A PROPOSAL FOR A FLEXIBLE SALARY STRUCTURE
SCHOOL OF MEDICINE
August 31, 1995

I. Introduction/General Policies

A. Introduction

In the Fall of 1994, a faculty retreat was held to discuss the development of a more flexible salary structure for the School of Medicine. The development of a more flexible salary structure had been recommended in 1993-94 by a blue ribbon committee established to study personnel policies in the School (chaired by Dr. James Shore), and was also recommended in 1984 in a study authored by Drs. Dubovsky and Singelton. Following the retreat, a small working group developed a draft for the new salary model which was subsequently reviewed by a larger group of retreat breakout group co-chairs. The new salary structure is called the “BSI Salary Plan” which stands for Base, Supplement and Incentive.

The main rationale for developing a new salary structure is to provide more flexibility to the School in light of future uncertainties in funding, and to assure the continued strength of the Medical School programs during the decades ahead. The need for increased flexibility results, in large measure, from the small percentage of salary support derived from State and tuition dollars. Currently, for the School as a whole, only 15% of faculty salaries are funded by State and tuition dollars, with the remainder from grant, clinical, and other revenue sources. While State and tuition revenue has remained fairly constant over the past ten years, clinical and contract/grant income has increased dramatically. This has been accompanied by significant growth in the number of paid faculty from about 500 in 1985 to 863 today. Total State and tuition support allocated to the departments in 1994-95 was $18.4 million, while total faculty salary obligations exceeded $100 million. The graphs at the end of this report depict these trends. (Attachment A)

Salary sources in the School of Medicine are subject to future volatility, particularly in light of changes in the health care environment and reduced federal support for research. However, over the years it has been University practice that faculty salaries remain constant or increase somewhat each year except in the case of University-wide financial exigency. This practice puts the School of Medicine in a particularly vulnerable position because of the small percentage of State support and future funding uncertainties. Currently, the only option available to the School to respond to the funding shifts is to terminate the employment of faculty. A recent survey by the AAMC indicated that only 9 of 137 United States and Canadian medical schools surveyed guaranteed total salary with tenure, and four of these nine schools guaranteeing salary granted tenure to only basic science faculty. (Academic Medicine, Volume 69, No. 9, September, 1994).

In order to provide necessary flexibility in the years ahead, and thus ensure the future of the School, the flexible salary structure outlined below is proposed. In developing the recommendations below, the working group looked at the many alternatives and recommendations which emerged from the Faculty Retreat. Some of the options considered are included in Appendix B. The committee also recognized the many differences between departments and types of faculty. The committee attempted to develop a structure which was general enough to respond to the diverse needs/interests of departments, and provide equitable treatment of all faculty, to the extent possible.
The committee recognized, however, certain contractual obligations to tenured faculty that do not apply to the faculty on fixed term appointments. All faculty at the rank of assistant professor or above will be guaranteed a base salary for the term of their contracts. For tenured faculty, the base is guaranteed only for the duration of the time-limited contract.

B. General Policies

The committee recommends that the following policies be adopted in the implementation of a flexible salary structure for the School of Medicine:

1. All paid faculty at the rank of instructor or higher in all departments will participate in the BSI Salary Plan. The normal salary for faculty at the rank of assistant professor or above will include a Base and Supplement component. The normal salary for instructors and senior instructors will include a Supplement component only. Incentives may be provided under UPI/USI policies, but are not guaranteed from year to year.

2. Each faculty member will be notified each year of the various (BSI) components of his/her salary for the subsequent fiscal year as part of the normal budget process. The supplement is subject to renegotiation each year.

3. Consistent with University policy, individual salaries and salary increases will be based on merit, the individual’s total contributions to the School, and the availability of funds.

4. There will be no maximum (cap) on the salary increase (Base plus Supplement) a faculty member may receive in a given year; however, as a general guideline, salary increases should not exceed 15%.

5. The maximum decrease in salary (Base plus Supplement) allowed in a given year will be 15%, unless (a) there is a written agreement in force prior to July 1, 1996 that provides for a decrease of more than 15% in total salary or (b) a decrease of more than 15% is reviewed and approved by the Dean and the Chancellor. No faculty member’s salary may be decreased below his/her/individual Base level except in cases when the Board of Regents decides to reduce faculty salaries.

6. The BSI Salary Plan will not result in any reallocation of State dollars among departments. The BSI Salary Plan does not attempt to identify sources of funds as they relate to salary.

7. The BSI Salary Plan will become effective upon approval by the Board of Regents. No faculty member will have his/her salary reduced during 1995-96 unless there has been prior written notification pertaining to salary reduction.
8. Consistent with current policies, the commitment of a Base salary component extends only for the length of a faculty member’s contract (time limited for non-tenured faculty; indefinite for tenured faculty), subject of course to any Regent resolution or policy that decreases faculty salaries.

9. Salary obligations to faculty at affiliates receiving some portion of their salary from the University will be clarified on a case by case basis by the Department. Once such clarification is made, a letter will be sent to the faculty member which will outline the commitment and the various salary components. The letter will be countersigned by the department chair, the dean and the faculty member. As applicable, the BSI Salary Plan will be used. (In no case will the Base exceed the Base used for other faculty at the same rank as defined below.) For new faculty at affiliates receiving partial salary support from the University, the letter of offer will detail what, if any, continuing salary obligations exist from the University and what salary components are involved (i.e., Base or Supplement).

10. Retirement benefits and the salary used for grants will be calculated based on total salary (Base and Supplement), consistent with current policies.

11. The BSI Salary Plan will be reviewed as necessary, and at least once every five years.

II. BSI Salary Plan

A. Base Salary Component

1. Each faculty member at the rank of assistant professor or above who does not currently have tenure will have a Base salary component as defined below. The Base will equal 70% of the average salary of the prior year of all basic science faculty by rank. The base component for each faculty member will be re-adjusted each year based on Regent and University policies pertaining to annual salary adjustments. For 1995-96, the following will be the base salaries for all currently non-tenured faculty regardless of track or department (The Base Salary does not include benefits which are calculated based on total salary):

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2. Faculty who are now below the above Base level for their rank (about 20 faculty) will have as their individual base their current salary.
3. New faculty who are hired at salaries below the base level will have their full salary considered base until such time that it equals the established base level for that rank.

4. Faculty who now have tenure will have as their Base, their current 1995-96 salary (excluding administrative stipends and incentives). Tenured faculty will not have their Base salary adjusted each year until such time as their current base salary is the same as the Base level for their rank. Their Base will then be adjusted in accordance with #1 above.

5. The “financial value” of tenure for current faculty who are awarded tenure after approval of the BSI plan by the Regents, or new faculty offered positions with tenure after approval of the BSI Plan by the Regents, will be the Base salary for the rank as defined under #1 above.

6. Instructors and senior instructors will not have a Base salary component, in recognition of the very diverse range of employees this group encompasses.

7. The method for calculating the Base will be re-examined every five years in light of fiscal conditions, etc.

B. Supplement

1. Each faculty member at the rank of instructor or above will have a Supplement component to their salary. For assistant professors and above, the difference between the faculty member’s current salary and Base salary as defined in II.A. above will be the Supplement. For instructors, the Supplement will be the faculty member’s current salary, since instructors will not have a Base component.

2. The Supplement will be determined annually for the subsequent fiscal year and will be based on merit – i.e., the faculty member’s contributions to the division, the department and the School; his/her accomplishments in teaching, research, clinical work, administrative activities and service; and on the funds available.

3. The faculty of each department, by majority vote, will develop guidelines for development of the Supplement component of salary, consistent with the mission of the department and the School. The guidelines will be submitted to the Dean for review and approval.

4. As part of the normal budget process, and before July 1st of each year, the Supplement component for each faculty member will be submitted to the Chancellor for his review and approval. Pursuant to Section 23-5-117 of the Colorado Revised Statutes, the Regents now delegate to the Chancellor of the Health Sciences Center the authority to approve the Supplement component of faculty salaries.
There will be no upper cap on Supplement increases in a given year; however, total salary should not be increased more than 15% a year as a general guideline.

Total salary (Base plus Supplement) may not be decreased more than 15% in a given year unless (a) there is a written agreement in force prior to July 1, 1996 that provides for a decrease of more than 15% in total salary or (b) a decrease of more than 15% is reviewed and approved by the Dean and the Chancellor.

Administrative stipends for valid administrative duties will be included in the Supplement but will end when the person leaves the administrative position and are subject to change from year to year depending on the nature of the administrative duties. Therefore, the 15% limitation on increases and decreases described in the preceding paragraph will not apply to administrative stipends. It is noted that administrative positions are “at will” positions.

C. Incentives

1. The current incentive system will remain unchanged. Incentives will be provided under the current UPI system with no guarantees from year to year.

2. When the USI system is developed, incentives for non-clinical consulting will be provided under the USI system with no guarantees from year to year.

D. Implementation Guidelines

1. The BSI Salary Plan will be implemented effective with the approval of the Plan by the Board of Regents. For faculty hired after that date, the letter of offer will specify the salary components (i.e., Base and Supplement). For current faculty, a letter will be sent to each faculty member specifying the salary components, consistent with the BSI Salary Plan.

2. New faculty offered appointments with tenure after the date of the Regents approval of the BSI Salary Plan, and current faculty awarded tenure after the date of the Regents approval will have as their base salaries the salaries specified on page 3.

3. The BSI Salary Plan will be fully implemented for all faculty for the 1996-97 fiscal year for salaries beginning July 1, 1996. The Base salary component for 1996-97 will be calculated using 1995-96 salaries.

4. Faculty whose contracts extend beyond June 30, 1996 may not have their salaries reduced below the 1995-96 level until such time as their current contract expires, unless there is prior written notification of salary reduction. (e.g., A faculty member whose current reappointment extends through June 30, 1998 may not have his/her salary reduced until 1998-99 fiscal year.)
E. Examples of Implementation of BSI Salary Plan

1. Assistant Professor – Tenure Track

   1994-95 Current Salary = $ 50,000
   1995-96 BSI Salary = $ 52,500 (e.g., 5% Incr.)
   41,355 = Base
   11,145 = Supplement
   1996-97 BSI Salary = $ 55,125 (e.g., 5% Incr.)
   41,769 = Base (e.g., 1% Incr.)
   13,356 = Supplement
   1997-98 BSI Salary = $ 60,635 (e.g., 10% Incr.)
   (Promo to Assoc. Prof. and Award of Tenure)
   52,235 = Base
   8,400 = Supplement

2. Associate Professor – Specialty Track/Research – who subsequently loses grants and who has contracted through 1997-98.

   1994-95 Current Salary = $ 70,000
   1995-96 BSI Salary = $ 73,500 (e.g., 5% Incr.)
   51,206 = Base
   22,294 = Supplement
   1996-97 BSI Salary = $ 77,175 (e.g., 5% Incr.)
   51,718 = Base (e.g., 1% Incr.)
   25,457 = Supplement

   OPTION 1:
   1997-98 BSI Salary = $ 65,599 (15% Decrement)
   (Loss of Grants)
   52,235 = Base (e.g., 1% Incr.)
   13,364 = Supplement

   OR

   OPTION 2:
   1997-98 BSI Salary = $ 77,175 (0% Incr.)
   (Department Covers Loss of Funding)
   52,235 = Base (e.g., 1% Incr.)
   14,940 = Supplement
3. **Professor with Tenure**

   1994-95 Current Salary = $ 100,000

   1995-96 BSI Salary = $ 105,000 (e.g., 5% Incr.)
   100,000 = Base
   5,000 = Supplement

   1996-97 BSI Salary = $ 115,500 (e.g., 10% Incr.)
   100,000 = Base
   15,500 = Supplement

   1997-98 BSI Salary = $ 121,275 (e.g., 5% Incr.)
   100,000 = Base
   21,275 = Supplement

4. **Professor with Tenure – who subsequently loses grants**

   1994-95 Current Salary = $ 100,000

   1995-96 BSI Salary = $ 105,000 (e.g., 5% Incr.)
   100,000 = Base
   5,000 = Supplement

   1996-97 BSI Salary = $ 115,500 (e.g., 10% Incr.)
   100,000 = Base
   15,500 = Supplement

   1997-98 BSI Salary = $ 100,000 (e.g., 13.4% Decrement)
   (Loss of Grants)
   100,000 = Base
   0 = Supplement

### III. Questions and Answers

**Question A:** Why do we need a flexible salary system?

**Answer:** The current system of compensation is too rigid. It does not allow adjustments to compensate for potential reductions in funds available to the School, nor to reward faculty appropriately for increased productivity when additional funds become available.

Under the current system, in cases of financial difficulty, the only solution is to terminate non-tenured faculty. The BSI Salary Plan will allow the School to spread the risk more appropriately and minimize termination of faculty. The
flexible system will also allow significant salary increases when the funds are available without obligating the School indefinitely.

Thus, the system will provide a necessary flexibility at the time when the funds available to the Medical School may fluctuate substantially from year to year. The capacity to lower salaries will not avoid the option to terminate non-tenured faculty in case of departmental financial problems. However, it should substantially decrease the number of such terminations and thus help preserve the academic character of our school.

Question B: Should all faculty participate in the BSI salary plan and share in the potential risk?

Answer: This question might be interpreted in two ways. First, is it necessary that faculty with relatively high total incomes have a Base component when the Base is far below their level of compensation? Second, why should faculty toward the lower end of the compensation scale have a base-supplement segmentation of their salaries? The rationale for a Base component for all faculty, regardless of income, is a perceived need that all faculty should be subject to the same rules. The committee felt that it would be inappropriate to have a plan applicable to only a portion of the faculty.

The need for change is perceived by some as pressing only for clinical departments, with a greater proportion of their faculty on specialty track. This perception is, however, incorrect. Many basic science departments have also leveraged their State and tuition funds and increased their faculty FTE’s with non-tenure track faculty, who in many cases contribute significantly to the education and research missions of these departments. Many extremely productive faculty are not tenured solely because of the lack of tenure track slots.

Over the past 10 years, faculty salaries have increased significantly, and have benefited largely from the increases in clinical earnings, and grants and contracts. Support to the basic science and clinical departments has been and is still provided by the Dean’s Office from the AEF funds, generated from clinical earnings. Thus, since all faculty have benefited from the School’s productivity in the past, it would seem prudent to present a united front when dealing with potential problems in the future. There are certain risks in the future which all faculty should share. The concept that only the School should assume risk is fallacious, since the School is only as strong or weak as its faculty. There is no separate “pot” of resources available to the School; the majority of the resources are generated by the faculty.

The School and the faculty need an alternative to wholesale termination of non-tenured faculty. Departments need to have the option to lower, on short notice and to some extent, faculty salaries. If a base level of 70% of basic science salaries is chosen, many basic science faculty, as well as clinical faculty paid toward the lower end of the clinical pay scale, will be less “exposed” to financial risk than more highly compensated basic and clinical faculty. This is an inequity,
but it is offset by an initially higher level of compensation among the higher paid faculty and by a relatively greater chance of finding ways to preserve a portion of higher clinical salaries. All faculty will continue to enjoy the potential benefit of significant upward salary adjustment.

Question C: Is the base the same as the State appropriation?

Answer: No. Under the BSI Salary Plan, the Base component of salary is set at 70% of the average basic science salary for each faculty rank. For some basic science departments, this is close to the amount of salary support currently provided by the State, with the remainder supplied from grants. This sounds like the arrangement at undergraduate institutions (the Boulder Campus is a typical example), where salary is provided for nine months (75%), and faculty are expected to raise their summer salaries on grants. Thus, it is perhaps natural for basic scientists to equate the BSI Plan and typical undergraduate salary structures: Base salary is guaranteed by the State, Supplement is the “summer salary” add-on. This is however, incorrect. The Base salary and State budgets are not connected in the BSI plan.

The separateness of Base salary and State funding is important, for several reasons. The BSI Salary Plan, as proposed, would be applied uniformly to all faculty members. However, the plan does not involve the reassignment of State dollars in any way – not according to department, to track, to rank, or to any other criterion. Thus, for example, to say that a specialty track faculty member’s base is $55,000 is not to say that it is underwritten with $55,000 of State dollars: likewise for a tenured basic science faculty member. Put simply, the sources of the funds that make up the Base for any individual are not explicitly defined, but will derive from the traditional sources – State appropriation, clinical income, and grants.

Question D: Why do currently tenured faculty need to be “grandfathered” into the BSI salary plan?

Answer: Currently, the University of Colorado has no defined financial value of tenure. No official document speaks to the financial value of tenure. The committee proposes that currently tenured faculty have as their Base salary 100% of their current salary, excluding stipends and incentives. Any future salary increases would be considered supplemental increases. In this way, tenured faculty can continue to receive any raises they might otherwise have received, but the University’s salary obligation to tenured faculty would be capped at its current level. For these “grandfathered” tenured faculty, the Base would be frozen at their respective current salary level until such time that Base equals 70% of the average basic science salary that comprises the Base of other faculty. At that time their Base salary would be adjusted according to the criteria established for the faculty as a whole.
A tenured faculty member may, however, elect to have his/her Base Salary reduced to the level specified in the BSI Plan.

All current faculty who are in the tenure track and who receive tenure in the future would have the financial value of tenure fixed according to the Base salary criteria implemented under the BSI Salary Plan. The same holds true for any faculty recruited to the School of Medicine after this plan is implemented.

Question E: The proposed criteria for setting the base salary in the BSI Salary Plan is to establish the base at 70% of the current average salary of the basic science faculty at the ranks of assistant professor, associate professor, and professor. Is it equitable or reasonable to limit the base salaries of clinical faculty to a benchmark set by basic science faculty salaries, give the fact that clinical salaries are generally much higher and therefore their proportionate level of the base would actually be less than 70%?

Answer: It is true that a Base component equal to 70% of the average basic science faculty salary would translate into a much smaller percentage component of the Base for most clinical department faculty. The consensus of the committee, however, was that the general concept of the Base and Supplement salary plan was to identify a Base salary that was consistent with the academic responsibilities of the faculty. This is not necessarily limited to teaching, but to the general activities and responsibilities considered appropriate to a faculty appointment. The fact that salaries of the clinical faculty are considerably higher than basic science faculty is not attributable to their traditional academic appointment and generally reflects the market forces and values of clinicians. While these competitive market issues must be recognized in the total compensation paid to faculty, it was felt appropriate to exclude them from the Base salary component.

Question F: What was the rationale behind fixing the base at 70% of the average basic science faculty at each rank as opposed to other potential methods of calculating a base salary?

Answer: There are several methods that can be used to establish the Base. The most likely other option would be to determine those dollars in the School of Medicine budget that comprise the institutional component of support. Those dollars would then become the numerator and the denominator would be fixed by the number of faculty FTE who would be eligible for a Base salary component. The most likely outcome of this method would be to include State general fund support and tuition revenue as the numerator and total faculty at assistant professor and above as the denominator. In this scenario, the Base would not be differentiated by rank, and the Base would be substantially lower than the current proposal. The advantage of this approach is that it would truly limit the institutional base obligation to the actual institutional or “fixed/hard dollars” in the School’s budget. It was felt that this would be the safest and most conservative course the School of Medicine could take, but realistically it was unlikely that the School would ever see its
resources diminish to that minimum core of support. One of the underlying reasons for developing a new salary structure is to align it with a more reasonable assumption of risk. It is clear that the current salary commitment at 100% of existing salaries exposes the School of Medicine and the University to a level of risk that is imprudent in today’s environment. A Base salary fixed at 70% of basic science salaries reduces the total School of Medicine salary commitment from approximately $82,000,000 of faculty support to approximately $49,000,000. It is felt that the $49 million is an acceptable level of risk.

BSI SALARY PLAN COMMITTEE MEMBERS

Members of the Faculty:
Boris Draznin, M.D., Ph.D., Chair – President of the Faculty Senate and Professor of Medicine
Bill Betz, Ph.D. – Professor and Chair, Department of Physiology
Alan Hollister, M.D., Ph.D. – Secretary of the Faculty Senate and Associate Professor of Medicine
Doug Jones, M.D. – Professor and chair, Department of Pediatrics
Bill Marine, M.D. – President-Elect of the Faculty Senate and Professor of Prev. Medicine & Biometrics

Staff to the Committee
Lilly Marks – Sr. Associate Dean for Administration and Finance
Martha Gulbenkien, Ph.D. – Associate Dean for Faculty Affairs
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5. The “financial value” of tenure for current faculty who are awarded tenure after approval of the BSI plan by the Regents, or new faculty offered positions with tenure after approval of the BSI Plan by the Regents, will be the Base salary for the rank as defined under #1 above.

6. Instructors and senior instructors will not have a Base salary component, in recognition of the very diverse range of employees this group encompasses.

7. The method for calculating the Base will be re-examined every five years in light of fiscal conditions, etc.

C. Supplement

1. Each faculty member at the rank of instructor or above will have a Supplement component to their salary. For assistant professors and above, the difference between the faculty member’s current salary and Base salary as defined in II.A. above will be the Supplement. For instructors, the Supplement will be the faculty member’s current salary, since instructors will not have a Base component.

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5. There will be no upper cap on Supplement increases in a given year; however, total salary should not be increased more than 15% a year as a general guideline.

6. Total salary (Base plus Supplement) may not be decreased more than 15% in a given year unless (a) there is a written agreement in force prior to July 1, 1996 that provides for a decrease of more than 15% in total salary or (b) a decrease of more than 15% is reviewed and approved by the Dean and the Chancellor.

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duties. Therefore, the 15% limitation on increases and decreases described in the preceding paragraph will not apply to administrative stipends. It is noted that administrative positions are “at will” positions.

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3. When the USI system is developed, incentives for non-clinical consulting will be provided under the USI system with no guarantees from year to year.

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2. The BSI Salary Plan will be implemented effective with the approval of the Plan by the Board of Regents. For faculty hired after that date, the letter of offer will specify the salary components (i.e., Base and Supplement). For current faculty, a letter will be sent to each faculty member specifying the salary components, consistent with the BSI Salary Plan.

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