

SUMMARY OF ITEM FOR ACTION,
INFORMATION OR DISCUSSION

TOPIC: Biennial Nonexempt Market Salary Survey Report for FY 2016 - 2017

COMMITTEE: Committee of the Whole

DATE OF COMMITTEE MEETING: May 6, 2015

SUMMARY: Pursuant to Board Policy VII-9.10, the USM is committed to conduct a biennial nonexempt market salary survey to maintain salary competitiveness with the labor market. After four years (FY2009-FY2013) in which budget constraints did not allow the USM to improve its nonexempt salary structure, the Board authorized an increase in the nonexempt pay structure of 9% for FY 2014. This increase reduced the deficit between USM and market minimum salaries from an estimated 12% to 3%. In addition, the gap between market compensation and USM nonexempt salary structure was further decreased when the salary structure was automatically adjusted to reflect the 2% COLA paid to state employees on January 1, 2015.

After these adjustments, the most recent biennial market analysis indicates that the USM Nonexempt Salary Structure will remain somewhat behind the market for FY 2016-17. The attached *Biennial Nonexempt Market Salary Survey Report and Proposed Nonexempt Salary Structure* provides a summary of the current market analysis. It also contains a recommendation approved by the USM's institution Presidents in October 2014 to increase the salary structure by 4% in FY 2016, at a cost of \$1.15 million.

However, shortly after the recommendation was agreed upon, the USM learned of the impending FY 2015 budget shortfall and the resulting December reduction in USM state funding, followed by additional cuts proposed in the budget for FY 2016. Confronted with these actual and potential major budget reductions, USM officials deferred this item until more information could be gained regarding the FY 2016 budget and any recommendations for the nonexempt salary structure could be adjusted as necessary to reflect budget realities.

The FY 2016 budget ultimately adopted imposed significant fiscal constraints on the USM. In addition, funding for the continuation of the January 1, 2015 COLA is not currently in the USM operating budget.

UPDATE: THE GOVERNOR ANNOUNCED THIS MORNING A RELEASE OF THE FUNDING TO MAINTAIN THE 2% COLA FOR EMPLOYEES.

ALTERNATIVE(S): The Board may suggest other modifications to the salary structure.

FISCAL IMPACT: The cost of implementing the 4% adjustment is an estimated \$1.15 million in FY 2016.

CHANCELLOR'S RECOMMENDATION: ~~In consideration of the potential rescission of the January 1, 2015 COLA, the following actions are recommended effective July 1, 2015: i) revert the nonexempt salary structure to its FY 2014 levels prior to the COLA-correlated automatic structure adjustment, and ii) Adjust the nonexempt salary structure 4% in FY 2016 as recommended in the report.~~

COMMITTEE RECOMMENDATION:

DATE:

BOARD ACTION:

DATE:

SUBMITTED BY: Joseph F. Vivona (301) 445-1923



Biennial Nonexempt Market Salary Survey Report for 7/1/2015 – 6/30/2017

Table of Contents

Overview.....	3
Background.....	5
Major Considerations.....	6
Rationale for Proposed USM Salary Structure Adjustments – Option 1.....	7
Cost Impact by Institution – Option 1.....	8
Rationale for Proposed USM Salary Structure Adjustments – Option 2.....	9
Cost Impact by Institution – Option 2.....	10
Recommendation.....	11

Overview: Biennial Nonexempt Market Salary Survey

The objective of this survey was to analyze market conditions and utilize the data to formulate recommendations to adjust the Nonexempt Salary Structure for the University System of Maryland Nonexempt Staff employees.

Upon the Systemwide Human Resources Committee's (SHRC) recommendation, as of January 1, 2014 the University System of Maryland (USM) has adopted the new practice of adjusting the Salary Structures by COLA when and as provided by the Maryland General Assembly. This procedure will support market competitiveness, while being fiscally responsible, by reducing needs for major Salary Structure adjustments on a biennial basis.

3

Overview: Biennial Nonexempt Market Salary Survey

Guiding Principles and Considerations:

- USM Policy VII-9.10 Policy on Adjustment of Salary Structures, Assignment of Job Classes to Salary Ranges, Administration of Salaries, Impact of Adjustment on Salaries, and the Development and Maintenance of Job Evaluation Programs.
 - II-C: "It is the goal of the UMS to maintain the midpoint of the salary ranges within the applicable salary structure equal to the current average salary paid for comparable job classes within the appropriate job market."
- USM is committed to conducting a biennial market salary survey to maintain competitiveness with the market. USM's market the Baltimore Corridor area (i.e. Baltimore-Washington area).
- The USM Salary Structures are intended to be in effect for a period of 2 years and follow a lead/lag philosophy. Structures lead the market at the beginning of the cycle (i.e. at July 1, 2015), meet the market at the middle of the cycle (i.e. July 1, 2016), and lag the market at the end of the cycle (i.e. June 30, 2017).
- Salary structure is market-based, with pay range midpoints targeted to market midpoints.
- The relationship between the USM Exempt and Nonexempt Salary Structures, and where the Structures overlap must be considered.
- USM strives to have Job Classifications minimum pay meet or exceed the minimum pay for comparable job classifications in the Maryland State Personnel Management System.
- Pay Range 1 minimum is currently \$10.67/hr, which is above the new State of Maryland minimum wage, which will be increased to \$8.00/hr on January 1, 2015.

4

Background

2012

In 2012 with Keating Advisors, an expert consultant, a review of the Nonexempt jobs and Salary Structure was performed. Based on their analysis and other information, the USM BOR approved the USM's recommendation of a significant adjustment to the Salary Structure for the following reasons:

1. To maintain the integrity of the Nonexempt Salary Structure, it was realigned to comply with compensation best practices.
2. Due to budget constraints, the Salary Structure had not kept pace with the market.

2013-2014

- Nonexempt Salary Structure was updated as result of the Biennial review and July 1, 2013 implementation was delayed to January 2014 to include the COLA and comply with newly established practice.
- Note the Exempt Salary Structure was adjusted effective July 2014 as a result of the Biennial review.
- Proposal for adjustment on July 1, 2015 should account for market structure adjustments.

Current Nonexempt Salary Structure,
effective January 2014 (annualized rates)

Pay Range	Minimum	Midpoint	Maximum
1	\$ 22,260	\$ 24,712	\$ 24,909
2	\$ 22,461	\$ 26,425	\$ 30,388
3	\$ 23,509	\$ 28,256	\$ 33,003
4	\$ 24,625	\$ 30,215	\$ 35,805
5	\$ 25,848	\$ 32,310	\$ 38,771
6	\$ 27,639	\$ 34,549	\$ 41,459
7	\$ 28,447	\$ 36,944	\$ 45,441
8	\$ 30,419	\$ 39,505	\$ 48,591
9	\$ 31,894	\$ 42,244	\$ 52,593
10	\$ 34,105	\$ 45,172	\$ 56,239
11	\$ 36,469	\$ 48,303	\$ 60,138
12	\$ 38,997	\$ 51,652	\$ 64,306
13	\$ 41,700	\$ 55,232	\$ 68,764
14	\$ 44,591	\$ 59,061	\$ 73,531
15	\$ 47,682	\$ 63,155	\$ 78,628
16	\$ 50,987	\$ 67,533	\$ 84,078

5

Major Considerations

In considering an appropriate Salary Structure for FY 2016 – 2017 (effective July 1, 2015 through June 30, 2017), two major considerations were taken into account:

1) Job Market Competitiveness

- Projected Structure movement (based on Nonexempt jobs) – data published in 2013 and 2014 and 2014 projections. Considering 2014 projections, it's estimated the market will adjust approximately 3% per year. The Salary Surveys are based on Nonexempt demographics.

Survey	2014 projected salary growth
World at Work	3.10%
HayGroup	3.00%
Mercer	2.90%
Conference Board**	3.00%
Economic Research Institute	2.70%
Kenexa**	3.00%
Culpepper**	3.00%
Compdata	TBD
HRA	TBD
CUPA	*
Average	2.96%

2) Relationship with USM Exempt Salary Structure

- To maintain a reasonable differential between Nonexempt and Exempt Salary Structures.

* CUPA has initiated a Nonexempt salary survey and we anticipate growth data will be available starting in 2015.

** New data sources added to replace prior sources that are no longer available.

6

Rationale for Proposed USM Salary Structure Adjustments – Option 1

The current Nonexempt Salary Structure in effect for FY 2014 and FY 2015 will be adjusted by the 2% COLA January 1, 2015. This new practice, as of January 2014, will apply every time the Maryland General Assembly approves a COLA. This practice will assure that when there are future COLA's, salary structure adjustments will remain closer to market.

Option 1: Propose effective July 2015, adjust all Pay Ranges, 1 through 16 by 4%

Projected salary increases in relevant markets are estimated at 3% annually over years 2016 and 2017. Using a lead/meet/lag philosophy, as of FY2017 (July 1, 2016), our salary structure will be on par with the market movement with an adjustment of 4% effective July 1, 2015. The Nonexempt Structure will be adjusted by 2% in January 2015 and with an additional 4% increase in July 1, 2015, the overall structure increase will be 6%.

This option also creates a larger spread between the Nonexempt and Exempt Salary Structures.

Pay Range	Minimum	Midpoint	Maximum
1	\$ 23,613	\$ 25,018	\$ 26,423
2	\$ 23,826	\$ 28,031	\$ 32,236
3	\$ 24,938	\$ 29,974	\$ 35,010
4	\$ 26,123	\$ 32,053	\$ 37,982
5	\$ 27,420	\$ 34,274	\$ 41,128
6	\$ 29,320	\$ 36,650	\$ 43,980
7	\$ 30,177	\$ 39,191	\$ 48,204
8	\$ 32,268	\$ 41,907	\$ 51,546
9	\$ 33,833	\$ 44,812	\$ 55,791
10	\$ 36,178	\$ 47,919	\$ 59,659
11	\$ 38,686	\$ 51,241	\$ 63,795
12	\$ 41,368	\$ 54,792	\$ 68,216
13	\$ 44,235	\$ 58,590	\$ 72,945
14	\$ 47,302	\$ 62,652	\$ 78,002
15	\$ 50,581	\$ 66,995	\$ 83,409
16	\$ 54,087	\$ 71,639	\$ 89,190

7

Cost Impact by Institution – Option 1

Option 1: Propose effective July 2015, adjust all Pay Ranges, 1 through 16 by 4% (The Nonexempt Salary Structure will be adjusted by the 2% COLA January 1, 2015).

- Institutions' Data: July 25, 2014
- Projections: January 1, 2015 COLA is included.

Total Cost: \$1,150,307 (1,340 affected employees)

Institution	Option 1								Percentage of
	Regular		C2		C1		Total		
	Count	Cost	Count	Cost	Count	Cost	Count	Cost	
BSU	1	\$451	0	\$0	1	\$1,163	2	\$1,614	0.14%
CSU	1	\$108	4	\$5,044	8	\$6,951	13	\$12,103	1.05%
FSU*	15	\$6,407	0	\$0	15	\$10,923	30	\$17,330	1.51%
SU	13	\$5,437	4	\$1,474	56	\$48,209	73	\$55,120	4.79%
TU	40	\$18,218	19	\$7,487	19	\$4,258	78	\$29,963	2.60%
UB	2	\$3,445	13	\$4,604	7	\$5,998	22	\$14,047	1.22%
UMB	13	\$18,059	13	\$12,455	146	\$109,612	172	\$140,126	12.18%
UMBC	11	\$5,568	1	\$423	15	\$6,180	27	\$12,171	1.06%
UMCES	0	\$0	0	\$0	8	\$1,057	8	\$1,057	0.09%
UMCP	62	\$24,561	64	\$23,243	638	\$678,195	764	\$725,999	63.11%
UMES	11	\$5,435	40	\$41,726	85	\$86,240	136	\$133,401	11.60%
UMUC	2	\$1,115	8	\$3,850	4	\$2,198	14	\$7,163	0.62%
USMO	0	\$0	0	\$0	1	\$214	1	\$214	0.02%
Total	171	\$88,804	166	\$100,306	1003	\$961,197	1340	\$1,150,307	100.00%
% Total	12.76%	7.72%	12.39%	8.72%	74.85%	83.56%	100.00%	100.00%	

* Frostburg does not employ Contingent Category II employees

8

Rationale for Proposed USM Salary Structure Adjustments – Option 2

The current Nonexempt Salary Structure in effect for FY 2014 and FY 2015 will be adjusted by the 2% COLA January 1, 2015. This new practice, as of January 2014, will apply every time the Maryland General Assembly approves a COLA. This practice will assure that when there are future COLA's, salary structure adjustments will remain closer to market.

Option 2: Propose effective July 2015, adjust all Pay Ranges, 1 through 16 by 3%

Projected salary increases in relevant markets are estimated at 3% annually over years 2016 and 2017. This option will partially address market movement while remaining fiscally responsible. The Nonexempt Structure will be adjusted by 2% in January 2015 and with an additional 3% increase in July 1, 2015, the **overall structure increase will be 5%.**

Pay Range	Minimum	Midpoint	Maximum
1	\$ 23,386	\$ 24,778	\$ 26,169
2	\$ 23,597	\$ 27,762	\$ 31,926
3	\$ 24,698	\$ 29,686	\$ 34,673
4	\$ 25,872	\$ 31,745	\$ 37,617
5	\$ 27,156	\$ 33,944	\$ 40,732
6	\$ 29,038	\$ 36,298	\$ 43,557
7	\$ 29,886	\$ 38,814	\$ 47,741
8	\$ 31,958	\$ 41,504	\$ 51,050
9	\$ 33,508	\$ 44,381	\$ 55,254
10	\$ 35,831	\$ 47,458	\$ 59,085
11	\$ 38,314	\$ 50,748	\$ 63,181
12	\$ 40,970	\$ 54,265	\$ 67,560
13	\$ 43,810	\$ 58,027	\$ 72,243
14	\$ 46,847	\$ 62,050	\$ 77,252
15	\$ 50,095	\$ 66,351	\$ 82,607
16	\$ 53,567	\$ 70,950	\$ 88,333

9

Cost Impact by Institution – Option 2

Option 2: Effective July 2015, adjust all Pay Ranges, 1 through 16 by 3% (The Nonexempt Salary Structure will be adjusted by the 2% COLA January 1, 2015).

- Institutions' Data: July 25, 2014
- Projections: January 2015 COLA is included.

Total Cost: \$879,102 (1,318 affected employees)

Institution	Option 2								
	Regular		C2		C1		Total		Percentage of
	Count	Cost	Count	Cost	Count	Cost	Count	Cost	
BSU	1	\$160	0	\$0	1	\$912	2	\$1,072	0.12%
CSU	0	\$0	3	\$4,184	7	\$5,788	10	\$9,972	1.13%
FSU*	15	\$1,927	0	\$0	15	\$9,953	30	\$11,880	1.35%
SU	13	\$1,872	4	\$500	56	\$39,786	73	\$42,158	4.80%
TU	40	\$6,028	19	\$3,662	19	\$1,685	78	\$11,375	1.29%
UB	2	\$2,595	13	\$1,508	7	\$4,318	22	\$8,421	0.96%
UMB	12	\$14,226	13	\$8,626	140	\$87,024	165	\$109,877	12.50%
UMBC	11	\$1,559	1	\$141	14	\$2,038	26	\$3,739	0.43%
UMCES	0	\$0	0	\$0	7	\$544	7	\$544	0.06%
UMCP	61	\$7,960	61	\$7,591	634	\$559,635	756	\$575,186	65.43%
UMES	11	\$1,931	40	\$31,565	85	\$67,864	136	\$101,360	11.53%
UMUC	2	\$371	8	\$1,284	2	\$1,791	12	\$3,447	0.39%
USMO	0	\$0	0	\$0	1	\$73	1	\$73	0.01%
Total	168	\$38,629	162	\$59,062	988	\$781,411	1318	\$879,102	100.00%
% Total	12.75%	4.39%	12.29%	6.72%	74.96%	88.89%	100.00%	100.00%	

* Frostburg does not employ Contingent Category II employees

10

Recommendation - Adopt Option I:

The CCC and SHRC Members recommend a 4% adjustment to all Pay Ranges, 1 through 16, effective July 1, 2015 through June 30, 2017. (The Nonexempt Salary Structure will adjust by the 2% COLA January 1, 2015.) Overall adjustment over current structure will result in a 6% increase and will achieve the "Lead/Meet/Lag" philosophy.

Pay Range	Minimum	Midpoint	Maximum
1	\$ 23,613	\$ 25,018	\$ 26,423
2	\$ 23,826	\$ 28,031	\$ 32,236
3	\$ 24,938	\$ 29,974	\$ 35,010
4	\$ 26,123	\$ 32,053	\$ 37,982
5	\$ 27,420	\$ 34,274	\$ 41,128
6	\$ 29,320	\$ 36,650	\$ 43,980
7	\$ 30,177	\$ 39,191	\$ 48,204
8	\$ 32,268	\$ 41,907	\$ 51,546
9	\$ 33,833	\$ 44,812	\$ 55,791
10	\$ 36,178	\$ 47,919	\$ 59,659
11	\$ 38,686	\$ 51,241	\$ 63,795
12	\$ 41,368	\$ 54,792	\$ 68,216
13	\$ 44,235	\$ 58,590	\$ 72,945
14	\$ 47,302	\$ 62,652	\$ 78,002
15	\$ 50,581	\$ 66,995	\$ 83,409
16	\$ 54,087	\$ 71,639	\$ 89,190

Nonexempt Employees Impacted Systemwide: **1,340**
 Estimated Total Cost to Implement: **\$1,150,307**

11