



OFFICE OF THE CHANCELLOR

MEMORANDUM

TO: USM Presidents
FROM: Robert L. Caret, Chancellor *Robert L. Caret*
DATE: April 25, 2016
RE: FY 2017 USM Compensation Guidelines

1807
University of Maryland,
Baltimore

1856
University of Maryland,
College Park

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Bowie State University

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Towson University

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University of Maryland
Eastern Shore

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Frostburg State University

1900
Coppin State University

1925
Salisbury University

1925
University of Baltimore

1925
University of Maryland
Center for Environmental
Science

1947
University of Maryland
University College

1966
University of Maryland,
Baltimore County

I. Introduction

With the completion of the General Assembly's 2016 Session, we are now able to provide guidelines for the compensation of faculty and staff of the University System of Maryland (USM) in Fiscal Year 2017.

The General Assembly has announced that a 2.5% merit pool will be funded. Unfortunately, a Cost of Living increase is not part of the plan.

In addition, the General Assembly has placed no restrictions on the ability of institutions to provide for retention, equity and other necessary increases to faculty and staff during the coming fiscal year. While we will continue to ask for reporting on increases, I am pleased to say that the detailed retention increase approval processes of the last few years are no longer required. We believe that the flexibility afforded to us by the General Assembly in the coming fiscal year is in large part the result of the good judgment and restraint that you demonstrated in administering retention increases over the last few years. It is important that we remain similarly judicious in providing discretionary increases in FY 2017.

The following mandatory guidelines take effect July 1, 2016 and continue through the fiscal year. They are intended to implement the State Budget requirements related to employee compensation that will arise in FY 2017. Each President may establish institutional guidelines consistent with this document and related USM policies to ensure their appropriate administration on your campus and to address compensation processes, issues or collective bargaining requirements specific to your institution.

II. Scope

These 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 these guidelines are adjunct faculty, graduate assistants, fellows, post-docs and student employees. Nonetheless, each institution is encouraged to consider appropriate increases in the compensation and/or stipends of these groups of employees and students.

III. Guidelines

A. Merit Increases

The General Assembly has approved merit increase funding for FY 2017, with an implementation date of July 1, 2016. FY 2017 merit increases will be based on the employee's past performance during an evaluation period ending no later than the end of FY 2016. Employees who consistently meet the standards of performance for their positions shall qualify for a merit increase. Each institution will be responsible for developing and administering the performance evaluation process upon which the merit increases will be based and to notify employees of resulting increases.

1. **Nonexempt Staff:** Consistent with USM Policy VII-9.20, Nonexempt staff who are given an evaluation ranking of "Meets Standards" or better shall receive a merit increase of 2.5%. Based upon the availability of institution funds, an institution may also award an amount up to an additional 2.5% as a merit increase for Nonexempt staff whose performance is above standards and/or outstanding. Institutions with Nonexempt, union-represented bargaining units should be sure to notify the unit's exclusive representative of any plans to provide this form of additional merit, consistent with the institution's collective bargaining agreement.
2. **Exempt Staff and Faculty:** Merit increases for employees shall reflect their performance, consistent with the institution's performance evaluation plan and standards and any relevant collective bargaining agreement requirements. The FY 2017 budget includes funding for a 2.5% average merit pool for Exempt Staff and Faculty employees.
3. **Contingent Staff and Contractual Faculty:** Institutions may elect to provide a merit increase to Contractual Faculty and Contingent Staff employees as a matter of discretion.

According to USM policy, Nonexempt and Exempt Staff employees are eligible to receive a merit increase up to the maximum of their respective pay ranges. In FY 2017, institutions may continue to provide the applicable merit increase above the maximum of an employee's range in the form of a one-time payment that is not added to the employee's base salary.

B. Salary Structures

1. Exempt Staff Salary Structure: The current Structure will remain in place as of July 1. The Structure may be adjusted following the announcement of new Fair Labor Standards Act regulations, which is expected later this year. (See Section IV below.) If there is no change to the FLSA regulations by the end of the calendar year, an adjustment to the Structure may occur based on the results of the recent market study/review, and in accordance with our usual approval process.
2. Nonexempt Staff Salary Structure: The Structure implemented in July 1, 2015 will remain in effect through June 30, 2017.

C. FY 2017 Cost of Living Adjustment

No Cost of Living Adjustments were authorized by the General Assembly.

D. Minimum Wage

Under the Maryland Minimum Wage Act passed by the General Assembly two years ago, the minimum wage for all Maryland workers will increase to \$8.75 per hour as of July 1, 2016. This new minimum wage will apply to all USM employees, including student employees and general assistants, as of that date.

E. Other Compensation Increases

1. Non-Cumulative Cash Bonuses: An institution may award a lump sum non-cumulative cash award to a regular employee for an extraordinary contribution which substantially benefits the USM institution. The bonus may not be added to the employee's base salary, and is distinct from any merit increase provided under Section III.A of these Guidelines. Such bonuses shall be reported to the Chancellor (see Section V of these Guidelines). Funds made available for bonuses should NOT exceed 0.50 - 1.0% of the institution's merit pool.
2. Non-Salary Taxable Compensation: Any increases in non-salary taxable compensation (e.g., housing and car allowances, and deferred compensation contributions) must be authorized by the President and approved in advance by the Chancellor.

IV. *Fair Labor Standards Act*

On July 1, 2015, the federal Department of Labor issued proposed regulations to significantly increase the "Salary Threshold for Exemption," which is the minimum salary level at which an employee may be deemed exempt from overtime compensation. The proposed threshold for exemption is \$50,440. Final regulations are expected in the coming months and, once they are announced, it may be necessary to change the status of some employees from exempt to nonexempt and to adjust salaries of others (no faculty or staff member shall have a reduction in

salary). USM and institution staff are working diligently to prepare for the expeditious implementation of the new regulations in a manner that best protects the interests of affected employees and the institutions. At this time, State officials have made no announcement about provisions for funding these changes.

V. *Required Reports*

The following reports are required in FY 2017 and should be sent to HR Officer Tom Hoffacker in the USM Office, no later than Friday, July 15, 2016, unless otherwise stated.

- A. President's Affirmation Letter. Affirms that the salary and compensation actions taken for FY 2017 are consistent with the guidelines established herein, with the President's signature.
- B. Periodic Report of Significant Salary Adjustments. Provides itemized detail of significant Faculty and Staff employee salary adjustments, to include:
 1. Merit increases of over 10%;
 2. Other salary adjustments for Exempt Status Staff and Faculty members that result in a cumulative compensation increase over 10% or more during/over the course of FY 2017; and
 3. Non-Cumulative Cash Bonuses paid in FY 2017.
 - Any institutional plans for awarding bonuses shall be provided by July 15.
 - Bonuses to an individual in excess of 10% shall be submitted to the Chancellor in advance for review and approval.
 - All bonuses paid in FY 2017 shall be reported to the USM HR Office.

For FY 2017, Periodic Reports of Significant Salary Adjustments will be required on:

- December 15, 2016: For increases effective from July 1 to November 30, 2016.
- July 17, 2017: For increases effective from December 1, 2016 to June 30, 2017.

- 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 Review of Certain Contracts and Employment Agreements, containing compensation data for FY 2016 and FY 2017.

Suggested reporting formats for each of these reports, an affirmation letter template, and other guidance will be provided by Friday, May 6. If you have any questions regarding these guidelines and reporting requirements, please contact Tom Hoffacker at (301) 445-1967 or via email at thoffacker@usmd.edu. Thank you very much.

cc: Joseph F. Vivona, COO/VCAF
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Vice Presidents for Administration
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Janice Doyle

JoAnn Goedert
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