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Board of Trustees Finance Committee July 20, 1977

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UNIVERSITY OF MAINE
BOARD OF TRUSTEES

APPROVED BY THE BOARD OF TRUSTEES

July 20, 1977
Bangor, Maine

DATE: 9/27/77

CLERK: _____

FINANCE COMMITTEE

PRESENT: Chairman Robert Masterton, Francis Brown, Artemus Weatherbee, Becky Fisher, and James Horan. Other Trustees: Patricia DiMatteo, John Donovan. Staff: Chancellor McCarthy, William Sullivan, Russell Smith, Ford Campbell, Richard Eustis, Einar Olsen, Kenneth Allen. For part of the meeting, Samuel D'Amico, Robert Binswanger. Also Present: Charles LaVerdiere, UMF and Wayne Reilly, press.

Mr. Masterton convened the meeting and the minutes of the Finance Committee meeting of May 25, 1977 were ACCEPTED as revised.

1977/78 Budget. Mr. Sullivan briefed the Committee on the development of the financial plan which provided for most inflationary increases, some limited program improvement and an increase in employee compensation. The plan also involved an increase in resident tuition, to be considered by a joint meeting of the Finance and Student Affairs committees later in this session. Mr. Sullivan reported that a series of budget hearings had been conducted with the Campuses for discussion of all aspects of the financial and academic plans and that the Campuses had submitted detailed budget proposals for the coming year in two parts, one for existing programs and one for priority needs beyond existing programs. He indicated that there was clear justification for some part two funding and the Administrative Council has discussed and approved a proposal to allocate a sum of money for part two programs. This proposal calls for the transfer of \$500,000 in University funds to be divided among the Campuses, either as a one-time allocation or, allocated over the next two years if matching funds are provided by the Campuses from local resources. Discussions are underway on the specific arrangements to implement the proposal. When agreement has been reached between the Chancellor's Office and the Presidents, the 1977-78 Campus budgets will be adjusted accordingly and presented for Board review at the September meeting. Mr. Sullivan reported that the 1977/78 financial plan also provides for establishment of a maintenance reserve at each of the Campuses. The Chancellor's Office will forego its (20%) share of incentive budgeting savings to fund the maintenance reserve. Mr. Masterton requested that the presentation of campus budgets at the September meeting be expanded to include briefings by each of the Campuses, and take note of financial implications for programs and of any changes made to implement recommendations of the Trustees' ad hoc committee on academic planning.

Employee Compensation. Continuing with the report on the financial plan, Mr. Sullivan presented the staff recommendation for salary adjustments which proposed an increase in total employee compensation of 7%. One percent of this amount is in fringe benefit costs, 6% to be reflected in employee paychecks. The proposal recommended establishment of a fund equivalent to 6% of the faculty and professionals salary budget, to be distributed on the basis of merit, with a 10% limit on any individual increase. The Campuses would provide a statistical summary profile of implementation, noting criteria used for evaluation, for information of the Committee and the Board at the September meeting. For

Classified employees, the staff recommended continuation of the pay plan which provides for merit step increases, plus an across-the-board increase of \$6 week, and compression of the two existing longevity steps which are awarded now at the 10th and 15th year to the 6th and 7th year, respectively. In addition, the staff recommended revising Classified promotion policies to insure that promotion to a higher wage band would result in an increase of at least 5%.

During consideration of the compensation package, Mr. Sullivan noted that expected increases in the cost of health insurance premiums were covered in the 1% increase earmarked for fringe benefit improvements. There was discussion of inequities between University and State classified employee wage levels, where the largest gap is at the lowest end of the scale. Mr. Weatherbee was opposed to an across-the-board increase for classified employees. Acknowledging that there were problems at the low end of the scale, he thought it inadvisable to penalize the other classified employees, and that if it were necessary to set a dollar figure, the figure should be higher. He suggested insuring a 5% increase, at minimum, with the \$6 per week as an option for those who would benefit from it. The financial impact of this suggestion was discussed and other concerns were raised. Mr. Monaghan objected to across-the-board increases which fail to recognize that lower levels are underpaid. The Chancellor pointed out that proposed increases were not wholly across-the-board; the recommendation called for a dollar figure plus merit step increases. Mr. Millett endorsed the incorporation of a cost of living increase with the merit step as a step forward but thought the total increase was inefficient to remove existing disparities. Professor Horan inquired about the rationale for distributing increases to faculty and professionals on the basis of merit only and the Chancellor responded that it gives the Presidents the means to address inequities and reward merit.

To reach concensus among the disparate points of view, Mr. Masterton requested that the Committee discuss, as a first step, the staff recommendation for a total of \$2.4 million to be allocated for salary increases. Mr. Masterton pointed out that the \$2.4 million was based on available dollars from the state appropriation, and assumptions about fair-share tuition. In response to a question from Mr. Weatherbee, the Chancellor indicated that the amount available for salary improvement could be increased only at the expense of programs or higher tuition charges. A motion offered by Mr. Brown to accept the \$2.4 million as the total compensation figure, failed for lack of a second, Mr. Weatherbee moved that salary increases for classified employees be distributed at the rate of \$6 per week or 6%, whichever is greater. That motion also failed for lack of a second.

The Chancellor indicated he did not disagree with any of the points made concerning the need for more salary money; the recommendation presented constituted the staff's best judgement for distribution of a fixed number of available dollars as equitably as possible. There was further discussion of possible sources of funds to increase the classified employees' share of the compensation package. Mrs. DiMatteo inquired about the amount of money which could be released by not improving the benefits and Mr. Weatherbee suggested acceleration of out-of-state tuition increases to a two-year instead of four-year schedule for full cost assessment. The Chancellor thought it was probable that accelerating the out-of-state

tuition increase would result in a loss of revenue* and he said that \$100,000 from the benefit package would allow an increase for classified employees in the amount of \$8 per week instead of \$6. After further discussion and on motion of Mr. Brown, seconded by Mr. Weatherbee, with Professor Horan and Ms. Fisher abstaining, it was

VOTED: to recommend that the Board allocate \$2.4 million from the 1977/78 budget, for salary and wage increases

Mr. Weatherbee moved:

to recommend to the Board that a fund calculated at 6% of the salaries paid faculty and other professionals be distributed on the basis of merit as salary increases, in accordance with guidelines to be promulgated by the Chancellor's Office.

The motion was seconded and discussed. Professor Horan and Charles LaVerdiere, Chairman of the Professional Employees Liasion Council, spoke in opposition to distribution of salary money on a merit basis only, given the lack of any provision for cost-of-living increases. With Professor Horan and Ms. Fisher dissenting, the motion CARRIED.

There was further discussion of distribution of increases for classified employees. There was consensus that some further adjustment was needed. Suggestions included a one-time step increase for the most meritorious, or retaining the proposed \$6 per week and adding \$100,000 for merit awards. Mr. Masterton suggested increasing the dollar figure to \$8 per week, with the staff to work out alternatives for funding the additional amount. In response to a question from Ms. Fisher, the Chancellor said it was unlikely that such additional funds would come out of tuition. On motion of Mr. Brown, seconded by Mr. Masterton, and with Mr. Weatherbee abstaining, it was

VOTED: to recommend to the Board that wages paid classified employees be increased by \$8 per week effective July 1, 1977 and that the two longevity steps in the present pay scale be paid at the completion of six and seven years, respectively, of satisfactory service,

and that the classified employees manual be revised to assure that a classified employee, upon promotion from a position in one wage band to a position in another, shall receive an increase in wages of at least 5%.

Mr. Masterton instructed the staff to work out the details of the \$8 per week distribution for a report to the Committee in September. He also requested that for future presentations involving salaries, the Finance Committee should review the overall financial implications but that the fringe benefit adjustments should be reviewed by the Personnel and Employee Relations Committee. Mr. Weatherbee reiterated the need for a salary study before the Board deals with the compensation package again and Mr. Masterton requested that the staff prepare a salary study proposal for consideration by the Committee and the Board at the November meeting.

Treasurer Search. Mr. Sullivan reported that the search for a new Treasurer has been re-opened and there will be a further report at the September meeting.

Gifts, Grants and Awards. On motion of Mr. Brown, seconded by Ms. Fisher, it was

VOTED: to recommend that the Board accept with gratitude
all gifts, grants and awards listed under date of
July 20, 1977.

Tuition Waiver. A recommendation to provide for the undergraduate education of the Jewett children was moved by Mr. Brown, seconded by Ms. Fisher, discussed, amended and

VOTED: to recommend that the Board of Trustees of the
University of Maine authorize the waiving of
tuition and fees for Joanne Jewett, enrolled
as an undergraduate student at the University
of Maine at Orono for the academic year 1977-78.

Adjournment.

JoAnne R. Magill
JoAnne R. Magill
Clerk of the Board