STUDY OF THE

MERIT PAY PROGRAM OF THE

UNIVERSITY OF NEVADA SYSTEM

Bulletin No. 91-15

LEGISLATIVE COMMISSION

OF THE

LEGISLATIVE COUNSEL BUREAU

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Legislative Commission
of the
Legislative Counsel Bureau
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Senate Concurrent Resolution No. 61—Committee on Finance

FILE NUMBER.199..

SENATE CONCURRENT RESOLUTION—Requiring an interim study of the merit pay program of the University of Nevada System.

WHEREAS, The merit pay program of the University of Nevada System was intended to recognize and reward certain personnel of the University of Nevada System for their outstanding achievements; and

WHEREAS, For the past several years the purpose and implementation of the program have been subjects of diverse interpretations and controversy; and

WHEREAS, The continuing controversy concerning the program may undermine the legislature's commitment to improving the quality of higher education in this state; now, therefore, be it

RESOLVED BY THE SENATE OF THE STATE OF NEVADA, THE ASSEMBLY CONCURRING, That the committee to study the merit pay program of the University of Nevada System is hereby created; and be it further

RESOLVED, The committee consists of:

1. The chairman of the Interim Finance Committee who shall serve as chairman of the committee;
2. The vice chairman of the Interim Finance Committee who shall serve as vice chairman of the committee;
3. Two members of the Senate Committee on Finance appointed by the Majority Leader of the Senate;
4. Two members of the Senate Committee on Human Resources and Facilities appointed by the Majority Leader of the Senate;
5. Two members of the Assembly Committee on Ways and Means appointed by the Speaker of the Assembly; and
6. Two members of the Assembly Committee on Education appointed by the Speaker of the Assembly;

and be it further

RESOLVED, That the study include, but not be limited to:

1. An examination of the creation and implementation of the existing merit pay program of the University of Nevada System;
2. An examination of the criteria used for determining the amount and recipients of the merit pay increases;
3. An examination of the method of applying the program within the community colleges;
4. An examination of the feasibility of using salary increases, longevity pay or other adjustments to supplement or replace the program;
5. An examination to determine whether the program should be limited to teaching personnel or whether it should continue to include the administrators of the University of Nevada System; and
6. An examination of the merit pay or other salary enhancement programs at other colleges and universities;

and be it further

RESOLVED, That the Director of the Legislative Counsel Bureau is hereby directed to provide the committee with such staff as is necessary to carry out the duties of the committee; and be it further

RESOLVED, That the members of the committee are entitled to receive the salary provided for a majority of the members of the legislature during the first 60 days of the preceding session and the per diem allowance and travel expenses provided for state officers and employees generally for each day's attendance at a meeting of the committee; and be it further

RESOLVED, That the salaries, per diem allowances and travel expenses must be paid from the legislative fund; and be it further

RESOLVED, That the committee report the results of its study and any recommended legislation to the Interim Finance Committee not later than September 1, 1990.

REPORT TO THE MEMBERS OF THE
66TH SESSION OF THE NEVADA LEGISLATURE

This report is submitted in compliance with Senate Concurrent Resolution 61 which created a committee to study the merit pay plan utilized by the University of Nevada System. The resolution requires the results of the study and any findings and recommendations be reported to the Interim Finance Committee.

The resolution created a 10-member committee consisting of the chairman and vice chairman of the Interim Finance Committee as well as two members each from Senate Finance, Senate Human Resources, Assembly Ways and Means and Assembly Education committees.

Members of the committee appointed to conduct the study were:

Senator William J. Raggio, Chairman
Assemblyman Marvin M. Sedway and
Assemblyman James J. Spinello, Vice Chairman

Senator Erik Beyer	Assemblyman Ernest Adler
Senator Raymond D. Rawson	Assemblywoman Myrna Williams
Senator Dean A. Rhoads	Assemblyman John W. Marvel
Senator Joseph M. Neal, Jr.	Assemblyman Mike McGinness

Legislative Counsel Bureau staff services for the committee were provided by Mark Stevens, Assembly Fiscal Analyst and Jeanne Botts, Program Analyst, Tim Chandler, Deputy Legislative Counsel and Secretary Charlotte Adams of the Fiscal Analysis Division.

This report is transmitted to the members of the 1991 Legislature for consideration and appropriate action.

Respectfully submitted,

Senator William J. Raggio,
Chairman

SUMMARY OF RECOMMENDATIONS

This summary represents the major recommendations made by the Committee. These recommendations were based on information provided to the Committee by the University of Nevada System and selected speakers, as well as data gathered from institutions of higher education in other states.

The Committee, for the most part, recommended continuation of the current system of providing non-cost-of-living salary increases to professional employees of the University of Nevada System. Currently, equal increases of 2 percent of an individual's salary are provided to all professional positions whose performance is rated satisfactory or better at the community colleges. At UNR and UNLV, as well as all other University System budgets, merit increases are awarded in varying amounts based on meritorious performance. All professional employees of the University System also receive legislatively approved cost-of-living salary increases.

The Committee's specific recommendations for the community colleges and other budgets within the University of Nevada System are outlined below:

Community College Professional Employees

1. A pool equal to 2.5 percent of professional salaries, less positions at or above the dean's level, is recommended to fund a step salary system for professionals employed by the community colleges.

2. Funds within the merit pool should be distributed based upon a step system in which all professional employees whose job performance is rated as satisfactory or better receive an equal percentage of their base salary, up to a specified maximum annual salary.

3. Salary adjustments in the form of steps will increase an individual's base salary.

4. The University of Nevada System shall design a step system for community college professional employees based on the funding recommended by the committee and submit the pay plan for review by the 1991 Legislature.

5. The community college should continue to explore methods to utilize a portion of the funding recommended to fund step increases to reward employees whose job performance is rated as meritorious or outstanding.

University Campus/System Professional Employees

1. A pool equal to 2.5 percent of professional salaries, less positions at or above the dean's level, is recommended to fund a merit pay plan for professional employees.

2. Professional employees are eligible to earn annual salary increases (in addition to legislatively approved cost-of-living increases) in the form of merit awards based on job performance rated meritorious or outstanding, up to a specified maximum annual salary.

3. In accordance with information provided by the University System, merit increases should be based on four levels of awards and a given level of performance should be comparable across each institution.

4. Professional employees will be evaluated annually based on their performance in the areas of teaching, research, and public service.

5. Merit awards will increase an individual's base salary.

REPORT TO THE 66TH SESSION OF THE NEVADA LEGISLATURE BY THE LEGISLATIVE COMMITTEE STUDYING UNIVERSITY SYSTEM MERIT PAY

I. Introduction

Senate Concurrent Resolution 61 of the 1989 Session of the Nevada Legislature created a ten-member committee to study the current method of awarding merit pay to University System professional employees and to make recommendations on whether modifications to the current merit pay plan were desirable.

Merit pay for professional employees of the University of Nevada System was originally funded by the 1985 Legislature, beginning in fiscal year 1985-86. However, non-cost-of-living salary increases had been provided to professional employees prior to that time. These merit or equity adjustments were usually funded from a portion of legislatively approved CPI salary increases, as well as from salary and operational savings. For example, in fiscal year 1981-82, the Legislature provided an 8 percent salary increase for all employee groups. At UNR, a 5 percent increase was provided to all professional employees as a cost-of-living increase, while 3 percent was utilized for merit increases.

Many University professionals felt that utilizing funds designated for cost-of-living increases to provide merit adjustments was unfair because state classified employees and public school teachers, who are not at the top of their grade, receive step increases in addition to legislatively approved cost-of-living increases. A history of the merit program from its inception to the present is outlined below.

1985 Legislative Session

The University System's budget request for the 1985-87 biennium included a two year 36.6 percent salary increase for professional employees. Within this request was 5 percent in each year of the biennium for a "satisfactory service, merit promotion and equity adjustment pool."

The Governor's Executive Budget submitted to the 1985 Legislature recommended a 2.5 percent annual merit salary adjustment for teaching faculty only and included funding within each campus budget for this purpose. Merit adjustments were recommended to be awarded based on meritorious performance and would increase the individual's base salary in future fiscal years.

During budget hearings before the money committees, a number of questions arose concerning the funds recommended for merit adjustments. The University System indicated that each campus would develop criteria to determine which professional positions would receive merit adjustments. The basic criteria to be used were teaching, research and public service. Merit funds were not to be used as an across-the-board raise, but awarded to only those employees who had excelled in specific areas. Merit funds would be awarded in different amounts. Some positions would receive up to 10 percent, while others would receive less and still others would receive no merit adjustment at all.

Other concerns expressed by money committee members during the 1985 Session included whether the merit system would force faculty to perform research and publish versus concentrating on teaching in order to receive merit adjustments. The University System indicated student-teacher interaction would be rewarded.

Finally, the University System indicated that the Governor's recommendation did not include merit adjustments for non-teaching professionals which would present a problem within the University System. It was also pointed out that certain professional positions within the Cooperative Extension Service budget had dual responsibilities (split appointments) of teaching as well as research.

During budget deliberations, the money committees decided to remove merit funds from separate campus budgets to create a system-wide merit pool for teaching faculty and make distribution of merit funds the responsibility of the Board of Regents. In this way, all teaching faculty, including those on split appointments (only teaching part time), would be eligible for an annual merit adjustment, but additional funds did not have to be appropriated.

It was also the Legislature's understanding that merit funds would not be divided equally among all professional employees but would only be granted to those displaying meritorious performance. In addition, merit awards would increase the employee's base salary in future fiscal years.

1987 Legislative Session

The University System budget request for the 1987-89 biennium included funding in the enhancement budget to expand the 2.5 percent merit pool to include both teaching and non-teaching faculty; however, the Governor's Executive Budget recommended that merit funding continue to be limited to teaching faculty only.

During the 1987 Session, the money committees determined that merit adjustments had been provided to both teaching and non-teaching professional positions in fiscal years 1985-86 and 1986-87. Merit adjustments were provided to teaching positions from the state-funded merit pool, while merit increases for non-teaching positions were funded primarily from savings in professional salaries and operating expenses. Non-teaching professional positions include not only administrators, but also librarians, counselors and staff working in various areas such as admissions, alumni relations, controller's and personnel offices.

During budget hearings before the money committees, concerns were expressed regarding merit adjustments for non-teaching professional positions. Using savings in campus budgets to fund merit adjustments was questioned, as was the impact of not spending funds in the areas as justified to the 1985 Legislature.

Also, concern was expressed over the salary increases provided to non-teaching positions over and above the CPI increases granted by the 1985 Legislature. The University System indicated that in addition to merit increases provided to teaching and non-teaching positions, in some cases equity adjustments were also provided. The University System indicated that equity adjustments were necessary to provide salaries comparable to other institutions nationwide. The University System has set a goal to be in the top quartile of the nation's 50 public, land-grant institutions for salaries of teaching faculty. For non-teaching professionals, the goal is to be in the top quartile of those institutions surveyed in the University of Arkansas study on administrative salaries. It was determined that many of the non-teaching professional positions were awarded equity as well as merit adjustments. The money committees expressed concern that while the Legislature specifically provided a 16.6 percent cost-of-living salary increase to non-teaching professionals during the 1985-87 biennium, most of the positions received salary increases in excess of 20 percent with a number of positions receiving increases of 30 percent or more. The University System indicated that in specific cases, administrative salaries had to be increased to attract or retain qualified individuals.

The University System requested the 1987 Legislature increase the funding recommended by the Governor to include non-teaching professionals in the state-funded merit pool. This proposal was not approved by the Legislature. The University System then requested authority to expand the merit pool to include non-teaching positions within the funding recommended by the Governor for merit increases. The Legislature approved this concept with the exception that administrative positions equal or above the "dean level" not be eligible for merit or other salary adjustments from the state merit pool. The Legislature's position on the merit pool was outlined in a letter of intent to the University System. (See letter of intent - Attachment 1) Therefore, the state-funded merit pool was based on 2.5 percent of total teaching faculty salaries; however, the authority was granted to provide merit adjustments to most non-teaching professionals.

During the 1987-89 biennium, the University System choose to allocate the merit funds to all eligible teaching and non-teaching professional positions. This action resulted in lowering the average merit award from 2.5 percent of teaching faculty salaries to 1.8 percent of total professional salaries (not including positions at or above the dean's level).

1989 Legislative Session

The University System budget request for the 1989-91 biennium included funding for merit adjustments for all teaching and non-teaching professional positions except those specifically excluded by the 1987 Legislature (deans and above). The Governor's Executive Budget concurred in the University System request and recommended funding for the state-funded merit pool be based on 2.5 percent of professional salaries, less those positions specifically excluded by the 1987 Legislature.

The money committees discussed the merit pool at length during the 1989 Session. Many of the concerns expressed during the 1989 Session were similar to those of the 1987 Session. These concerns included:

1. Had the original concept of merit pay, as envisioned by the 1985 Legislature, been changed through its application and implementation by the University System? What percent of positions should receive merit?

2. Should non-teaching professionals receive merit adjustments?

3. What criteria is used to determine non-teaching professional salaries? How are the amounts provided for merit and equity adjustments determined?

4. Should merit awards increase an individual's base salary in future years or should merit awards be a one-time bonus which must be earned each year?

5. Was it appropriate to utilize salary or operational savings to finance merit and equity adjustments over and above the CPI and merit funds provided by the Legislature?

6. Was it appropriate to utilize salary or operational savings to finance merit or equity adjustments to professional positions specifically excluded from the state merit pool (deans and above)?

After much debate by the money committees, the Assembly Ways and Means Committee recommended that merit funds be pooled and funded at 2.5 percent of teaching faculty salaries in each year of the 1989-91 biennium. This would have authorized funding in the same manner as provided by the 1985 and 1987 Legislatures, but would have provided less funding than recommended in the 1989-91 Executive Budget. The funding to be reduced from the merit pool, as recommended by the Governor, would be utilized to increase funds for graduate assistants at the universities and increase full-time faculty at the community colleges. The Senate Finance Committee concurred in the Governor's recommendation to fund merit at 2.5 percent of teaching and non-teaching professional positions less those positions specifically excluded by the 1987 Legislature. The money committees ultimately recommended that the merit pool be funded at 2.0 percent of total professional salaries, less positions at or above the dean level. The Legislature also authorized that state merit funds at the community colleges could be awarded equally based on satisfactory performance. The University System requested the change due to difficulties at the community colleges in assessing faculty performance since faculty members are not required to perform the research and publishing required of university faculty.

Due to the controversy that had arisen during the 1987 and 1989 Sessions, the Legislature passed Senate Concurrent Resolution 61 which "sunset" the current merit system at the end of the 1989-91 biennium and authorized an interim study committee to review the issue of merit pay and make recommendations to the 1991 Legislature.

S.C.R. 61 outlined, but did not limit, the committee's review to six areas, each of which is outlined below:

1. Examine the creation and implementation of the existing merit pay program of the University of Nevada System.

2. Examine the criteria used for determining the amount and recipients of merit pay increases.

3. Examine the method of applying the program within the community colleges.

4. Examine the feasibility of using salary increases, longevity pay or other adjustments to supplement or replace the program.

5. Determine whether the program should be limited to teaching personnel or whether it should continue to include the administrators of the University of Nevada System.

6. Examine merit pay or other salary enhancement programs at other colleges or universities.

II. <u>Current Merit Pay Plan Utilized by the University of Nevada System</u>

Under the current merit program, all professional positions of the University System (teaching, non-teaching, administrators), except those at or above the level of dean, are eligible for merit awards each fiscal year. At UNR and UNLV merit increases are awarded in varying amounts based on meritorious (better than satisfactory) performance. At the community colleges, equal amounts of 2 percent of an individual's salary are provided to professional positions whose performance is rated satisfactory or better. The University System requested that merit funds be distributed in a different manner at the community colleges due to difficulties those campuses have in assessing performance since more emphasis is placed on teaching and faculty are not required to perform research or publish to the extent required of University faculty. Merit awards increase an individual's base salary. All professional positions also receive cost-of-living salary increases authorized by the Legislature. Each campus determines the criteria utilized to distribute merit funds. Generally, the three basic criteria are teaching, research/publishing and service.

The Merit Process

The committee was interested in the process each campus utilized to evaluate professional employees for merit awards. While the process on each campus is slightly different, the process generally follows the pattern outlined below:

1. An individual faculty member applies for merit pay by completing an application form and supplying details on teaching, research and service activities for the preceding year.

2. A peer review committee may be utilized to review each application and student evaluations of the applicants. The peer committee then makes recommendations to the department chairman.

3. The department chairman prepares an evaluation of each applicant, taking into consideration all evaluations (student, peer, self, and annual) of an individual's performance and his activities. Applicants are ranked and recommendations are forwarded to the dean.

4. The dean reviews the department chairman's recommendations and, often with the assistance of a college-wide committee, develops a merit list for the college and a plan for distributing merit pay.

5. The dean forwards the college's recommendations for merit pay to the vice president for academic affairs. Simultaneously, a copy of the dean's recommendations is made available to individual faculty members.

6. The vice president for academic affairs reviews each college's merit plan, making certain amounts to be allocated are within the limits of the budget, and makes recommendations to the president for final approval.

7. Faculty members denied merit increases or dissatisfied with the amount of the merit award may appeal upward through the chain of command to the president. The appeal process is set forth in the University of Nevada System Code and University Bylaws.

This process usually takes place from December through April.

Merit Criteria

The performance of all professional employees is evaluated each fiscal year. The evaluation process, which is slightly different on each campus, is outlined below:

Universities

At the Universities, three major areas are evaluated: teaching, research/publishing and service. Generally, an employee in a professional position who earns a "meritorious" (better than satisfactory) rating receives a merit award. The weight given to each of three criteria depends on the individual college. Some colleges have heavier research responsibilities which require more emphasis in this area, while other colleges may require heavier public service responsibilities. The following table provides information on how some colleges at UNR and UNLV weigh the three merit criteria.

Campus/College	Teaching	Research	Service
UNR			
Arts & Science	40%	40%	20%
Business Administration	40%	40%	20%
Library	70%	15%	15%
UNLV			
Business & Economics	30-60%	30-60%	10-20%
Education	48%	28%	24%
Engineering	33%	33%	33%
Hotel Administration	33%	33%	33%
Health Sciences	33%	33%	33%

Community Colleges

The criteria used to evaluate professionals at the community colleges includes teaching, publishing and service. Research is not a major component of an individual's evaluation since the community college mission is different than the universities' in which more emphasis is placed on research activities.

Currently, professional employees whose performance is evaluated satisfactory or better are entitled to a merit award each fiscal year. In fiscal year 1989-90, approximately 99 percent of all community college professionals earned a merit award equal to 2 percent of their salary.

Number and Amount of Merit Awards

One of the concerns of the Legislature was the percentage of professional positions awarded merit. When the merit system was originally discussed during the 1985 Legislative Session, some legislators believed the merit system would be implemented based on approximately 50 percent of professional positions receiving merit awards each year. The actual number and percentage of professional positions that were awarded merit at UNR and UNLV as well as the four community college campuses in fiscal years 1987-88, 1988-89 and 1989-90 is outlined below.

Merit Awards
University Campuses
Administrative Positions & Faculty
Fiscal Years 1987-88, 1988-89, & FY 1989-90

University of Nevada, Reno

	FY 1987-88		FY 1988-89		FY 1989-90	
Amount	No. of Positions	% of Total	No. of Positions	% of Total	No. of Positions	% of Total
No merit	143	20.4%	127	18.2%	141	20.2%
1.00% or less	121	17.2	37	5.3	86	12.3
1.01%-2.00%	139	19.8	158	22.7	185	26.5
2.01%-3.00%	157	22.4	209	30.0	174	24.9
3.01%-4.00%	104	14.8	91	13.0	48	6.8
4.01%-5.00%	7	1.0	38	5.4	28	4.0
Over 5.00%	31	4.4	38	5.4	37	5.3
Total	702	100.0%	698	100.0%	699	100.0%

University of Nevada, Las Vegas

Amount	FY 1987-88 No. of Positions	FY 1987-88 % of Total	FY 1988-89 No. of Positions	FY 1988-89 % of Total	FY 1989-90 No. of Positions	FY 1989-90 % of Total
No Merit	162	33.5%	201	39.0%	186	34.1%
1.00% or less	12	2.5	7	1.4	1	0.2
1.01%-2.00%	38	7.9	26	5.0	78	14.3
2.01%-3.00%	95	19.6	95	18.5	141	25.9
3.01%-4.00%	82	16.9	82	15.9	81	14.9
4.01%-5.00%	53	10.9	50	9.7	35	6.4
Over 5.00%	42	8.7	54	10.5	23	4.2
Total	484	100.0%	515	100.0%	545	100.0%

As the schedules above indicate, over the past three fiscal years approximately 80 percent of professional positions at UNR received merit awards. At UNLV this percentage is somewhat less, with approximately 64 percent of professional positions receiving merit during fiscal years 1987-88, 1988-89 and 1989-90. The committee requested additional information from the University System outlining the reasons why individuals were not awarded merit. This information for fiscal years 1988-89 and 1989-90 is outlined below.

UNR
Explanation for Denial of Merit

	FY 1988-89	FY 1989-90
1. Unsatisfactory or satisfactory evaluation	43	47
2. Promotion (Promotion provides 10% salary increase--merit not awarded)	-0-	4
3. Ineligible (individuals must be employed a minimum number of months or a specific percent of position)	84	90
Total	127	141

The committee noted that approximately two-thirds of the individuals not awarded merit during this two-year period were ineligible to receive it due to reasons other than job performance. Therefore, of the professional positions eligible for merit at UNR, 93 percent received merit in FY 1988-89 while 92 percent were awarded merit in FY 1989-90.

UNLV
Explanation for Denial of Merit

	FY 1988-89	FY 1989-90
Leave of Absence	3	3
Changed duties/Did not return to UNLV	14	6
New appointment, not yet eligible	2	4
Insufficient evidence of research or creative productivity	22	26
Did not receive outstanding rating	26	42
Less than satisfactory rating on teaching or research	1	1
No documentation of achievements	0	1
Insufficient funds for award (lower priority rank)	2	1
Did not apply for merit	94	68
Total	164	152

The committee noted that the majority of individuals that were not awarded merit at UNLV did not apply. The other major reason for denial of merit was satisfactory, not outstanding, evaluations.

Merit Awards
Community College Campuses
Administrative Positions & Faculty
Fiscal Years 1987-88, 1988-89 and 1989-90

	FY 1987-88		FY 1988-89		FY 1989-90	
Campus	No. of Positions	% of Total	No. of Positions	% of Total	No. of Positions	% of Total
CCCC						
Merit	82	77.4%	90	75.6%	107	99.1%
No Merit	24	22.6	29	24.4	1	0.9
Total	106	100.0%	119	100.0%	108	100.0%

Campus	FY 1987-88 No. of Positions	% of Total	FY 1988-89 No. of Positions	% of Total	FY 1989-90 No. of Positions	% of Total
TMCC						
Merit	73	89.0%	76	88.4%	100	100.0%
No Merit	9	11.0	10	11.6	-0-	-0-
Total	82	100.0%	86	100.0%	100	100.0%
WNCC						
Merit	46	92.0%	45	84.9%	45	100.0%
No Merit	4	8.0	8	15.1	-0-	-0-
Total	50	100.0%	53	100.0%	45	100.0%
NNCC						
Merit	14	82.4%	18	90.0%	24	96.0%
No Merit	3	17.6	2	10.0	1	4.0
Total	17	100.0%	20	100.0%	25	100.0%

As discussed previously, the University System, during the 1989 Legislative Session, requested that the community colleges be authorized to award merit funds equally based on satisfactory performance. This request was approved by the 1989 Legislature and is the reason that almost 100 percent of professional positions were awarded merit in fiscal year 1989-90. Previously, merit was awarded in varying amounts based on meritorious (better than satisfactory) performance.

III. Merit Pay Systems Utilized by Other States

To develop a better understanding of how universities in other states award merit pay and salary increases other than those associated with promotions or cost-of-living, the Interim Committee invited Dr. Richard Chait, Executive Director of the National Center for Postsecondary Governance and Finance and professor of education and management at the University of Maryland, to provide an overview of benefits, problems and consequences involved in the use of various merit pay systems at universities throughout the country. The committee also requested staff to survey the western states to determine how merit pay plans were utilized by other higher education institutions. In addition, the University System conducted a nationwide survey of merit pay plans utilized by higher education.

In his presentation before the committee, Dr. Chait pointed out there is general disagreement on even basic definitions involving merit pay plans. Information is difficult to obtain, he explained, because each merit pay system is somewhat different and there is great variation in practices among the departments within institutions.

Less than 50 percent of unionized campuses have a merit pay system, while 75 percent of non-unionized campuses use some type of merit criteria to determine annual salary increases. Research universities generally have merit pay systems and more differentiation in salaries. Teaching institutions, especially two-year colleges, are more likely to distribute pay increases through increments to almost everyone, with slightly more given to a few as merit pay.

Dr. Chait reported most merit pay plans are expected either to recognize and reward past performance or to motivate employees to improve their future performance. Merit pay plans also may endeavor to correct inequities, respond to market factors or retain valued employees. Since some plans are more successful in achieving certain objectives than others, there should be agreement on the goal of merit pay before the type of pay plan is chosen.

According to Dr. Chait, the merit pay systems implemented in most universities do not serve to motivate employees. To be successful in modifying behavior, there needs to be a perception among employees that merit pay is tied to performance. Also, merit pay should be of a sufficient amount (2 to 2.5 times the average increment) to make a noticeable difference in an employee's income. If this is not possible, a large one-time bonus or lump-sum payment is recommended to emphasize an amount that might not be noticeable when payment is spread over a year's worth of paychecks. Typically, the difference between salary increases for outstanding employees and for average employees is too narrow to be meaningful. Unless merit awards are publicized, the amount of money alone must provide the motivation. Merit pay is more successful when it is used to reward performance, but the awards must be publicized. Merit pay plans that reward almost all employees are not successful in motivating employees or meaningful in recognizing performance. He also cautioned that the time and effort spent evaluating an employee's performance should not exceed the benefits of greater motivation or recognition of employees.

Everyone thinks his performance is above average, reported Dr. Chait. In a nationwide survey of faculty, he noted, 90 percent believed they were above-average teachers, but 98 percent felt programs were needed to improve the quality of teaching on campus because some of their colleagues were not effective teachers. In a number of other studies, at least 90 percent of the respondents also rated themselves above average. In a 1987 federal review of performance management systems, not even one percent of the workforce was rated as unsatisfactory by their managers.

The legislature's role in the merit pay process, Dr. Chait explained, is to set the goal merit pay is meant to accomplish and require proof that objectives are being met.

In summary, Dr. Chait pointed out every salary system has its strengths and weaknesses; there is no perfect system. Most organizations expect pay systems to do too much and are inattentive to other policies that could provide a greater impact on performance in the workplace. "Policy makers should be asking 'what for' rather than 'how much,'" he advised.

Fiscal Analysis Division's Survey

The Fiscal Division of the Legislative Counsel Bureau conducted a survey of how other universities handle merit pay and salary raises other than cost-of-living increases. Twelve universities, primarily those located in the western United States, were selected on the basis of enrollment and Carnegie classification. (A listing of universities surveyed and an explanation of the Carnegie classification are included as Attachment 2)

All 12 universities indicated that salary increases based upon performance are provided to employees, and in all but one case, those raises are called "merit pay." One university terms such increases "performance adjustments."

Teaching, research and public service are used as criteria for determining eligibility of professional employees for merit pay at all of the institutions. A couple of institutions include academic advisement duties or professional activities, and one considers collegial relations. Merit pay is used at two universities to make adjustments for equity or market factors.

The majority of universities weigh teaching and research equally and service somewhat less. Two universities weigh teaching, research, and service equally. One university reports the weight assigned to each of the three criteria varies from department to department, as it does at the University of Nevada.

At two institutions, merit pay is awarded to only a few teaching employees. Merit pay for professionals who do not teach was reported by one of these universities as rare. Most of the other institutions, however, award merit pay to non-teaching faculty, deans and administrators.

In determining an employee's eligibility for merit pay, all of the universities surveyed utilize a supervisor's review of performance. Ninety percent also use peer review committees and student evaluations. Less than half of the schools surveyed include self-evaluations. One school uses outside evaluations in addition to the other methods.

At eight of the universities, an employee's performance must be rated better than satisfactory to receive merit pay. In the others, satisfactory or average performance is rewarded with merit pay.

The percentage of professionals who receive merit pay varies greatly among the universities surveyed depending upon the type of merit pay system in use. Merit pay programs at these universities can be categorized into three general types of pay plans: those where merit pay is given to all employees, those where only outstanding employees receive merit pay, and those where a small number of exceptional employees receive cash bonuses. Most of the merit pay systems reviewed fell in the first group or somewhere short of the second.

At those universities where merit pay is provided to all or virtually all employees, the money available for salary increases is distributed across-the-board equally. One of those universities reported, "All our pay increases are merit based. We do not provide cost-of-living adjustments." If merit pay is ever denied under this type of pay plan, it is denied only to those employees with unsatisfactory ratings. Merit pay of this type is really longevity pay or a cost-of-living increase. Most of the universities that distributed merit pay in this manner received small amounts or had not received any increases for a few years. One university stated that in years when the amount of money available for salary increases is small, merit pay is distributed equally among all employees because the work required and division caused by a merit system is not warranted for a small amount of money. Four of the universities surveyed fell within this category.

The second type of merit system is one in which only those employees whose performance has been rated as meritorious are rewarded. In these systems most employees would not be awarded merit pay. Only one school actually fit this model, and it awarded merit pay to 35 percent of the teaching faculty, 75 percent of the administrators and deans, and 50 percent of the non-teaching faculty. As stated earlier, most merit pay plans in this study would be categorized somewhere between this example and the first type described. In the majority of systems reviewed, seventy percent or more of the employees receive merit pay. Employees who are rated higher than others receive greater merit increases, but most employees receive some merit increase, even if it is only one percent. Only in one of the universities, which is discussed in the third category, does merit pay not permanently increase an individual's base salary.

The third type of merit pay system is one in which cash bonuses are provided to a small number of employees whose work is rated as outstanding. The University of Northern Colorado provides a one-time bonus to 120 individuals each year. Deans select 100 recipients of $1,000 awards and a campus-wide committee, which includes the vice president for academic affairs, selects 20 to receive $2,000 awards. Only teaching professionals are eligible for the awards. At the University of Montana, 60 awards of $1,364 were provided in fiscal year 1989-90 and another 60 awards of $1,490 will be available in the merit pool fiscal year 1990-91. These awards are rarely given to non-teaching faculty. At Montana, merit awards do increase the base salary of recipients.

Only three universities provide longevity (step) increases each year. The average annual step increase is 2.5 percent. Most universities said longevity increases are not provided, although many distribute merit increases in the same manner that other universities give longevity increases.

At three universities, procedures for awarding merit pay have been negotiated with employees and set forth in a contract. One university said there had been some complaints, but employees are generally satisfied with the system. Those who are most critical of the system tend to be in fields where across-the-board raises that are unrelated to performance are prevalent, such as education, nursing and social work.

Merit pay is funded by general or special appropriations in all of the states questioned. Only one school uses savings from salaries and other operating expenses to help fund merit pay.

<u>University of Nevada System's Survey - Universities</u>

The University of Nevada System surveyed the nation's other 49 public, land-grant universities. The University System has set a goal to be in the top quartile of these institutions in salaries. In a 1988 salary survey, salaries at UNR ranked in the middle, while UNLV's salaries were slightly lower. Out of 49 institutions, 39 responded. (A copy of the survey results is included as Attachment 3)

Ninety percent of the respondents indicated merit pay has been awarded to teaching and non-teaching faculty at least once between 1987 and the current year, and 24 of the 39 universities (62 percent) awarded merit in all three years, at least to the teaching faculty. Four institutions did not provide any merit increases during this time. During the three-year period, the median increase for instructional faculty ranged from 3.1 percent to 6 percent, while the median for administrative staff, deans and vice presidents ranged from 3.1 percent to 5.9 percent. All of the respondents indicate the principal source of funding for merit increases is state general fund appropriation.

In all but two institutions, merit increases are added to the individual's base salary. One institution has bonus payments in addition to automatic step increases. Another institution treated such increases as one-time payments one year but added the increases to the base salary in other years. Only two institutions reported that automatic step increases are provided.

Of the 39 respondents, 18 use merit pay exclusively for salary increases, while the other institutions combine cost-of-living increases with merit pay. Eight of the ten western states were among the 21 respondents that provide cost-of-living adjustments as well as increases for merit. Two western states use a merit system exclusively.

The process used for reviewing and approving merit increases varies from institution to institution. Reviews of increases for instructional faculty occur most frequently at the departmental chair's level and the dean's level (32 of 35 institutions) and at the vice president's level (24 of 35 institutions). According to the University of Nevada System, none of the institutions uses a process more rigorous than Nevada's. It was pointed out that Nevada did not give merit raises in equal, across-the-board amounts nor were merit raises given to just a few faculty members. Merit pay was distributed within the University of Nevada System in varying amounts from less than one percent to seven percent. Merit pay was neither awarded systematically nor in relationship to the length of time a faculty member had worked for the University of Nevada System.

University of Nevada System's Survey - Community Colleges

A survey of community colleges was done by the University of Nevada System's Compensation Committee. The survey was sent to 45 randomly selected, midsized community colleges. The response rate was 76 percent. (A copy of the survey results are included as Attachment 4)

Half of the responding colleges provide annual across-the-board raises for both teaching and non-teaching faculty, while 47 percent include administrators in the annual increases. Many of the other colleges reported annual increases are negotiated.

The most common type of salary increase reported was step increases in conjunction with annual cost-of-living adjustments. Sixty-two percent of the responding colleges award step increases for satisfactory service to teaching faculty; 56 percent award step increases to non-teaching faculty; and 35 percent include administrators in a step system.

Only two of the 34 respondents use a performance-based merit program. Four use a similar system for determining increases for non-teaching faculty, and ten use it for administrative increases. In the few cases where merit pay is performance based, merit increases are added to the base salary.

Seven of the 34 respondents award one-time bonuses that do not increase the base salary. These seven colleges also provide step increases for satisfactory service.

IV. University System Proposals to Modify the Current Merit Pay Plan

During the course of the Committee's review, proposals were provided from two separate groups outlining how the merit pay plan should be structured in the future.

The first set of proposals was provided by the faculty senates of all campuses and outlined important components of developing a merit pay plan. The second set of proposals was provided by University officials and outlines specific modifications to the existing merit pay plan. Each set of proposals is outlined below:

Faculty Senate Proposal

The proposals made by the faculty senates of all campuses were presented to the Committee at its initial meeting.

University of Nevada System
Faculty Senate Chairs' Merit Statement

> The intent of the System faculty in generating this list is to develop a general but comprehensive statement concerning the preservation of the state-funded merit pool for System professionals. This list assumes that the Legislative cost-of-living increase should be linked to the rate of inflation, and separate from the merit pool.
>
> We feel that implementation issues are best dealt with on a campus level where the dynamics of professional responsibilities are more thoroughly understood.
>
> The following are provisions which we feel are fundamental to the merit system.
>
> 1. All faculty, teaching and nonteaching, and administrators (including deans and above) should be eligible for merit pool funds.
>
> 2. Merit pool funding should be expanded to include this larger group.

3. The Legislature should affirm continuous long-term funding for the merit pool. (The funding of the merit pool should not be subject to reconsideration every biennium.)

4. Merit awards should be performance based.

5. Merit awards should go into an individual's base salary rather than being awarded as a bonus.

6. Merit distribution decisions should be made on each campus.

7. Community colleges should be able to develop a merit program which is different from universities.

University System Proposal to Modify the Merit Pay Plan

University officials provided the following information to the committee outlining their proposals on how the merit system should be implemented in the future.

Merit Pay Program for All Professional Faculty

The award of merit to professional faculty shall be based on performance, and upon annual evaluation of teaching, research, and public service. This proposal calls for steps to be established for those evaluated as meritorious. Those most deserving shall receive the highest award. This proposal would standardize and improve merit processes already in place at the universities and DRI.

1. On an annual basis, thorough faculty evaluations will be completed prior to the merit award process.

2. Salary ranges will continue to be developed on a market-based comparison of forty-nine principal public land-grant institutions, and appropriate institutions will be used for DRI.

3. Merit awards will be given in the form of steps, each step shall be equated to a level of meritorious performance.

4. There will be four levels of awards; level four shall be the highest. Awards for a given level of performance will be comparable across the institution.

5. Any exceptions to this award program require the approval of the president of the institution.

The merit pay plan currently utilized by the community colleges would not change. Merit awards of equal amounts, currently 2 percent of an individual's salary, would be provided to community college professionals whose performance is rated satisfactory or better.

At UNR and UNLV, the University System proposed several modifications to the current merit pay plan. The overall merit process, including the current merit criteria and evaluation of performance, would not change. However, the dollar amount awarded based on an individual's performance would be modified. Currently, the amount of merit awarded varies from under 1 percent to over 7 percent of an individual's salary. The modification would set four levels of awards with each level equated to a different level of meritorious performance. While both UNR and UNLV endorsed these proposed changes, each campus had differing views on how these modifications would be implemented.

University of Nevada, Reno

UNR would implement the proposed changes by establishing four different levels of award for each academic rank; professor, associate professor, assistant professor and instructor. The level of award would be based on the average salary of the academic rank or administrative range of the individuals receiving the merit awards. Level I would represent 1 percent of the current average salary for each rank, Level II - 2 percent, Level III - 3 percent and Level IV would represent 4 percent of the current average salary for each rank. In fiscal year 1989-90, this would produce the following result at UNR.

Rank	Level I 1%	Level II 2%	Level III 3%	Level IV 4%
Instructor	$289	$ 578	$ 867	$1,156
Assistant Professor	366	732	1,098	1,464
Associate Professor	430	860	1,290	1,720
Professor	551	1,102	1,653	2,204

These amounts would change each fiscal year based on the average salary paid to each rank.

University of Nevada, Las Vegas

The recommended modifications to the merit program by UNLV would also establish four different levels of awards which would be allocated regardless of an individual's rank.

Level I - $1,000
Level II - $1,500
Level III - $2,000
Level IV - $2,500

V. Alternative Pay Plans Considered by the Committee

The Committee reviewed the University System's existing merit pay system, modifications to that system, and a number of alternative pay plans, including longevity or step systems and one-time bonuses. Each of these options is discussed below.

1. Step System: A step system provides increases of an equal amount or percentage, up to a specified maximum, to employees whose performance has been rated as satisfactory or better. Such increases are usually awarded annually and the number of steps is limited. Step raises are added to and become part of an individual's base salary. Generally, cost-of-living raises are provided in addition to step increases. Once an employee reaches the maximum salary or receives the specific number of steps, he is said to be "topped out" and thereafter receives only cost-of-living increases. In a step pay system, almost all eligible employees receive annual salary increases.

Nevada's community colleges currently utilize a system similar to a step system, although it is termed a merit pay program. Other examples of step systems are the systems used by Nevada's state classified workers and public school teachers.

Step systems require less time and effort to administer than merit or bonus systems. Since job performance needs only to be rated as satisfactory to earn a step increase, such increases are largely automatic. Step increases do not, however, reward meritorious performance since a satisfactory evaluation generates the same increase as an outstanding evaluation.

2. Bonus System: A bonus pay system provides one-time cash awards to employees whose performance has been judged as meritorious. The number of such awards is usually very small and may be a specific number or percentage of positions. In most instances, bonuses do not increase an individual's base salary.

   Under a bonus system, the institution's highest achievers are recognized and rewarded. One-time awards of substantial amounts of money may more effectively motivate improved performance than small awards which often go unnoticed, even by the recipient. The value of these types of awards in recruiting or retaining employees is arguable, and the evaluation process required to determine award recipients involves a great deal of time and paperwork.

3. Merit Systems: Under a merit system, employees are rewarded with salary increases of varying amounts based on evaluations of their job performance. Employees whose performance is judged as meritorious, receive larger pay increases than those evaluated as above average, while employees rated satisfactory or lower receive no merit increases. The three criteria commonly used to evaluate university professionals across the nation are teaching, research/publishing and service.

   Merit pay provides a mechanism for increasing salaries to help recruit and retain qualified individuals, but the time and effort expended in determining merit recipients may exceed the benefits received. Unless merit awards are perceived by employees to be tied to performance, somewhat limited in number, publicized and of a sufficient dollar amount, merit pay may not be successful in recognizing outstanding performance or in motivating employees. Merit pay plans that reward almost all employees lose effectiveness as motivational tools; however, merit plans that single out only a portion of employees can be highly divisive.

The Committee reviewed a number of possible modifications to the University System's existing merit pay program: including positions at or above the level of dean in the merit pool; limiting the percentage of positions that could receive merit pay, such as the top 50 percent; requiring half of the funds be awarded to the top 20 percent of eligible individuals to ensure the most outstanding individuals receive larger awards; and setting a minimum dollar amount for merit awards. The Committee also studied the possibility of providing one-time bonuses to recognize the performance of the top 5 percent of all eligible individuals in addition to having either a step system or a merit program.

The Committee even examined abolishing the merit pay system entirely and not replacing it with another alternative. Although elimination of the merit pay program would save considerable time, effort and resources, the only salary increases available would be legislatively approved cost-of-living raises and the lack of a merit pay program could hamper efforts to recruit and retain qualified employees. If the amount provided for cost-of-living raises was not increased to compensate for the loss of the merit program, total funding for salary increases would be substantially reduced. The University System has long argued that the method used to fund salary increases prior to 1985 was unfair since the Legislature provides funding for step increases (up to a specified maximum) to state classified employees and public school teachers as well as cost-of-living increases.

VI. Committee Recommendations on University of Nevada System Merit Pay Plan

By a five to four vote at its June work session, the Committee approved draft recommendations which would have provided a step system plus a bonus program for professional employees of the University of Nevada System. Specifically, the draft plan would have modified the existing merit pay plan to provide for annual salary adjustments using a step system to reward employees whose performance was rated as satisfactory or better. In addition, professional employees would have been eligible to receive merit pay in the form of one-time bonuses. A total amount of 2.5 percent of professional salaries, less those positions at or above the deans' level, was recommended to fund the two components of the draft plan. Of the proposed pool of 2.5 percent of professional salaries, 2 percent would have funded the step system and the remaining 0.5 percent would have been used to provide bonuses. Detailed provisions of the two-part plan are outlined below.

Under the step system, professional employees would have earned annual step increases up to a fixed number of steps, providing their job performance was rated as satisfactory or better. These step adjustments would have increased an individual's base salary. The University System was asked to design the step system according to the Committee's guidelines and submit a plan to the 1991 Legislature for review. The proposed step system was to include provisions for awarding out-of-step increases for specific purposes: "accelerations" for superior performance or "off-scale salaries" for exceptional situations that cannot be accommodated by the regular steps, such as market pressures. Any such out-of-step increases had to be awarded from the amount recommended to fund the step program.

Bonuses would have been granted as one-time cash awards and would not have increased a recipient's base salary. The criteria to determine bonus recipients was to have been developed by the University System for review by the 1991 Legislature. The Committee also authorized the University System to augment the funding provided for bonus awards from outside sources.

The two-part pay plan was to be authorized for four years (until June 30, 1995) to allow sufficient time for a review of the pay plan to determine if modifications were warranted.

Following the Committee's June meeting, Chairman Raggio asked staff to poll committee members to determine if they wished to reconsider their actions at an additional meeting since the full committee had not been present at the June meeting at which the two-part, step and bonus system was recommended. Since a majority of members indicated they favored an additional meeting, one was scheduled for September.

Final Recommendations of the Committee

At the September meeting, committee members voted seven to three to substitute another plan for their previous recommendations. The committee's final recommendations are detailed below.

In addition to any cost-of-living increases provided by the Legislature, the Committee recommended the Legislature fund a pool for merit pay annually of 2.5 percent of the salaries of professional employees, excluding administrators at or above the dean's level, at both universities and the community colleges. The Committee's final recommendations, for the most part, are the same as those approved by the 1989 Legislature, except the amount of money available for the merit pay program was recommended to be increased from 2 to 2.5 percent.

At the two universities, professional employees would be eligible to earn annual salary increases, in addition to legislatively approved cost-of-living raises, in the form of merit awards. Merit pay is to be awarded to eligible professional employees on the basis of an evaluation of teaching, research and service in which the rating on at least one of the three criteria is outstanding and the teaching component is rated at least satisfactory. Such increases accrue to the individual's base salary. In accordance with information provided by the University System, merit pay would be based on four levels of awards and a given level of performance would be comparable across institutions.

At the community colleges, merit funds are to be distributed according to a step system in which all professional employees whose job performance is evaluated as satisfactory or better receive an equal percentage of their salary as a raise. These salary adjustments or steps would increase each recipient's base salary up to a limited number of steps or a maximum salary. The University System shall design a step system for the community colleges' professional employees based on the Committee's recommendations and submit the pay plan to the 1991 Legislature for review. The Committee also asked community colleges to continue to explore methods to utilize a portion of the recommended funding to reward employees whose job performance is rated as meritorious.

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Attachment 1

Letter of Intent

WILLIAM J. RAGGIO
Senator
Washoe No. 1
P.O. Box 3137
Reno, Nevada 89505
Office (702) 329-6232
MAJORITY FLOOR LEADER

COMMITTEES
Chairman
Finance
Member
Government Affairs
Legislative Affairs and Operations

Nevada Legislature

SIXTY-FOURTH SESSION

June 17, 1987

Daniel J. Klaich, Chairman
Board of Regents
University of Nevada System
405 Marsh Avenue
Reno, NV 89509

Dear Dan:

The Senate Finance Committee and the Assembly Ways and Means Committee in closing the various budgets of the University of Nevada System jointly agreed to extend the eligibility for merit pool funds to other professional positions within the system in addition to instructional positions for which the current merit pool is available. It was the intent of the money committees in this joint action, however, that certain positions be excluded from participation in merit pool funds. The group of positions to be excluded from participation in the merit pool includes all professionals whose appointments and salaries are subject to approval of the Board of Regents including the chancellor, vice-chancellors and legal counsel in the chancellor's office; the directors of the computing center and the university press; presidents and vice-presidents of the universities, community colleges and desert research institute; all deans; administrators who are equivalent to dean in the community colleges; the heads of the centers at the Desert Research Institute and the directors of the ICA programs.

The Senate Finance Committee and the Assembly Ways and Means Committee requested that the University System carefully follow the intent of the merit pool concept as approved by the Nevada Legislature. Attached is a listing of those positions intended to be excluded.

Sincerely,

William J. Raggio, Chairman
Senate Finance Committee

Marvin M. Sedway, Chairman
Assembly Ways and Means Committee

87D/dj
Attachment

University of Nevada System

OFFICE OF THE CHANCELLOR
405 Marsh Avenue Reno Nevada 89509
702 784-4901

Chancellor's Office

Chancellor
Vice Chancellors (2)
Legal Counsel

Computing Center

Director

University Press

Director

UNR

President
Vice Presidents (3)
Deans (11)

School of Medicine

Dean

Intercollegiate Athletics - UNR

Director

Statewide - UNR

Deans (2)

UNLV

President
Vice Presidents (3)
Deans (9)

Intercollegiate Athletics - UNLV

Director

CCCC

President
Deans (2)
Director of Business
Director of Science & Health
Director of Industrial Technolog
Director of Fine Arts
Director of Social Science
and Service Occupations

TMCC

President
Deans (2)
Director of Arts & Science
Director of Business & Managemen
Director of Nursing & Allied Hea
Director of Industrial Technical
Public Service

WNCC

President
Deans (3)

NNCC

President
Deans (2)

DRI

President
Vice President
Executive Directors of Centers (5)

Attachment 2

Carnegie Classifications with Enrollments

26-Jan-90 CARNEGIE CLASSIFICATIONS - with Enrollments (headcount)

	Research University I	Research University II	Doctorate-Granting Univ. I	Doctorate-Granting Univ. II	Comprehensive Univ./College I
NEVADA:				Univ. of Nevada, Reno (9,728)	Univ. of Nev., Las Vegas (11,175)
ARIZONA:	X University of Arizona (30,479)	Arizona State Univ. (40,016)		** NORTHERN ARIZONA UNIV.(11,750)	
CALIFORNIA:	X Univ. of Calif.-Davis(19,275)	** U. OF CAL.-SANTA BARBARA (16,615)			
COLORADO:	X Colorado State Univ.(18,433)		** UNIV. OF NORTHERN COLO.(9,581)		
IDAHO:				X University of Idaho (9,135) ** IDAHO STATE UNIV. (7,093)	Boise State University (11,174)
MICHIGAN:	X Michigan State Univ.(42,229)	** WAYNE STATE UNIV.(29,495)			
MONTANA:			** UNIVERSITY OF MONTANA (9,228)	X Montana State Univ.(11,235)	
NORTH DAKOTA:				X North Dakota State Univ.(9,810) ** UNIV. OF NORTH DAKOTA (11,006)	
OREGON:	Oregon State Univ.(16,166)	X University of Oregon (15,574)		** PORTLAND STATE UNIV.(14,445)	
UTAH:	** UNIVERSITY OF UTAH (24,614)	X Utah State University (11,502)			Weber State College (10,268)
WASHINGTON:	** UNIV. OF WASHINGTON (34,409)	X Washington State Univ.(16,544)			Western Washington Univ.(9,371)
WISCONSIN:	X U. of Wisc.-Madison (43,174)		** U. OF WISC.-MILWAUKEE (26,350)		
WYOMING:		X ** UNIVERSITY OF WYOMING (10,189)			

X = Denotes institutions used in University's Survey.
** = Denotes institutions used in LCB Fiscal Division's Survey.

Data from "A Classification of Institutions of Higher Education," 1987 Edition, The Carnegie Foundation for the Advancement of Teaching.

CARNEGIE CLASSIFICATIONS
of Colleges and Universities

The Carnegie classification system groups institutions into categories based on the level of degree offered, from prebaccalaureate to doctorate, and the comprehensiveness of their missions. The categories are as follows:

Research Universities I: These institutions offer a full range of baccalaureate programs, are committed to graduate education through the doctorate degree, and give high priority to research. They receive annually at least \$33.5 million in federal support for research and development and award at least 50 Ph.D. degrees each year.

Research Universities II: These institutions offer a full range of baccalaureate programs, are committed to graduate education through the doctorate degree, and give high priority to research. They receive annually between \$12.5 million and \$33.5 million in federal support for research and development and award at least 50 Ph.D. degrees each year.

Doctorate-Granting Universities I: In addition to offering a full range of baccalaureate programs, the mission of these institutions includes a commitment to graduate education through the doctorate degree. They award at least 40 Ph.D. degrees annually in five or more academic disciplines.

Doctorate-Granting Universities II: In addition to offering a full range of baccalaureate programs, the mission of these institutions includes a commitment to graduate education through the doctorate degree. They award annually 20 or more Ph.D. degrees in at least one discipline or 10 or more Ph.D. degrees in three or more disciplines.

UNIVERSITY OF NEVADA, RENO, is included in this category.

Comprehensive Universities and Colleges I: These institutions offer baccalaureate programs and, with few exceptions, graduate education through the masters degree. More than half of their baccalaureate degrees are awarded in two or more occupational or professional disciplines such as engineering or business administration. All of the institutions in this group enroll at least 2,500 students.

UNIVERSITY OF NEVADA, LAS VEGAS, is included in this category.

Comprehensive Universities and Colleges II: These institutions award more than half of their baccalaureate degrees in two or more occupational or professional disciplines, such as engineering or business administration, and may also offer graduate education through the masters degree. All of the institutions in this group enroll between 1,500 and 2,500 students.

Liberal Arts Colleges I: These highly selective institutions are primarily undergraduate colleges that award more than half of their baccalaureate degrees in arts and science fields.

Liberal Arts Colleges II: These institutions are primarily undergraduate colleges that are less selective and award more than half of their degrees in liberal arts fields. This category also includes a group of colleges that award less than half of their degrees in liberal arts fields but, with fewer than 1,500 students, are too small to be considered comprehensive.

Two-Year Community, Junior and Technical Colleges: These institutions offer certificate or degree programs through the Associate of Arts level and, with few exceptions, offer no baccalaureate degrees.

Professional Schools and Other Specialized Institutions: These institutions offer degrees ranging from bachelor's to the doctorate. At least 50 percent of the degrees awarded by these institutions are in a single specialized field. Specialized institutions include: schools of medicine and law, theological seminaries, teachers colleges, maritime and military academies, and schools of art, music and design.

The above information came from the 1987 report of the Carnegie Foundation for the Advancement of Teaching. According to the Foundation, an updated report will be issued in 1992. Although dollar amounts of federal support, which were based on an average of amounts received in 1983, 1984, and 1985, will be increased for inflation, no other changes are contemplated.

Merit Pay, Carnegie Info 1-90

Attachment 3

Merit Survey of Public, Land-Grant Universities

UNIVERSITY OF NEVADA-RENO

Office of Planning, Budget and Analysis
University of Nevada-Reno
Reno, Nevada 89557-0095
(702) 784-6516

1989-90 MERIT SURVEY OF PUBLIC, LAND-GRANT UNIVERSITIES

Are merit increases for University of Nevada faculties unique?

In a survey of the 49 public, land-grant institutions which were approved for comparative purposes by the University of Nevada Board of Regents in 1986 (a copy is attached):

- 90% of the respondents (35 of 39 institutions) stated that they had awarded merit increases to their instructional faculty, research faculty, librarians, administrative staff, deans and vice presidents at least once during the three-year period from 1987-88 through 1989-90.
- 24 of 39 institutions provided merit in all 3 years.
- In any given year during that time period, no fewer than 21 institutions stated that merit had been awarded to individuals in the above categories.
- Only the Universities of North Dakota, South Carolina, Utah, and West Virginia did not provide for merit increases during that time period.
- All institutions reported that the State General Fund was a source for funding merit increases.

What was the size of the merit increase provided at public, land-grant universities?

The median increase for instructional faculty ranged from 3.1% to 6.0% during the three-year period, while the median for administrative staff, deans and vice presidents ranged from 3.1% to 5.9%.

Do merit increases become a part of one's base salary?

All but two institutions added the increase to the individual's base salary.

- Rutgers used a bonus payment in addition to an automatic step increase.

- Wyoming folded the increase into the base in 1987-88 and 1989-90, but treated it as a one-time payment in 1988-89.

- In 1988-89, the median increase for instructional faculty was 5.1% and 5.2% for administrative staff, deans and vice presidents.

How does the process for reviewing and approving merit increases for University of Nevada faculties compare with those processes at other universities?

The processes used for reviewing and approving merit increases varied from institution, but none were more rigorous than those used in reviewing and approving merit increases for University of Nevada faculties.

- Reviews of merit increases for instructional faculty occurred at the departmental- (in 19 out of 35 institutions), department chair- (32), college or division committee- (10), dean- (32), campus-wide committee- (3), and vice presidential-level (24).

- In addition to merit increases, the institutions reported cost-of-living adjustments (21 institutions), promotion increases (38), equity adjustments (34), and market adjustments (29).

- Only 2 institutions (Rutgers University and SUNY at Buffalo) indicated that they provided automatic step increases.

<u>Was there a difference in responses from the western states when compared with the United States as a whole?</u>

The institutions in the 10 western states (excluding Alaska and Hawaii) were similar to the overall response.

- All but one awarded merit increases at least once during the three-year period.
- The median increases ranged from 1.3% to 3.4% for instructional faculty and 1.2% to 2.8% for administrative staff, deans and vice presidents.
- All states (except Wyoming in 1987-88) added the increase to the individual's base salary.
- Reviews of merit increases occurred at approximately the same levels with the same frequency as the non-western states.

JRK/jb
none

PRINCIPAL PUBLIC UNIVERSITIES

UNIVERSITY		FICE CODE
Alabama	Auburn University	001009
Alaska	University of Alaska - Fairbanks	001063
Arizona	University of Arizona	001083
Arkansas	University of Arkansas - Fayetteville	001108
California	University of California - Davis	001313
Colorado	Colorado State University	001350
Connecticut	University of Connecticut	029013
Delaware	University of Delaware	001431
Florida	University of Florida	001535
Georgia	University of Georgia	001598
Hawaii	University of Hawaii - Manoa	001610
Idaho	University of Idaho	001626
Illinois	University of Illinois - Urbana	001775
Indiana	Purdue University	001825
Iowa	Iowa State University	001869
Kansas	Kansas State University	001928
Kentucky	University of Kentucky	001989
Louisiana	Louisiana State University & A&MC	002010
Maine	University of Maine	002053
Maryland	University of Maryland - College Park	002103
Massachusetts	University of Massachusetts - Amherst	002221
Michigan	Michigan State University	002290
Minnesota	University of Minnesota	003969
Mississippi	Mississippi State University	002423
Missouri	University of Missouri - Columbia	002516

As approved by the Board of Regents 6/12-13/86

University		Fice Code
Montana	Montana State University	002532
Nebraska	University of Nebraska - Lincoln	002565
New Hampshire	University of New Hampshire	002589
New Jersey	Rutgers, The State University of New Jersey	006964
New Mexico	New Mexico State University	002657
New York	State University of New York - Buffalo	002837
North Carolina	North Carolina State University	002972
North Dakota	North Dakota State University	009265
Ohio	Ohio State University	006883
Oklahoma	Oklahoma State University	003170
Oregon	Oregon State University	003210
Pennsylvania	Pennsylvania State University	006965
Rhode Island	University of Rhode Island	003414
South Carolina	Clemson University	003425
South Dakota	South Dakota State University	003471
Tennessee	University of Tennessee - Knoxville	003530
Texas	Texas A & M University	010366
Utah	Utah State University	003677
Vermont	University of Vermont	003696
Virginia	Virginia Polytechnic Institute and State University	003754
Washington	Washington State University	003800
West Virginia	West Virginia University	003827
Wisconsin	University of Wisconsin - Madison	003895
Wyoming	University of Wyoming	003932

As approved by the Board of Regents 6/12-13/86

(D7.14)

UNIVERSITY OF NEVADA, RENO
SALARY SURVEY

PART I. Cost-of-Living Adjustments

Please indicate the percentage increases the following groups of employees on your campus received for a cost-of-living adjustment in:

	(a) 1987-88	(b) 1988-89	(c) 1989-90
(1) Instructional Faculty	______	______	______
(2) Research Faculty	______	______	______
(3) Librarians	______	______	______
(4) Administrative Staff	______	______	______
(5) Deans & Vice Presidents	______	______	______

PART II. Merit Increases (this applies only in those instances where specific funds have been identified by the state or by the institution for the purpose of giving merit increases)

Please indicate the average percentage or fixed amount, or combination thereof, the following groups of employees on your campus received for meritorious performance, exclusive of any cost-of-living adjustment, in:

	(a) 1987-88	(b) 1988-89	(c) 1989-90
(6) Instructional Faculty	______	______	______
(7) Research Faculty	______	______	______
(8) Librarians	______	______	______
(9) Administrative Staff	______	______	______
(10) Deans & Vice Presidents	______	______	______

Please check (X) whether the merit increase becomes a permanent part of the individual's base salary or is a one-time only increase (similar to a bonus in the private sector):

(11) Permanent ______
(12) One-Time Only ______

PART III. Other Methods for Increasing Salaries

Please check (X) which of the listed methods for increasing salaries are applicable to the following groups of employees on your campus:

	(a) Promotion	(b) Equity Adjustment	(c) Market Adjustment	(d) Automatic Step Increase	(e) Other (Identify)
(13) Instructional Faculty					
(14) Research Faculty					
(15) Librarians					
(16) Administrative Staff					
(17) Deans and Vice Presidents					

PART IV. Process for Determining Merit Increases

Please check (X) the listed individuals or units that are involved in determining how merit funds are distributed for the following groups of employees on your campus:

	(a) Department	(b) Chair/ Super-visor	(c) College/ Division Committee	(d) Dean	(e) Campus-Wide Committee	(f) V.P.	(g) President
(18) Instructional Faculty							
(19) Research Faculty							
(20) Librarians							
(21) Administrative Staff							

Please indicate if there is faculty participation in the evaluation of:

(22) Deans Yes ( ) No ( )
(23) Vice Presidents Yes ( ) No ( )
(24) President Yes ( ) No ( )

PART V. Source of Funds for Merit Increases

Please check (X) the usual source of funds for merit increases for the following groups of employees on your campus:

	(a) State General Fund	(b) Special Appropriation	(c) Salary Savings	(d) Other (Identify)
(25) Instructional Faculty	______	______	______	______
(26) Research Faculty	______	______	______	______
(27) Librarians	______	______	______	______
(28) Administrative Staff	______	______	______	______
(29) Deans and Vice Presidents	______	______	______	______

IF YOU HAVE A WRITTEN POLICY ON MERIT INCREASES, PLEASE ENCLOSE IT WITH THIS SURVEY FORM.

Respondent ______________________________

Title ______________________________

Institution ______________________________

Telephone Number (   ) ______________________________

NOTE: If you have any questions pertaining to this questionnaire, please telephone:

James R. Kidder
Director
Planning, Budget and Analysis
University of Nevada, Reno
(702) 784-6516

Attachment 4

Merit Survey for Community Colleges

MERIT SURVEY FOR COMMUNITY COLLEGES, 1989-90

A survey was done of the 45 community colleges that make up the comparison group for the biennial "Salary and Compensation Survey" which is done for presentation to the Legislature. (This sample of community colleges was chosen at random from a list of middle-sized, urban, comprehensive institutions in the country, with a slight weighting toward western colleges.) Thirty-four institutions returned the survey, a response rate of 76%.

The survey was designed to determine what types of salary increases are granted to professional employees at community colleges similar to those in Nevada. We asked about ways different types of employees received raises, and whether those raises became part of the base salary. The following results were obtained:

> 50% of the respondent institutions provide annual cost-of-living or across-the-board, raises to both instructional and noninstructional faculty; 47% granted such increases to administrators. A number of others indicate that such annual increases are bargained.
>
> Only 6%(2) have a performance-based merit program for instructional faculty; 12%(4) for noninstructional faculty; and 29%(10) for administrators.
>
> Of those few institutions having a performance-based merit program, most add it to the base. For instance, 8 of 10 who have performance-based merit for administrators put it in the base.
>
> 20%(7) have awarded a bonus of some sort in the past year which was not added to the base salary. All of these also have an across-the-board raise or step system, and three have both.
>
> Many institutions have a step increase program for both instructional and noninstructional faculty, usually with steps awarded for satisfactory service: 62%(21) for instructional and 56%(19) for noninstructional; 35%(12) have a step program for administrators.
>
> Equity adjustment programs are available in 15%(5) of institutions for both instructional and noninstructional faculty, whereas 18%(6) have such programs for administrators. These programs are usually based on market factors.

These results show that in general community colleges do not have performance-based merit programs, especially for faculty. A significant minority have such programs for administrators. The major pattern for salary increases for faculty is through step increase programs, in conjunction with annual cost-of-living awards.

Submitted by the Joint System Compensation Committee, Feb. 12.

SALARY SURVEY

1. Does your institution give annual cost-of-living salary increases?

	YES	NO
Instructional Faculty	____	____
Non-Instructional Faculty	____	____
Administration	____	____

2. Does your institution currently have a performance-based merit salary increase program for:

	YES	NO
Instructional Faculty	____	____
Non-Instructional Faculty	____	____
Administration	____	____

2a. If yes to #2, does the merit award become a part of the base?

YES ______ NO ______

3. Does your institution have any type of bonus program that does not become a part of the base?

	YES	NO
Instructional Faculty	____	____
Non-Instructional Faculty	____	____
Administration	____	____

If yes, please explain.

4. Does your institution have other methods of granting salary increases?

	(A) Automatic Step Increases	(B) Equity Adjustments	(C) Other (Identify)
Instructional Faculty	____	____	____
Non-Instructional Faculty	____	____	____
Administration	____	____	____

Please briefly explain how any of the programs checked above work.