

Working Paper, V1

February 2013

## **Incentive-Based Budget Model Faculty Resources**

The following information is intended to provide context for a discussion on the management of faculty resources within an incentive-based budget. This paper includes a general overview of the past practices on management of faculty FTE and compensation, its sources and uses, and how these resources will be managed in the new budget model.

### **PRINCIPLES**

Before delving into the specifics of the management of faculty salary resources it is important to reiterate the over-arching principles of the UC Davis budget process. These principles should help inform the decisions to be made on specific aspects of the budget model.

1. Establish a sustainable funding model with incentives that advance the Vision of Excellence.
2. Advance and encourage campus strengths and priorities such as interdisciplinary scholarship and internationalization, as well as boost economic development.
3. Be transparent, linking authority with accountability.
4. Be as simple as possible to understand, administer and implement; rely on common and easily available data sources.
5. Encourage creativity and responsible risk-taking while providing for reasonable reserves and oversight.
6. Balance local autonomy with a strong sense of unity in vision and values.
7. Provide mechanisms for investments in fresh ideas at all levels.
8. Provide for reasonable transitions and bridging strategies.

Additionally, specific to faculty resources the model should:

9. Provide the Provost with sufficient resources to strategically participate in the allocation of faculty resources.
10. Ensure that faculty resource decisions recognize critical circumstances that require investment.
11. Align with the current budgetary environment by considering fund sources other than state funds and tuition for funding faculty positions.

## **TERMINOLOGY**

The **budget process** is the annual process through which the campus reviews the alignment of its expenditures with its vision and priorities and further determines additional investments to advance that vision and those priorities. Annual budget meetings for the schools, colleges and divisions including the provost, the dean and the chair of the Faculty Executive Committee occur each spring.

As used in this paper, the term **employee benefits** refers to the cost of specific benefits paid by the university for its employees. Some examples of benefit costs include medical and dental insurance, retirement benefit plans, workers' compensation insurance, and unemployment insurance.

The term **faculty full-time equivalent** or **faculty FTE** refers to faculty positions in a way that acknowledges the workload of the employee. For example, a 1.0 faculty FTE is a 100% appointment in a tenure track position or lecturer with security of employment. Faculty positions include academic-year (or nine-month) and fiscal-year (or 11-month) appointments, based on the college and terms of the position. The 1.0 FTE indicates full-time employment regardless of whether the position an academic-year or fiscal –year appointment.

The terms **merit increase** and **promotion increase** are salary actions that come as a result of advancement in step (merit review) or rank (promotion review).

For purposes of this paper, the term **off-scale** refers to the increment of a faculty member's salary that is above the scale for the rank and step.

Unless otherwise stated, the term **unit** is intended to refer to the primary campus organizational units that are led by a dean, vice provost or vice chancellor.

The term **upgrading** refers to any salary provided above the level of assistant professor, step III. Upgrading occurs at the time of hire and throughout the career of a faculty member in the form of merits, promotions and cost of living increases (also known as range increases). Under existing policy, upgrading funds are provided by the provost, and return to central campus when the employment of the faculty member ends.

## **BACKGROUND**

### **Budgeted faculty FTE**

Historically, the campus was authorized to create faculty positions as a direct link to the UC general fund budget process. The most recent ratio was established in the mid-1990s as 1 faculty FTE per 18.7 students (undergraduate and graduate) for the general campus units. The assumption was that for every additional 18.7 students enrolled the state would fund, and the

UC Office of the President would authorize, an additional faculty position. These positions are referred to as instruction and research (I&R) FTE. Faculty FTE are also funded using support from the Agricultural Experiment Station (AES). These positions have been reduced as state funding has declined. Another factor in budgeting for faculty positions is the distinction between the general campus and the health sciences. Similar to the general campus, FTE for the health sciences has been tied to enrollment but at much lower ratios and variable by program (e.g., one faculty member per 3.5 medical students and one faculty member per 7 UC Davis Medical Center residents). The total number of FTE allowed in each of these categories of FTE has been tightly controlled based on budgeted student enrollment. Because of this control current campus policy does not allow transfers of FTE between the health sciences and the general campus.

As state support has declined over the last several years, the connection between budgeted student enrollment and faculty FTE and the barriers between the general campus and health sciences have eroded. Faculty positions can now be created using non-state funds such as professional degree supplemental tuition, self-supporting degree fees or endowment funds, further changing the nature of a budgeted faculty FTE. Further, while general funds continues to be a combination of state unrestricted dollars and tuition, tuition now comprises a greater portion of the general fund budget. The new budget model should reflect these new realities and allow for the creation of faculty positions if sustainable funding can be demonstrated.

## **EXISTING POLICIES**

Before discussing how faculty salary resources will be treated within an incentive-based budget model, it is important to start with a description of the current policies.

### **The life cycle of a faculty position**

Filling an open faculty position begins with the authorization to recruit for that position. Each year, deans submit requests to the provost for the authorization to recruit for one or more positions. The requests may be for positions recently vacated (retirement, resignation) or for positions to be funded through growth. These requests are reviewed by the provost in consultation with senior staff. Based on the needs of a particular unit and the overall campus, the provost communicates to the deans which positions they are authorized to recruit and provides expectations and some commitments for start-up costs.

A successful recruitment concludes with the hiring of a new faculty member, and the faculty member's salary and benefits must, of course, be funded. Currently, the monetary value placed on all unfilled faculty FTE is equivalent to the assistant professor, step III, salary level. While the exact salary for this position differs by title code, for simplicity, we will limit our discussion to title code 1300, (assistant professor, academic year). Per the University of California salary scale, the annual salary for title code 1300, step III, is \$61,300. Any salary above this base amount is considered upgrading. At the time of hire, the provost provides resources to fully fund any upgrading necessary for the position. Throughout the career of the faculty member, the provost provides funding for merit increases, promotions and range increases. Prior to

2012-13, the provost also provided funding for the employee benefits associated with the position through the central benefits pool.<sup>1</sup>

The allocation and disposition of faculty positions has changed over time. See Appendix III for a summary of the processes for the past 15+ years. Currently, when a faculty member ends employment with the university, the position is reset to the level of assistant professor, step III, and the upgrading funds are returned to central campus. The disposition of the base salary funding depends on whether the position is vacated by retirement, resignation or denial of tenure.

If a position is vacated by resignation then the dean retains the base funding and 1 FTE. For example, if a professor, step V, resigns with an annual salary of \$106,400, then \$45,100 related to upgrading returns to the provost and \$61,300 remains with the unit. The position remains with the unit and is valued at 1 FTE. Under current practice a dean can replace the faculty member who resigned or was denied tenure because the central campus provides upgrading funds for all authorized replacement hires.

If a position is vacated by retirement or death, the dean must return 30% of the base salary and FTE to the provost. For example, if the faculty member from the example above were to retire, then a total of \$63,490 returns to the provost (\$45,100 related to upgrading and 30% of the assistant professor, step III, salary) and \$42,910 (\$61,300 less \$18,390) remains with the unit. Thirty percent of the FTE would revert to the provost, so the dean would hold 0.7 FTE or 70% of a faculty position. Put another way, in the case of retirement, the unit does not have funds sufficient to replace the faculty member without additional resources from within the unit or the provost, nor does the unit have a full FTE.

If a position is vacated because of a denial of tenure, then the funding and FTE remain at the level where the denial of tenure was first supported. This means that if the department or the department chair recommended against tenure, then the FTE remains with the department. The unit (school/college/division) retains the FTE if it was the unit or the dean that recommended against tenure. In all other cases, the FTE reverts to central campus. This policy (see [Directive 97-101](#)) was established to ensure that voting decisions were strictly on merit and not out of concern for losing the position.

Because of budgetary restrictions, the campus has not withdrawn FTE from the health science schools. These schools retain all their FTE, but return any upgrading associated with position and receive funding at the time of hire.

See Appendix I for a graphical representation of this process.

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<sup>1</sup> Benefits were decentralized for the Graduate School of Management, School of Law and School of Veterinary Medicine beginning in 2011-12.

**Start-up packages and budget reductions**

In the current environment, there are two factors limiting the recruitment of faculty positions: ability to fund start-up packages and need to meet budget reductions. The support of a faculty member is not limited to salary and benefits. In many cases, an investment needs to be made in support of the research that the faculty member will pursue during her career. Because this is most often seen in science-intensive disciplines, start-up packages may take the form of lab renovations, the build out of new space or other support. The provost generally distributes \$6-8 million in indirect cost recovery funds as block grants to deans to contribute to estimated start-up costs for the authorized recruitments. Beginning in 2012-13, the provost began allocating more of the ICR resources to the units (34%), with the expectation that, in future years, the units and the provost will adjust cost shares for funding of start-up packages. However, despite increased distributions of ICR, the current level of available resources – held centrally or in the units – is a significant limitation. Some units are identifying new sources of funding such as gifts to help address this need. Further discussions will be needed in the context of growth and the 2020 planning process.

In response to multiple years of state budget reductions, in 2010-11 deans were given the option of returning faculty positions vacated by retirement as a mechanism to satisfy a portion of the budget cuts.

The budget reductions were generally met by the general campus colleges and divisions over a three to four year period. As a result, there have been a reduced number of recruitments in recent years because many retirements were not replaced. Some hiring did continue, primarily from resignations and other vacant FTE held by the deans. Also because of budget limitations there has been no formal process of allocating new faculty positions. The allocation of positions by the provost has been limited to special circumstances.

**POLICIES WITHIN AN INCENTIVE-BASED BUDGET**

Incentive-based budgets are designed to allocate resources directly to the units or activities responsible for generating the funds instead of holding most or all of the resources in the center. While resources for faculty positions are not a revenue stream like undergraduate tuition or indirect cost recovery funds, the transition to the new budget model creates an opportunity to revise faculty resource policies to be more consistent with the new model.

Going forward, there will be less focus on maintaining control of the number of positions at the unit level and a greater focus on whether or not units have adequate funding to support current or new positions. Deans will create or eliminate faculty positions based on priorities, workload and available resources. Deans will have more responsibility for funding faculty salaries, benefits and start-up packages, but will retain a greater share of the salaries and benefits of faculty who retire or resign.

The provost will continue to provide authorization for all faculty recruitments (i.e., authority to hire will continue as part of the annual budget process). The provost will also provide

incremental funding for all faculty merits and promotions, including continuing lecturers, as part of the Provost Allocation component of the budget model.

### **Employee Benefits**

Prior to 2012-13, the funding needed to support employee benefits for the vast majority of faculty members was held centrally and allocated to units on a monthly basis as costs were incurred. As a result, the base budgets of campus units were understated and did not truly reflect the full operating cost or budget authority of those units. Additionally, the policy created an incentive to place as many salaries as possible on fund sources supported by the central pool.

In 2012-13, the central benefits pool was decentralized.<sup>2</sup> This means that each unit received a base budget allocation from central campus to cover the benefits costs for that fiscal year and was asked to manage the funds in future years. Going forward, faculty salary resources comprise two components: salary and employee benefits. Also a new approach was implemented in 2011-12 that assigns benefit costs using composite benefit rates, which is an average of all eligible benefits applicable to an employee group. Instead of benefits costs varying by individual, the cost is calculated by multiplying salary times the appropriate composite benefit rate.

### **The life cycle of faculty position, proposed revision**

In the new budget model, filling an open faculty position begins with the authorization to recruit for that position, and the requests will be more fully integrated into the annual budget process. Deans will submit requests for the authorization to recruit for positions. As part of the budget process, deans will have an opportunity to present their proposals to the provost. Deans will provide a justification for filling vacant positions or creating new positions based on the academic needs of their unit and availability of resources to support the positions on an ongoing basis. Faculty funding should consider all sources, including professional degree supplemental tuition, self-supporting degree revenue and endowments.

The requests will be reviewed by the provost in consultation with senior staff. In evaluating proposals the provost will consider many factors, including:

1. Alignment with the academic plan for the school, college, division
2. Faculty turnover in the unit
3. Diversity of recent hires and of the overall faculty
4. Long term resources available to the dean
5. Teaching strategies in the unit and outcome measures of student success for undergraduate and graduate education
6. Research and scholarship goals and achievements
7. Faculty progress in merits and promotions

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<sup>2</sup> Benefits for the Graduate School of Management, School of Law and School of Veterinary Medicine were decentralized in 2011-12.

## 8. Ability to fund the estimated start-up costs

The provost will communicate to the deans which positions they are authorized to recruit. A successful recruitment concludes with the hiring of a new faculty member, and the faculty member's salary and benefits must be funded. The dean will be expected to support the salary (including off-scale) and benefits (The following section will discuss resources for funding faculty salaries). During the course of the career of the faculty member, the provost will fund faculty merits and promotions for those faculty supported by state funds and tuition. This commitment by the provost is to ensure that the merit and promotion process is blind to the availability of resources. Funding for range increases will be provided consistent with other salary programs. As a result, faculty resources held by the deans will increase incrementally throughout a faculty member's tenure.

Similarly, the provost will fund merit increases for all continuing lecturers paid on state funds and tuition, including accelerated merits. Funding for continuing lecturer range increases will be provided consistent with other salary programs. Units are responsible for the salary increase at the 10<sup>th</sup> quarter (or 13<sup>th</sup> quarter for fiscal year lecturers) for pre-six lecturers.

### *Merit and promotion funding for faculty salaries not supported by state funds and tuition*

Currently, the vast majority of faculty salaries are supported by state funds and tuition, with some exceptions in the professional schools. In the future, all units should consider other ongoing fund sources to support faculty salaries, including endowment earnings, professional degree supplemental tuition, self-supporting degree revenue, and clinical income. If a unit supports a portion of a faculty member's salary and benefits from an ongoing fund source other than state funds and tuition, central campus will provide funding for merits and promotions in proportion to the share of the salary and benefits supported by state funds and tuition. For example, if a unit uses professional degree supplemental tuition to fund 10% of the salary and benefits of a position, then the unit will be expected to fund 10% of the merits and promotions during the career of the faculty member, and central campus will provide 90%.

### *Retirement*

Under the new model, when a faculty member (including continuing lecturers) ends employment with the university because of retirement or death, 30% of the salary and benefits return to the provost, and the dean retains 70%. For example, if a professor, step V, retires with salary and benefits totaling \$138,639 (assume salary of \$106,400 and a benefits rate of 30.3%), \$41,592 returns to the provost and \$97,047 remains with the dean. Unlike current policy, there is no return of a portion of the faculty position (FTE), and there is no distinction between base salary and upgrading. The 30-70 distribution applies to the salary and benefits supported by state funds and tuition. Using the above amount, if 10% of the position had been supported by a source other than state funds or tuition (e.g., an endowment) then \$37,433 returns to the provost ( $\$138,639 \times 90\% \times 30\%$ ) and \$101,206 remains with the dean.

### *Resignation*

Under the new model, when a faculty member (including continuing lecturers) resigns, 15% of the salary and benefits will return to the provost, and the dean will retain 85%. In the example above, if the faculty member resigns, then \$20,796 returns to the provost ( $\$138,639 \times 15\%$ ) and \$117,843 remains with the dean. There is no return of a portion of the faculty position (FTE), and there is no distinction between base salary and upgrading. The 15-85 distribution applies to the salary and benefits supported by state funds and tuition. If 10% of the position had been supported by an endowment, then \$18,716 returns to the provost ( $\$138,639 \times 90\% \times 15\%$ ) and \$119,923 remains with the dean.

### *Denial of tenure*

In the case of a denial of tenure, consistent with [Directive 97-101](#), the full salary and benefits will remain with the unit at the level at which the denial of tenure was first supported. Even though the directive is in terms of the disposition of FTE, the intent is consistent with this proposed policy: The decision to grant or deny tenure should in no way be influenced by a concern over losing the ability to replace a faculty member.

See Appendix II for a graphical representation of the proposed faculty life cycle process.

### **Funding for faculty resources**

In the new model, units will be responsible for funding faculty salaries and benefits at hire. A significant source of funds for new positions will be from the portion of salary and benefits that the units retain as faculty members retire or resign. When the funds available after return to the provost are not sufficient for full replacement, units should consider other ongoing fund sources, including endowment earnings, professional degree supplemental tuition, self-supporting degree revenue, and clinical income.

Table 1 displays the average salary and benefits costs by unit at retirement and at resignation as compared to the average cost (salary and benefits) of a new hire. The salaries and benefits at retirement are based on the current population of faculty age 60 and over. The data for resignations and new hires is based on actual employment actions for the last four years (from 2008-09 to 2011-12).

When comparing the cost of a new hire as a percent of the cost at retirement, all of the colleges and divisions are below 70%. Three of the professional schools are above 70%, the schools of law (Law), medicine (SOM) and veterinary medicine (SVM). When comparing the cost of a new hire as a percent of the cost at resignation, only two of the colleges and divisions are below the 85% that remains with the unit, with the Division of Mathematical and Physical Sciences (MPS) being a significant outlier. None of the professional schools are below 85% for resignations.

**Table 1: New Hire Salary as a Percent of Salaries and Benefits at Retirement and Resignation**

College/Division	Average Salary and Benefits:			New Hire Salary as a % of...	
	At Retirement <sup>1</sup>	At Resignation <sup>2</sup>	New Hire <sup>2</sup>	Retirement Salary	Resignation Salary
CA&ES/AES	\$200,587	\$115,743	\$110,933	55%	96%
CBS	\$232,072	\$185,569	\$107,569	46%	58%
COE	\$216,762	\$138,101	\$118,383	55%	86%
HArCS	\$161,311	\$97,218	\$85,778	53%	88%
MPS	\$198,498	\$96,625	\$108,766	55%	113%
DSS	\$188,027	\$132,327	\$106,000	56%	80%
Average	\$199,543	\$127,597	\$106,238	53%	83%

Prof. School	Average Salary and Benefits:			New Hire Salary as a % of...	
	At Retirement <sup>1</sup>	At Resignation <sup>2</sup>	New Hire <sup>2</sup>	Retirement Salary	Resignation Salary
SOE	\$156,530	\$66,323	\$97,026	62%	146%
GSM <sup>3</sup>	\$200,099	\$98,498	\$130,439	65%	132%
Law	\$250,376	\$200,060	\$199,348	80%	100%
SOM	\$238,780	\$229,208	\$208,001	87%	91%
SVM <sup>4</sup>	\$206,481	\$90,835	\$158,579	77%	175%
Average	\$210,453	\$136,984.74	\$158,679	75%	116%

**Notes:**

<sup>1</sup>Salaries & Benefits at Retirement: based on current faculty age 60 and over and the 2012-13 composite benefit rate for the appropriate rate group.

<sup>2</sup>Salaries & Benefits at Resignation & New Hire: based on four years of salary data for resignations and hires (2008-09 to 2011-12) and excludes Target of Excellence hires; benefits based on the 2012-13 composite benefit rate for the appropriate rate group.

<sup>3</sup>For GSM, excludes non-state funds.

<sup>4</sup>For SVM, excludes the portion of salaries that have historically been the responsibility of the school under their compensation plan.

Because deans will hold the majority of the resources, participation by the provost will be in cost-sharing partnerships with the deans. Provost support will:

- Focus on strategic hires defined in a few core areas of interest.
- Direct the composition of the overall faculty, using central funds to add faculty in areas where investment is needed beyond what the budget model supports within the unit.

**Retentions**

Deans will fund any off-scales allocated for retention. As in the past, the provost may contribute towards other costs, but deans will be expected to support a greater share of costs.

**Growth considerations**

Because of the current campus dialogue about possible growth options related to the 2020 planning process, it is important to expand on the general framework described above with more clarification about allocation of faculty resources during a period of growth. In brief, the incentive based-budget model has, at its core, mechanisms to allocate new resources –

undergraduate tuition revenue and indirect cost recovery at present – to units based on the generation of those resources.

For undergraduate tuition, the model allocates 70% of the revenue to the unit and 30% to the provost. The funds allocated to the units are based on the following metrics: teaching 60%, degree majors 30% and degrees awarded 10%. As growth occurs, the 70% of new tuition (blended to include residents, national and international students) will flow to the units. The deans will use the revenue to add faculty positions and meet other needs associated with growth such as teaching assistants (TAs), lecturers, staff and other operating expenses. Additionally, over one-third of the growth in indirect cost recovery funds (34%) flows to units. These funds can be used for start-up cost investments or other needs related to growth.

The provost retains a portion of the new funds (30% of undergraduate tuition and at least 60% of indirect costs) and will use these resources along with any new state funds and the portion of faculty resources returned by retirements or resignations to invest in campuswide strategic priorities, core infrastructure, and the academic support and administrative services units. As described above, the authority to recruit will occur as part of the annual budget process providing the provost with the opportunity to engage the overall resource plan for the unit including evaluation of resource investments across faculty and other academic support needs.

## **PROPOSED DETAILED METHODOLOGY**

The following is a proposed methodology for managing faculty positions:

### **Recruitment authorization**

- Each year, the provost will initiate a faculty recruitment call with information about campuswide objectives and metrics.
- The provost will review proposals from deans and authorize all recruitments with input from senior staff.
- The vice provost of academic affairs will approve hires above assistant professor, step III, and off-scales that are greater than one step in order to ensure equity and diversity in the faculty.

### **At hire**

- The deans are responsible for funding faculty salaries and benefits at hire, including off-scale amounts.
- The deans will be expected to participate in the funding of faculty start-up packages from their revenues. The provost will continue to hold at least \$6-8 million for start-up packages and will distribute them based on campus priorities and annual budget process proposals from the deans.

**During career:**

- The provost will fund faculty merits and promotions for salaries paid on state funds and tuition. Allocations will include incremental salary adjustment and the associated benefits costs.
- The provost will fund merit increases for all continuing lecturers paid on general funds, including accelerated merits. Units are responsible for the salary increase at the 10<sup>th</sup> quarter (or 13<sup>th</sup> for fiscal year lecturers) for pre-six lecturers.
- Units that support a portion of faculty salaries and benefits from a source other than state funds and tuition will be responsible for the same proportion of merits and promotions during the career of the faculty member.
- Funding for range increases will be provided consistent with other salary programs.
- The deans will fund off-scales for retentions or equity.

**Termination of employment:**

- At retirement/death, the deans will return 30% of total salary and benefits supported by state funds and tuition to the provost.
- At resignation, the deans will return 15% of total salary and benefits supported by state funds and tuition to the provost.
- All deans will participate in this return program, including the professional schools and health sciences.
- After returning a portion of the salary and benefits, the deans will have authority over the remaining funds. The funds can be kept for future recruitment or used to generate savings for short or long term needs. The FTE may be eliminated if the position is inconsistent with long term plans. Deans may determine the salary level they use to budget vacant faculty positions.
- The full salary and benefits will remain with the department or dean in the case of denial of tenure based on the level at which the denial of tenure was first supported.

**Special circumstances**

- **Dean's return to faculty:** Units are expected to support the salary needed when a dean (or a vice provost/vice chancellor with an academic senate appointment) returns to the faculty. In cases where the unit has insufficient funds to accommodate the salary, the provost may advance funds or extend a loan until the former dean leaves the university.
- **Loans:** Any outstanding provost loans of faculty FTE will be returned at full salary and benefits.

**Timing**

Actions described above that involve transfers to or from the provost are assumed to be effective according to the following timetable:

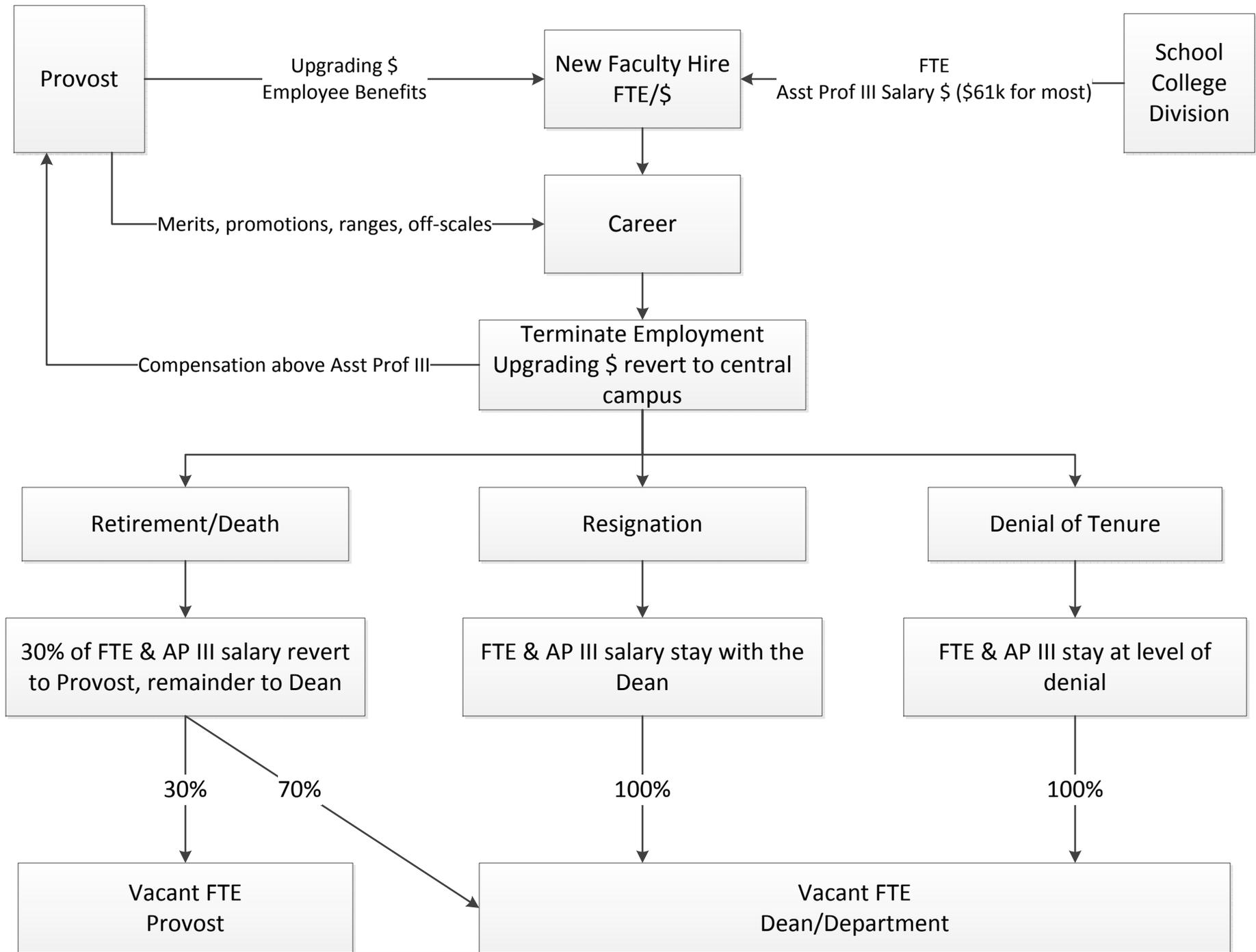
- For 2012-13 transactions:

- The provost will provide salary upgrading for any faculty recruitments completed for appointment in 2012-13. Units will provide the first year off-scale.
- Beginning with retirements and resignations that occur in 2012-13 (including retirements or resignations effective by July 1, 2013) there will be no further withdrawal of upgrading from the units when faculty positions are vacated. Those units who are paying off their 2010-11 cuts can continue to contribute the upgrading to meeting the target. Others may keep the upgrading to fund future costs.
- CA&ES began this transition in 2012-13 and will not receive upgrading for faculty hired during 2012-13, nor did CA&ES return upgrading with departures effective at the end of 2011-12.
- For changes starting July 2, 2013, and afterward:
  - Beginning with hires authorized or re-authorized for recruitment in 2012-13 and afterward, units will be responsible for the full salary and benefits of new faculty at the time of hire.
  - Units will return the salary and benefit funds (30% of retirement, 15% of resignations) for any for departures starting after July 2, 2013. If a unit has not met their 2010-11 budget reduction target by this date, the unit can contribute the provost's share of the position to the target.
  - Consistent with past practice, if a retirement or resignation occurs at any time other than July 1, then the unit retains the full savings for that year. If a merit or promotion occurs other than July 1, the provost will fund based on the effective date.
  - If a retention offer includes any central funding from the provost, the timing of that allocation will be addressed as part of the retention agreement.

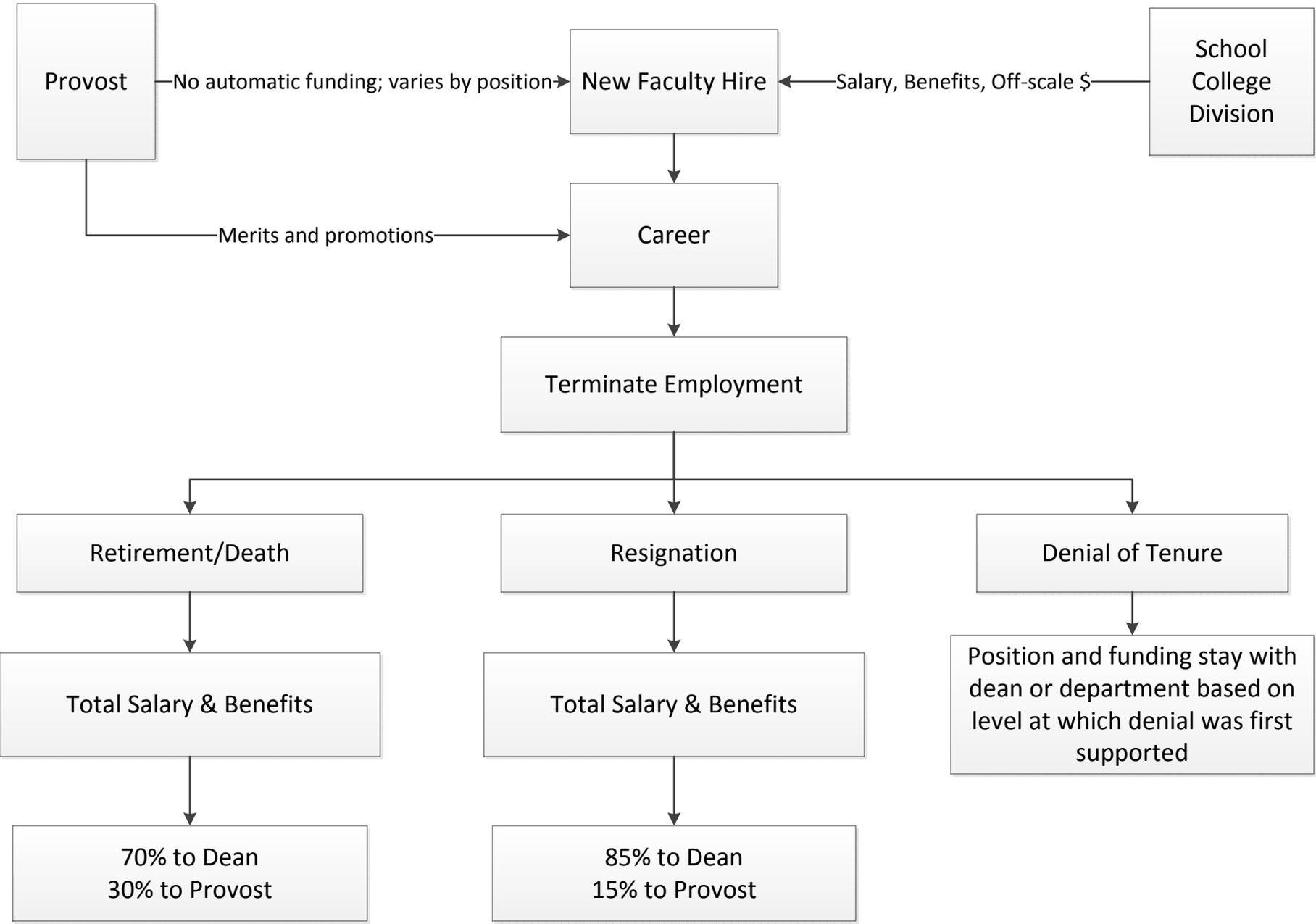
## **CONCLUSION**

This proposed approach the faculty resources in the budget model is intended to give the deans more responsibility and authority for faculty positions, and to integrate faculty hiring decisions in to the budget process. Over time, deans should have increased flexibility to determine the most appropriate way to deliver instruction and can match faculty positions more directly to the funding available to them through the budget model.

# Appendix I: Current flow chart for faculty salary and FTE resources



**Appendix II: Proposed flow chart for faculty salary resources**



Brief History of UC Davis Faculty FTE Allocation Processes

Period	Context	Allocation Process	Outcome	Decision Process	Disposition of Vacancies <sup>1</sup>	Start-Up Funding
late 1990's-2004; big growth	Significant growth anticipated with assumption that 500+ new and replacement faculty would be added	3-year academic planning process. Deans submitted plans for departments plus new "initiatives".	Deans were given FTE targets to be met by 2005-06; 9 initiatives and 2 schools (SOE, GSE) were approved.	Academic Advisory Council advised the Provost on targets; Deans had authority to recruit without Provost approval.	Deans retained all FTE (decision at start of period to suspend policy that called for retirement FTE to revert to the Provost).	Shelton cost sharing formula for allowable costs (research, equipment, space) that exceeded \$100,000. Provost approval required if costs > \$0.5 million. Annual costs increased from <\$8M per year to >\$20M per year.
2004-2006; limited growth	Period of big growth had passed, 100 FTE were available from transition of summer to "regular quarter" (new state funding).	50% formulaic (SCH, majors, research expenditures, graduate enrollment); 30% for initiatives (most with match); 20% for Provost.	Process implemented for 2005-06 and 2006-07. Suspended in 2007.	Formula developed and initiatives reviewed by Dean's, Academic Senate and Provost appointed faculty advisory committee.	Deans continued to retain all FTE (consideration to re-instate policy for retirement FTE to revert, but no change was made).	No change but cost of many packages escalated beyond what was affordable for several deans.
2007-2011; major cuts	Major budgets cuts in multiple years. Faculty positions protected for first 2 years. FTE were focus of cut in 2010-11.	Differential FTE cuts (8-12%) assigned based on change in SFR, research, and graduate students. Deans were given retroactive credit for prior year retirements.	3-year period to meet budget cuts ends June 30 2013.	Provost; Chancellors Cabinet	Retirements and some resignations used for budget cuts (2010-11 budget process). After cuts are met, retirements return 70% to Dean 30% to Provost. Max annual return 5% of July 1 FTE balance.	Block grant approach where Provost allocates fixed pool of funds to deans in annual process. Start-up funds constrained for several years because of campus budget shortfall. \$7.5 million allocated in 2011-12; primary source used by Provost is ICR.

1: The following policies remain unchanged throughout this time period: resignations stay with the dean; denial of tenure stays with the department or dean depending on who recommended denial. FTE vacated by death are treated consistent with retirements.