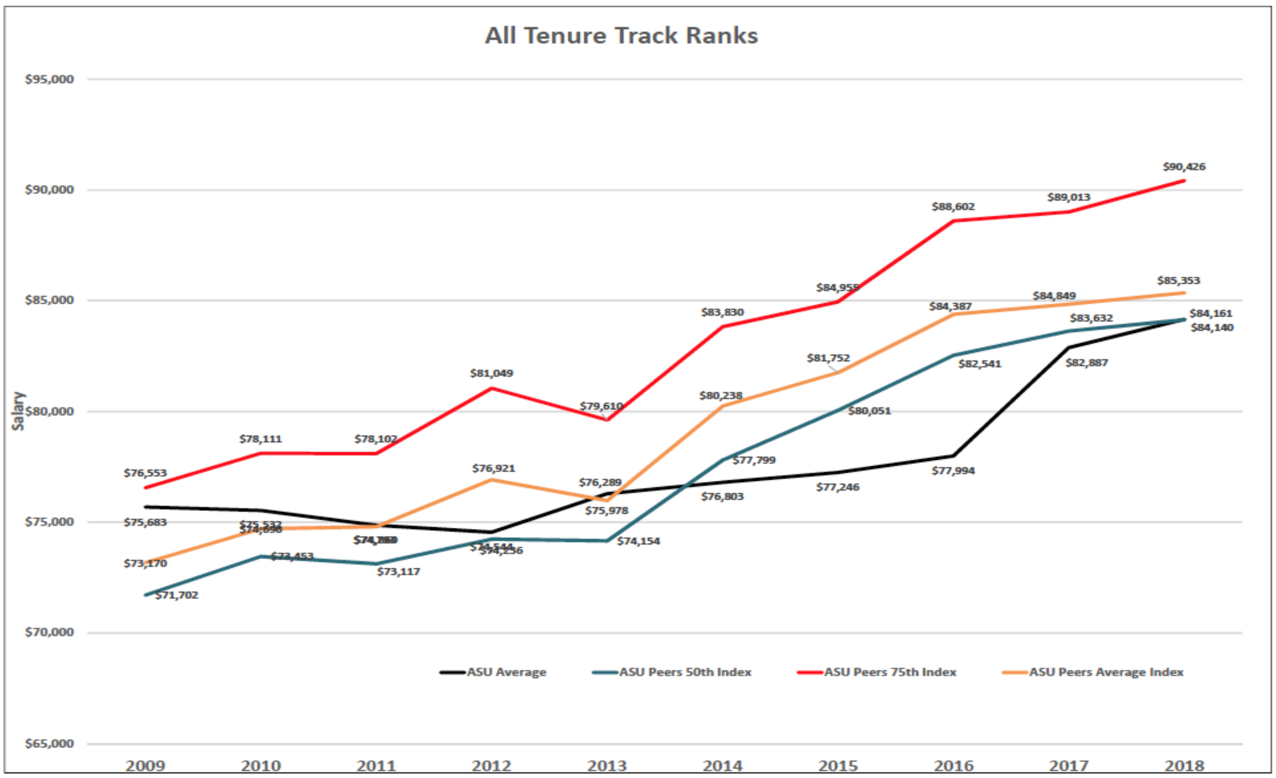
As previously reported to Faculty Senate, the decline in inflation-adjusted salaries translates an average yearly loss of $4,388 in purchasing power for faculty (all ranks). The lost purchasing power is particularly large for Associate and Full Professors ($6,939 and $7,919, respectively). Adding up the annual losses since 2009, faculty across all ranks have lost $21,112 in purchasing power. For Associate and Full Professors, the cumulative losses are $33,540 and $38,241, respectively. We note that these figures ignore the additional financial losses due to higher healthcare premiums and lower contributions to retirement. At our peer institutions, faculty salaries have kept pace with inflation.

The magnitude of the decline in real salaries harms individual faculty members and their families, but the broader impact is the harm on the viability of the university. Research shows, unsurprisingly, that declining pay and low pay lead people to reduce their effort, concern and engagement (e.g., DellaVigna and Pope, 2018). For universities, research further shows this response translates to lower quality instruction and research (e.g., Britton and Propper, 2016). People in all corners of society disengage when they are devalued. On campus, this dynamic can quickly transform a vibrant intellectual community into a fractured and sterile setting, which directly undermines the faculty-student engagement that research finds is so important to student success (Strada-Gallup, 2018).

We note that there is agreement on the problem. Provost Kruger stated in the December 2018 Faculty Senate meeting, “We agree that we must increase compensation for faculty. Increasing compensation is not only vital to the welfare of the faculty, it is also critical that Appalachian offer salaries that are competitive across the higher education industry in order to recruit and retain talented faculty” (Lasure, 2018).

To summarize, the problem is that faculty salaries have declined significantly relative to our peers and relative to the cost of living. This undermines the level and quality of instruction, research and engagement. This, in turn, undermines student learning and success, faculty quality and efficacy, and campus life and vitality. And inevitably, this translates to lower retention and graduation rates, lower research activity and external funding, and lower levels of service and engagement. In the end, it constitutes a threat to the university’s academic mission.

Figure 1. Ten-year Faculty Salary Trends and Comparisons, 2009-2018*



*The figure was presented to Faculty Senate. The related data was not collected or used in this report.

UNDERSTANDING THE PROBLEM

There are two main factors that contribute to the relative decline in faculty salaries. The first factor is the lack of investment from the state. North Carolina has cut per-student funding of higher education by 18.6% since 2008 (Mitchell et al. 2018). Remarkably, the N.C. Legislature has provided funds for faculty raises only two times over the past ten years—1.2% in 2013 and 1.5% in 2017 (Faculty Senate, 2019). Since 2015, the lack of support from the N.C. Legislature was partially offset by tuition increases that funded meaningful tuition-based faculty raises. However, while the tuition-based raises stopped the downward trends in relative faculty salaries, they were not enough to correct the problem that had materialized over ten years. Even after the tuition-based salary increases, faculty salaries remain well below those of our peer institutions and well behind increases in the cost of living.

The ability to offset the cuts in state appropriations became more difficult when North Carolina General Statute §116-143.9 mandated the Fixed Tuition Program, which freezes tuition for eight consecutive semesters for first-time residents seeking a baccalaureate degree at a UNC institution. This severely constrains the ability of individual campuses to generate tuition-based funds for faculty raises. Ironically, the reductions in state funding led to the dramatic increases in tuition (45% increase across all UNC campuses), which led to the policy to freeze tuition.

The second factor is the campus budget, specifically the budget planning and priorities that determine the allocation of funds on campus. The University can and should advocate for (a) increased funding from the N.C. General Assembly, (b) more flexibility for campus-based budget management, and (c) a more equitable funding model. However, contrary to some claims, there are campus-level budget decisions that determine funding levels for academics and faculty compensation.

While there is little flexibility within a given year, there are options year-to-year to allocate and reallocate funds to address the declining salaries of the faculty. First, there is control over the budget requests and planning that shapes the budget. Second, there is some control over reclassifying funds and reallocating budgets to achieve budget targets. And third, there are individual decisions that can have large cumulative effects on budget allocations. For instance, campus decisions recently allowed athletics to claim 25% of the $1.5 million in revenue from student fees. While the level of funding from the N.C. Legislature matters a great deal, it also matters how the university chooses to allocate any funding that is on campus.

Additionally, the university has control over creating new revenue streams. Many state legislatures have reduced funding to higher education, so the funding challenge is not unique to Appalachian or the UNC system. There are lessons to learn from the institutions that have experienced similar, and even larger, cuts in state funding.

BUDGET ALLOCATION FINDINGS

This section focuses on the University's allocation of resources and budget priorities. We report trends in the allocation of new positions and funding, which reveal opportunities for recalibrating funding priorities. We note that data was provided by the University and comparison periods are dictated by the data. Findings are robust to different reference points.

1. ALLOCATION OF POSITIONS

We first review how the administration has allocated new full-time equivalent (FTE) positions across the different activities on campus. The numbers show distinct trends over five years, which reveal discretionary decisions and plans. Institutional Research, Assessment and Planning (IRAP) provided annual data from 2014 to 2018 that reported the number and type of positions for each unit on campus. IRAP adjusted the position count to FTE, and the position type was identified as Faculty, EHRA Non-faculty or SHRA.

To better understand the employment classifications, Table 1 provides a definition for each classification and the typical activities associated with each classification. One technical distinction is whether the employee is subject to the Human Resource Act of North Carolina. For the purposes of this report, we want to have a general understanding of the typical activities performed by each type of campus employee.

Faculty perform the core functions of the university—instruction, research and service/engagement. **EHRA Non-Faculty** (EHRA) are salaried employees that fall in one of two types of support personnel—*Senior Academic and Administrative Offices* and *Instructional and Research Personnel*. The former includes executive-level positions in the upper administration, and the latter group includes mid-level non-faculty administrative or professional positions that contribute in various support program offices. **SHRA** employees are hourly support staff who contribute to units (academic and non-academic) across campus.

The University's success depends on contributions from all types of employees. To learn more about campus decisions and priorities, we compare the relative growth of positions for each employee classification.

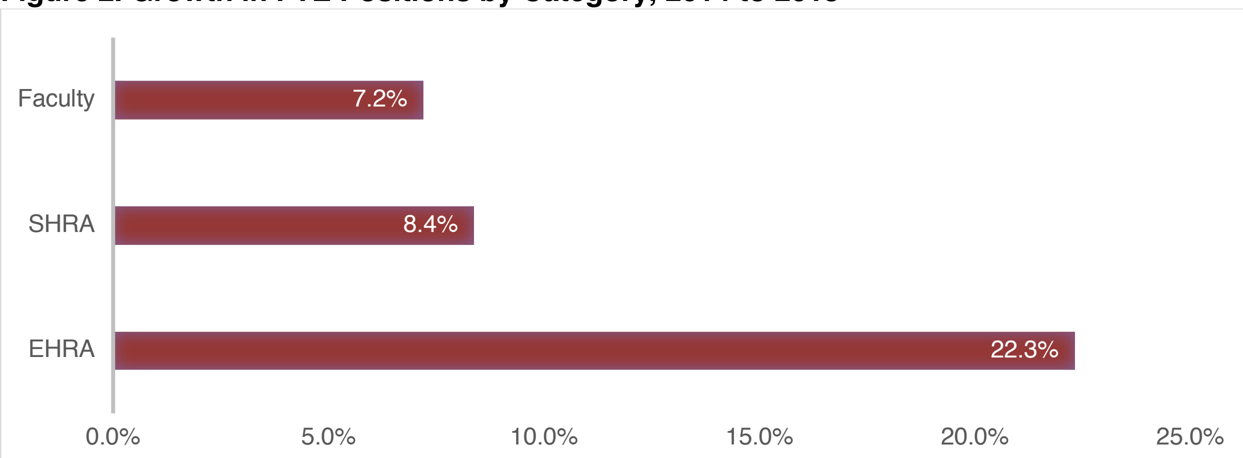
Table 1. Summary of Employment Classifications

Classification	Definition	Description and Examples
Faculty	Tenure track and Non-tenure track personnel engaged in instruction, research and service/engagement. Salaried employees subject to the Faculty Handbook.	Assist, Assoc and Full Professors, and Lecturers. Includes faculty appointments, such as visiting professor, research professor, adjunct, etc.
EHRA Non-Faculty	Includes two types of support personnel: (1) *Senior Academic & Administrative Officers, and* (2) *Instructional & Research Support Personnel*. Salaried Employees who are NOT subject to the Human Resource Act of North Carolina.	(1) Executive administrators, such as Vice Chancellors, Assist/Assoc VC, Chief Diversity Officer, Deans, Assist/Assoc Deans, etc. (2) Salaried administrators and professional employees in student, academic and institutional support programs, such as Student Success, Student Wellness, Budget Office, Development, Research Office, Athletics Office, etc.
SHRA	Support staff who are hourly employees subject to the Human Resource Act of North Carolina.	Hourly support staff in units across campus, such as administrative assistants, financial aid specialists, library technicians, food service technician, marketing director, accountant technician, facilities engineer, housekeeper, police officer, mail clerk, designer, cook, etc.

Using position count data provided by IRAP, we calculated the growth in FTE positions for each employee classification between 2014 and 2018. Figure 2 summarizes the findings and shows a significant disparity in growth by classification. Between 2014 and 2018, the number of EHRA employees increased dramatically more than both Faculty and SHRA employees. Specifically, EHRA positions increased about three times faster than Faculty positions (22.3% vs. 7.2%).

Given the makeup of EHRA positions, the numbers indicate a significant expansion of upper- and mid-level administration. To illustrate the effect of this disparity, if EHRA Non-Faculty positions grew at the same rate as Faculty, there would be 69 fewer upper- and mid-level administrators and professionals on campus. We note that Faculty positions experienced the lowest growth in positions during this period.

Figure 2. Growth in FTE Positions by Category, 2014 to 2018



2. ALLOCATION OF FUNDS FOR TOTAL BUDGETS

We now consider the allocation of funds across the different activities on campus. The University Budget Office provided information on the total funds allocated to each budget category for four years—2018-19, 2013-14, 2008-09 and 2007-08. Focusing on the most recent five-year period (2013-14 to 2018-19), we calculate the growth in funding for academic and support activities (excluding physical plant, summer teaching, etc.).

Table 2 provides the definition and description of each budget activity or classification. The **Academics** category generally includes faculty compensation (salary and benefits) and department-level budgets (supplies, travel, admin support, etc.). This captures individual faculty instruction, research and service/engagement. Support activities are classified in one of three categories: **General Academic Support**, **Institutional Support** and **Student Support**. Note that spending is classified by purpose, not by unit. Thus, spending within a unit can be categorized into one of the different budget classifications.

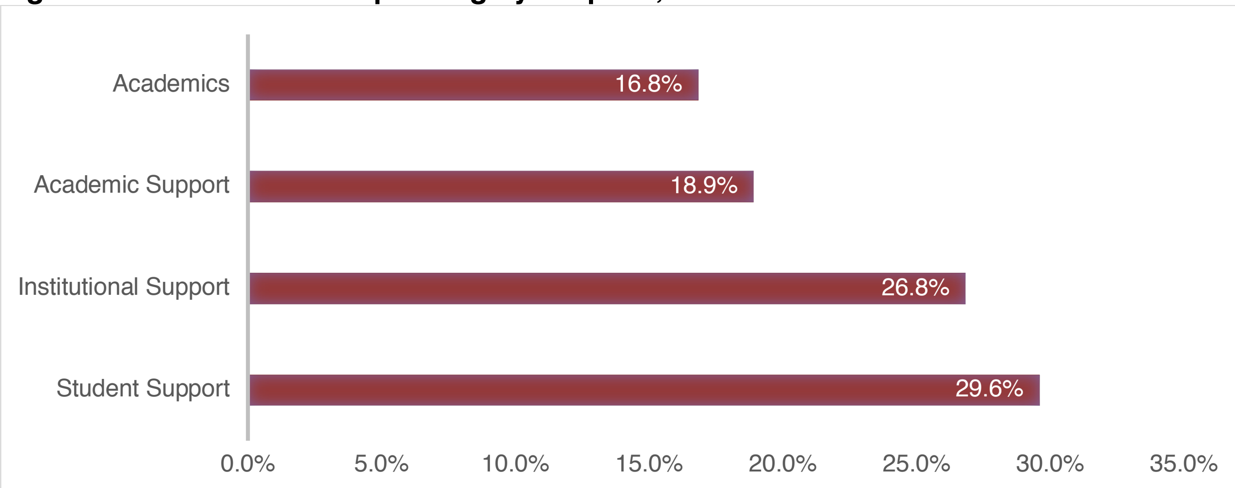
Table 2. Summary of Budget Classifications

Classification	Definition	Description and Examples
Academics	Defined as *regular term instruction* but supports individual faculty research and service, as well as departmental operations. This does not include summer term operations.	Regular faculty members, departmental chairpersons, academic program directors, and related support personnel. Supportive services, supplies and equipment for such positions, including conference travel, computers, software, etc.
General Academic Support	Academic support services for the institution that provide direct assistance to and are an integral part of one or more of the three primary activities—instruction, organized research, and public service. This does not include Library support.	Academic and research administration (Assoc/Assist Vice Chancellors in Academic Affairs, college deans, including Assoc/Assist Deans) Ancillary support (academic advising, Faculty Senate, academic personnel development, etc.) Educational Media (learning resource facilities, TV and radio facilities) Museums and galleries (art objects, arboretums, botanical gardens, scientific displays, etc.)
Institutional Support	This activity includes functions and services, which provide continuous general operational support to the institution. This does not include physical plant operations.	All central and executive administration (Chancellor, Provost and Vice Chancellors, Board of Trustees) Business Affairs, Human Resources, Office of Internal Audits, General Counsel, University Advancement, University Communications, etc.
Student Support	This activity includes functions and services of the institution which support and complement academic programs and enhance the total development of students by contributing to their cultural, social, intellectual, physical, and emotional maturation.	Student services administration (Assoc/Assist Vice Chancellors of Student Affairs, Deans of Students) Student admissions and records (admissions and registrar), student financial aid administration (excludes financial aid funds Student counseling and career guidance Student social and cultural development (orientation programs, minority affairs, veteran affairs, student organizations).

Figure 3 illustrates the percentage increase in total budget allocations for each category since 2013-14. The numbers show that spending on support has increased at a much faster rate than spending on academics. Specifically, spending on Student Support increased nearly twice as much as spending on Academics (29.6% vs. 16.8%). Similarly, spending for Institutional Support increased 27% during this time, greatly outpacing the growth in spending on Academics.

To illustrate the effect of this disparity, if funding for the three support categories grew at the same rate as Academics, there would be $3.6 million available in the budget. We note that among the four categories, academics experienced the smallest percentage increase during this time.

Figure 3. Growth in Total Spending by Purpose, 2013-14 to 2018-19

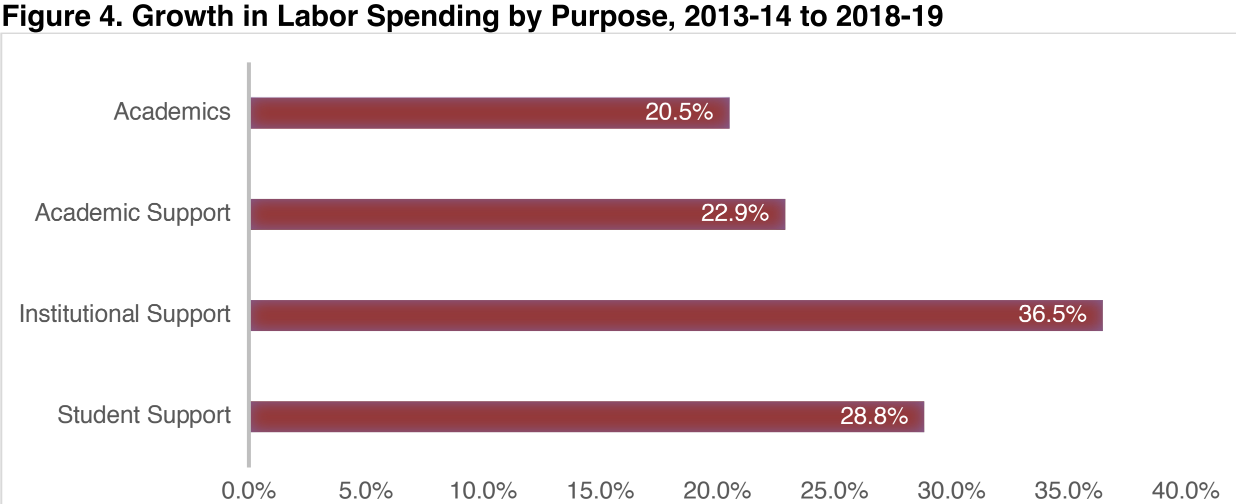


3. ALLOCATION OF FUNDS FOR LABOR

To offer a bit more insight on the faculty salary issue, we consider just the budget allocation for labor—i.e., compensation (salary and benefits). Figure 4 reports the percentage increase in funding for compensation for each budget category since 2013-14. The chart shows significant variation in the funding trends. Compensation in Institutional Support increased nearly twice as much as compensation in Academics (37% vs. 21%). Student Support also experienced high growth rates in compensation relative to Academics (29% vs. 21%). Overall, between 2013-14 and 2017-18, funding for compensation increased about 50% more in the three support categories than in Academics (30% vs. 21%).

Note that increased funding for compensation occurs from both higher salaries and more employees. From Figure 2, we can conclude that much of the growth in compensation for Institutional Support and Student Support is due to the expansion of positions in these two areas. With the relatively high salaries in upper- and mid-level administration, the growth in these positions plays a role in the dramatic growth in compensation for Institutional Support. We note that Academics ranked the lowest in terms of growth for compensation.

Figure 4. Growth in Labor Spending by Purpose, 2013-14 to 2018-19



4. COMPARISON TO PAST BUDGET ALLOCATIONS

To provide some context for the current budget priorities, we consider if current budget trends are consistent with, or deviate from, past budget trends. We compare the budget allocations for the current five-year period and the previous five-year period (2008 to 2013 vs. 2013 to 2018). Figure 5 reports the percentage change in total funding for each category in each five-year period. The solid line is Academics, while the various dotted lines represent the three support activities.

Figure 5 shows the growth in spending for Academics is fairly stable across the two periods—21% growth between 2008-13 and 20.5% growth between 2013-18. However, the figure shows that growth in total spending for each support category increased sharply in the recent five-year period. Consider first the shift in funding for Institutional Support. In the most recent five-year period, funding has increased 36.5%, which is a dramatic increase from the 10.1% growth in the previous five-year period (2008-13). A similar pattern is evident for Student Support—funding has increased 28.8% since 2013, which is a significant jump from the 17.0% growth between 2008-13. Similarly, for Academic Support, funding increased 22.9% since 2013, while the funding decreased slightly during the previous period.

Figure 6 offers a different perspective on the same issue. It shows how the growth in funding for each category compared within and between each five-year period. Between 2008-13, funding for Academics grew faster than the other three support categories. In contrast, funding for all three support categories grew faster than Academics in the most recent period (2013-18).

Two things are noteworthy. First, the overall University's budget grew much faster in the most recent five-year period, which means more resources were available during this period. The numbers show that these additional funds were used to expand administrative and support activities. Second, the clear shifts in budget allocations illustrate the influence of campus-based priorities, planning and decisions—changes in priorities can change budget allocations.

Figure 5. The Change in Budget Priorities from 2008-13 to 2013-18

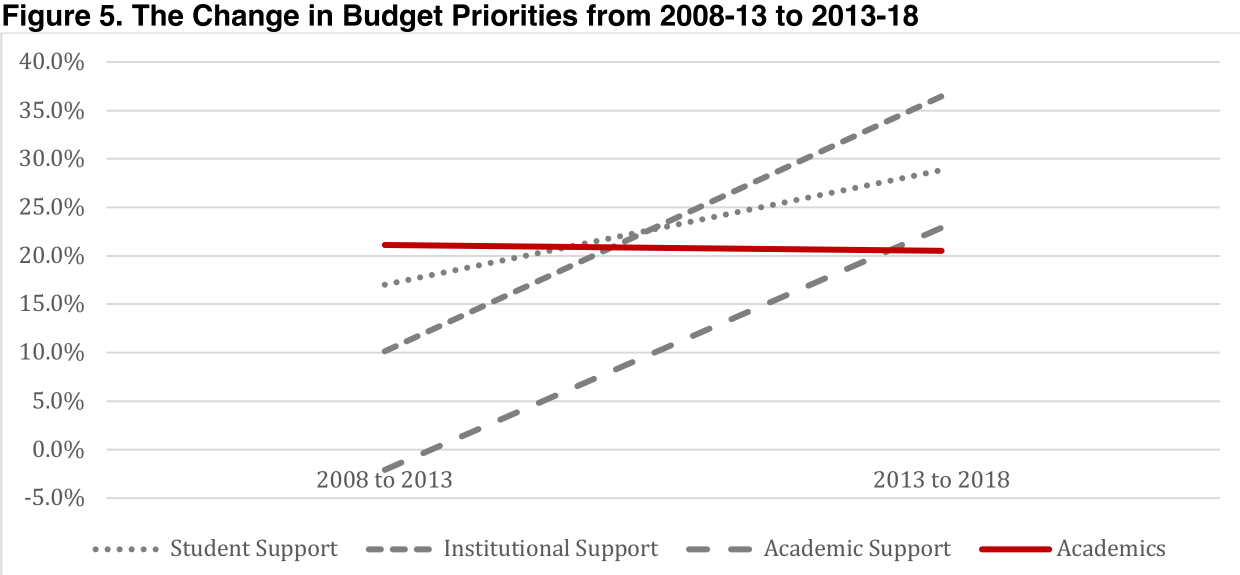
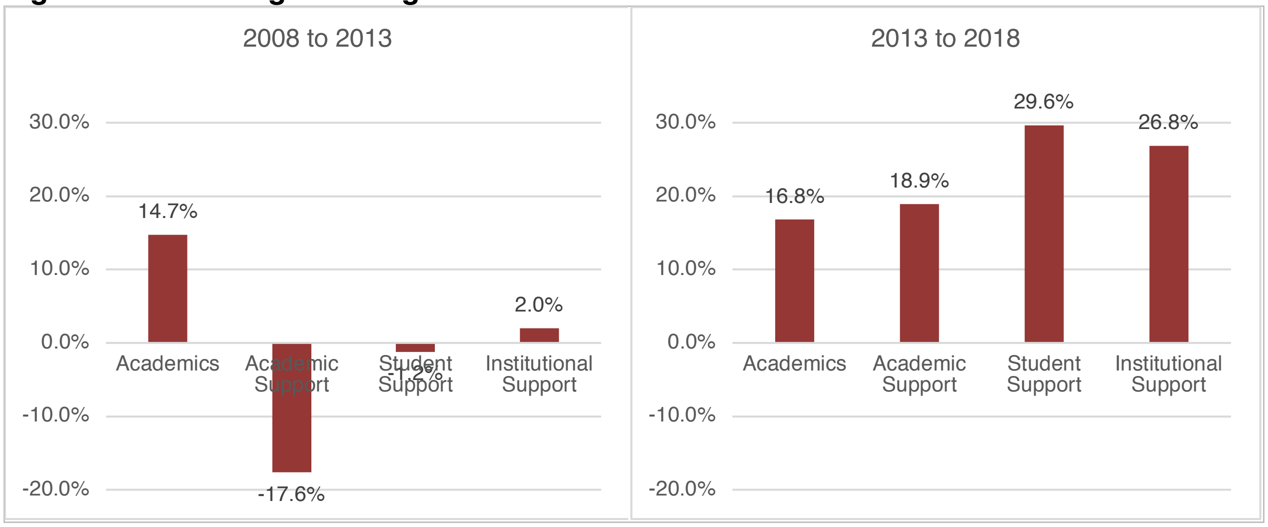


Figure 6. The Change in Budget Priorities from 2008-13 to 2013-18



RECOMMENDATIONS

1. Appalachian State University's 2008-2012 Strategic Plan states that "*an outstanding faculty is the foundation of a great university*." To that end, the Strategic Plan states the goal of "*increasing faculty salaries to the 80th percentile of those at our peer institutions and maintain salaries at that level*" (Priority 3; Initiative 1; p. 13). Since 2009, faculty salaries have declined relative to our peers—from about the 75th percentile to below the average. Much of the decline was due to reductions in state appropriations following the 2007-08 recession, but as budgets recovered, state appropriations and campus budgeting have not recovered the lost ground. **To refocus the budgeting process on this important goal, the current administration should renew the university's commitment to the 80th percentile goal and work with faculty to meet this goal.**

2. In recent years, the university has performed reviews of academic programs, centers and institutes to identify underperforming academic units/degrees in order to achieve cost savings. These reviews examined each unit's contribution, scope and cost-effectiveness—all in relation to its centrality to the university's mission. The reviews resulted in the elimination and reorganization of many academic units. **Given the significant growth in funding for administration and support, the University should conduct a review of administration and support programs to identify options for cost savings and, ultimately, for realigning budget allocations with the university's mission, including compensation to attract and retain outstanding faculty.**

3. Though the options to change budget allocations in a single year are limited, there are year-to-year decisions that can dramatically change budget allocations and budget trends. Contrary to some claims, there are options to reclassify funds, but needs should also be addressed during the budget planning and requests stages. **The University should identify 5% annual budget reductions in administrative and support budgets for three years and redirect the savings to academics and faculty salaries. The University should also adjust budget planning and requests to shift the budget priorities to better align with the core mission of the institution.**

4. The lack of public investment in higher education is a problem across many states. Many universities facing declining funding have acted creatively and aggressively to reduce costs and create new revenue streams. For instance, Miami University launched MU-Lean in 2009, which generated over $27 million in funding within six years via new savings and new revenues (Krehbiel et al. 2015). Other universities have pursued differential tuition, embarked on productive fundraising efforts, and retreated on funding activities unrelated to the academic mission (e.g., athletics). Those funds can support academics in meaningful ways and provide some flexibility for existing funds. **The University can hope for a restoration of public funding and a change in the funding model, but the University should also act creatively and aggressively to find new revenue and to reallocate existing funds to better support the core mission of the university.**

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