Date: March 25, 2014  
To: Executive Council; Deans and Directors; Department Heads; Colin Keeney, Faculty Senate Chair; Jim Logue, Staff Senate President; and, Brett Kahler, ASUW President  
From: Richard C. McGinity, University President  
Re: Recommendations Regarding Compensation and Tuition

I am forwarding to you the following proposal, which summarizes the recommendations regarding compensation and tuition I have provided to the Board of Trustees and intend to discuss at the regular Board of Trustees meeting scheduled for this Thursday, March 27, and Friday, March 28. The two recommendations overlap, to a degree, as you will see below.

I propose two sources of funding for compensation, the $4.15 million General Fund appropriation included in the Biennial Budget bill passed this year by the legislature, and a $500,000 component of a proposed 4% tuition increase for FY 2015. (That 4% tuition increase raises approximately $2 million per year, one-quarter of which would go to compensation.)

Of this $4.65 million total, I propose a dual-distribution approach for FY 2015. The first is a Market Pay Adjustment of $3.55 million from the General Fund appropriation, equal to a roughly 2.35% increase to the base pay of most employees. The second is a $1.1 million Merit Pay component made up of $600,000 gathered from categorical exclusions to the market compensation pot, as well as $500,000 to be raised from a portion of the tuition increase. All pay increases would be ongoing, rather than one-time “bonus” payments.

I. The $3.55M **Market Adjustment** recognizes several important points.
   - Current pay grades are based on 2007 market comparators
   - It has been nearly 5 years since UW received funding for ongoing pay increases
   - Employees performing in a satisfactory manner are deserving of a pay increase
   - Unsatisfactory performers are not eligible

   **Those categories excluded from the Market Increase:**
   1. Underperformers
   2. Contract employees earning over $100,000
   3. Employees hired or who received other pay increases after June 30, 2013
   4. President, Vice Presidents, College Deans

II. The $1.1 million performance based **Merit Pay** increase details:
   - $600,000 netted from the above exclusions
   - $500,000 from a portion of a 4% tuition increase
   - Allocated to vice presidents based on a percent of payroll in each function
   - Allocated by vice presidents and managers, upon approval of plans by President
• Performance appraisals will factor into merit awards, although the FY 2015 plan also recognizes that the performance appraisal system has not been applied in detail to compensation for several years, and may require adjustments or additional supervisor training
• Groups 1 and 4 of the exclusions listed above would not be eligible

The July 1, 2015 (FY 2016) compensation increase is to be determined. The Legislature has approved a General Fund appropriation of $8.35 million for that year.

In addition, I am proposing a 4% tuition increase for FY 2015. While I will forecast a similar increase for FY 2016 and perhaps for one or more years into the future, the board is only being asked to consider and take action on the increase for FY 2015.

A 4% increase would generate approximately $2 million in FY 2015. I propose to distribute the total in the following manner:

• $500,000 to Merit-based Compensation
• $570,000 to the LMS—Learning Management System
• $350,000 to the College of Arts and Sciences
• $250,000 for the STEP student retention center
• $250,000 for libraries
• $80,000 for labs/equipment/supplies