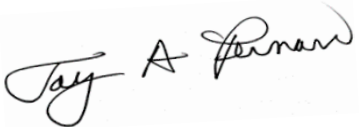

OFFICE OF THE CHANCELLOR

TO: USM Presidents
FROM: Jay A. Perman, Chancellor 
DATE: May 21, 2025
RE: FY 2026 Compensation Guidelines

I. Introduction

Following are guidelines for the compensation of faculty and staff members at constituent institutions of the University System of Maryland (USM) in Fiscal Year 2026.

These guidelines take effect July 1, 2025, and will continue through the fiscal year. Each President may establish institutional guidelines consistent with this document and related Board of Regents policies to ensure their appropriate administration on their campus and to address compensation processes, issues, or collective bargaining requirements specific to their institution. In addition to ensuring the application of any increases required by the provisions of ratified collective bargaining agreements, institutions are to prioritize cost of living increases for regular employees.

II. Scope

These guidelines apply to all Faculty and Staff employees in Regular or Contingent I or II status, regardless of the source of funding for the employee's position. The only categories of compensated individuals exempted from these guidelines are Contractual (Adjunct) Faculty, Graduate Assistants, Postdocs, Fellows and student employees, unless otherwise noted.

Please note that, to the extent the provisions of ratified applicable collective bargaining agreements conflict with these guidelines, those agreements supersede these guidelines *for employees covered by such agreements*.

III. Guidelines**A. General**

The FY 2026 budget includes a provision for a 1% cost of living adjustment for all regular faculty and staff. Limited general fund support has been provided for state supported positions only. The General Assembly has placed no restrictions on the ability of institutions to provide for retention, equity and other necessary increases to faculty and staff during the coming fiscal year.

The sequencing of pay adjustments is referenced in BOR policy [VII-9.20 Pay Administration for Regular Nonexempt Staff Employees](#).

B. Salary Structures

The Exempt and Nonexempt salary structure will remain in effect, with no changes.

C. Cost of Living Adjustment (COLA)

A 1.0% cost of living increase shall be provided to all regular faculty and staff effective July 1, 2025 or effective with contract renewals immediately following July 1, 2025, for employees working on an academic calendar. Institutions also may provide a COLA to Contingent I and II Staff, Contractual (Adjunct) Faculty, Graduate Assistants, Postdocs, and Fellows in accordance with institution policy and practice based on available funds and in an amount determined by the institution.

Final application of the July 2025 COLA for University of Maryland Baltimore School of Medicine clinical faculty may be based on the availability of clinical income, including contractual income, to support such payments.

D. Merit Increases

An institution may elect to provide merit increases to selected categories of its choosing (e.g., Non-Bargaining Regular Nonexempt staff) based on the availability of institution funds. Institutions may determine the effective date during FY 2026 of any merit increases awarded.

If an institution elects to provide a merit increase for non-bargaining employees, any merit increase must be based on the employee's past performance during an evaluation period ending no later than July 1, 2025. Employees must receive at least a "Meets Standards" rating (or its equivalent) to qualify for a merit increase.

1. Regular Nonexempt Staff: If an institution elects to provide merit increases for these employees, then a merit increase of 2.5% shall be provided to those staff who receive an evaluation ranking of "Meets Standards" or better, consistent with BOR Policy [VII-9.20 Pay Administration for Regular Nonexempt Staff Employees](#).
2. Regular Exempt Staff and Faculty: If an institution elects to provide merit increases for these employees, increases shall reflect their performance, consistent with the institution's performance evaluation plan and standards.
3. Contingent I and II Exempt and Nonexempt Staff, Contractual (Adjunct) Faculty, Graduate Assistants, Postdocs, and Fellows: If funds are available, institutions may provide a merit increase to these employees based on their performance during their most recent review period and institution practices.

According to Board of Regents policy, Nonexempt and Exempt Staff employees are eligible to receive a merit increase only up to the maximum of their respective pay ranges. In FY 2026, institutions may continue to provide the applicable merit increase above the

maximum of an employee's range in the form of a one-time payment that is not added to the employee's base salary.

E. Minimum Wage

The minimum wage for Maryland workers remains at \$15.00 per hour.

F. Other Types of Compensation Increases Not Restricted by the Guidelines

The following types of compensation increases should be thoughtfully implemented only after full consideration of relevant factors:

1. Retention (to be used judiciously when necessary to retain a difficult-to-replace employee).
2. Equity Increases (e.g., increases required to comply with federal and state equal opportunity employment laws and federal immigration laws).
3. Reclassifications.
4. Promotions.
5. Payment for Additional Duties (e.g., summer and winter term teaching, overload teaching, on-call or clinical coverage, and temporary service in an acting capacity).
6. Established Institution Awards (including Board of Regents awards for staff and faculty and institution service awards).
7. Contract Renewal Increases.
8. Non-Cumulative Cash Bonuses.

An institution may award a non-cumulative cash bonus as described in BOR Policy VII-9.11, Policy on Pay Administration for Exempt Positions, Section III. K., and BOR Policy VII-9.20, Policy on Pay Administration for Regular Nonexempt Staff Employees, Section XVI.

9. Non-Salary Taxable Compensation.

According to Board of Regents policy, certain increases in non-salary taxable compensation (e.g., housing and car allowances and deferred compensation contributions) must be authorized by the President and approved in advance by the Chancellor. Note that USM approved programs, such as the Live Near your Work and the Childcare Grant Program, are exempt from this approval process.

10. Any other salary increase permitted by Board of Regents policy that is not prohibited by this memorandum.

G. Salary Adjustments Equivalent to those Required by Collective Bargaining Agreements and other Salary Adjustments (other than COLA and merit noted in III A., C., and D.).

Based on available funds, an institution may provide to non-bargaining unit Regular Exempt or Nonexempt employees the same salary adjustments provided to bargaining unit employees in the same category at any USM constituent institution. Alternatively, for Regular Exempt employees only, a non-cumulative cash bonus up to the annual amount of the salary adjustment may be provided.

IV. Required Reports

The following reports should be sent to Sr. HR Officer Tom Hoffacker in the USM Office no later than Friday, July 25, 2025, unless otherwise stated:

A. President's Affirmation Letter.

Shall affirm that the compensation actions taken for FY 2026 will be consistent with the guidelines established herein and that contracts are handled appropriately as stated in USM Policy VII-10.0, Policy on Board of Regents Review of Certain Contracts and Employment Agreements.

B. Updated List of Institution Key Staff Employees.

This must include, at a minimum, institution officers, direct reports to the President, and individuals whose contracts or other compensation agreements fall under the USM Policy VII-10.0, Policy on Board of Regents Review of Certain Contracts and Employment Agreements and must contain compensation data for FY 2025 and FY 2026. This list will designate key employees who fall under USM Policy VII-1.22, Policy on Separation for Regular Exempt Staff Employees.

C. Report of Significant Salary Adjustments.

This must provide details of regular faculty and staff employee salary adjustments to base pay that result in a cumulative compensation increase of more than 25% during the period July 1, 2025, to June 30, 2026.

This report will be due on Friday, July 31, 2026. The report should exclude changes to FTE unless the change in pay is not in proportion to the change in FTE.

Suggested reporting formats for each of these reports, an affirmation letter template, and other guidance will be provided to each institution's chief human resources officer. If you have any questions regarding these guidelines and reporting requirements, please contact Tom Hoffacker via email at thoffacker@usmd.edu. Thank you.

cc: Ellen Herbst
Vice Chancellors
Vice Presidents for Administration and Finance
Provosts and Chief Academic Affairs Officers
Systemwide Human Resources Committee (SHRC)

Dan Chanen
Tom Hoffacker
Lorri McMann
Colleen Auburger