UNIVERSITY OF ALASKA FAIRBANKS

Office of Grants & Contracts Administration

Market Salary Adjustments on Sponsored Projects

Background:

The purpose of this guidance is to establish basic principles for enabling compensation of Principal Investigators and others working on, participating in, or contributing to Sponsored Projects to be treated as allowable direct costs, as defined by current federal law, regulations, and policies. Compensation of individuals from sponsored funding, without regard to the origin of the funding, must be consistent with the conditions prescribed by federal law, regulations, and policies, the terms of the Award, relevant Sponsor guidelines, and the approved Award budget. It is important to ensure consistency across all funding sources.

Process:

<u>New proposals</u>

All new proposals will be calculated at the new salary rate established by the University. The increase for year 1 should be the same for years 2 and three. In addition, Principal Investigators proposing market increases must provide the official documentation reflecting the market increase. Each campus Vice Chancellor for Administrative Services will be providing a list of affected employees.

Current Awards:

- Does the award have the capacity to rebudget with the sponsor for the salary adjustment?
    - Impact: Salary, fringe benefits, and F&A

- Does the award have the ability to request supplemental funding from sponsors?
    - Impact: Not all sponsors have additional for supplements, this is unlikely based on today's funding environment.

If the answer is **"No"** to the *Current Awards* options, we recommend the following:

- The new rate is charged to the award and the labor be allowed to overrun. This overrun will ensure that effort is accurately accounted for on the project. At the close of the project, the associated research administrator and the principal investigator will prepare a request delineating the amount of overrun associated with the market adjustment and request authorization to charge the central pool of funding. When approved by spending authority for the central pool of funding, the department will include this approval on a JV to move these overrun costs.

- Designated Account for Salary Market Adjustment:

- A recommendation would be to establish a designated account with a defined period of time. Each campus will set up match account. The redistribution of the salary market adjustments will be put into this account and a separate/new account code will be used for covering the overruns on restricted salaries. An important note, only overruns related to salary, fringe benefits, and F&A will be allowed on the designated account. It is the responsibility of the departments/units to fund the designated account. Department/unit administrators will need to ensure a compatible org code with the overrun.
    - The separate/new account code will ensure salary overruns can be tracked and documented appropriately.

Definitions:

<u>Award</u>

A Grant, subgrant, Contract, subcontract or Cooperative Agreement that provides for funding.

<u>Compensation</u>

Compensation includes Salary and fringe benefits.

<u>Cost Sharing</u>

Is the portion of the costs of a sponsored project not borne by the Sponsor. Cost Sharing may be in the form of direct costs (personnel or non-personnel) or F&A costs subject to a Sponsor's restrictions. Cost Sharing may be In-Kind, Matching, Mandatory Cost Sharing, Voluntary Committed Cost Sharing, Committed Cost Sharing, or Voluntary Uncommitted Cost Sharing. These costs are borne by the University or other third parties (including non-federal third parties in the case of a federal Award), rather than by the Sponsor.

<u>Effort</u>

Time spent on sponsored projects and all other activities for which an individual is compensated by the University. Expressed as a percentage of the individual's total University effort.

<u>Effort Certification</u>

Effort certification is the certified affirmation by the individual completing each Effort Certification Statement (ECS) that the percentages of effort reported on the form are accurate and reasonably reflect their professional activity during the reporting period.

<u>Funding</u>

Financial support for a sponsored project, including money, property, services, or anything of value in lieu of money.

<u>Institutional Base Salary (IBS)</u>

IBS is the annual compensation paid by the University for an employee's appointment, whether that individual's time is spent on research, teaching, administration, or other activities. The IBS does not include bonuses, one-time payments or incentive pay.

All employees should receive an official letter or other similar notification that includes their IBS. Employees receiving an adjustment in salary due to an annual increase, market salary adjustment or promotion should receive a letter or other similar notification documenting their new IBS and the effective date of the change in IBS. All promotions that provide an increase in IBS should also be done in writing.

In some cases, sponsors (ex. NIH, DOJ) impose limitations on the amount of Institutional Base Salary (IBS) that may be used as the basis for charging salary to their projects.

Proposal

The document submitted to a Sponsor requesting funding for a sponsored project which includes, without limitation,
(i) Financial Obligations, Regulatory Obligations, Reporting Obligations or Accounting Obligations, as described under "Sponsored Projects", (ii) a Statement of Work and (iii) a budget.

Soft Funding/Money Appointment

A faculty/staff position for which the compensation is derived from and dependent upon funding from sponsored projects.

Sponsor

Any external entity that provides funding to the University. Sponsors may be (i) governmental agencies (for example, federal, state or local governments or their administrative organizations); (ii) nonprofit organizations (for example, universities, nonprofit corporations, foundations or associations); (iii) for profit organizations (for example, corporations, partnerships, sole proprietorships and other business entities); or (iv) individuals.

Sponsored Projects

All projects, programs, research, training, public service, and other activities that receive external Funding through Grants to the University or through Contracts or Cooperative Agreements between the University and a Sponsor, where one or more of the following obligations applies:

a. Financial Obligation. The University is required to comply with conditions imposed when a Sponsor awards Funding for the performance of services or delivery of products described in a Statement of Work;
b. Regulatory Obligation. The University is required to comply with Sponsor regulations.
c. Reporting Obligation. The University is required to provide to the Sponsor technical performance reports or regulatory or administrative reports; or
d. Accounting Obligation. The University is required to establish a separate accounting record of Sponsored Project expenditures to demonstrate allowability of costs, to maintain financial accountability, to make

financial reports to the Sponsor, and to preserve appropriate records for audit.

Impact/Other Consideration:

- Effort Certification Statement (ECS) Process (Trimester):
  - The ECS is derived from Banner in which salary and effort are documented. The effort is expressed as a percentage of an employee's wages and must agree with the ECS.

Dear UA Colleagues,

I would first like to introduce myself. I'm Steve Patin, your Chief Human Resources Officer. I have had the great pleasure to meet many of you in the past several weeks and have appreciated your welcoming spirit and your willingness to share perspectives on how your human resources team can better meet your needs. We are committed to doing so.

I know you're most interested in learning more about the market study and ongoing compensation adjustment. The salary adjustment was initiated to **quantify and remedy salary disparity of our faculty and staff** as compared to others in similar roles at like institutions. It started more than a year ago, and while budgetary conditions have significantly changed **we remain committed to following through on this important endeavor**. Our faculty and staff deserve adequate compensation for their contributions and UA must offer **competitive total compensation packages** to attract talented professionals in the future.

The review and adjustment process has been complex. Factors contributing to its complexity include:

- Scores of unique circumstances among individuals and groups.
- Errors in data - human and automation-based.
- Elements of subjectivity in the evaluation of positions.
- Conformity to existing labor agreements in both word and spirit.
- Budget turmoil.
- Private vs. public funding considerations.
- Concurrent transformation of the HR organization to a shared service model.

This was UA's first market study and compensation adjustment in recent years. We worked diligently to plan and execute and have been successful in adjusting many salaries appropriately. We have also had errors and missteps that we are working hard to correct now and not make in the future. We are moving as quickly as we can. While many aspects need improvement, much of it has gone well and has accomplished what we intended.

You've asked many great questions. I want to share some of those here as well as the answers. I hope this helps enhance your understanding and reinforces the transparency with which we are moving through this process. We will continue to keep you updated as the process continues and more questions and issues arise.

Your questions and comments are always welcome, so please feel free to send them to ua-hr@alaska.edu and the team and I will do our best to answer them promptly.

Your Recent Questions:

Question: Why is our objective to achieve only 90% of our comparable market levels? What does that say about how we value our people?

Answer: Because we do value our employees, the objective of the adjustment was to bring them up to a competitive salary structure. Our research tells us that a competitive salary structure in higher education is +/- 10% of the market median. By achieving 90% of the market median, we ensure consistency and equity while remaining competitive. It also comes down to what we can afford. It is well documented that we have a $25 million budget shortfall to overcome this year with more in the future.

Question: Given our current budgetary constraints and future challenges, did we plan to lay people off to pay for this adjustment?

Answer: Staff reduction was never the intended mechanism to fund the adjustment. Funding the adjustment was a line item in the fiscal year 2020 budget approved by the Board of Regents. After beginning the market study and committing to correct our salary structure, we received word of the substantial cut from the legislature. So, in the end, yes, jobs will be eliminated to fund many of our priorities to include the compensation adjustment.

Question: Given our fiscal challenges, is this a wise thing to do at this time?

Answer: Yes. We simply cannot be successful in our mission without maintaining a quality workforce. It is very difficult to maintain a quality workforce without a competitive total compensation package-- the competition for talented professionals is substantial. Unless we act now, our talent will eventually erode and it will be even harder to get caught up.

Question: We have heard there have been errors in some of the individual adjustments. What are the sources of the errors? How frequent are they? What are we doing about them? What should we do if we suspect there has been an error?

Answer: There were errors in administering the adjustment. Some errors were the byproduct of data in our databases, some were missteps in planning and execution. In a project of this magnitude, with the complexities stated above, we anticipated there would be errors. Indeed there have been. Even with best practices, an organization our size should expect as much as 20% initial defects. We are currently addressing these errors one by one as we learn of them. If you suspect there is an error, please contact your supervisor and ua-hr@alaska.edu or 907-450-8200.

Question: As a supervisor, how do I justify similar salary adjustments for my highest performing employees and others who are not as strong? For long-tenured employees vs. short? For highly qualified and certified vs less so?

Answer: The market study considered market placement independent of individual performance and competency. Leaders always have the discretion to submit a merit request such as an in-grade adjustment or bonus to recognize an employee for performance excellence. In consultation with stakeholders, we will be looking at ways to consider these factors in the future.

Question: As a supervisor, why wasn't I provided the salary data first so I could correct mistakes?

Answer: In hindsight, more time should have been afforded for leaders and supervisors to review the employee job information and calculations. Also useful would have been a very clear description of how adjustments were calculated so that leaders could easily audit them and corrections could be made before they were delivered to employees.

Question: As a supervisor, wouldn't it have been better to be the one who made the notification of the salary adjustments to my team members?

Answer: There is great value in these messages coming directly from a person's supervisor. Well informed supervisors could have clarified many policy and procedure elements with employees and helped to reduce confusion. Additionally, we might have caught some errors before employees were notified. This is certainly an area to adjust going forward.

Question: I'm close to retirement and will likely be gone before the complete adjustment is made over the next three years. Can I receive the entire salary adjustment if I retire before then? Why can't I get the whole increase in one year?

Answer: We cannot accommodate the whole increase for employees close to retirement. Such a practice would be cost prohibitive and, more importantly, discriminatory treatment based on age.

Question: What salary level do I apply to new employees? Do I place them in the same grade and step as an existing employee in the same position after this market adjustment?

Answer: Perhaps, but not necessarily. There are many factors to consider when you hire a new employee such as experience in the particular field, education, etc. Additionally, you would review the peer employees within your department. This requires discretion and judgment by the hiring manager and should always consider the current budget environment. If assistance is needed please contact ua-talentacquisition@alaska.edu .

Very Respectfully,

Steve Patin

University of Alaska
Chief Human Resources Officer (CHRO)

Please contact uaf-ogca@alaska.edu with questions or visit our website www.uaf.edu/ogca.