MEMORANDUM

TO: USM Presidents
FROM: William E. Kirwan
Chancellor
DATE: May 26, 2011
RE: FY 2012 USM Compensation Guidelines

I. Introduction

We now have a sufficient picture of the options available for the University System of Maryland (USM) to compensate its faculty and staff in FY 2012 to provide guidelines for the coming year. While the current appropriations bill leaves us with limited tools to improve compensation, key positive elements of the coming fiscal year’s budget year are noteworthy:

- A $750 bonus will be paid to all Regular status Staff and Faculty employees.
- There will be no furloughs required in FY 2012.
- The USM will be able to provide salary increases necessary to retain faculty and operationally critical staff.

Unfortunately, any additional compensation in the form of cost-of-living adjustments (COLA) or merit increases is not permitted, and the prohibition on merit increases in the budget extends to FY 2014. The following mandatory guidelines take effect July 1, 2011 and continue through the fiscal year. They are intended to implement the State Budget requirements in most circumstances related to employee compensation that will arise in FY 2012. Each President may establish institutional guidelines consistent with these guidelines and related USM policies to ensure their consistent administration on your campus and to address compensation processes and issues specific to your institution.

II. Scope

A. Employee Categories. The guidelines apply to all USM Faculty and Staff employees in Regular or Contingent I or II status, regardless of the source of funding for the employee’s position. The only categories of compensated individuals exempted from the guidelines are graduate assistants, fellows, post-docs and student employees.
B. Types of Compensation Not Affected by the Guidelines. Except for certain reporting requirements explained in this memo, the restrictions and requirements of the guidelines do not apply to the following types of compensation:

1. Increases for promotion to a new position
2. Increases resulting from the reclassification of an employee’s position
3. Payments for additional duties, such as summer and winter term teaching, overload teaching, on-call or clinical coverage, and temporary service in an acting capacity
4. Summer compensation for 10-month faculty funded by sponsored sources or the institution
5. Awards, including Board of Regents awards for staff and faculty, and institution service and other awards.

III. Guidelines

A. Salary Structures.

1. Nonexempt and Exempt Salary Structures for FY 2012: The current salary structures for both Nonexempt and Exempt Staff employees remain in effect through the fiscal year. However, institutions will have some flexibility to address recruitment challenges where the misalignment between staff salaries and the market is serious through the provision of an FY 2012 bonus, as described in Section B of these guidelines.

2. Future Fiscal Years: The Exempt Salary Structure will be reviewed in the fall of 2011, and recommendations for any appropriate alterations to the structure will be presented to the Board of Regents for implementation in FY 2013. For the Nonexempt Salary Structure, this review process will take place next in the fall of 2012, with implementation of any changes to the structure in FY 2014.

3. Adjunct Faculty: As of September 1, 2011 adjunct faculty who meet the criteria for designation of Adjunct Faculty II under BOR Policy II-1.07 will be eligible for a per-course compensation increase that brings their compensation to at least 10% more than the minimum adjunct compensation paid by the institution.

4. Minimum Salaries: Salaries, including salaries for Contingent I and II Staff employees, must be paid at least at the minimum of the appropriate pay range in the relevant salary structure.
B. FY 2012 Bonus.

No cost-of-living adjustments (COLA) will be made this year. However, Regular Status faculty and staff will receive a one-time $750 bonus. This bonus will be paid to those employees on the payroll as of June 30, 2011 who continue to be employed by the USM at the beginning of FY 2012. The bonus will appear in employees’ paychecks covering the second pay period of FY 2012: the July 22 paycheck for the University of Maryland institutions, and the August 3 paycheck for the former Board of Trustees institutions.

1. Regular Status Employees: The bonus will be provided to all Regular status Staff and Faculty employees regardless of fund source. It shall be pro-rated for Regular part-time employees according to the percentage of time worked by the employee.

2. Contingent Status Staff and Contractual Faculty Employees: The State budget for FY 2012 does not include funds to provide a bonus to Contingent status Staff and many Contractual Faculty employees. Accordingly, institutions are not expected to provide a bonus to their Contingent status employees. However, an institution experiencing serious challenges due to the misalignment between its salaries and market demands may provide a bonus to appropriate Contingent status employees in FY 2012. The bonus may not exceed $750. Otherwise, the institution may set the bonus amount and applicable categories of Contingent employees to which it applies consistent with its specific labor market demands and available resources.

3. Processing of Bonus Payments: Further guidelines for the processing of bonus payments will be provided to each institution’s human resources office as soon as those instructions are finalized.

C. Retention Increases for Staff and Faculty Employees.

Once again, the USM will be able to provide Faculty retention increases and, this year, the General Assembly also allowed retention increases for “Operationally Critical Staff.” This option is intended for Faculty and Operationally Critical Staff 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 employee.

The USM’s ability to continue offering these limited salary increases was the result, in large measure, of the restraint exercised by our institutions in using this option in FY 2011. The judicious use of retention increases is equally important in FY 2012, especially as it is expanded to Operationally Critical Staff. Accordingly, this option should be administered as follows:

1. Faculty Retention Increases: To support a Faculty adjustment, the institution must have one of the following:
   - A written offer to the Faculty member from another institution; or
   - Written evidence, including e-mail or other correspondence, that the Faculty employee is being recruited seriously by another institution,
or a search firm for an institution, at a compensation level likely to exceed the Faculty employee’s current compensation; or

- Documentation that the department has experienced retention problems in recent years that likely will result in the loss of a valuable Faculty employee if a retention adjustment is not made; or

- Other strong evidence that the institution is at imminent risk of losing a Faculty employee in the absence of a retention adjustment.

2. Staff Retention Increases: To support an adjustment for a Staff employee, the institution must first demonstrate that the employee is “Operationally Critical Staff,” defined as a Staff employee who:

- Is in a position in which the institution has experienced retention problems in recent years; or

- Has specialized or unique skills or experience that could not be replicated by the recruitment of a new employee without: 1) increased compensation costs, or 2) significant disruption to critical operations of the unit in which the individual is employed; or

- Where the loss of the employee(s) would cause a loss of federal or other sponsored research funds from contracts and grants or seriously compromise the institution’s ability to compete for sponsored research contracts or grants.

In addition, the institution must have for the operationally critical employee:

- A written offer to the employee from another employer; or

- Written evidence, including e-mail or other correspondence, that the employee is being recruited seriously by another employer, or a search firm for an employer, at a compensation level likely to exceed the employee’s current compensation; or

- Other strong evidence that the institution is at imminent risk of losing an Operationally Critical Staff member in the absence of a retention adjustment.

3. Institution Plan. Each President is asked to provide, no later than June 15, the institution’s plan for administering retention increases for faculty and critically operational staff, including an actual count of the retention adjustments that the institution plans to implement at the beginning of FY 2012 (i.e., in the first or second pay periods of July 2011).

D. Variable Compensation Programs for Faculty.

Institutions with established Faculty incentive programs (e.g., Total Approved Salary) related to externally funded contracts, grants, and clinical services may increase compensation up to the previously established ceiling, as appropriate and governed by institutional policy and procedures. The incentive program ceiling for an individual cannot be increased. Additional State and auxiliary funds may not be used to fund additional compensation under this option. For employees
who are compensated with direct Veteran’s Administration (VA) payments, the Total Approved Salary may reflect adjustments made to the VA component as required by the VA.

E. Unauthorized Compensation Increases.

The following compensation increases are not permitted in FY 2012:

1. Merit Increases

2. Contract Renewals: Any salary increase related to the renewals of contracts for contractual faculty and Contingent Staff employees not otherwise authorized by these guidelines.

3. Non-Cumulative Cash Bonuses: Non-cumulative cash bonuses (described in BOR Policy VII09.20, Section X.A and B) other than those authorized by these guidelines.

4. Non-Salary Taxable Compensation: Increases in non-salary taxable compensation (e.g., house and car allowances, and deferred compensation contributions), unless authorized by the President and approved in advance by the Chancellor.

F. Other Salary Adjustments.

Other compensation adjustments generally should not be made during the fiscal year. When justified (e.g., a mid-year “acting” status change in pay; supplemental compensation for contractual employees for health coverage cost increases), salary adjustments may be made. Any such adjustments, except for those listed in Section II.B. of this memorandum, should be reported to the Chancellor within 30 days.

IV. Required Reports

The following reports are required once again this year. They should be submitted to Assistant Vice Chancellor JoAnn Goedert in the USM Office of Administration and Finance, no later than July 15, 2011:

A. President’s Affirmation Letter. Affirms that the salary and compensation actions taken for FY 2012 are consistent with the guidelines established herein, with the President’s signature. (See attached letter template).

B. Report on Faculty and Operationally Critical Staff Retention. Provides itemized detail of Faculty and Staff employee retention compensation adjustments that you have approved, including a brief explanation in support of each decision. We anticipate that the General Assembly will once again require a report summarizing the numbers and amounts of the USM’s retention increases at the start of the 2012 legislative session.
C. **Updated List of Institution Key Staff Employees.** Includes, 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 2011 and FY 2012 (see attached format); and,


In addition, please provide the following to me by June 15, 2011: 1) for any institution that elects to provide bonuses to Contingent status Staff employees and contractual Faculty, the institution’s plan for administering the bonus to those employees; and 2) the institution’s plan for administering retention increases for faculty and critically operational staff, as described in Section III.C. Finally, all salary increases included within the scope of these guidelines that are approved after the start of the fiscal year must be reported on an ongoing basis throughout FY 2012, within 30 days of date for which the increase is authorized.

If you have any questions regarding these guidelines and reporting requirements, please contact JoAnn Goedert at (301) 445-1921 or via email at jgoedert@usmd.edu. Thank you very much.

Attachments

cc: Joseph F. Vivona, COO/VCAF JoAnn Goedert
    Vice Chancellors Rosario I. van Daalen
    Vice Presidents for Administration Lorri McMann
    Provosts and Academic Vice Presidents Monica West
    Janice Doyle