



The University of North Carolina

GENERAL ADMINISTRATION

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Constituent Universities
Appalachian State
University

East Carolina
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Elizabeth City
State University

Fayetteville State
University

North Carolina
Agricultural and
Technical State
University

North Carolina
Central University

North Carolina
State University
at Raleigh

University of
North Carolina
at Asheville

University of
North Carolina
at Chapel Hill

University of
North Carolina
at Charlotte

University of
North Carolina
at Greensboro

University of
North Carolina
at Pembroke

University of
North Carolina
at Wilmington

University of
North Carolina
School of the Arts

Western Carolina
University

Winston-Salem
State University


Constituent High School
North Carolina
School of Science
and Mathematics

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MEMORANDUM

DATE: August 26, 2009

TO: Chancellors

FROM: Alan Mabe 

RE: 2009-2010 Salary Protocols for Faculty and Non-Faculty EPA Salary Increases

CC: Chief Academic Officers; Chief Financial Officers

On behalf of President Erskine Bowles, I am forwarding instructions to guide adjustments to faculty salaries, where appropriate, for 2009-2010.

Background for Salary Adjustments for 2009-10

In response to the Board of Governors' priorities to Increase Efforts to Recruit & Retain High-Quality Faculty, the General Assembly did not appropriate any salary increase funds for EPA Merit-based Increases of 2% for faculty and EPA non-faculty. Similarly, no funds were appropriated in response to the Board's request for funding to move the average faculty salary at each campus closer to the 80th percentile of its peer institutions, and no additional funds were appropriated for the Distinguished Professors Endowment Trust Fund to provide for the state matching requirement.

By special provision, the General Assembly directed that the salaries of public employees, including employees of the University of North Carolina, in effect June 30, 2009, or the last day in pay status during the 2008-09 fiscal year if earlier, remain in effect for the 2009-2010 and 2010-2011 fiscal years, except as provided in the provision. The provision Section 26.1A.(a) is attached as *Appendix A*.

Basis for Salary Adjustments for 2009-10

This is an unusual year since we have no appropriated funds for a general salary increase for EPA employees. In fact, the approach of the General Assembly is to prohibit salary increases with some exceptions. There are to be no salary increases between July 1, 2009 and June 30, 2010 unless they fit under one of the categories of exception established by the General Assembly.

The following are the areas of exception from the general prohibition on salary increases:

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- A faculty member who is promoted and/or awarded tenure through the campus promotion and tenure process.
- An employee who changes jobs and has different duties.
- An employee who has an increase of job duties or responsibilities.
- A person appointed to a Distinguished Professorship in accord with statutory and campus processes.
- A tenured faculty member who receives an increase from the President's Recruitment and Retention Fund as part of a counter-offer to retain them on the faculty. If the retention amount has a campus component the campus funds must come from a non-state source.
- A campus-based counter-offer to an offer from another university or external entity may be provided so long as all the campus-based funds in the counter offer are from a non-state source. All the campus-based funds in a retention counter-offer must come from non-state funding sources.

With the exception of funding from the President's Recruitment and Retention Fund, all funds for salary increases would have to be based on available campus resources.

Fixed term faculty employees for whom a reappointment will need to be made in 2009-10 may be reappointed, consistent with any operable Office of State Budget and Management memoranda; however, if they are reappointed to do the same job they previously held then there should be no increase in salary.

Non-state funded position such as those based on contracts and grants or endowment funds.

UNC practice has been to parallel salary increases for positions funded from non-state resources with those authorized by the General Assembly for state employees. Since there are no state-funded salary increases, then there are to be no salary increases for employees funded from non-state funds, except in the categories authorized by the General Assembly. (A promotion in the research area from, for example, an Assistant Research position to an Associate Research position as part of an organized system for progression would parallel promotions for state-funded positions.) In summary, salary adjustments for EPA employees based on non-state funds should parallel the requirements for state-funded employees, so the only acceptable adjustments are those based on the same exceptions as those for state-funded positions.

Additional Considerations and Guidance

It will be very important to be exceedingly careful in providing salary increases for 2009-10. Given the dire economic situation in the state and the country our practices will be under scrutiny and every increase will need to be justified explicitly in terms of the categories of exceptions. While the categories of exemptions provide legislative

authorization for salary adjustments in specific categories, we need to be careful not to stretch beyond what is authorized.

The Office of State Budget and Management issued a memorandum on August 14, 2009 that said in part, "*However, OSBM strongly encourages your agency to continue holding positions vacant where appropriate; limiting the issuance of purchase orders for goods and services (only minimum inventories should be maintained); and restricting travel and compensation adjustments (promotions, reclassifications, etc.) to the maximum extent possible. All travel and compensation adjustments must be preapproved by the agency head.*" For General Administration and affiliated entities the President is the agency head and for campuses the President is designating the chancellor as agency head for this purpose.

Past grounds for salary increases such as meritorious performance, market conditions, and equity adjustments are not specifically identified as grounds for exception to the ban on salary increases, so they are not acceptable grounds for salary increases for 2009-10. The General Assembly's exceptions for salary adjustments could be understood to be based on meritorious performance but there will be many other examples of meritorious performance by faculty that cannot be rewarded by salary increases for fiscal year 2009-2010.

Section 26.1A does not apply to practice plans. Faculty who participate in medical, dental, or similar organized practice plans may have a salary adjustment based on the income associated with the practice plan. Such plans typically involve both increases and decreases in the salary adjustments from year to year based on the practice plan's results.

It is not uncommon for adjustments to be made to reflect changes in cost of living. It is clear that cost of living is not a legislatively approved exception to the ban on salary increases for 2009-10.

This policy applies to the current fiscal year so any increases from July 1, 2009 forward are covered by the legislation. Only adjustments that can be justified in terms of one or more of the exceptions to the ban on salary increase are allowable. **Any salary adjustments that may have been made on or after July 1, 2009 should be reviewed for consistency with the legislation.**

This memorandum and the accompanying "*Salary Protocols for Faculty and Non-Faculty EPA Salary Increases 2009-2010*" provide specific information on salary ranges for administrative officers.

Pursuant to a delegation of authority granted to the President by the Board of Governors on November 13, 2006, President Bowles approved the administrative salary ranges for 2009-2010 on August 25, 2009. Pursuant to the schedule on page 6, campuses will forward information to my office consistent with the existing policy.

Campuses without Management Flexibility to Appoint and Fix Compensation must submit the following information according to the Salary Planning and Approval Calendar 2009-2010 (see page 6) to guide this year's salary allocation process:

1. Salaries, if any adjustments are proposed, need to be submitted for approval for those administrators for whom salary ranges have been established by the Board of Governors, listed under Section II.B. of the attached "*Salary Protocols for Faculty and Non-Faculty EPA Salary Increases 2009-2010*", as well as other similarly-situated administrators. (*Attachment A* of the Salary Protocols.)
2. For those campuses that have been granted Management Flexibility to Appoint and Fix Compensation, only the following information will need to be submitted:
 - a) Salaries, if adjustments are proposed, that are recommended to be increased \$10,000 or more AND 15% or more or exceed the established salary range, along with accompanying justification.
 - b) Updates to salary ranges established by the Board of Trustees that have occurred since management flexibility was granted.
 - c) *Attachment A* of the "*Salary Protocols for Faculty and Non-Faculty EPA Salary Increases 2009-2010*", listing salary increases approved by the Board of Trustees for Senior Academic and Administrative Officers, for information purposes only, by September 30, 2009.

Principles for Salary Adjustments

Campuses should assist the faculty in understanding the legislative requirements for salary adjustment for 2009-10.

Those campuses with funds available from grants or endowment funds may choose to make permanent or temporary adjustments that are consistent with the legislative limitation outlined above based on Sect. 26.1A, endowment fund documents, and funding agency requirements.

- 1) Consistent with the limitations and exceptions described in this memorandum, faculty and administrative salaries may be increased permanently or temporarily with endowment funds if the use of such funds is consistent with the fund document or if the increase comes from non-restricted funds. Permanent increases to the base salary must be treated as all other salary increases for reporting purposes. If the funds will be temporary, the employee must receive, in writing, the terms of the salary increase.
- 2) Consistent with the limitation and exceptions described described in this memorandum, faculty salaries may include grant funds for a portion of the annual salary; however, such use of funds must be consistent with the funding

agency policy and the faculty member must receive, in writing, the terms of the salary increase.

The attached "*Salary Protocols for Faculty and Non-Faculty EPA Salary Increases 2009-2010*" governs salary decisions for the current year. The *Salary Planning and Approval Calendar* is enclosed, which provides reporting deadlines for your required reports.

Campus salary studies that address issues such as salary inversion, compression, depression, and equity, while always relevant to understanding the salary issues on each campus, are relevant for 2009-10 only as they inform the decision to make adjustment based on the limited categories of exception approved by the General Assembly.

There will be no funds provided by the General Assembly for salary increases, so any increases even in the excepted categories will be based on available campus resources. The one exception is the President's Recruitment and Retention Fund which is used to help recruit or retain outstanding faculty.

While the General Assembly accepted the campus-based tuition increases approved by the Board of Governors for 2009-10, the request from the Board was to use the funds for financial aid and other critical needs. While President Bowles had hoped that campuses could use campus-based tuition increases to address retention under critical needs, we have received a ruling from the Office of Budget and Management that tuition revenues cannot be used for retention counter-offers.

Both James Smith (jassmith@northcarolina.edu) and I (mabe@northcarolina.edu) are available to answer technical questions about the salary process.

AM/la
Attachments

Salary Planning and Approval Calendar 2009-2010

- August 25, 2009 President approves 2009-10 Salary Protocols and administrative salary ranges.
- August 26, 2009 Salary Protocols to campuses.
- September 4, 2009 Campuses, if salary adjustments are proposed, to submit recommendations for “Recommended Salary Increases for Senior Academic and Administrative Officers – 2009-2010” for those campuses **without** management flexibility to appoint and fix compensation (*see Attachment A of Salary Protocols for Faculty and Non-Faculty Salary Increases, Part III. 2.*)
- September 4, 2009 Campuses, if salary adjustments are proposed, to submit requests for **all** increases of 15% or more AND \$10,000 or more over the 2008-09 salary, including salaries for senior academic and administrative officers, to the Senior Vice President for Academic Affairs (*see Personnel Action Form 100 attached to Salary Protocols for Faculty and Non-Faculty Salary Increases, Part III.3.*)
- September 18, 2009 Campuses with schools of medicine submit information copy of annual summary of salary **reductions** for faculty members in clinical departments of schools of medicine. (*See Salary Protocols for Faculty and Non-Faculty Salary Increases, Part III – 4.*) No form is prescribed.
- September 18, 2009 President authorizes all institutions to include applicable salary increases for 2009-10 in September EPA payrolls.
- September 30, 2009 Monthly payroll - salary increases included in September payroll.

PUBLIC EMPLOYEE SALARIES

“SECTION 26.1A.(a) The salaries of those officers and employees, whose salaries for the 2008-2009 fiscal year were set or increased in Sections 26.1, 26.2, 26.3, 26.4, 26.5, 26.6, 26.7, 26.8, 26.9, 26.10, 26.11, 26.11A, 26.12, 26.12D, 26.13, 26.14, 26.18, and 26.19 of Session Law 2008-107, and in effect on June 30, 2009, or the last date in pay status during the 2008-2009 fiscal year if earlier, shall remain in effect and shall not increase for the 2009-2010 and 2010-2011 fiscal years, except:

- (1) As provided for by Section 29.20A of S.L. 2005-276.
- (2) For Community College faculty as otherwise provided in Section 8.1 of this act.
- (3) For University of North Carolina faculty as otherwise provided by the Faculty Recruiting and Retention ~~Fund or Fund~~, the Distinguished Professors Endowment ~~Fund~~ ~~Fund~~ or retention adjustments funded from available non-State funding sources.
- (4) Salaries may be increased for reallocations or promotions, in-range adjustments for job change, career progression adjustments for demonstrated competencies, or any other adjustment related to an increase in job duties or responsibilities, none of which are subject to the salary freeze otherwise provided by this subsection. All other salary increases are prohibited.”