

NSHE Task Force on Performance Pay Administration and Support
Summary of Recommendations
12.19.19

This document summarizes the recommendations approved by the Task Force on Performance Pay Administration and Support at its December 19, 2019, meeting. Recommendations adopted by the Task Force will be considered by the Board of Regents at its March 5-6, 2020, meeting. Recommendations that require consideration and action by the Nevada State Legislature, if adopted by the Board of Regents, will be considered during the 2021 Session of the Nevada State Legislature.

Recommendation No. 1: Restoration of COLA Funding

Historically, the NSHE received 80 percent funding for any recommended cost of living adjustment (COLA). In the 2019 Session of the Nevada State Legislature, NSHE's COLA funding was reduced from 80 percent to 64 percent. Task Force members expressed concern that NSHE was not afforded the opportunity to testify on the matter during the 2019 Session and adopted the following recommendations as part of the 2021-2023 budget preparations:

- a. The Board of Regents should prioritize the restoration of COLA funding from 64 percent to 80 percent for future allocations of COLA funding. Should the Governor not recommend a COLA for state employees in FY2022 and/or FY2023, request that the matter be heard by the Legislature when COLA is next funded for state employees; and
- b. The Board of Regents should request that any funding for professional COLA be directly appropriated to NSHE instead of to the Board of Examiners, restoring the practice that was in place prior to the 2005 Session. In addition, request that the COLA allocation for NSHE classified employees be included with the allocation for all state classified employees. Including NSHE classified employees with all other state classified employees will allow for funding flexibility when the NSHE request is part of the larger funding pool.

Recommendation No. 2: Funding for Performance Pay, Compression and Inversion

The 2013 Session of the Nevada State Legislature was the last session in which the State appropriated funds for professional merit for FY 2015. The 2015 and 2017 Sessions did not approve professional merit funding and took the additional step of including language in the Appropriations Act that prohibited the use of appropriated General Fund dollars to support expenditures related to professional merit salary increases. The 2019 Session also did not approve professional merit funding but did not include the merit pay restriction language in the Appropriations Act.

For the 2021 Session of the Nevada State Legislature, the Task Force recommends transitory language for inclusion in the Appropriations Act that would authorize NSHE to utilize state appropriated General Fund dollars for the purpose of awarding merit compensation and, when necessary, addressing salary compression and inversion. Requesting this language in the Appropriations Act allows the Board of Regents to again acknowledge the issue and notify the Legislature that NSHE will resolve the matter within its overall state appropriation, thereby not seeking additional funding that is earmarked for performance pay. Faculty representatives on the Task Force opposed inclusion of the language as unnecessary and indicated that the Board should continue to seek separate state funding for performance pay from the Legislature as has been done in the past. This recommendation does not preclude the Board of Regents from again requesting state funding for performance pay in the budget request for consideration by the 2021 Session of the Nevada State Legislature.

The Task Force recommends the following language be requested for inclusion in the Appropriations Act:

It is the intent of the Legislature that the amounts appropriated by this act for the Nevada System of Higher Education may be allocated by the Nevada System of Higher Education to support expenditures related to professional performance pay increases and for salary adjustments for salary compression and inversion for academic and administrative faculty.

The Task Force recommends revising the Board of Regents' *Handbook* to authorize the institutions to award merit on an annual basis and address salary compression and/or inversion within the institutions' state supported operating budgets. Suggested *Handbook* revision to Title 4, Chapter 3 (new language in **boldface italics**):

Section 54. Annual Professional Performance Pay Awards

Effective fiscal year 2022, on an annual basis all institutions and System Administration and its units shall establish a performance pay pool of at least one percent (1.0%) for the purpose of awarding salary adjustments based on meritorious performance in the prior performance evaluation year for professional employees. The Presidents, in consultation with the Chancellor, shall establish institutional procedures for awarding performance pay, including how award amounts will be determined and awarded. The provisions of this section may be suspended for an individual institution or the system as a whole. Requests for suspension of the provisions of this section must be presented to the Board with justification and require approval of the Board. Institutions will report annually to the Board on how the provisions of this section have been met.

The intent of mandating an annual professional performance pay pool is to reduce the occurrence of further salary compression and inversion and provide all professional employees with regular and predictable salary adjustments by ensuring that all formula and non-formula budgets appropriately allocate for salary adjustments through an annual performance pay pool. Effective fiscal year 2022, institutions will establish a performance pay pool of at least one percent calculated on salaries for all existing professional positions.

Further, delete references in the *Handbook* (Title 4, Chapter 3, Section 25) and *Procedures and Guidelines Manual* (Chapter 3, Section 3.c and 4.a; Chapter 5, Section 14.B and 14.D) to legislative appropriations triggering merit adjustments.

The following table estimates the initial fiscal impact for state supported operating budgets based on FY 2020 approved budgets. These are conservative figures that include all professional positions and are provided for the purpose of indicating potential overall fiscal impact. As indicated in the table, every 1 percent of a performance pay pool will cost approximately \$5.9 million. Self-supporting budgets, which will be impacted by this recommendation, are not included in the figures below.

Institution / Budget	Total State Operating Budget	Professional Salaries	Professional 1.0% Merit - Salary	Prof. Merit - Fringe	Prof. Merit – Total at 1.0%	Merit % of Total State Op Budget
System Administration	\$5,159,243	\$2,949,351	\$29,494	\$8,848	\$38,342	0.74%
System Computing Services	\$18,758,967	\$7,886,266	\$78,863	\$23,659	\$102,521	0.55%
Special Projects	\$2,278,035	\$503,817	\$5,038	\$1,511	\$6,550	0.29%
UNR	\$245,626,381	\$111,715,970	\$1,117,160	\$335,148	\$1,452,308	0.59%
UNR-ICA	\$5,475,113	\$732,432	\$7,324	\$2,197	\$9,522	0.17%
UNR Med	\$44,573,520	\$17,394,885	\$173,949	\$52,185	\$226,134	0.51%
UNR Agricultural	\$7,283,777	\$2,981,012	\$29,810	\$8,943	\$38,753	0.53%
UNR Coop Ext	\$5,755,821	\$3,172,403	\$31,724	\$9,517	\$41,241	0.72%
UNR Press	\$454,091	\$315,313	\$3,153	\$946	\$4,099	0.90%
UNR Statewide Programs	\$8,749,206	\$3,026,445	\$30,264	\$9,079	\$39,344	0.45%
UNR Health Lab	\$1,780,159	\$270,414	\$2,704	\$811	\$3,515	0.20%
UNR BCN	\$2,147,055	\$740,650	\$7,407	\$2,222	\$9,628	0.45%
UNLV	\$316,042,690	\$151,437,591	\$1,514,376	\$454,313	\$1,968,689	0.62%
UNLV Dental	\$18,639,965	\$8,790,835	\$87,908	\$26,373	\$114,281	0.61%
UNLV ICA	\$7,896,825	\$1,204,233	\$12,042	\$3,613	\$15,655	0.20%
UNLV Law	\$15,192,401	\$8,123,324	\$81,233	\$24,370	\$105,603	0.70%

Institution / Budget	Total State Operating Budget	Professional Salaries	Professional 1.0% Merit - Salary	Prof. Merit - Fringe	Prof. Merit – Total at 1.0%	Merit % of Total State Op Budget
UNLV Med	\$39,013,476	\$16,033,890	\$160,339	\$48,102	\$208,441	0.53%
UNLV Statewide	\$3,814,504	\$1,239,878	\$12,399	\$3,720	\$16,118	0.42%
UNLV BCS	\$1,951,542	\$642,953	\$6,430	\$1,929	\$8,358	0.43%
DRI	\$8,273,179	\$4,682,542	\$46,825	\$14,048	\$60,873	0.74%
CSN	\$156,596,403	\$59,998,666	\$599,987	\$179,996	\$779,983	0.50%
GBC	\$17,617,834	\$9,317,584	\$93,176	\$27,953	\$121,129	0.69%
TMCC	\$51,638,712	\$21,322,869	\$213,229	\$63,969	\$277,197	0.54%
WNC	\$20,572,136	\$8,059,239	\$80,592	\$24,178	\$104,770	0.51%
NSC	\$33,605,071	\$10,868,616	\$108,686	\$32,606	\$141,292	0.42%
Total	\$1,038,896,106	\$453,411,178	\$4,534,112	\$1,360,234	\$5,894,345	0.57%

While this estimate is for state-supported operating budgets only, the intent of the recommendation is that all professional employees will be eligible for the performance pay pool established regardless of funding source for the position. In other words, the mandated performance pay pool will be calculated based on all professional positions, including those professional positions that are included in self-supporting (or non-formula) accounts.