

# 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.