

Creating
a **University System**
for the 21st Century

**Report of the State
Board of Higher
Education's Committee
on Employee
Compensation**

March 2006 - Revised

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**Report of the State Board of Higher Education's
Committee on Employee Compensation
Submitted March 2006**

Purpose

The North Dakota University System (NDUS) Compensation Committee was created by the Chancellor to develop recommendations and a long-term strategic plan concerning salary and compensation for NDUS faculty and staff.

Members

Faculty Compensation Committee, Council of College Faculties:

Christopher Keller, MiSU
Shirley Wilson, BSC
Thomas Barnhart, NDSU
John Pederson, MaSU

Human Resources Council; Wes Matthews, Chair

Staff and technical support provided by the NDUS System Office

EXECUTIVE SUMMARY

Positive Indicators

While former NDUS employees responding to an exit interview survey indicated that low salary has consistently been the top factor in their decision to leave the NDUS, it is less a factor than it was four years ago (Exhibit B).

For the second quarter of 2005, the composite cost of living index for North Dakota is very close to the cost of living in other states in the Midwest and indicates it is a little less expensive on average to live in ND than in other areas of the US (Exhibit D1).

Salary increase percentages to faculty and staff, in each of the last five years, have been higher the percentage increase in the Consumer Price Index (CPI) and the national average salary increase (Exhibit E).

Improvements Needed

After several years of declining turnover rates, employee turnover has increased to 6.4 percent and 10.9 percent for faculty and staff, respectively in 2004-05 (Exhibit A). In 2004, 59 percent of staff and 55 percent of faculty leaving the NDUS have had less than five years of experience (Exhibit B). Institutions invest considerable time, effort and capital in hiring and training new faculty and staff, only to watch many of them leave within five years.

Low salary continues to be the top reason why faculty and staff leave the NDUS. In 2004, nearly 60 percent of departing employees reported that low salary greatly influenced or somewhat influenced their decision to leave the NDUS.

In 2005, nearly one-half of all faculty and over one-third of staff were age 50 or over (Exhibit C). The NDUS will have a significant number of faculty and staff positions to fill over the next five to ten years.

ND Standard of Living Index continues to rank below the regional average (Exhibit D1 and D2). The real purchasing power of NDUS wages remains below the average real purchasing power for the region.

To increase faculty salaries to regional average, one-time increases of between 22 percent and 35 percent would be needed (Exhibit G1-G3). To increase staff salaries to market averages, one-time average increases of between 2.6 percent and 17.5 percent would be needed (Exhibit F1-F2). NDUS's average faculty and staff salaries have not kept pace with and continue to be well below their respective market averages.

ND ranks 7th in the 12-state region in the value of total benefits provided but 12th in actual benefits paid out, due to compounding effect of lower than average salaries (Exhibit I). The value of our benefit package is slightly below the average for our region and while it is an important recruitment and retention tool, it does not offset the salary differential.

Conclusion

The combination of North Dakota's lower standard of living and non-competitive salary and benefits makes it increasingly difficult to recruit and retain the best and the brightest staff and faculty.

Since 1998, campuses have been internally reallocating funding to provide salary increases to staff and faculty above that provided by the legislature. Internal reallocation is not a sustainable long-term solution without severe program and service reductions and/or tuition increases.

Maintaining benefits and increasing salaries is critical to sustaining high quality education and entrepreneurial research activities. In order to continue making progress and in order to move NDUS average salaries toward market rates, a significant state investment (in the form of parity and equity) is needed to provide campuses sufficient funding to retain and recruit highly qualified faculty and staff.

Recommendations

- A total combined increase of at least 7.4 percent for faculty and staff is recommended for each year of the 2007-09 biennium. At a minimum, provide for salary adjustments based on the annual change in the consumer price index (CPI), estimated to be 3.4 percent, allowing faculty and staff to maintain purchasing power; and, an additional market adjustment to assist the NDUS in closing the market gap. Providing a 4 percent market increase for faculty and staff over time will close the gap between average NDUS salaries and regional market in about 8 years (assuming regional institutions only provide cost of living adjustments).
- The State continue to fund 100 percent of employee health insurance premiums with no changes to deductibles or co-payments.
- The State increase the retirement plan contribution from 10 percent to 12.5 percent and employee contribution from 2 percent to 2.5 percent for employees with over 15 years of service. Funding this recommendation should not however come at the expense of the above two recommendations.

Creating a University System for the 21st Century

Given the pressures that exist in the ND University System today with aging facilities, rising health care costs and inadequate funding to name a few, it is considerably more difficult to address the issues of staff and faculty compensation. However, if the NDUS is to be “academically competitive, nationally and internationally; engaged at every level with the needs and problems of the state and its citizens; and accessible and responsive to all citizens of the state,” as stated by the Roundtable on Higher Education, we must be able to attract and retain the best and the brightest faculty and staff at our institutions. These are the individuals who collectively prepare students for the workforce, re-train workers for 21st century job requirements and create new knowledge through research discovery, leading to job development. As a result, providing competitive compensation must become our number one priority if we are to excel in the 21st century.

Positive Indicators

Turnover

While former NDUS employees responding to an exit interview survey indicated that low salary has consistently been the top factor in their decision to leave the NDUS, it is less a factor than it was four years ago – 58 percent in 2004 as opposed to 70 percent in 2000 (Exhibit B). This may be an indication that efforts to increase staff and faculty compensation have been effective.

Cost of Living

The cost of living factor measures the difference in living expenses (e.g. food, utilities, housing costs, etc.) between cities across the US and the nation as a whole. The composite cost of living factor (CCLF) for a state is derived from the cost of living factors for a state’s cities. A CCLF of greater than 100 indicates it is more expensive than average to live in that state. A CCLF of less than 100 indicates it is less expensive than average to live in that state. For the second quarter of 2005, the composite cost of living index for North Dakota was 91.4. This is very close to the cost of living in other states in the Midwest (Exhibit D1) and indicates it is a little less expensive on average to live in ND than in other areas of the US.

Compensation

In 1998, the State Board of Higher Education approved a six-year salary plan to help address low faculty and staff salaries. By 2004, campuses were to internally reallocate within their total budget an amount equal to five percent of their salary and wage line for additional salary increases (nearly \$10 million). Despite state funding challenges over the last several biennia, all campuses met that goal and some far exceeded it. We recognize the SBHE and campus leaderships’ efforts in recent years to find or generate the resources needed for compensation adjustments in the absence of adequate state-funded salary increases.

This effort by the campuses is evidenced by the fact that the percentage increase in salary for faculty and staff in each of the last five years has been higher than the percentage increase in the Consumer Price Index (CPI) and the national average salary increase. To show how NDUS’s average faculty salaries have fared over the years compared to faculty salaries in other states and to changes in the cost of living, Exhibit E compares annual changes in the average North Dakota faculty salary to annual changes in the Consumer Price Index and annual changes in the national average faculty salary using 1983 as the base year (i.e. 1983 index equals 100). The average faculty salary index for North Dakota increased by 25.4 percent from 1998-99 to 2004-05; whereas, the CPI and national indexes increased by only 17.2 percent and 18.9 percent, respectively, for the same time period.

Improvements Needed

Turnover

After several years of declining turnover rates, employee turnover has increased to 6.4 percent and 10.9 percent for faculty and staff, respectively in 2004-05 (Exhibit A). The largest loss continues to be employees with less than five years of service (Exhibit B). In 2002, 59 percent of all staff and 55 percent of all faculty leaving the NDUS have had less than five years of experience. This suggests we are able to initially recruit faculty and staff; however, after receiving training and experience they can quickly move on for higher salaries elsewhere. **Institutions invest considerable time, effort and capital in hiring and training new faculty and staff, only to watch many of them leave within five years.**

Low salary continues to be the top reason why faculty and staff leave the NDUS. In 2004, nearly 60 percent of departing employees who responded to an exit survey reported low salary either greatly influenced or somewhat influenced their decision to leave the NDUS (Exhibit B). Opportunity for advancement and change of career interest are also important factors in employee decisions to leave the NDUS. This may suggest that faculty and staff do not see future job promotion opportunities in the NDUS. Respondents also indicated workload and inadequate fringe benefits influenced their decision to leave.

In addition, in 2005, nearly one-half of NDUS faculty and over one-third of NDUS staff were age 50 and over, and about 12 percent and 6 percent, respectively, were over the age of 60 (Exhibit C). The aging of the workforce is a nationwide issue as the baby boomer population moves into traditional retirement age. This becomes a double-edged sword for the NDUS as younger faculty and staff will have more employment options with better compensation as a result of nationwide turnover. **Significant turnover of experienced faculty and staff will occur within the next 5 to 10 years.**

Standard of Living

While the cost of living factor suggests it is less expensive to live in ND, the standard of living for faculty continues to lag behind the regional average (Exhibit D1). The standard of living index compares cost of living (how expensive it is to live in a state) to average salary (how much we have to spend) to derive a state's relative standard of living (real purchasing power). Based on regional average faculty salaries, ND faculty have a standard of living index of 83, compared to a regional average standard of living index of 100. **This indicates that the real purchasing power of NDUS faculty is substantially lower than the real purchasing power of faculty in other states in our region.**

The comparison of the purchasing power of NDUS staff to that of individuals in similar occupations within the four-state regional area (ND, MN, MT, SD) is included in Exhibit D2. The 2005 average staff salaries for the six broadband categories divided by the regional market salary for similar occupations provides an average salary factor for each broadband category. Using the composite cost of living factor for the four-state region from Exhibit D1, the average regional composite cost of living index for ND can be calculated. Comparing the NDUS average salary to the average cost of living in the region, one can derive the NDUS standard of living relative to similar occupations in the region. A factor of less than 100 indicates the NDUS average staff salary is lower than the regional average for similar occupations. Three broadband categories have a standard of living index of less than 100. The average standard of living index of all broadbands combined is 100.4. **The real purchasing power of NDUS staff is comparable to the real purchasing power of other comparable positions in ND and the surrounding three states.**

Compensation

FACULTY:

While the average NDUS faculty salary has increased at a rate greater than that of the CPI and national average the last five years, it has not offset the significant gap that developed prior to that time (Exhibit E). Holding all things equal since 1983, the national average faculty salary has more than doubled; CPI has nearly doubled, while North Dakota salaries have increased only about 79 percent. **This indicates that NDUS's average faculty salary has not kept pace with and remains well below the national average faculty salary and highlights the lost purchasing power of NDUS faculty since 1983.**

In fact, the gap between NDUS and US and regional average faculty salaries has widened significantly over the past ten years as evidenced in Exhibits G1-G3. In 1995, faculty salaries at doctoral institutions in ND were significantly farther behind their regional average than the other three types of institutions. Since then, the other institutions have "caught up" – they too are falling further behind their regional average. The table below compares the increases that were needed to bring NDUS faculty salaries to the regional average in 1995 and 2005.

**Faculty Salaries
Percentage Salary Differential Between NDUS and Regional Average
1995 to 2005**

Type of Institution	Regional Salary Lag	
	1995	2005
Doctoral Institutions	29.0%	31.6%
Master's Institutions	15.9%	22.0%
Baccalaureate Institutions	20.1%	23.2%
Two-Year Institutions	12.3%	34.5%

Average 9/10-month faculty compensation at all North Dakota campuses continues to rank at or near the bottom of the fifty states and twelve regional states, for similar types of campuses. (Exhibits H1-H3). The table below indicates how NDUS faculty salaries rank in the nation and the region.

**NDUS Faculty Salaries
National and Regional Ranking
2003-04**

Type of Institution	National Rank (of 51)	Regional Rank (of 12)
Public University	49 th	11 th
Public Four-Year Institution	50 th	11 th
Public Two-Year Institution	49 th	12 th

Additionally, there is a wage compression issue within faculty ranks at all NDUS institutions. As a faculty member moves up in rank, (i.e. instructor to assistant professor to associate professor to full professor), his/her salary slips farther behind the regional and national averages (Exhibit G4).

**NDUS Faculty Salaries
Comparison to National and Regional Salaries by Rank
2003-04**

Faculty Rank	National Salary Lag	Regional Salary Lag
Professor	-21%	-16%
Associate Professor	-17%	-13%
Assistant Professor	-8%	-5%
Instructor	-2%	0%

The data above suggests that campuses pay closer to market competitive rates at the time of hire; however, NDUS salaries do not keep pace over time.

STAFF:

In 2005, average NDUS staff salaries also continued to lag the market (Exhibits F1-F2). Average staff salaries at all four types of institutions are below the average market salary. MiSU (masters institution) has the largest variance at 17.5 percent below market. All broadband categories lag the market, with the average salary variances ranging from 1.9 percent to 13.4 percent (administrative/managerial band). **NDUS average staff salaries have not kept pace with and remain below average market salaries.**

BENEFITS:

The state of ND offers a comprehensive benefit package to NDUS employees, as do other states. Using 2005 Central States Compensation Association survey data (and normalizing average salary), ND ranks 7th in the 12-state region in the value of total benefits provided (Exhibit I). However, ND ranks 12th in the region in actual benefits paid out, due to the compounding effect of lower than average salaries. **ND's benefit package is a crucial recruitment and retention tool, but it does not offset the long-standing regional and national salary differential.**

Conclusion

The combination of North Dakota's lower standard of living and non-competitive salary and benefits makes it increasingly difficult to recruit and retain the best and the brightest staff and faculty. Total compensation is both an investment and a cost to the NDUS; but it is at the same time a living income to the employee. A decision regarding total compensation must balance the economic concern of both the NDUS and the employees.

Since 1998, campuses have been internally reallocating funding to provide salary increases to staff and faculty above that provided by the legislature. In addition, tuition increases have been significant in order to help generate additional resources for salary increases and to continue operations. Internal reallocation and significant tuition increases are not sustainable long-term solutions.

In order to continue making progress and in order to move NDUS average salaries toward market rates, a significant state investment (in the form of parity and equity) is needed to provide campuses sufficient funding to retain and recruit highly qualified faculty and staff.

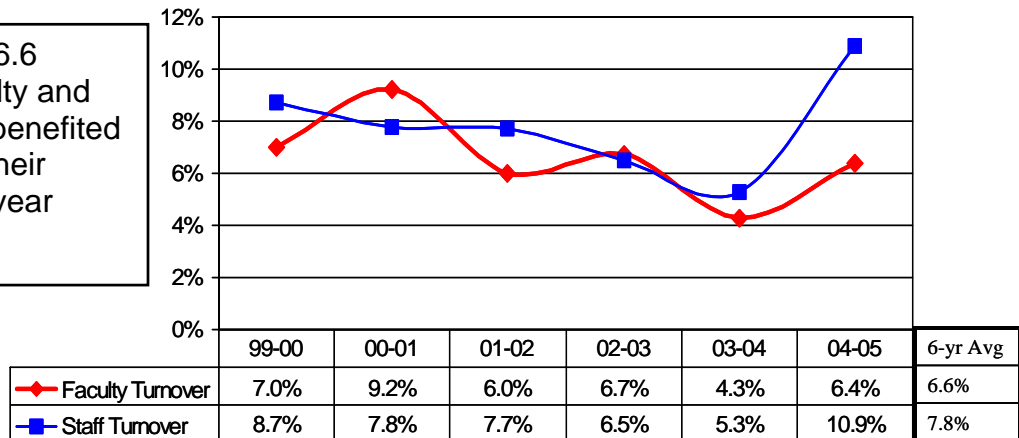
Recommendations

- **A total combined increase of at least 7.4 percent for faculty and staff is recommended for each year of the 2007-09 biennium. At a minimum, provide for salary adjustments based on the annual change in the consumer price index (CPI), allowing faculty and staff to maintain purchasing power; and, provide an additional market adjustment to assist the NDUS in closing the market gap.** The recommendation includes an increase of 3.4 percent for estimated inflation (based on the actual change in the CPI in 2005) and 4 percent per year as a market adjustment. Increases of between 2.6 percent and 35 percent would be needed to increase staff and faculty salaries to regional market. Providing a 4 percent market increase over time will close the gap between average NDUS salaries and regional market in about 8 years (assuming regional institutions only provide cost of living adjustments).
- **The State continue to fund 100 percent of employee health insurance premiums with no changes to deductibles or co-payments.** This report makes clear that the considerable problems of recruitment and retention of quality employees for the NDUS are rooted in low compensation. These problems would likely increase considerably without 100 percent state-paid benefits. A good benefit package remains an essential tool for recruitment and retention.
- **The State increase the retirement plan contribution from 10 percent to 12.5 percent and employee contribution from 2 percent to 2.5 percent for employees with over 15 years of service.** Recruitment is today's problem while retention is tomorrow's problem. The need to offer the highest possible salary to successfully recruit new employees has slowed down the salary increases for existing employees. The longer employees are employed by the NDUS the farther their compensation falls behind regional and national averages. While not a substitute for directly compensating longevity, increasing retirement contributions should help. Funding this recommendation should not however come at the expense of the above two recommendations.

Exhibit A

North Dakota University System Employee Turnover Statistics 2000 through 2005

An average of 6.6 percent of faculty and 7.8 percent of benefited staff have left their NDUS job per year since 2000.



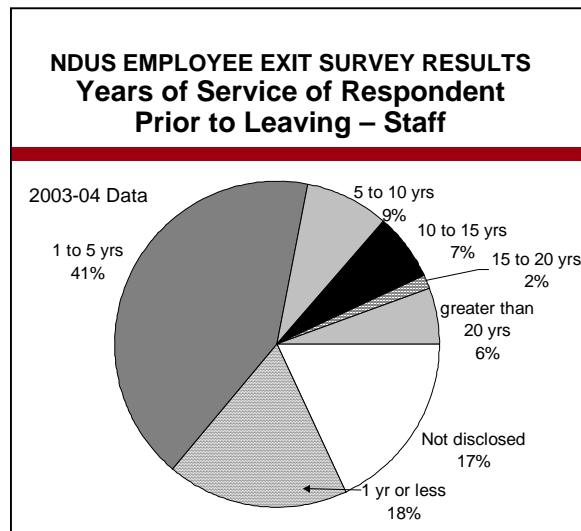
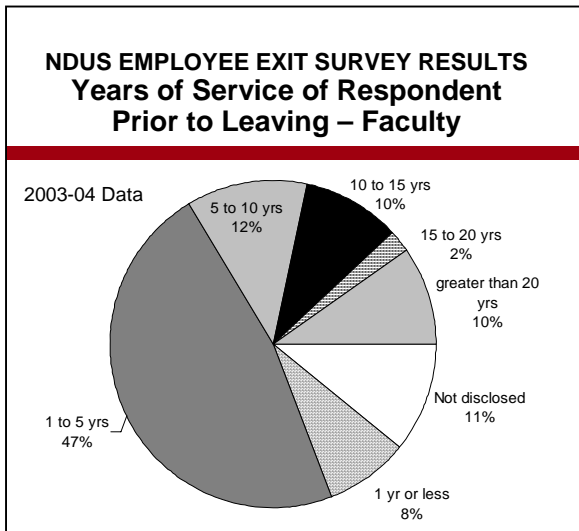
	2000 Turnover		2001 Turnover		2002 Turnover		2003 Turnover		2004 Turnover		2005 Turnover	
	#	Ratio	#	Ratio	#	Ratio	#	Ratio	#	Ratio	#	Ratio
BSC												
Faculty	5	5.0%	4	4.0%	1	0.9%	10	9.4%	6	4.5%	12	10.8%
Staff	16	12.9%	8	6.5%	18	13.4%	13	9.7%	14	8.5%	21	12.7%
DSU												
Faculty	5	6.8%	9	12.3%	0	0.0%	8	10.7%	1	1.2%	4	4.7%
Staff	15	13.5%	13	11.7%	3	2.7%	7	6.2%	12	9.3%	17	13.2%
LRSC												
Faculty	3	9.4%	3	9.4%	3	8.3%	0	0.0%	4	10.8%	2	5.4%
Staff	5	10.4%	3	6.3%	7	13.7%	3	5.9%	4	8.9%	4	8.9%
MaSU												
Faculty	5	11.1%	5	11.1%	5	11.1%	1	2.2%	6	15.0%	5	12.5%
Staff	10	10.5%	8	8.4%	9	8.5%	2	1.9%	11	9.2%	15	12.6%
MiSU*												
Faculty	20	9.6%	20	9.6%	17	8.0%	21	9.9%	7	3.7%	11	5.7%
Staff	9	4.1%	11	5.0%	6	2.3%	12	4.6%	15	5.4%	32	11.5%
NDSCS												
Faculty	14	9.9%	9	6.3%	13	10.3%	10	7.9%	7	5.5%	9	7.0%
Staff	17	8.1%	16	7.7%	21	11.0%	26	13.6%	8	4.0%	19	9.4%
NDSU												
Faculty	45	5.5%	69	8.4%	55	6.2%	54	6.1%	24	4.3%	33	5.9%
Staff	114	9.1%	109	8.7%	86	6.4%	78	5.8%	79	5.1%	154	9.9%
UND												
Faculty	NA	NA	79	10.9%	43	5.5%	48	6.1%	25	3.7%	48	6.6%
Staff	NA	NA	131	7.5%	165	8.9%	126	6.8%	79	4.3%	219	11.9%
VCSU												
Faculty	7	11.5%	8	13.1%	4	6.6%	2	3.3%	3	5.2%	2	3.4%
Staff	2	2.0%	6	6.1%	5	5.3%	4	4.3%	10	11.2%	6	6.7%
WSC												
Faculty	2	5.9%	1	2.9%	1	2.9%	4	11.4%	2	4.4%	1	2.2%
Staff	2	5.0%	4	10.0%	1	2.7%	2	5.4%	3	6.0%	0	0.0%
Sub Totals												
Faculty	106	7.0%	207	9.2%	142	6.0%	158	6.7%	85	4.3%	127	6.4%
Staff	190	8.7%	309	7.8%	321	7.7%	273	6.5%	235	5.3%	487	10.9%
GRAND TOTAL	296	8.0%	516	8.3%	463	7.1%	431	6.6%	320	5.0%	614	9.5%

* Includes MiSU-Bottineau Campus

Source: NDUS payroll records

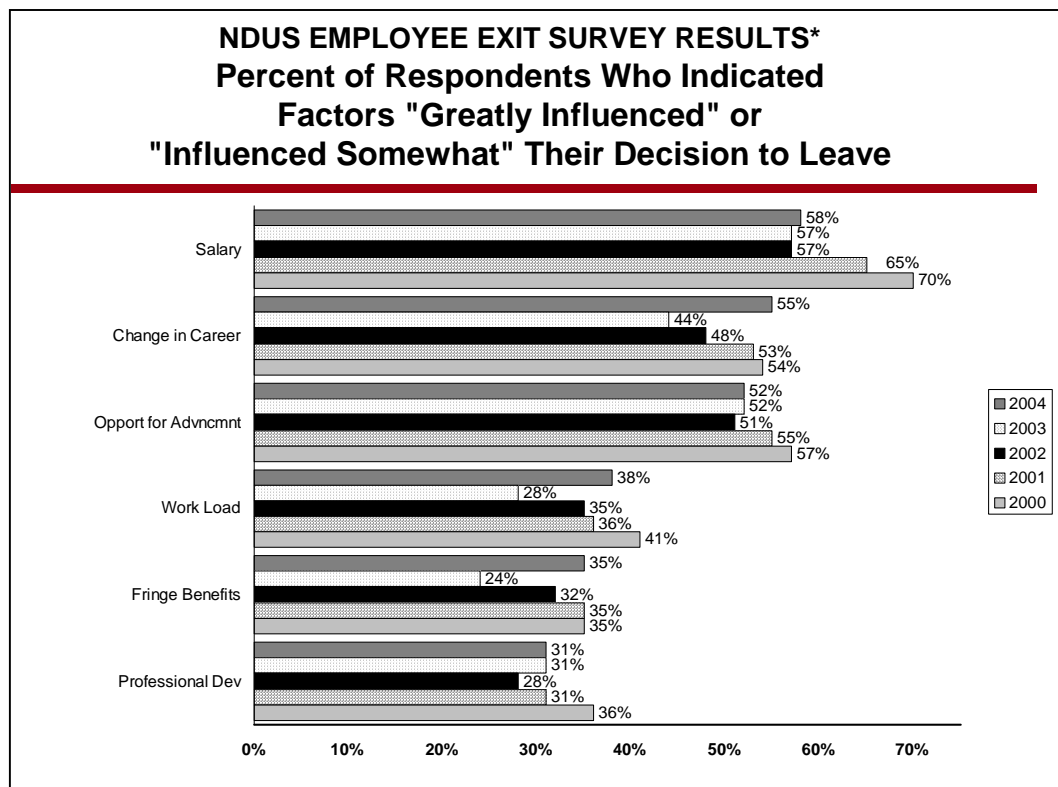
Exhibit B

55 percent of faculty and 59 percent of staff leaving the NDUS in 2003-04 were employed less than five years prior to leaving.



Source: NDUS Exit Interviews

Over the past five years, faculty and staff have identified low salary as the major factor influencing their decision to leave the NDUS.



Source: NDUS Exit Interviews

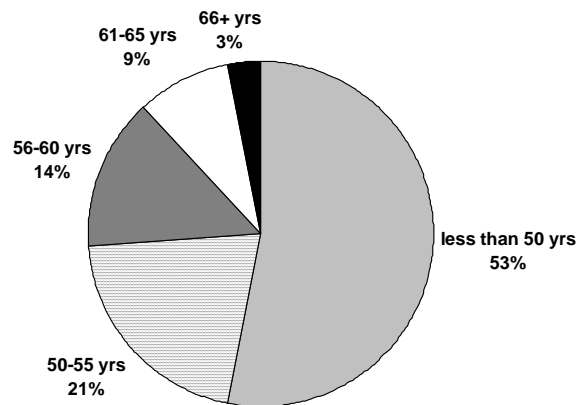
* Other reasons include family responsibilities, facilities, pursue education, funding, equipment, spouse, library resources, poor health/disability and other.

Exhibit C

Nearly half of NDUS faculty members and one-third of staff are 50 years of age or over. Twelve percent of faculty and 6 percent of staff are older than 60 years of age. The high percentage of younger faculty and staff leaving their institutions suggests fewer and fewer faculty and staff will be available to follow veteran employees into seniority.

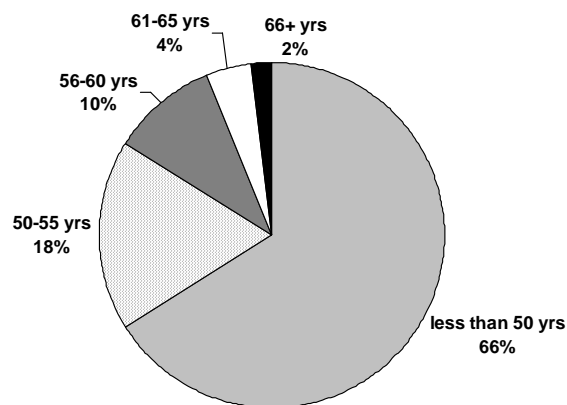
Higher Education Age Distribution Full-Time Faculty

November 2005



Higher Education Age Distribution Full-Time Staff

November 2005



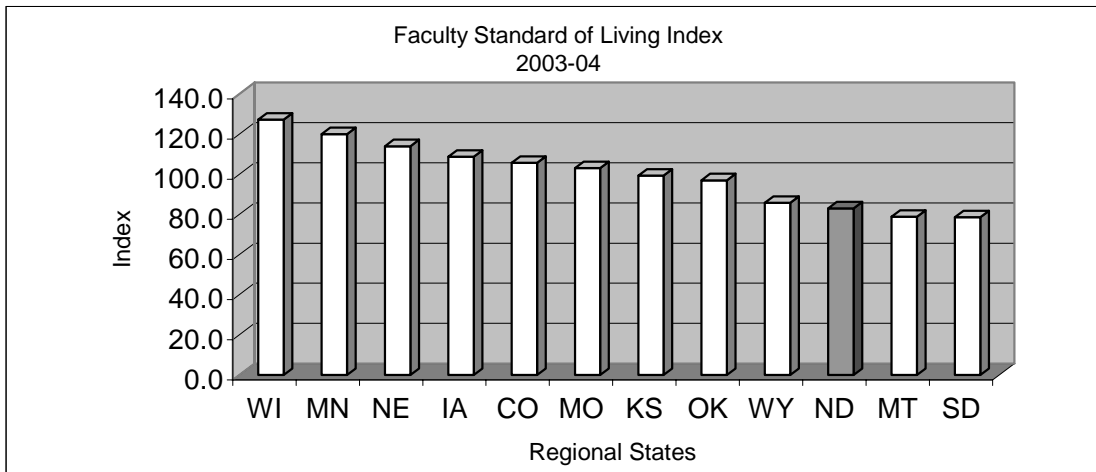
Source: NDUS Payroll Records

North Dakota's average standard of living, as measured by the Cost of Living Factor and Average Faculty Salary Factor, is below the average standard of living for the region.

Exhibit D1

Regional Standard of Living – Faculty

	Regional Avg. Faculty Salary Factor (2003-04) ¹	National Composite Cost of Living Factor (2nd Qtr 2005) ²	Regional Composite Cost of Living Factor (2nd Qtr 2005) ³	Regional Standard of Living Index ⁴	Std of Living Rank
Wisconsin	128.0	95.4	100.6	127.2	1
Minnesota	126.7	100.1	105.6	119.9	2
Nebraska	107.8	89.7	94.6	113.9	3
Iowa	109.3	95.3	100.5	108.7	4
Colorado	108.3	97.2	102.5	105.6	5
Missouri	99.6	91.6	96.6	103.0	6
Kansas	96.0	91.7	96.7	99.3	7
Oklahoma	90.1	88.1	92.9	97.0	8
Wyoming	92.9	102.7	108.3	85.8	9
North Dakota	80.0	91.4	96.4	83.0	10
Montana	83.7	100.7	106.2	78.8	11
South Dakota	77.5	93.6	98.7	78.5	12
Average	100.0	94.8	100.0	100.0	



¹ Regional Avg. Faculty Salary Factor

Indicates how the state's average faculty salary compares to the region as a whole. The regional figure is represented by the number 100.0. A factor higher than 100 indicates the state's average faculty salary is higher than average, and vice versa.

Data Source: 2003-04 regional average faculty salaries for public universities from Chronicle of Higher Education, 2005 Almanac.

² National Composite Cost of Living Factor

Indicates how the state's living expenses (housing, food, etc.) compare to the nation as a whole. All states are combined to develop the national average, which is represented by the number 100.0. A factor higher than 100 indicates the state's cost of living is higher than average, and vice versa.

³ Regional Composite Cost of Living Factor (composite cost of living index ÷ avg regional composite cost of living index)

Compares each state's composite cost of living index to the average composite cost of living index for the region. The regional average is then represented by an index of 100.0. An index of less than 100.0 indicates the state's cost of living is lower than the average for the region.

⁴ Standard of Living Index (Reg. Avg. Fac. Salary Factor ÷ Reg. Composite Cost of Living Factor)

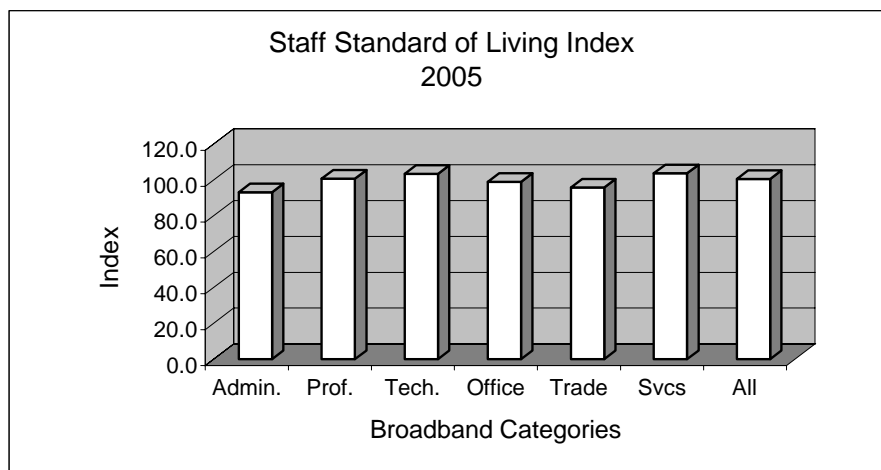
Compares regional cost of living to average faculty salary to derive a state's relative standard of living for the average faculty member. An index number less than 100.0 indicates real purchasing power is lower than the regional average purchasing power. Presumably, standard of living is relatively lower for faculty in these states. And vice, versa for an index number greater than 100.0.

Exhibit D2

The real purchasing power of NDUS staff wages has improved since 2003, but the real purchasing power of three broadband categories continues to be lower than the real purchasing power of comparable positions in the four-state region (ND, MN, MT, SD).

Regional Standard of Living – Staff

Broadband Category	Regional Avg. Salary Factor ¹	Regional Composite Cost of Living Factor (2nd Qtr 2005) ²	Standard of Living Index ³
Admin./Managerial	88.2	94.8	93.1
Professional	95.4	94.8	100.6
Tech/Paraprofessional	97.8	94.8	103.2
Office Support	93.6	94.8	98.8
Crafts/Trades	90.7	94.8	95.7
Services	98.2	94.8	103.6
Average All Bands	95.2	94.8	100.4



¹ Regional Avg Salary Factor

Indicates how the NDUS average staff salary compares to ND, MN, MT and SD as a whole for similar occupations. The regional figure is represented by the number 100.0. An index number less than 100.0 indicates the average salary for NDUS staff is lower than the regional average salary for similar occupations.

Data Sources: NDUS Nov. 2005 payroll records; ND Job Service, 2005; Fargo Moorhead Human Resource Administration, 2004; College & University Professional Association, Human Resources Administrative Survey-2004 and Human Resources Mid-Level Survey, 2004; Blue Cross Blue Shield of ND Information Technology Survey, 2001; National Association of State Foresters Survey, 2000; Bjorkland Survey-2005; Institution of Food Technologists, 2003. Data from all surveys prior to 2005 were inflation adjusted to 2005 with the annual change(s) in the Consumer Price Index.

² Regional Composite Cost of Living Factor (ND composite cost of living index ÷ avg regional composite cost of living index)

Compares North Dakota's composite cost-of-living index to the average composite cost-of-living index for ND, MN, SD and MT. The regional average is then represented by an index of 100.0. An index of less than 100.0 indicates North Dakota's cost of living is lower than the average for the regional area.

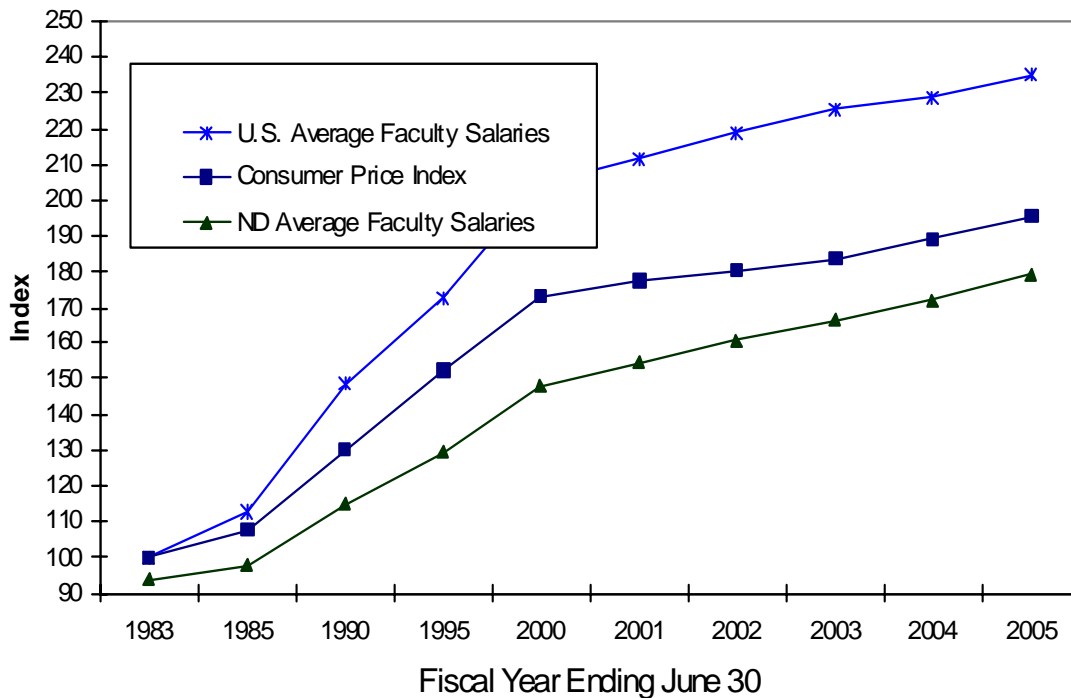
³ Standard of Living Index (Regional Avg. Salary Factor ÷ Regional Composite Cost of Living Factor)

Compares regional composite cost of living to average staff salary to derive relative standard of living for NDUS staff compared to the regional average. An index number less than 100.0 indicates real purchasing power is lower than the regional average purchasing power for similar occupations. Presumably, standard of living is relatively lower for NDUS staff.

Exhibit E

Average faculty salary increases in the NDUS have exceeded the changes in U.S. average faculty salaries and changes in the consumer price index, since 2001. However, due to the significant lag in increases in the 10 years preceding 2001, significantly larger increases are needed to catch up.

Average Faculty Salary Trends and the Cost of Living



Data Sources: American Association of University Professors, *Academe*, Annual Reports
U.S. Department of Labor Consumer Price Index: July 1983 = 100

While improvement has been made since 2001, average staff salaries at all four types of institutions continue to be below the average market salary. MiSU is the farthest from market with a variance of 17.5 percent.

Exhibit F1

Average Broadband Staff Salaries Compared to Job Market

		2005			2001
		Weighted Avg. NDUS Salary	Weighted Market Salary	% Variance	% Variance
Band # Job Family		Doctoral (NDSU, UND)			
1000	Administrative/Managerial	\$71,741	\$74,209	-3.4%	-10.7%
3000	Professional	41,799	\$42,781	-2.3%	-3.7%
4000	Technical & Paraprofessional	29,150	\$29,005	0.0%	-2.4%
5000	Office Support	23,836	\$25,111	-5.3%	-2.4%
6000	Crafts/Trades	33,995	\$36,459	-7.2%	-12.5%
7000	Services	21,345	\$21,704	-1.7%	-3.2%
Weighted Average		\$32,496	\$33,340	-2.6%	-6.9%
Band # Job Family		Masters (MiSU)			
1000	Administrative/Managerial	\$49,667	\$50,666	-2.0%	-31.9%
3000	Professional	32,850	\$39,330	-19.7%	-20.9%
4000	Technical & Paraprofessional	23,302	\$27,598	-18.4%	0.0%
5000	Office Support	20,164	\$23,627	-17.2%	-20.8%
6000	Crafts/Trades	24,939	\$31,308	-25.5%	-23.0%
7000	Services	18,848	\$19,019	-0.9%	-13.9%
Weighted Average		\$25,880	\$30,416	-17.5%	-20.3%
Band # Job Family		4-year (DSC, MaSU, VCSU)			
1000	Administrative/Managerial	\$43,793	\$59,347	-35.5%	-17.2%
3000	Professional	31,436	\$37,149	-18.2%	-20.8%
4000	Technical & Paraprofessional	22,219	\$24,236	-9.1%	-10.0%
5000	Office Support	20,812	\$22,507	-8.1%	-12.8%
6000	Crafts/Trades	25,781	\$31,030	-20.4%	-28.1%
7000	Services	19,014	\$18,707	0.0%	-5.4%
Weighted Average		\$25,912	\$29,910	-15.4%	-16.6%
Band # Job Family		2-year (BSC, LRSC, MISU-B, NDSCS, WSC)			
1000	Administrative/Managerial	\$49,552	\$51,875	-4.7%	-22.0%
3000	Professional	36,614	\$42,996	-17.4%	-16.1%
4000	Technical & Paraprofessional	25,885	\$29,591	-14.3%	-14.8%
5000	Office Support	22,794	\$25,368	-11.3%	-8.5%
6000	Crafts/Trades	28,021	\$31,409	-12.1%	-10.2%
7000	Services	20,112	\$21,214	-5.5%	-4.0%
Weighted Average		\$27,333	\$30,962	-13.3%	-14.1%

Data Source: NDUS Dec. 2005 payroll records; ND Job Service-2005; Fargo Moorhead Human Resource Administration-2004; College & University Professional Association, Human Resources Administrative Survey-2004 and Human Resources Mid-Level Survey-2004; Blue Cross Blue Shield of ND Information Technology Survey-2001; National Association of State Foresters Survey-2000; Bjorkland Survey-2005. Data from all surveys prior to 2005 were inflation adjusted to 2005 with the annual change(s) in the Consumer Price Index.

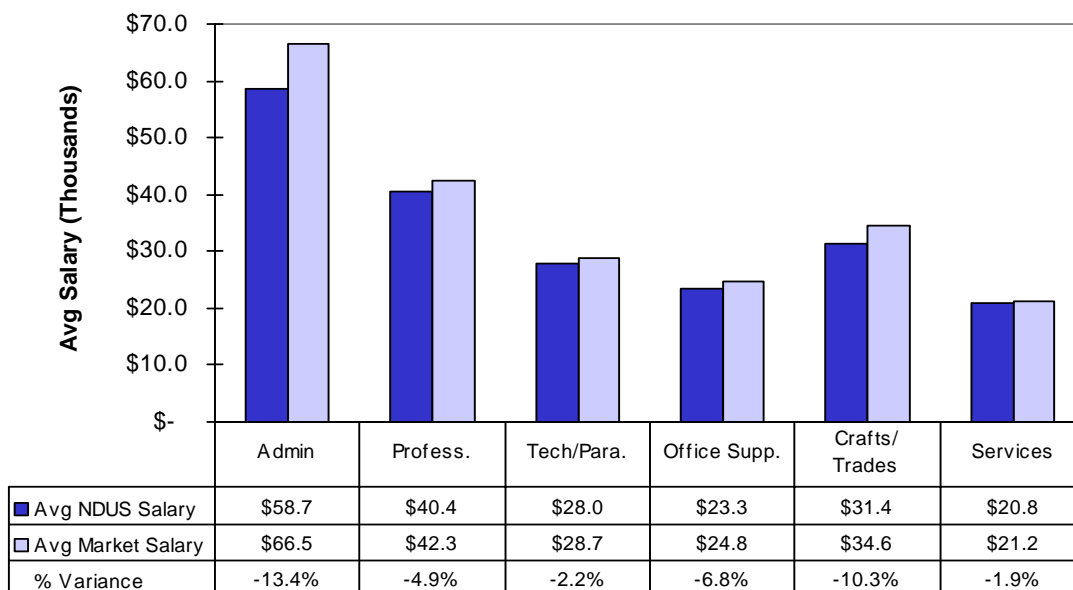
Exhibit F2

**2005 NDUS Weighted Broadband Staff Salaries
Compared to Regional Job Market
By Type of Institution**



All broadband categories lag the four-state regional job market, with the average salary variances ranging from 2.2 percent to 13.4 percent

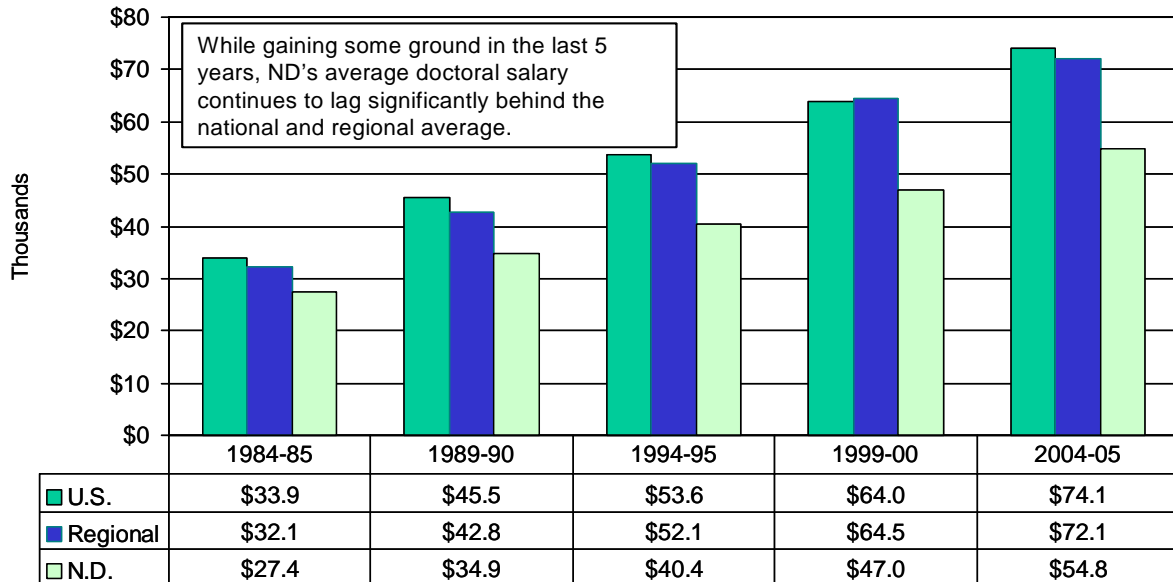
**2005 NDUS Weighted Broadband Staff Salaries
Compared to Regional Job Market
By Broadband Category**



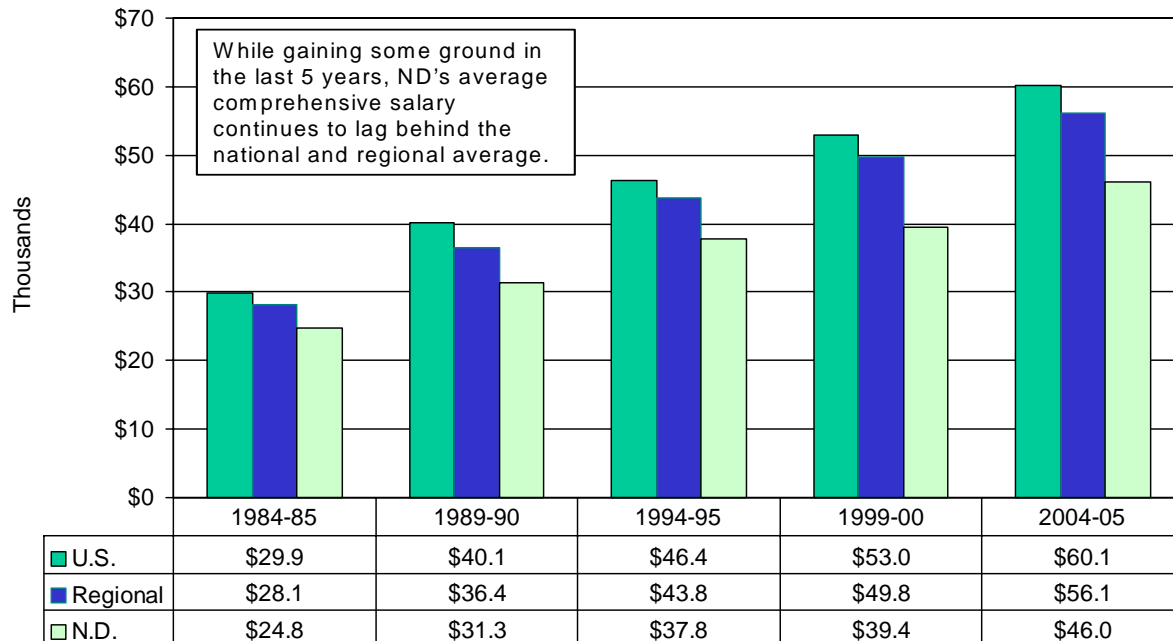
Data Sources: See Exhibit F1

Average Faculty Salaries By Type of Institution (U.S., Regional and NDUS)

Doctoral Institutions (NDSU, UND)



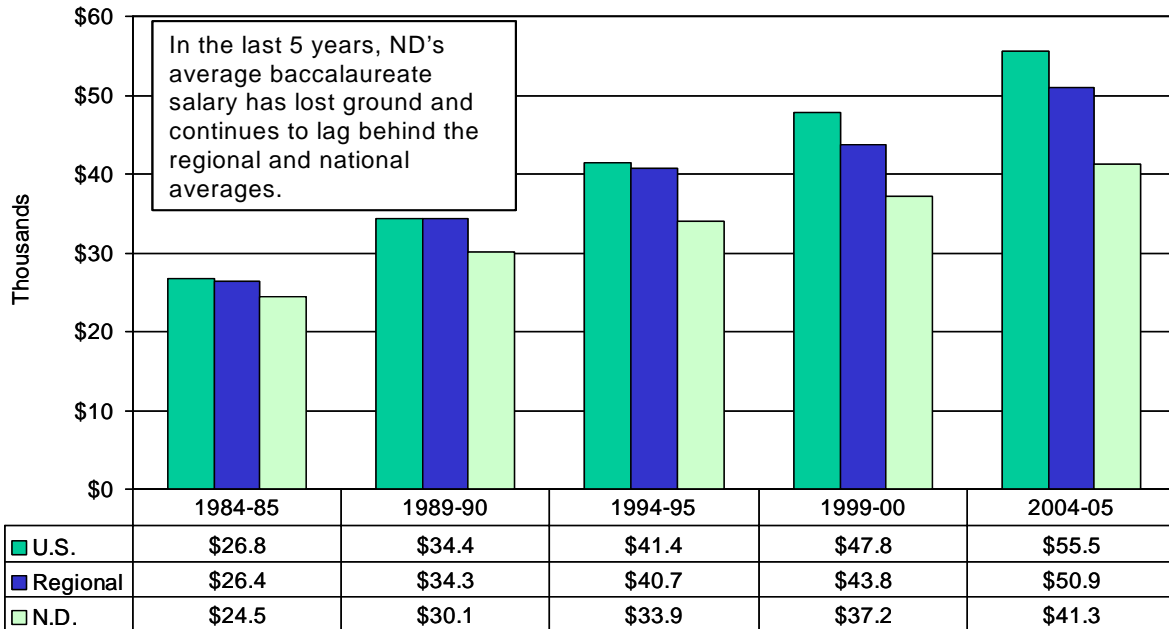
Comprehensive (Masters) Institutions (MiSU)



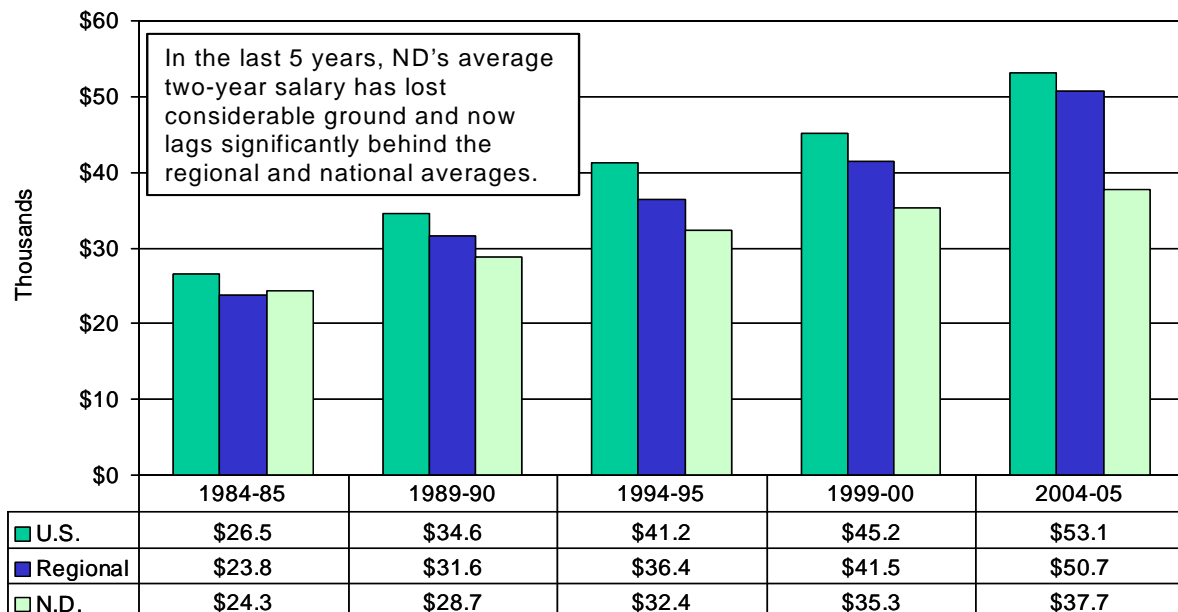
Source: AAUP, *Academe*, Annual Reports
Regional states include: CO, IA, KS, MN, MO, MT, ND, NE, OK, SD, WI and WY.

Average Faculty Salaries By Type of Institution (U.S., Regional and NDUS)

Baccalaureate Institutions (DSU, MaSU, VCSU)



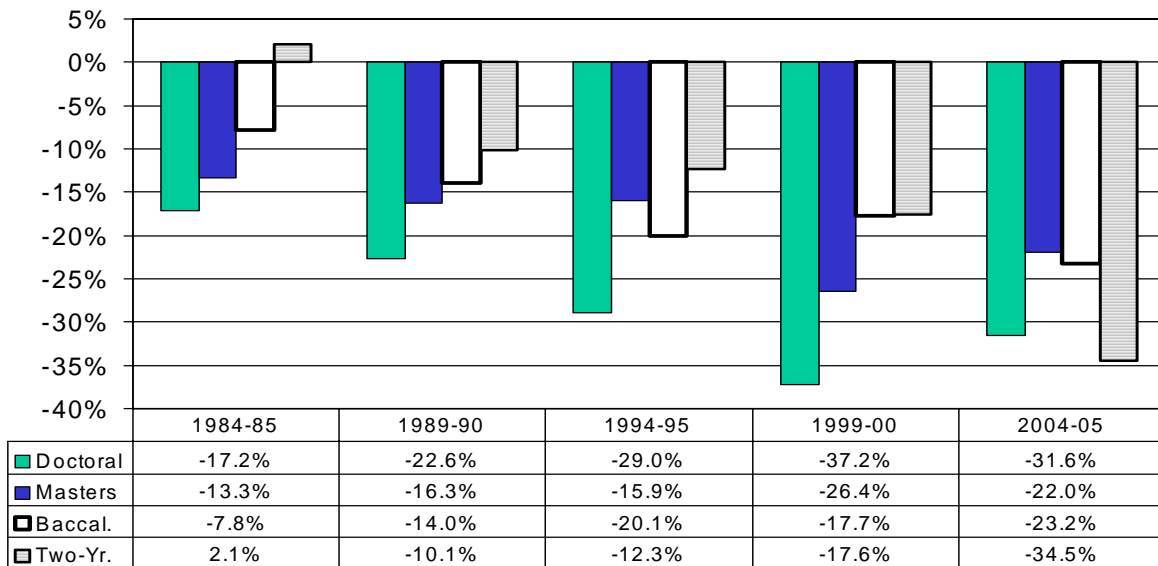
Two-Year Institutions (BSC, LRSC, MiSU-BC, NDSCS, WSC)



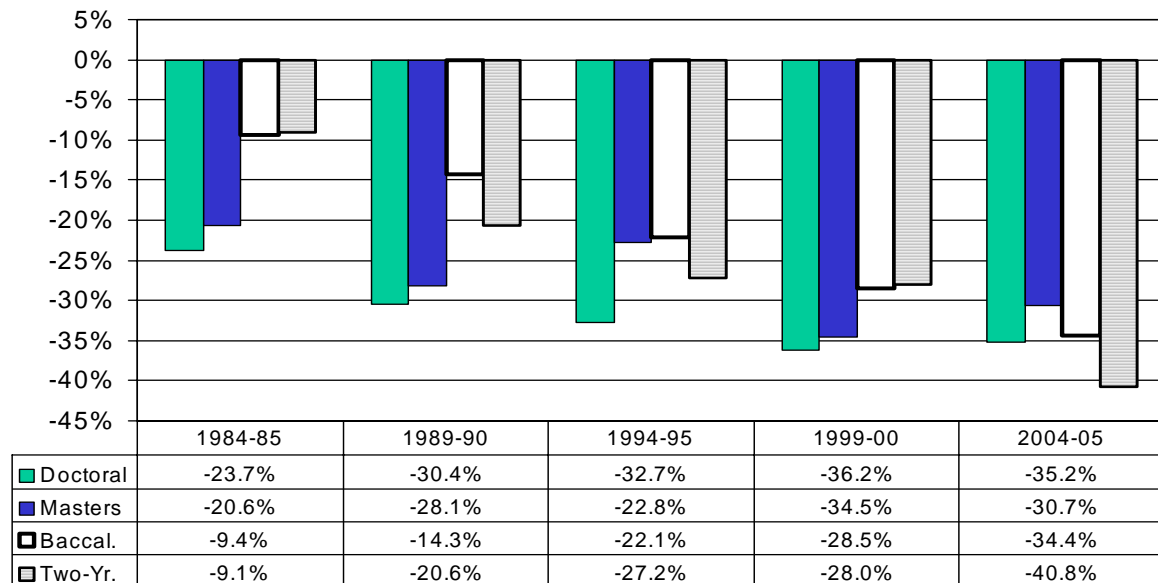
Source: AAUP, *Academe*, Annual Reports
Regional states include: CO, IA, KS, MN, MO, MT, ND, NE, OK, SD, WI and WY.

While the average doctoral and masters faculty salary gap has decreased slightly in the last five years, the baccalaureate and two-year average salary gaps have increased. All remain significantly below their respective regional and national averages.

NDUS Faculty Salary Lag Behind Regional Averages



NDUS Faculty Salary Lag Behind National Averages

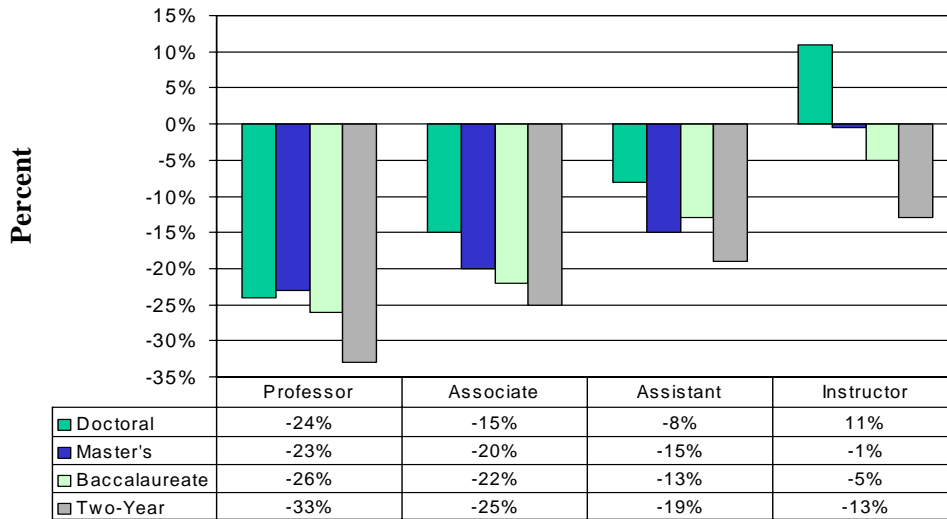


Source: AAUP, *Academe*, Annual Reports and NDUS annual budget data.
Regional states include: CO, IA, KS, MN, MO, MT, ND, NE, OK, SD, WI and WY.

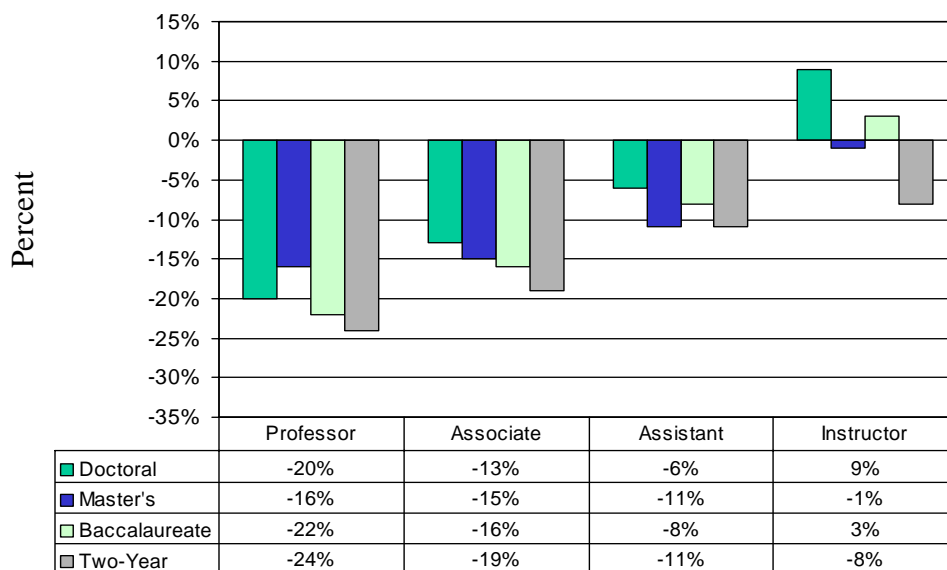
As faculty progress in rank at all types of institutions, their pay disparity with the national and regional averages grows wider.

Exhibit G4

NDUS Faculty Salary by Rank, 2003-04 Lag Behind National Averages



NDUS Faculty Salary by Rank, 2003-04 Lag Behind Regional Averages



Source: AAUP, *Academe*, Annual Reports and NDUS annual budget data.
Regional states include: CO, IA, KS, MN, MO, MT, ND, NE, OK, SD, WI and WY.

Exhibit H1

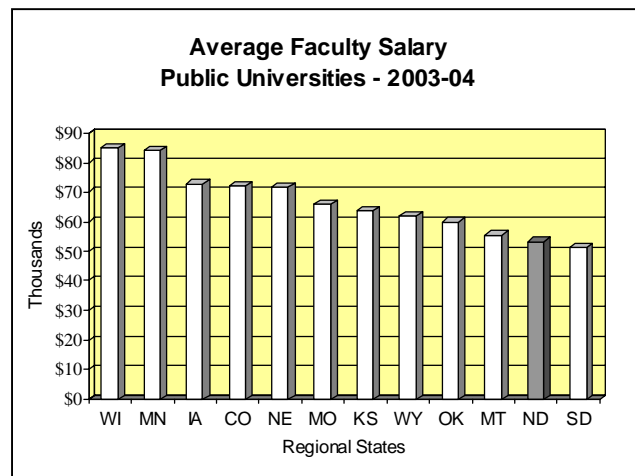
Listing of States by Rank of Average Salary for 9/10 Month Faculty of Public Higher Education Institutions in 50 States and DC

Public Universities, 2003-04

In 2003-04, ND ranked 49th nationally and 11th regionally in salaries among 9/10 month faculty at public universities.

03-04 Data (2005 Almanac)			00-01
State	Avg Salary	Rank	Rank
California	\$ 100,727	1	1
New Jersey	\$ 86,681	2	4
Wisconsin*	\$ 85,054	3	5
Minnesota*	\$ 84,130	4	3
Connecticut	\$ 83,684	5	2
Michigan	\$ 81,719	6	7
Maryland	\$ 79,871	7	6
Delaware	\$ 79,652	8	11
Pennsylvania	\$ 78,712	9	12
New York	\$ 77,514	10	10
North Carolina	\$ 76,070	11	9
Rhode Island	\$ 75,053	12	15
Massachusetts	\$ 74,699	13	8
Virginia	\$ 73,570	14	14
Arizona	\$ 73,030	15	18
Florida	\$ 72,918	16	20
Iowa*	\$ 72,577	17	13
Nevada	\$ 72,514	18	16
Georgia	\$ 72,376	19	19
New Hampshire	\$ 72,228	20	24
Colorado*	\$ 71,950	21	17
Nebraska*	\$ 71,599	22	22
Texas	\$ 68,905	23	26
Washington	\$ 68,828	24	21
Ohio	\$ 68,400	25	30
Kentucky	\$ 68,377	26	31
Tennessee	\$ 68,176	27	28
Hawaii	\$ 68,097	28	29
Illinois	\$ 68,041	29	27
Indiana	\$ 67,962	30	32
South Carolina	\$ 67,499	31	25
Missouri*	\$ 66,143	32	23
Louisiana	\$ 64,562	33	36

03-04 Data (2005 Almanac)			00-01
State	Avg Salary	Rank	Rank
Utah	\$ 64,487	34	33
Alabama	\$ 63,805	35	39
Kansas*	\$ 63,792	36	34
Arkansas	\$ 62,706	37	35
New Mexico	\$ 61,739	38	37
Wyoming*	\$ 61,721	39	45
Maine	\$ 61,249	40	44
Oregon	\$ 60,747	41	42
West Virginia	\$ 60,676	42	38
Vermont	\$ 60,036	43	41
Oklahoma*	\$ 59,866	44	40
Idaho	\$ 56,977	45	43
Mississippi	\$ 56,526	46	46
Alaska	\$ 56,402	47	47
Montana*	\$ 55,627	48	48
North Dakota*	\$ 53,138	49	50
South Dakota*	\$ 51,498	50	49
Dist. Of Columbia	n/a	n/a	n/a
U.S.	\$ 71,511		



* Regional States

Source: Chronicle of Higher Education, Annual Almanacs

Exhibit H2

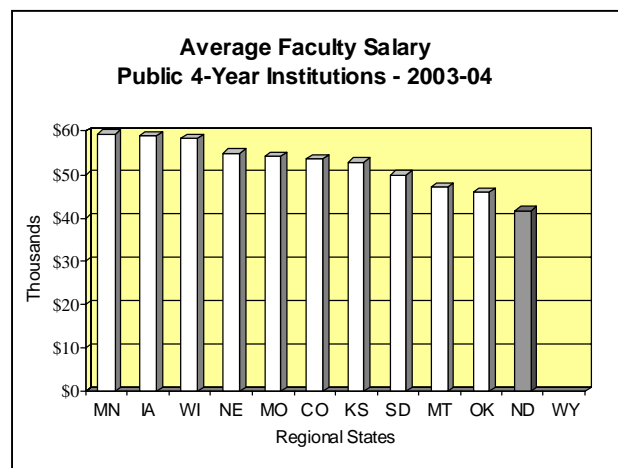
Listing of States by Rank of Average Salary for 9/10 Month Faculty of Public Higher Education Institutions in 50 States and DC

Public 4-Year Institutions, 2003-04

In 2003-04, ND ranked 50th nationally and 11th regionally in salaries among 9/10 month faculty at four-year institutions.

03-04 Data (2005 Almanac)			00-01
State	Avg Salary	Rank	Rank
New Jersey	\$ 74,152	1	2
California	\$ 73,695	2	1
Nevada	\$ 68,865	3	3
New York	\$ 66,105	4	6
Massachusetts	\$ 64,026	5	7
Pennsylvania	\$ 63,891	6	5
Connecticut	\$ 63,880	7	4
Virginia	\$ 61,868	8	8
Ohio	\$ 59,961	9	15
Michigan	\$ 59,950	10	11
Maryland	\$ 59,642	11	10
Florida	\$ 59,421	12	14
Minnesota*	\$ 59,275	13	23
Georgia	\$ 58,862	14	13
Illinois	\$ 58,834	15	12
Iowa*	\$ 58,775	16	17
Dist. Of Columbia	\$ 58,566	17	9
Wisconsin*	\$ 58,440	18	16
New Hampshire	\$ 57,580	19	24
Rhode Island	\$ 57,362	20	20
Delaware	\$ 56,997	21	22
North Carolina	\$ 56,695	22	18
Arizona	\$ 56,018	23	21
Tennessee	\$ 55,263	24	28
Texas	\$ 55,037	25	27
Nebraska*	\$ 54,780	26	31
Washington	\$ 54,518	27	19
Missouri*	\$ 54,210	28	25
Indiana	\$ 54,208	29	29
Alaska	\$ 54,110	30	30
Hawaii	\$ 53,858	31	34
Maine	\$ 53,615	32	39
Colorado*	\$ 53,577	33	26

03-04 Data (2005 Almanac)			00-01
State	Avg Salary	Rank	Rank
Kansas*	\$ 52,970	34	32
Oregon	\$ 52,515	35	33
Kentucky	\$ 52,195	36	35
Alabama	\$ 51,148	37	36
South Carolina	\$ 50,415	38	38
Louisiana	\$ 50,275	39	40
South Dakota*	\$ 50,035	40	45
Mississippi	\$ 49,093	41	42
Idaho	\$ 48,856	42	37
Utah	\$ 48,717	43	41
New Mexico	\$ 48,145	44	50
Arkansas	\$ 47,550	45	44
West Virginia	\$ 47,477	46	43
Montana*	\$ 47,255	47	47
Vermont	\$ 46,320	48	48
Oklahoma*	\$ 46,050	49	46
North Dakota*	\$ 41,792	50	49
Wyoming*	n/a	n/a	n/a
U.S.	\$ 59,788		



* Regional States

Source: Chronicle of Higher Education, Annual Almanacs

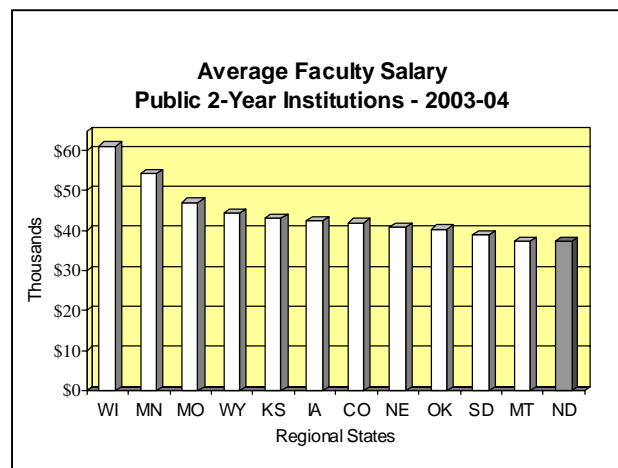
Exhibit H3

Listing of States by Rank of Average Salary for 9/10 Month Faculty of Public Higher Education Institutions in 50 States and DC

Public 2-Year Colleges, 2003-04

In 2003-04, ND ranked 49th nationally and 12th regionally in salaries among 9/10 month faculty at two-year institutions.

03-04 Data (2005 Almanac)			00-01	03-04 Data (2005 Almanac)			00-01
State	Avg Salary	Rank	Rank	State	Avg Salary	Rank	Rank
California	\$ 70,305	1	2	Idaho	\$ 41,988	34	28
Michigan	\$ 65,895	2	3	New Hampshire	\$ 41,906	35	38
New Jersey	\$ 62,543	3	4	Indiana	\$ 41,821	36	41
Alaska	\$ 62,220	4	1	Tennessee	\$ 41,753	37	42
Wisconsin*	\$ 61,199	5	6	Utah	\$ 41,753	38	29
Connecticut	\$ 59,729	6	5	Louisiana	\$ 41,247	39	44
New York	\$ 59,421	7	7	New Mexico	\$ 41,224	40	40
Arizona	\$ 58,799	8	9	Nebraska*	\$ 40,775	41	43
Illinois	\$ 56,984	9	8	South Carolina	\$ 40,498	42	39
Massachusetts	\$ 55,574	10	10	West Virginia	\$ 40,497	43	37
Maryland	\$ 55,357	11	11	Oklahoma*	\$ 40,404	44	33
Pennsylvania	\$ 54,443	12	12	South Dakota*	\$ 38,981	45	46
Minnesota*	\$ 54,285	13	16	North Carolina	\$ 37,906	46	48
Delaware	\$ 53,773	14	14	Arkansas	\$ 37,873	47	45
Rhode Island	\$ 52,688	15	15	Montana*	\$ 37,410	48	47
Hawaii	\$ 52,506	16	18	North Dakota*	\$ 37,282	49	49
Oregon	\$ 51,719	17	20	Dist. Of Columbia	n/a	n/a	n/a
Nevada	\$ 51,508	18	13	Vermont	n/a	n/a	n/a
Ohio	\$ 50,642	19	17	U.S.	\$ 53,080		
Washington	\$ 48,153	20	23				
Florida	\$ 47,306	21	19				
Missouri*	\$ 47,010	22	22				
Texas	\$ 46,163	23	24				
Virginia	\$ 45,912	24	21				
Maine	\$ 44,745	25	30				
Kentucky	\$ 44,274	26	25				
Wyoming*	\$ 44,273	27	35				
Alabama	\$ 43,780	28	27				
Georgia	\$ 43,293	29	26				
Kansas*	\$ 43,163	30	32				
Iowa*	\$ 42,624	31	36				
Mississippi	\$ 42,595	32	31				
Colorado*	\$ 42,137	33	34				



* Regional States

Source: Chronicle of Higher Education, Annual Almanacs

Exhibit I

The state of North Dakota offers a comprehensive benefit package to NDUS employees. According to the Central States Compensation Association (CSCA), the value of North Dakota's benefit package, based on a normalized average salary, ranks 7th among the 12 states in our region. Based on actual benefits paid out per hour, ND ranks 12th.

Regional Faculty Benefits Analysis January 2005

BASED ON REGIONAL AVERAGE SALARY (TO NORMALIZE BENEFITS)

State	Salary Rank ⁴	Average Faculty Salary (9 months)	Hourly Faculty Salary (9 months)	Normalized Benefits Per Hour ¹								Benefits Rank
				Holidays	Health Insurance ²	Life Insurance ²	Dental Insurance ²	Retirement ²	Social Security	Medicare	Total Benefits	
Missouri	6	\$66,143	\$ 42.40	\$ 1.97	\$ 3.27	\$ 0.107	\$ -	\$ 5.36	\$ 2.64	\$ 0.64	\$ 13.98	1
Oklahoma	9	59,866	38.38	1.64	3.53	0.107	0.17	4.90	2.64	0.64	13.63	2
Wyoming	8	61,721	39.56	1.47	2.85	0.040	-	4.79	2.64	0.64	12.44	3
Montana	10	55,627	35.66	1.72	3.27	0.040	0.23	2.94	2.64	0.64	11.47	4
Iowa	3	72,577	46.52	1.80	3.63	0.053	0.19	2.45	2.64	0.64	11.40	5
South Dakota	12	51,498	33.01	1.88	3.20	0.133	-	2.55	2.64	0.64	11.05	6
North Dakota	(11)	53,138	34.06	1.72	2.00	0.001	-	4.05	2.64	0.64	11.04	(7)
Colorado	4	71,950	46.12	1.64	1.47	0.053	0.12	4.43	2.64	0.64	10.98	8
Nebraska	5	71,599	45.90	1.97	2.03	0.040	-	2.87	2.64	0.64	10.18	9
Kansas	7	63,792	40.89	1.64	2.49	0.001	0.21	2.24	2.64	0.64	9.87	10
Minnesota	2	84,130	53.93	1.80	2.84	-	0.16	1.70	2.64	0.64	9.78	11
Wisconsin	1	85,054	54.52	2.21	0.39	0.160	-	1.92	2.64	0.64	7.95	12
Regional Average		\$66,425	\$ 42.58	\$ 1.79	\$ 2.58	\$ 0.061	\$ 0.18	\$ 3.35	\$ 2.64	\$ 0.64	\$ 11.15	

BASED ON EACH STATES ACTUAL AVERAGE SALARY

State	Salary Rank ⁴	Average Faculty Salary (9 months)	Hourly Faculty Salary (9 months)	Actual Paid Benefits Per Hour ³								Benefits Rank
				Holidays	Health Insurance ²	Life Insurance ²	Dental Insurance ²	Retirement ²	Social Security	Medicare	Total Benefits	
Missouri	6	\$66,143	\$ 42.40	\$ 1.96	\$ 3.27	\$ 0.107	\$ -	\$ 5.34	\$ 2.63	\$ 0.64	\$ 13.93	1
Oklahoma	9	59,866	38.38	1.48	3.53	0.107	0.17	4.41	2.38	0.58	12.66	2
Iowa	3	72,577	46.52	1.97	3.63	0.053	0.19	2.68	2.88	0.70	12.09	3
Colorado	4	71,950	46.12	1.77	1.47	0.053	0.12	4.80	2.86	0.69	11.76	4
Wyoming	8	61,721	39.56	1.37	2.85	0.040	-	4.45	2.45	0.59	11.76	5
Minnesota	2	84,130	53.93	2.28	2.84	-	0.16	2.16	3.34	0.81	11.59	6
Nebraska	5	71,599	45.90	2.12	2.03	0.040	-	3.10	2.85	0.69	10.82	7
Montana	10	55,627	35.66	1.44	3.27	0.040	0.23	2.46	2.21	0.53	10.18	8
Wisconsin	1	85,054	54.52	2.83	0.39	0.160	-	2.45	3.38	0.82	10.03	9
Kansas	7	63,792	40.89	1.57	2.49	0.001	0.21	2.16	2.54	0.61	9.58	10
South Dakota	12	51,498	33.01	1.46	3.20	0.133	-	1.98	2.05	0.50	9.32	11
North Dakota	(11)	53,138	34.06	1.38	2.00	0.001	-	3.24	2.11	0.51	9.24	(12)

Data Sources:

2005 Central States Compensation Association - Benefit Survey:

¹Based on regional average hourly salary (to normalize the data) and 1,560 hours.

²Employer paid benefits for employee-only coverage.

³Based on each state's average faculty salary and 1,560 hours.

Chronicle of Higher Education, 2005 Almanac:

⁴Salary rank of 9 and 10 month faculty of public higher ed institutions - 2003-04.

Exhibit J

Estimated Cost of Salary Increase Recommendation

	Estimated Cost of Recommendation - Salary Only ¹			
	Inflation Adjustment 3.4% Per Year	Market Adjustment 4.0% Per Year	Total 2007-09 Biennium	Biennium total for 1% per year
BSC	\$ 972,000	\$ 1,143,500	\$ 2,115,500	\$ 279,900
DSU	783,500	921,800	1,705,300	225,600
LRSC	286,600	337,100	623,700	82,500
MASU	446,700	525,600	972,300	128,700
MISU	1,532,100	1,802,500	3,334,600	441,200
MISU-B	190,600	224,300	414,900	54,900
NDSCS	1,190,900	1,401,100	2,592,000	343,000
NDSU ³	6,689,100	7,869,500	14,558,600	1,926,400
UND ³	9,420,500	11,082,900	20,503,400	2,713,000
VCSU	549,100	646,000	1,195,100	158,100
WSC	428,000	503,500	931,500	123,300
Subtotal - Campuses	\$ 22,489,100	\$ 26,457,800	\$ 48,946,900	\$ 6,476,600
NDUS Office	144,100	169,500	313,600	41,500
UND Med School	2,337,500	2,750,000	5,087,500	673,200
Forest Service	114,800	135,000	249,800	33,000
UGPTI	273,000	321,200	594,200	78,600
Northern Crops Institute	39,100	46,000	85,100	11,300
Agronomy Seed Farm	11,300	13,300	24,600	3,300
Extension Service	1,091,900	1,284,600	2,376,500	314,500
Research Centers	1,837,200	2,161,400	3,998,600	529,100
Subtotal - Others	\$ 5,848,900	\$ 6,881,000	\$ 12,729,900	\$ 1,684,500
Total - NDUS (salary only)¹	\$ 28,338,000	\$ 33,338,800	\$ 61,676,800	\$ 8,161,100
Total - NDUS (including fringe)²	\$ 33,155,460	\$ 39,006,396	\$ 72,161,856	\$ 9,548,487

¹Does not include cost of FICA, retirement and other fringes that would be calculated on the salary increase.

²Includes an estimated 17 percent fringe benefits on the salary increase.

³UND and NDSU include HECN, IVN and ODIN employees.

Note: The estimated increases on this schedule were computed, utilizing the 2005-06 Average Salaries from the Analysis of 2005-06 Average Salary Increases