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TO: Presidents
FROM: William E. Kirwan 
DATE: May 6, 2010
RE: Salary and Compensation Directives for FY 2011

I. Introduction

The legislative session has now concluded and the state appropriation is nearly finalized. With regard to salary adjustments for the upcoming year, the language in the Budget Reconciliation and Financing Act of 2010, (SB 141), Section 38 reads as follows:

“AND BE IT FURTHER ENACTED, That, notwithstanding any other provision of law, State employees employed by any entity, including the University System of Maryland, Morgan State University, and St. Mary's College of Maryland, may not receive bonuses, merit increases, or cost-of-living adjustments in fiscal year 2011. This provision does not affect salaries for constitutional officers or members of the General Assembly or increases necessary for the retention of faculty in the University System of Maryland, Morgan State University, or St. Mary's College of Maryland.”

Essentially, the above language means that State employees, as well as University System employees, will not be receiving merit, cost-of-living increases, and bonuses in the upcoming fiscal year.

These mandatory directives are intended to accommodate most circumstances that may be encountered as salary issues are considered during FY 2011. Each president should establish institutional guidelines consistent with the overall USM BOR policies and the guidelines included in this memorandum, taking care to administer the policies consistently within your institution. Note the attached required reports. Additionally, note the actions required for July 1, as well as those required throughout the fiscal year.

Institutions should be sensitive to salary inequities that may be created between new employees and current Faculty or Staff employees. It is important that your institution's working budget for FY 2011 be accurate with respect to incumbents, salaries, and positions (including percent of full-time and multiple fund sources). As a general practice, unfilled positions should be included in the working budget with sufficient funds.

II. Directives

These directives apply to all USM Faculty and Staff employees on *Regular* and *Contingent Category I and II* status, regardless of the fund sources available to an institution. Graduate Assistants, Fellows, Post-Docs, and student employees, as well as promotion and/or reclassification increases for Faculty and Staff, are excluded.

1. Salary Structures

- a. The current Salary Structure for Exempt Staff employees remains in effect through June 30, 2012. The Human Resources Compensation Committee conducted the Biennial Exempt Market Salary Survey and Review of the Exempt Salary Structures in the fall of 2009 and presented its findings to the Board at their February 12, 2010 meeting. Due to the current economic conditions in the State of Maryland and USM budget constraints, the committee recommended that the current structures remain in place at this time.
- b. The current Salary Structure for Nonexempt Staff Employees remains in effect through June 30, 2011. Salary policy requirements for employees completing probation will remain intact.

Those institutions with a labor union representing the Nonexempt and/or Exempt Staff employees may be asked to bargain over salary structures. Please keep in mind the aforementioned comments on the salary structures when evaluating any proposals.

2. COLA – There will be no Cost-of-Living Adjustments for Faculty and Staff for FY 2011.
3. Merit Increases – There will be no merit increases for Faculty and Staff for FY 2011.
4. Variable Compensation Programs for Faculty – This applies only to institutions with established faculty incentive programs (e.g., Total Approved Salary) as they relate to externally funded contracts, grants, and clinical services. Payment up to a previously established ceiling is permitted, as appropriate and governed by institutional policy and procedures. The incentive program ceiling for an individual cannot be increased. Additional State and auxiliary funds are not to be used.
5. Retention Adjustments – *Retention adjustments shall be permitted only for Faculty.* This exception to the restriction against salary increases should be used judiciously. It is intended for faculty who are being actively recruited by other institutions or where there is compelling evidence that a preemptive action is necessary to prevent the loss of a valued faculty member.

To support the retention adjustment, the institution must have one of the following:

- A written offer to the faculty member from another institution;
- Written evidence, including email or other correspondence, that the faculty member is being recruited seriously by another institution, or a search firm for an institution, at a compensation level likely to exceed the faculty member's current compensation;

- Documentation that the department has experienced retention problems in recent years that likely will result in the loss of a valuable faculty member if a retention adjustment is not made;
- Other strong evidence that the institution is at imminent risk of losing a faculty member in the absence of a retention adjustment.

Total retention adjustments to individual salaries, including one-time payments, shall be reviewed and approved by you. Written documentation should support your decisions for these adjustments as they occur throughout the fiscal year. You must report any retention adjustments you approve at any time throughout the fiscal year, as noted under Required Reports, item #2.

6. **Other Salary Adjustments** – Taxable compensation adjustments should not normally be made during the fiscal year. When justified, cumulative adjustments totaling more than 10% should be reported to the Chancellor within two weeks. (An example would be a mid-year “acting” status change in pay.) Payments for summer session, summer compensation for 10-month faculty funded by sponsored sources, winter term, overload teaching assignments, and on-call and clinical coverage activities are exempted from this reporting requirement.
7. **Contract Renewals** – Salaries shall not be increased in contract renewals for Contract Faculty and Contingent Staff employees.
8. **Contingent Category I and II Staff Employees** – Salaries must be paid at least at the minimum of the appropriate pay range.
9. **Non-Salary Taxable Compensation** – Increases in *non-salary taxable compensation* are not permitted, unless justified by special circumstances, authorized by you, and forwarded to me in advance for approval. This restriction applies of course to any new requests. Examples of non-salary taxable compensation include a transitional bonus, housing allowance, car allowance, and deferred compensation contribution. This list is not intended to be exhaustive.
10. **Non-cumulative Cash Bonuses** – Non-cumulative cash bonuses (as described in BOR Policy VII-9.20, Section X., A. and B) are not permitted this year in accordance with the legislative language cited above. This principle also applies to bonuses to Faculty and Exempt Staff employees. Bonuses for faculty are only permitted for retention as described in #5 above.
11. **Awards** – Board of Regents Awards for Staff and Faculty employees, Service Awards, and Institution Awards are permitted.

III. Required Reports

The following items should be submitted to Associate Vice Chancellor James E. Sansbury at the USM Office of Human Resources, no later than June 30, 2010:

1. Affirmation Letter signed by you, that the salary and compensation actions you have taken for FY 2011 are consistent with the directives established herein. (See attached letter template);

2. Report on faculty retention – Provide itemized detail of compensation adjustments in excess of 10% that you have approved, including a brief explanation in support of your decision. For those faculty retention adjustments of 10% or less, provide the total number of faculty retention adjustments granted and the cumulative associated dollar amount.
3. Updated list of institution key staff (including, at a minimum, institution officers, direct reports to the President and individuals whose contracts or other compensation agreements that fall under the USM Policy on the Review of Highly Compensated Personnel) containing compensation data for FY 2010 and FY 2011 (see attached format); and,
4. Report of the *Ratings of Nonexempt Performance Evaluations* (see attached format).

If you have any questions, please contact James E. Sansbury at (301) 445-1966 or via email at sansbury@usmd.edu.

Attachments

cc: Joseph F. Vivona, COO/VCAF
Irv Goldstein, Sr. Vice Chancellor
Leonard Raley, Vice Chancellor

Vice Presidents for Administration
Provosts and Academic Vice Presidents
James E. Sansbury