

Chapter 14: Compensation and Budgetary Procedures

14.A General Principles

An adequate faculty compensation package, encompassing salary and benefits, is recognized to be of the utmost importance in attracting and retaining the outstanding faculty that is essential to the health of the University. To this end, the Board of Regents, president, provost and executive vice president for academic affairs (Ann Arbor campus), chancellors (UM-Flint and UM-Dearborn campuses), and the deans and directors of academic units direct considerable attention to the development and allocation of resources for compensation. In doing so, they take into account market forces within various disciplines and professions, compensation packages at peer institutions, input from the Committee on the Economic Status of the Faculty (see handbook subsection [4.E.2 "Other Senate Assembly Standing and Special Faculty Committees"](#)), and University and unit budget circumstances.

The University has an operating budget of several billion dollars, and about 60% of that total is spent on compensation of faculty and staff.

The University's operating revenues for the General Fund, which is the operating fund used for most instruction and instructional-related activities, come primarily from student tuition and fee payments and appropriations from the state of Michigan. However, revenues outside of the General Fund, such as sponsored research grants and payments for health care services, provide other significant sources of revenue for University operations.

Faculty compensation may be derived from all these sources, depending on the faculty member's appointment, duties, and workload. Compensation expenditures include direct wages and costs for benefits associated with University employment.

Updated 2022

14.B Budget Procedures

The University conducts fiscal affairs under a budgetary system based on a fiscal year defined by the Board of Regents as July 1 through June 30. On the Ann Arbor campus, the provost and executive vice president for academic affairs is responsible for preparing the annual request for legislative appropriation and the annual budget, and for recommending both to the Board of Regents. At UM-Flint and UM-Dearborn, the chancellors are responsible for preparing the budget for their respective campuses and for presenting that budget to the Board of Regents. As a practical matter, the University has a decentralized model of management; deans and other unit heads have great flexibility in allocating resources once their budgets are set ([bylaw 2.11](#)).

Details of each year's budget are available from the [Office of Budget and Planning website](#). The University of Michigan Financial Report – Year Ended June 30, 20xx is annually prepared by the executive vice president and chief financial officer and available from the [Office of Financial Analysis](#).

14.C Salary Payments

Faculty members typically hold either University-year or twelve-month appointments. University-year appointments consist of any two of the three full terms (bylaw [5.01](#)). See also section [5.B “Criteria for Appointment and Promotion of Instructional Faculty”](#) and section [5.C “Instructional Faculty: Classifications.”](#) Faculty with closed term appointments (appointments for a fixed period of time) are paid in equal installments during the term of the appointment. Faculty members on annual or open-ended twelve-month appointments receive 12 monthly salary payments, payable on the last working day of the month. Faculty members on open-ended University-year appointments also receive 12 equal monthly payments.

Regular instructional faculty members with University-year appointments will receive their salary payments allocated on a fiscal year basis (July 1 – June 30). If a faculty member takes a leave without salary for an academic year, the final payment of the year preceding the leave will be on the last working day in June. In addition, if the faculty member retires or resigns at the end of the academic year, the final paycheck will be on the last working day in June.

The University provides check-depositing services with a number of financial institutions in Michigan and around the country, allowing salary checks to be deposited automatically each payday. A list of participating institutions and the form authorizing direct deposits can be obtained from the Payroll Office or the Hospital Payroll Office.

If a paycheck error occurs, faculty should notify their department administrator. Errors will be corrected as soon as practicable. When necessary, special checks can be issued at the faculty member’s request if the error is for an underpayment. Otherwise, corrections will be included in the individual’s next paycheck.

Income tax withholding, Social Security (FICA), and other mandatory deductions are withheld from each paycheck. In addition, with the faculty member’s written approval, deductions will be made for optional items such as group life insurance, group health programs, retirement plans, parking permits, United States savings bonds, and United Way contributions. Participation in a retirement plan is mandatory for full-time faculty who are age 35 or over and have two years of service. See [Chapter 19 “Retirement, Emeritus/Emerita Status”](#) and [Chapter 15, “Benefits and Services.”](#)

Faculty who are taking unpaid leaves of absence and wish to continue their benefits should contact the appropriate Payroll Deductions Section before going on leave to make arrangements for the payment of retirement contributions and insurance premiums, which must be paid in advance and on a continuing basis. (See <http://www.finops.umich.edu/payroll/contact/deductions> for a list of payroll deduction staff members who are assigned by ranges of Employee ID numbers. Or send an email to payroll@umich.edu, or contact the General Services Section of the Payroll Office. In the case of a leave covered by the Family and Medical Leave Act, the University pays the premiums and retirement contributions, subject to certain payback provisions for the faculty member’s share. See section [16.C.4 “Family and Medical Leave Act.”](#)

14.D Base Salaries

Usually, the establishment of either an annual or a University-year salary and the actual salary amount

are matters agreed upon by the dean, chair or unit head, and the individual faculty members. These agreements require the approval of the dean or director and the provost and executive vice president for academic affairs, the vice president for research (research scientist positions), the executive vice president for medical affairs (medical school faculty), or the chancellor (UM-Flint and UM-Dearborn).

14.E Merit Increases

On the Ann Arbor campus, the provost and executive vice president for academic affairs recommends to the Board of Regents an overall budget for the academic units on an annual basis and suggests University-wide targets for annual increases. Decisions regarding merit increases for individual faculty members are the responsibility of the dean, director, or unit executive committee and usually take effect on the first of September. In units with departments, recommendations for those decisions are commonly made by department chairs or division heads, sometimes with input from promotion or executive committees. At UM-Dearborn and UM-Flint, the chancellors make the budget recommendations to the Board of Regents for their respective campuses.

14.F Salary Structure for Librarians, Archivists, and Curators

Salary increases for librarians, archivists, and curators are based on a University salary program that is predicated on a merit review process. In addition, a salary adjustment occurs when a position is reclassified to a higher level if the incumbent is below the minimum for that level. Each of the independent libraries has procedures for setting salaries for new appointments within the University salary structure, particularly with reference to the salary levels of research faculty.

14.G Additional Faculty Compensation

Additional compensation is defined as any compensation paid to faculty by the University in excess of the full-time salary. The basic policy is that the establishment of a full-time salary, either annual or University-year, is full payment for the faculty member's entire services to the institution during the period of appointment and precludes other University employment. Therefore, faculty on full-time University appointments do not receive additional compensation from the University for services directly related to their recognized duties, except as noted below. For University policies on outside employment, including consulting, see section [9.E "Working Outside the University."](#)

Additional Duties. At times, individuals are called upon to serve the University in significant additional activities not related directly to their previously recognized University duties. This sometimes occurs when faculty members undertake administrative responsibilities. Additional compensation for these services may be permitted only if relief from regular duties is not feasible and if the appropriate dean or unit head and the provost and executive vice president for academic affairs, vice president for research, executive vice president for medical affairs, or chancellor approves.

Additional Appointments. An additional appointment with the University is often possible for instructional faculty on a University-year appointment during the term not covered by the appointment (particularly summer appointments). The maximum assignment and the compensation during this

period is the equivalent of two months for Ann Arbor and UM-Flint campuses or three months for the UM-Dearborn campus, although exceptions may be allowed by the appropriate dean or the provost and vice chancellor for academic affairs (UM-Flint and UM-Dearborn). Any additional compensation may not be at a rate higher than that of the regular salary. Faculty are paid at the end of each month for work completed during that month. (SPG [201.04](#)).

Non-Recurring Services. Special stipends can be used to compensate eligible faculty who provide additional non-recurring services performed outside of their regular work assignment, to pay honoraria, and to pay scholarly and other work-related rewards. These payments must be consistent with the rules and regulations of the unit and in accordance with established schedules (SPG [201.85](#)).

Continuing Education Activities. Participation in a continuing education activity is compensated when the activity is clearly in addition to the regular assignment of the faculty member. A “continuing education activity” is defined as a short course, the direction of or participation in an institute, or a non-credit course in which the faculty member is an instructor. Special rates of compensation may be allowed for certain consultant services under the auspices of the University and also for certain programs conducted by the Ross School of Business. The University of Michigan Press sets rates for reading and judging the manuscripts that are not to be printed in a regular University publication series. Faculty may be paid for actual travel expenses incurred in presenting lectures or performing similar services for a continuing education activity on a University campus other than that on which they usually serve (Ann Arbor, UM-Dearborn or UM-Flint) or on an off-campus location. See also [Chapter 17 “University Travel and Reimbursement.”](#)

14.H Overtime Compensation

Faculty are exempt from the overtime provisions in the Fair Labor Standards Act and, therefore, are not eligible for overtime compensation.

14.I Remote Location Compensation

Whenever faculty members are required to establish temporary residence at a remote location for extended periods of time in order to carry out their University teaching or administrative duties, they will be eligible for remote location compensation. In determining the amount of compensation, consideration will be given to extraordinarily difficult living or working conditions, excessive physical hardship, notably hazardous conditions and duties that require substantial amounts of irregular, unscheduled work. (SPG [201.51](#)) See also [Chapter 17 “University Travel and Reimbursement.”](#)

14.J Unemployment Compensation

Current and former University faculty who meet eligibility requirements may draw unemployment compensation payments during periods of unemployment in accordance with the Federal Employment Security Amendments of 1970 and the Michigan Employment Security Act ([SPG 201.78](#)).

14.K Voluntary Withholding of Services

The University cannot make payments of wages and services to individuals who choose to withhold the services for which they are employed. For further information about the rules that apply if individuals choose to withhold all or part of their services (for example, during a strike), see [SPG 201.71](#).

14.L Worker's Compensation

The University provides Worker's Compensation benefits for all faculty members who sustain a work-related injury or illness in the course of employment. Benefits are administered by the University's [WorkConnections Program](#) in accordance with Michigan State law. WorkConnections, which is part of Risk Management Services, is an integrated disability management program developed by the University to assist faculty and staff and their supervisors when they experience an illness or injury that prevents them from working. Benefits can include medical costs (such as first aid medical care) and, when appropriate, a percentage of salary. All claims are administered by WorkConnections.