

BOARD OF REGENTS BRIEFING PAPER

Code Revision, Development and Review of Salary Schedules

BACKGROUND & POLICY CONTEXT OF ISSUE

At its September 7-8, 2023, regular meeting the Board considered, but did not approve revisions to the provision of Board policy governing the periodic and annual review and adjustment of NSHE salary schedules. In lieu of approving the recommended revisions, the Board directed staff to bring the policy back to a later meeting, with some regents indicating that any adjustments (periodic and annual) should be subject to Board approval. The revisions presented in **OPTION A** provide that salary schedules will be approved by the Board of Regents and the revisions in **OPTION B** provide that salary schedules adjustments will be approved by the Chancellor based on a recommendation from an external compensation consultant.

It is important to note that, per Board policy (*Bylaws*, Article VII, Section 3), “[t]he Chancellor is the chief executive officer ... and is responsible to the Board for the administration ... and the financial management of the Nevada System of Higher Education.” By contrast, Board policy (Title 4, Chapter 1, Section 2) states that “the primary role of a Board member is policymaking, not administration.” **OPTION A** changes this dynamic by requiring Board action for the establishment of salary schedules, which is an administrative function related to the financial management of the System.

The NSHE *Procedures and Guidelines Manual*, Chapter 3, Sections 1 and 2, includes the salary schedules that are used by System Administration, all affiliated special units (e.g. System Computing Services), and the institutions, including the Desert Research Institute. This includes the professional schools and all special units (e.g. centers and institutes) that are part of the institutions. These schedules include for all positions a salary minimum, median (or midpoint), and maximum, commonly referred to as salary bands. The salary schedules recognize that market rates vary by institution type and therefore, there are schedules specific to the community colleges, state college, and universities. The salary bands essentially establish the range of initial base pay for various positions across the system and are used for hiring purposes only. In general, when an institution or unit makes an offer to hire an individual the initial base pay will be negotiated within the salary bands established in the schedule pursuant to Title 4, Chapter 3, Section 27.

In 2022, pursuant to the provisions of Title 2, Chapter 5, Section 5.5, the Chancellor’s Office engaged an independent compensation expert that reviewed the salary schedules and market salary data ultimately recommending adjustments to the salary schedules that were approved by the Chancellor and went into effect on July 1, 2022. The next adjustment to schedules will occur in 2024 in accordance with the provisions governing annual salary schedule adjustments that are also outlined in Title 2, Chapter 5, Section 5.5. The 2024 adjustments would be made based on an internal review of market data from sources noted in the policy (e.g. CUPA, WorldatWork, and US Labor Market salary data).

This is a *Code* revision and requires two hearings of the Board. This item was presented for an initial hearing at the September 28, 2023, special meeting and is returning for final action.

SPECIFIC ACTIONS BEING RECOMMENDED OR REQUESTED

Amend *Title 2, Chapter 5, Section 5.5* to provide for the following:

- Clarify the intended use of salary schedules in alignment with existing practices whereby salary schedules are used for initial placement on the salary schedule upon hiring.
- Align the policy with existing practice by including a provision noting the adjustment of salaries for existing employees whose salary may fall below an adjusted minimum to reduce salary compression. This is a long-standing practice across the System.
- For the periodic four-year salary schedule updates, include the Human Resource directors among the groups that are debriefed on the recommended salary schedule adjustments by the independent compensation expert. Currently, the policy provides that the Presidents and Faculty Senate Chairs are presented the proposed updated salary schedules, methodology used (including the selection of peer institution and appropriate market data) and recommendations. During the 2022 update, Human

Resource directors were also presented with the recommendations by the independent compensation expert.

- Update the language on the timeline for the periodic four-year update by removing dates that have passed and providing for a clear timeline that the study must begin and by what date the updates must be published.
- Recognize any state-approved COLA as part of the factors considered in the annual salary schedule updates. Prior to 2018, annual updates to the salary schedules (that occurred in years when a periodic four-year update did not take place) aligned with the state approved COLA percentage.

In addition to the aforementioned revisions, the proposal as presented herein provides two options for the Board’s consideration. **OPTION A** provides that the independent compensation expert present their recommendations to the Board of Regents and provides that periodic and annual salary schedule adjustments are subject to Board approval. **OPTION B** provides that the independent compensation expert present their recommendations to the Board of Regents and that periodic and annual salary schedule adjustments shall be approved by the Chancellor, consistent with the current roles and responsibilities of the Chancellor.

IMPETUS (WHY NOW?)

At its September 7-8, 2023, regular meeting the Board considered, but did not approve revisions to the provision of Board policy governing the periodic and annual review and adjustment of NSHE salary schedules. In lieu of approving the recommended revisions, the Board directed staff to bring the policy back to a later meeting, with some regents indicating that any adjustments (periodic and annual) should be subject to Board approval. The revisions presented in **OPTION A** provide that salary schedules will be approved by the Board of Regents and the revisions in **OPTION B** provide that salary schedules adjustments will be approved by the Chancellor based on a recommendation from an external compensation consultant.

CHECK THE NSHE STRATEGIC PLAN GOAL THAT IS SUPPORTED BY THIS REQUEST:

- Access (Increase participation in post-secondary education)
 - Success (Increase student success)
 - Close the Achievement Gap (Close the achievement gap among underserved student populations)
 - Workforce (Collaboratively address the challenges of the workforce and industry education needs of Nevada)
 - Research (Co-develop solutions to the critical issues facing 21st century Nevada and raise the overall research profile)
 - Coordination, Accountability, and Transparency (Ensure system coordination, accountability, and transparency)**
 - Not Applicable to NSHE Strategic Plan Goals
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INDICATE HOW THE PROPOSAL SUPPORTS THE SPECIFIC STRATEGIC PLAN GOAL

The proposed revisions related to the NSHE salary schedule support the Board’s goal of “Coordination, Accountability, and Transparency” by ensuring consistent and uniform salary schedules that will be used by all NSHE institutions and units. The adjustments to the schedule that occur on a periodic basis will be presented to the Board at a public meeting (under both **Options A and B**) ensuring transparency in the process for adjusting the schedules based on the recommendation of an independent compensation expert.

BULLET POINTS TO SUPPORT REQUEST/RECOMMENDATION

The proposed revisions will:

- Clarify the process of updating salary schedules by ensuring Human Resource directors, who are ultimately responsible for the implementation of updated schedules, are included in the process of reviewing and updating the schedules as has been the protocol in the past;
- Ensure the Board is aware of the process, methodology and outcome of the salary schedule updates by requiring the external compensation expert present the recommended updates to the Board (under both **Option A and B**);
- Recognize the awarding of COLA as a factor to be considered in the annual salary schedule updates;

- Indicate that the intended use of salary schedules is for hiring purposes consistent with Title 4, Chapter 3, Section 27; and
- Align the policy with the current practice of adjusting the salaries of individuals who are in positions that fall below the adjusted minimum.

POTENTIAL ARGUMENTS AGAINST THE REQUEST/RECOMMENDATION

The proposal presented herein provides for two options for the approval of periodic and annual salary schedule adjusts: **OPTION A** for Board approval and **OPTION B** for Chancellor approval.

The argument against **OPTION A** (Board approval): Board approval allows an entity to approve the schedules that does not have compensation expertise. Further, the Board may amend the schedules in a manner that is not supported by market based-data.

The argument against **OPTION B**: This option requires the Chancellor to approve the recommendations of the compensation expert following review of the schedules by the Board of Regents, effectively taking the option away from the Board to amend the schedules.

ALTERNATIVE(S) TO WHAT IS BEING REQUESTED/RECOMMENDED

Maintain the current provisions of Title 2, Chapter 5, Section 5.5.

RECOMMENDATION FROM THE CHANCELLOR’S OFFICE

The Chancellor’s Office supports **OPTION B**.

COMPLIANCE WITH BOARD POLICY:

- Consistent With Current Board Policy: Title # _____ Chapter # _____ Section # _____
- Amends Current Board Policy: *Title 2, Chapter 5, Section 5.5*
- Amends Current Procedures & Guidelines Manual: Chapter # _____ Section # _____
- Other: _____
- Fiscal Impact: Yes _____ No _____
- Explain: _____

OPTION A: BOARD APPROVAL OF SALARY SCHEDULES

POLICY PROPOSAL Title 2, Chapter 5, Section 5.5 Salaries

Additions appear in *boldface italics*; deletions are [~~stricken~~ and bracketed]

Section 5.5 Salaries

5.5.1 Development and Review of Salary Schedules.

- a. *Use of Salary Schedules.* *Salary schedules are to be used for initial placement on a salary schedule pursuant to Title 4, Chapter 3, Section 27. Except as otherwise provided in subsection d., periodic and annual adjustments to the salary schedule are not to be construed to require adjustment of the salaries of currently employed faculty and staff.*

- b. Periodic Four-Year Salary Schedule Updates. The salary schedules for the universities, Desert Research Institute, special units, state college, and the community colleges for executives, administrators and faculty shall be reviewed and updated every four years. The Chancellor shall engage an independent compensation expert, with expertise in higher education compensation, to review and recommend to the Chancellor updates to the salary schedules using peer institution and other appropriate market data as determined by the independent expert. The institutional presidents may provide suggested peer institutions for consideration by the independent compensation expert. The independent compensation expert shall present the proposed updated salary schedules, methodology used (including the selection of peer institution and appropriate market data) and recommendations to the Presidents, *human resources directors*, and the Faculty Senate Chairs to obtain their input. [~~The first salary schedule update by an independent compensation expert shall be initiated in no later than October 1, 2021. The updated salary schedules shall be published in January 2022 to be effective July 1, 2022. Thereafter, the salary schedule updates must occur in this manner every four years.~~] *The salary schedule update by an independent compensation expert shall be initiated no later than July 1 of the prior year when the adjustment will take effect. The adjustments recommended by the independent compensation expert shall be presented to the Board for approval at its fourth quarter (November/December) Board meeting before the adjustments will take effect. The Chancellor shall publish the updates no later than January of the year the adjustments will take effect and adjustments will be effective July 1.*

- [b] c. Annual Salary Schedule [~~Increases~~] Updates. In years where the periodic four-year update does not occur, the salary schedules shall be updated annually to reflect *a cost-of-living adjustment (COLA) approved by the state legislature and/or* market-based salary increases *if appropriate.* [~~, if any, using a percentage determined by the Chancellor.~~] By October 1 of each year, the NSHE Human Resources Office *after consultation with the institutional human resources directors* shall recommend to the [~~Chancellor~~] *Board* an annual percentage increase, if any, based upon, *but need not be equal to, the state approved COLA and/or a review of the*

most recent data from indices such as CUPA, Oklahoma State University faculty salary survey data, WorldatWork and US Labor Market annual salary increases for higher education. ~~[The recommended annual adjustments must be approved by the Chancellor after review by the Chancellor's cabinet.]~~ The ~~[approved]~~ **recommended** adjustments shall be presented to the Board ~~[as an information item]~~ **for approval** at its fourth quarter (November/December) Board meeting before the adjustments will take effect. The updated salary schedules may be published no later than January 30 of each year to be effective July 1.

- [c] d. ~~[Approval and Report of Salary Schedule Updates]~~ **Salary Adjustments for Individuals Below the Schedule Minimum.** ~~[The Chancellor shall advise the Presidents and Faculty Senate Chairs regarding the proposed updated salary schedules at least 30 days before publication of the updated salary and shall identify any positions which fall below updated salary schedule minimums for that position. Any proposed revisions to the schedules shall not go into effect until approved by the Chancellor. The Chancellor shall provide a report to the Board of Regents regarding any approved salary schedule changes.]~~ ***The salary of any individual whose current salary falls below the relevant updated salary schedule minimum shall be adjusted to the minimum of the respective salary schedule as of the effective date of the salary schedule adjustments for periodic and annual salary schedule updates. The Presidents shall inform the Chancellor of any adjustments made and the Chancellor will prepare an informational report for the Board in accordance with personnel privacy policy. Individuals whose salaries are within or above the salary range shall not receive a salary adjustment based on the updates to the salary schedule required pursuant to this section.***

OPTION B: CHANCELLOR APPROVAL OF SALARY SCHEDULES

POLICY PROPOSAL Title 2, Chapter 5, Section 5.5 Salaries

Additions appear in *boldface italics*; deletions are [~~stricken~~ and bracketed]

Section 5.5 Salaries

5.5.2 Development and Review of Salary Schedules.

- a. *Use of Salary Schedules.* *Salary schedules are to be used for initial placement on a salary schedule pursuant to Title 4, Chapter 3, Section 27. Except as otherwise provided in subsection d., periodic and annual adjustments to the salary schedule are not to be construed to require adjustment of the salaries of currently employed faculty and staff.*

- b. Periodic Four-Year Salary Schedule Updates. The salary schedules for the universities, Desert Research Institute, special units, state college, and the community colleges for executives, administrators and faculty shall be reviewed and updated every four years. The Chancellor shall engage an independent compensation expert, with expertise in higher education compensation, to review and recommend to the Chancellor updates to the salary schedules using peer institution and other appropriate market data as determined by the independent expert. The institutional presidents may provide suggested peer institutions for consideration by the independent compensation expert. The independent compensation expert shall present the proposed updated salary schedules, methodology used (including the selection of peer institution and appropriate market data) and recommendations to the Presidents, *human resources directors*, and the Faculty Senate Chairs to obtain their input. [~~The first salary schedule update by an independent compensation expert shall be initiated in no later than October 1, 2021. The updated salary schedules shall be published in January 2022 to be effective July 1, 2022. Thereafter, the salary schedule updates must occur in this manner every four years.~~] *The salary schedule update by an independent compensation expert shall be initiated no later than July 1 of the prior year when the adjustment will take effect. The adjustments recommended by the independent compensation expert shall be presented to the Board as an information item at its fourth quarter (November/December) Board meeting before the adjustments will take effect. The Chancellor shall approve and publish the updates no later than January of the year the adjustments will take effect and adjustments will be effective July 1.*

- [d] c. Annual Salary Schedule [~~Increases~~] Updates. In years where the periodic four-year update does not occur, the salary schedules shall be updated annually to reflect *a cost-of-living adjustment (COLA) approved by the state legislature and/or market-based salary increases if appropriate.* [~~if any, using a percentage determined by the Chancellor.~~] By October 1 of each year, the NSHE Human Resources Office *after consultation with the institutional human resources directors* shall recommend to the Chancellor an annual percentage increase, if any, based upon, *but need not be equal to, the state approved COLA and/or a review of the most*

recent data from indices such as CUPA, Oklahoma State University faculty salary survey data, WorldatWork and US Labor Market annual salary increases for higher education. The recommended annual adjustments must be approved by the Chancellor after review by the Chancellor's cabinet. The approved adjustments shall be presented to the Board as an information item at its fourth quarter (November/December) Board meeting before the adjustments will take effect. The updated salary schedules may be published no later than January 30 of each year to be effective July 1.

- [e] d. [~~Approval and Report of Salary Schedule Updates~~] ***Salary Adjustments for Individuals Below the Schedule Minimum.*** [~~The Chancellor shall advise the Presidents and Faculty Senate Chairs regarding the proposed updated salary schedules at least 30 days before publication of the updated salary and shall identify any positions which fall below updated salary schedule minimums for that position. Any proposed revisions to the schedules shall not go into effect until approved by the Chancellor. The Chancellor shall provide a report to the Board of Regents regarding any approved salary schedule changes.~~] ***The salary of any individual whose current salary falls below the relevant updated salary schedule minimum shall be adjusted to the minimum of the respective salary schedule as of the effective date of the salary schedule adjustments for periodic and annual salary schedule updates. The Presidents shall inform the Chancellor of any adjustments made and the Chancellor will prepare an informational report for the Board in accordance with personnel privacy policy. Individuals whose salaries are within or above the salary range shall not receive a salary adjustment based on the updates to the salary schedule required pursuant to this section.***