OFFICE OF THE CHANCELLOR

TELEPHONE: 301.445.1901
FACSIMILE: 301.445.1931

3300 METZEROTT ROAD
ADELPHI, MD 20783-1690

TO: Presidents
FROM: William E. Kirwan
DATE: April 27, 2006
RE: Salary Guidelines for FY 2007 – Updated Memo

Introduction

The General Assembly has funded a cost-of-living adjustment (COLA) to be added to the base salary for State employees as follows: $900 for employees whose annualized base salary is less than $45,000; and, the lesser of 2% or $1,400 for employees whose annualized base salary is $45,000 and above (a break point of $70,000). For those employees working less than full-time, the COLA amount is to be prorated based on the % of FTE. The effective date of the COLA is July 1, 2006. The FY 2007 budget also includes funds for 2.5% merit increases on July 1, 2006. Additionally, the USM Board of Regents (BOR) approved the proposed revisions to the Exempt Staff salary structure at its February meeting. The new scale is attached.

Additional personnel changes enacted by the General Assembly this session include:

1. Increasing the minimum wage for jobs at State Agencies to $6.15/hr. This new rate adjustment applies to anyone employed at your institution currently being paid less than $6.15/hr.—General Assistants, Graduate Assistants, Lecturers, Student Workers, etc.
2. Increasing the minimum annualized salary for regular, non-contractual State employees to $20,364. The USM strongly endorses this change.

For the USM, the minimum salary level of Pay Ranges 1 through 3 of the Nonexempt Salary Structure currently falls below the State's new minimum salary level. <u>For those Regular Status Nonexempt employees earning an annualized salary of less than $20,364 — after the addition of COLA and/or Merit adjustments — the salaries will need to be increased to $20,364.</u> (Refer to sequence of salary adjustments on next page.) In the fall of 2006, as part of the Biennial Market Salary Survey, the salary structure will be reviewed in its entirety and adjusted, where necessary, according to the market. A copy of the Nonexempt Salary Structure is attached.

The following guidelines are intended to accommodate most circumstances that may be encountered as salary issues are considered during FY 2007. 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.

Please ensure that salaries for new employees do not create significant salary inequities when compared with salaries of current Faculty or Staff employees. It is important that your institution's working budget for FY 2007 be accurate with respect to salaries, positions (including percent of full-time and multiple fund sources), and incumbents. As a general practice, unfilled positions should be included in the working budget with sufficient funds to fully fund the vacancy.

Guidelines

These guidelines apply to all USM Faculty and Staff employees on *Regular* and *Contingent Status*, regardless of the fund sources available to an institution. Promotion and/or reclassification increases for Faculty and Staff and the schedule for Graduate Assistant stipends are not covered by these guidelines.

The sequence to calculate salary adjustments on July 1, 2006 is as follows:

Order	Item
First	Adjustments to the new minimum of revised Exempt Salary Structure effective July 1, 2006 as approved by Board of Regents
Second	COLA = $900 if annualized base salary is less than $45,000; the lesser of 2% or $1,400 if annualized base salary is $45,000 and above. Amounts are to be prorated based on % FTE for those staff employed less than 100%. COLA is given in full regardless of Pay Range maximum.
Third	Merit increases (shall <u>not</u> exceed maximum of Pay Range)
Fourth	Any increase for reclassification or promotion that may be effective on that same date (July 1, 2006)
Fifth	Adjustment upwards to $20,364 for any Regular Status Nonexempt employees below this amount after all above mentioned adjustments have been made.

For example, using a salary of $47,000 the FY 2007 salary is calculated as follows:

Current salary of $47,000 + 2% COLA ($940) = $47,940
Merit of 2.5% (assuming full amount) is calculated on this figure: $47,940 * 2.5% = $1,199
FY 2007 Salary: $47,940+$1,199 = $49,139

Example using a Regular Status Nonexempt employee salary of $18,500:

Current salary of $18,500 + $900 COLA = $19,400
Merit of 2.5% is calculated on this figure: $19,400 * 2.5% = $485
FY 2007 Salary: $19,400 + 485 = $19,885; adjust upwards to $20,364

Example using a less than 100% FTE salary – Employee working 50%, earning $35,500:

Current salary of $35,500 @50%FTE + $700 COLA (note prorated based on % of FTE) = $36,200
(if full-time, salary is $71,000 +$1,400 COLA=$72,400)
Merit of 2.5% is calculated on this figure: $36,200 * 2.5% = $905
FY 2007 Salary: $36,200 + $905 = $37,105

1. **<u>Salary Structures</u>**

   a. The revision to the *Exempt Staff Employees Salary Structure* was approved by the BOR effective July 1, 2006 and the structure will remain in effect through June 30, 2008. The biennial market salary survey was conducted in December 2005 and the results show that the USM's salary structure needed to be adjusted at this time in order to remain competitive with the market.

   b. The current *Salary Structure* for *Nonexempt Staff* employees remains in effect through June 30, 2007.

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** – The cost-of-living adjustment (COLA), as described in the first paragraph of this memorandum, is effective July 1, 2006. The COLA will be added to the base salary. In the USM, the COLA shall be given to all employees on *Regular Status*, consistent with their percentage of work, and who are on the payroll on June 30, 2006. The full amount of COLA is given regardless of the Pay Range maximum. *Contingent Status* employees may be given the COLA and their contract renewals may be written with this additional salary adjustment.

3. **Merit Increases** – All merit increases for Faculty and Staff on Regular Status are to be based on performance. Increases related to merit shall not cause salaries to exceed the maximum of the appropriate pay range.

   Note: Collective bargaining agreements approved by the Board take precedence over the language in this section.

   a. *Nonexempt Staff Employees*

      The FY 2007 budget includes merit increases for *Nonexempt Staff* employees—2.5% merit for those who receive an overall rating of "Meets Standards" on their performance evaluation. Such merit increases are to be distributed to individual employees in accordance with applicable USM policies.

      Based on availability of funds at the institution, up to an additional 2.5% total merit increase—in the form of a percentage or flat dollar amount—may be awarded for "Above Standards" and for "Outstanding" performance. A lower percentage or flat dollar amount may be awarded for "Above Standards" performance, and the remaining higher portion for "Outstanding" performance. The increase will be applied to the base salary and will take effect on July 1, 2006. (Refer to guideline #4 below for Non-cumulative Cash Bonuses.)

   b. *Exempt Staff Employees*

      The budget includes funds for a 2.5% average merit pool for *Exempt Staff* employees. Each institution is expected to target these monies for merit.

   c. *Faculty Employees*

      The budget includes funds for a 2.5% average merit pool for *Faculty* employees. Each institution is expected to target these monies for merit.

4. **Non-cumulative Cash Bonuses** – According to BOR Policy VII-9.20, Section X., A. and B., a bonus in the form of a lump sum, non-cumulative cash award (shall not be added to base), may be granted to a *Nonexempt Staff Regular Status* employee for achievement of a significant contribution to the institution. This policy may also be applied to *Exempt Staff* and *Faculty* employees.

5. **Salary Adjustments** – The total adjustment to an individual's salary in excess of 15% shall be reviewed by you. The term "total adjustment" includes COLA, merit, one-time bonus, equity, and/or retention. Written documentation should support your decisions for these adjustments. **Further, total adjustments in excess of 15% shall be reported as noted below under Required Reports**.

With the exception of reclassifications and promotions for all Staff employees, and the renewal of contracts for Contract Faculty and Staff employees, salary adjustments generally should not be made during the fiscal year.

6. **Contingent Staff Employees** – Salaries must be paid at least at the minimum of the appropriate pay range.

Required Reports

The following items should be submitted to Associate Vice Chancellor James E. Sansbury of the USM Office of Human Resources, no later than June 30, 2006:

1. Report of salary adjustments in excess of 15% that you have approved, with a brief explanation in support of your decision;
2. Report of the *Ratings of Nonexempt Performance Evaluations* (see attached format);
3. Letter of certification that the salary actions you have taken for FY 2007 are consistent with the guidelines established herein; and,
4. Updated list of institution key staff containing salary data for FY 2006 and FY 2007 (see attached format).

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

Enclosures

cc: Joseph F. Vivona, COO/VCAF
Provosts and Academic Vice Presidents
Vice Presidents for Administration
Vice Chancellors
Katie Ryan
James E. Sansbury
Linda K. Vukovich
Rosario I. van Daalen