

July 2012

**670-0 Policy**

The Health Sciences Compensation Plan (HSCP) provides a policy framework within which Implementing Procedures will be developed by each health sciences school that participates in the Plan. School Implementing Procedures must be consistent with the Plan and its philosophy (see Appendix A), reviewed by the appropriate faculty committee(s), approved by the Chancellor, and reviewed prior to implementation by the President or the President's designee.

In developing Procedures consistent with this policy, the participating health sciences schools, after discussion and comment by the participants, and consultation with the school Advisory Committee (see APM - 670-6-d), may include provisions that are more, but not less, restrictive than those outlined herein.

**670-2 Purpose**

The purpose of this Health Sciences Compensation Plan is to provide a common administrative framework within which a participating health sciences school can compensate its faculty according to the competitive requirements of each discipline. Specific goals of this Plan are:

- a. To provide sufficient non-State resources to recruit and retain outstanding health sciences faculty;
- b. To encourage a balance among teaching, research/scholarship, clinical care, and University and public service activities that meet the standards of excellence required in the University of California;
- c. To provide teaching, patient care and research incentives that encourage and recognize academic merit as well as generation of income;
- d. To offer consistent benefits and privileges to participating health sciences faculty;  
and
- e. To benefit the health sciences schools by providing academic and research support funds in addition to State-appropriated funds.

670-6 **Responsibility**

a. **Role of the The Regents and the President**

After consultation with the Health Sciences Chancellors, Deans, and the appropriate Academic Senate committee(s), and upon recommendation by the President, The Regents may amend or repeal the entire Plan or any portion thereof.

The President or the President's designee shall review Implementing Procedures for those schools electing participation in the Plan.

The President shall report to The Regents total compensation for any Plan participant which is greater than four times the highest step on the Professor Series Fiscal Year Salary Scale.

b. **Role of the Chancellor**

The Chancellor shall have operational authority over the development and – subsequent to review and approval by the President or the President's designee – implementation and monitoring of the school Implementing Procedures for administration of this Plan.

The Chancellor shall be responsible for assuring that affected Plan participants and the appropriate division Academic Senate committee(s) shall be afforded the opportunity to review and comment on the proposed school Implementing Procedures.

c. **Role of the Academic Senate**

The President shall consult with the appropriate Academic Senate committee(s) concerning proposed revisions of this Plan.

The appropriate division of the Academic Senate and other committee(s) shall be provided the opportunity to review and comment on any proposed exceptions to school Implementing Procedures which the Chancellor intends to submit to the President or the President's designee for review.

d. **Role of the Advisory Committee**

A school-specific Advisory Committee which includes Senate and non-Senate faculty members representative of the disciplines and faculty series participating in the Plan shall be established to assist the Dean in resolving the issues that may arise from implementing the Plan.

The Committee assists in assuring compliance with and resolving issues on outside professional activities, conflict of interest, and conflict of commitment. The Committee also reviews the submissions of individual department or unit Implementing Procedures.

The composition of the Committee, method for selecting members, terms of service defined to ensure rotation of service, Committee responsibilities, and procedures (including those for receiving and hearing faculty complaints) shall be specified in school Implementing Procedures. No more than 50 percent of the voting members will be appointed by the Dean and the remaining members of the Advisory Committee are elected by Plan members. All voting members of the Committee must have a faculty appointment. The Committee's functions shall include advising the Dean on:

- 1) Development of the school Implementing Procedures, including the establishment of Good Standing Criteria, Academic Programmatic Unit (APU) assignments, and APU Scales. (See APM - 670-18-b for more information on APUs.)
- 2) Departmental Implementing Procedures including methods for obtaining faculty input and for determining consistency with school Implementing Procedures.
- 3) Review of potential conflicts between a Plan participant's commitment to generating revenue within the Plan and his or her outside professional activities. (See APM - 670-19-c.)
- 4) Review of faculty appeals regarding implementing and administering the Plan that are not resolved at the department or school levels or are submitted to the Advisory Committee as a result of a determination of loss of Good Standing. Senate faculty members may pursue their grievance rights before the Privilege and Tenure Committee under Senate Bylaw 335. Non-Senate faculty are entitled to a Step III hearing under APM - 140.

The Advisory Committee will provide an annual summary report on its activities to Plan participants, the Dean, and the Chancellor.

#### **670-10 Standards/Criteria/Qualifications**

##### **Good Standing Criteria**

- a. Written Good Standing Criteria shall be established at the School or Department level and shall be included in the school Implementing Procedures. Good Standing Criteria must include: 1) a definition of Good Standing, 2) a description of the administrative review process that occurs when a member is

determined to be out of Good Standing, 3) consequences for not being in Good Standing, and 4) the process by which a faculty member may return to Good Standing. (See role of the Advisory Committee in APM - 670-6-d-1.)

- b. Health sciences research and clinical practice are characterized by considerable diversity in sources of funding and are dependent on revenue streams that can be interrupted due to external circumstances, sometimes beyond the control of faculty. In support of the health sciences school's central function, a major responsibility of the Administration is to provide the faculty with conditions hospitable to the pursuits of teaching, research/scholarship, clinical care, and University and public service. The faculty member is responsible for performing the duties assigned at the time of hire, as well as reasonable new duties assigned by the department.

Good Standing Criteria for health sciences faculty will include expectations related to their academic series, departmental expectations related to service, and expectations related to generation of salary support and to shared expenses.

Plan participants must satisfy the Good Standing Criteria in order to be allowed to earn and/or retain income from professional, non-clinical activities. Good Standing Criteria might include, for example, keeping appropriate licensure and clinical privileges current, or meeting requirements for clinical coverage, teaching obligations, participation in departmental activities, or revenue generation. A pathway to return to Good Standing, should it be lost, must be defined. Prior to implementing or revising Good Standing Criteria, affected Plan participants and the Advisory Committee representatives shall be provided the opportunity to review and comment on the proposed criteria.

All members of the Health Sciences Compensation Plan should be deemed to be in Good Standing until they encounter some circumstance in which their capacity to earn income is impaired. A faculty member may fail to be in Good Standing only for conduct which significantly and negatively impacts the health sciences school's central functions of teaching, research/scholarship, clinical care, and University and public service. Reasons for loss of Good Standing might include, for example, a negative five-year review, instances of misconduct, inability to participate in the generation of salary, refusal to participate in assigned duties, failure to participate in mandatory training, loss of clinical privileges, or loss of licensure and/or credentials.

A determination that a faculty member is not in Good Standing may affect the amount of negotiated additional compensation (Y; see APM - 670-18-c(1)) and/or Incentive/Bonus compensation (Z; see APM - 670-18-c(2)) that the faculty member may earn. If a faculty member is unable to practice at a specific site due to revocation of clinical privileges, for example, that faculty member must be willing to undertake new duties as assigned, or otherwise must forfeit the compensation from that assignment. Faculty who are not in Good Standing must

obtain advance approval from the Department Chair to engage in any unassigned professional activities. If approved, the income from all such approved activities shall accrue to the Plan and not to the faculty member.

Exceptions may be approved in writing in accordance with school Implementing Procedures. A determination that a faculty member is not in Good Standing must be approved by the Dean, and any faculty member who is found not in Good Standing shall be notified in writing by the Department Chair of the reasons for that determination and what steps must be taken in order to return to Good Standing. A faculty member who believes that Good Standing Criteria have been applied unfairly may appeal to the Advisory Committee (described in APM - 670-6-d) in accordance with school Implementing Procedures.

#### 670-14 Eligibility

##### **Membership in the Health Sciences Compensation Plan**

###### **a. Membership Requirements**

Individuals in health sciences schools, disciplines or specialties that have been approved for participation in this Plan shall be members of this Plan if they hold a University appointment at greater than 50 percent of full time, funded by one or more of the participating health sciences units, in any of the following title series:

- 1) Professor
- 2) Professor In Residence
- 3) Professor of Clinical \_\_\_\_\_(e.g., Medicine)
- 4) Adjunct Professor
- 5) Acting Professor
- 6) Visiting Professor
- 7) Health Sciences Clinical Professor
- 8) Health Sciences School Dean titles
- 9) Any other title series approved for membership in this Plan by the President or the President's designee

A member of the faculty who was appointed in a health sciences school at the time of their retirement may be recalled to participate in the Health

Sciences Compensation Plan yet may not exceed a maximum total per each month of 43 percent of full time. Please refer to APM - 205, Recall for Academic Appointees for terms and conditions for Plan membership for recall appointees. All other faculty participating in the Plan must hold appointments greater than 50 percent of full time.

Deans and other faculty administrators in Plan schools shall be members of the Plan if they hold an underlying Health Sciences Compensation Plan faculty title; however, salary and reporting requirements are defined by the personnel policies governing the administrative appointments.

Membership in the Plan is a term and condition of employment. All new and continuing eligible Plan members shall receive a copy of this Plan document, the school Implementing Procedures, and any related School or Departmental Guidelines setting forth campus and departmental policy applicable to faculty covered by the Plan.

Membership in the Plan shall continue while the Plan continues to be in effect. Separation from an eligible appointment will terminate membership in the Plan.

Faculty holding any of the titles 1 through 9 above with an appointment in more than one department will participate in the Plan if their appointment is more than 50 percent in a department participating in the Plan and funded by one or more of the participating health sciences units. If included in the Plan, they will be subject to continued membership and to all requirements of the Plan. Determination of and responsibility for the faculty member's salary must be jointly agreed to in writing by the Chairs of the affected Departments and approved annually by the Dean(s). The Departments participating in the Plan are responsible for administering compensation including health and welfare benefits.

**b. Exceptions to Membership Requirements**

The Chancellor may approve exceptions to membership requirements to meet special teaching, research, clinical care, or University and public service requirements.

The Chancellor shall review and is authorized to approve specific provisions in campus procedures and requests by Deans for inclusion in the Plan of individuals in a health sciences school whose appointments are in the title series listed in APM - 670-14-a, regardless of percentage of appointment.

670-18 **Salary**

a. **Total Compensation**

Faculty members participating in this Plan shall:

- 1) receive base salary as described in section b, below;
- 2) be eligible for optional University additional compensation as described in section c, below; and
- 3) be permitted to retain other miscellaneous income as described in APM - 670-19.

Payment under the Health Sciences Compensation Plan will be made directly to the Plan participant in his/her individual capacity and will not, absent prior approval from the President or the President's designee, be made to any professional corporation or other legal entity maintained by the Plan participant.

Generally, off-scale salaries are not awarded. No State funds shall be used for the portion of base salary that exceeds the Fiscal Year Salary Scales for the Plan member's rank and step or for optional University additional compensation as described in section c, below. This portion of compensation shall be funded using Compensation Plan funds and other non-State funds in compliance with any related fund source restrictions.

b. **Base Salary (X and X') and Academic Programmatic Unit (APU)**

Base salary is the approved rate on one of the Health Sciences Compensation Plan Salary Scales associated with a faculty member's academic rank, step and assigned APU. Base salary shall equal at least the approved rate on the Fiscal Year Salary Scale (HSCP Scale 0) for the faculty member's rank and step (X). Base salary is covered under the University of California Retirement Plan (UCRP) up to the amount permissible under Internal Revenue Code provisions and in accordance with UCRP policy and provisions. Plan participants' APU scale assignments shall be approved by the Dean and assignments may be changed in accordance with guidelines issued by the Chancellor. The differential between X (Scale 0) and the faculty member's rank and step on the HSCP Salary Scale assigned to the faculty member's APU is designated X-prime (X').

- 1) For the purpose of determining the Health Sciences Base Salary Rate, each Department shall establish at least one APU to which the faculty shall be assigned. An APU shall comprise faculty with similar clinical, teaching and research responsibilities. The Department Chair shall recommend an appropriate APU assignment for each member of the Plan, based on

clinical, teaching and research responsibilities. Each APU shall be assigned to an HSCP Salary Scale, according to school Implementing Procedures.

- 2) In keeping with the responsibility of the University to ensure consistency of compensation by creation of APUs or assignment of faculty to APUs:
  - a) Deans are authorized to approve the faculty composition of each APU and assignment of a salary scale to that unit, subsequent to the Department Chair's recommendation.
  - b) Deans must receive advance approval from the Chancellor or the Chancellor's designee for an APU comprising fewer than four members. The request for approval shall include the criteria for composition of the APU, and the name, series, rank, and step of each member.
  - c) An APU must remain at its assigned HSCP Salary Scale for at least one year before being assigned to a higher or lower scale.
  - d) An APU may move to a higher HSCP Salary Scale by a maximum of one scale per year. An APU typically moves down no more than one scale at a time.

No individual faculty member may be moved from one APU to another without a significant change in duties or a change in department. Department chairs shall report annually to the Dean the name of any faculty member who has moved from one APU to another and the reason for the transition.

**c. Optional University Additional Compensation**

School Implementing Procedures and department, division and/or APUs may provide for the payment of additional compensation. Prior to implementing or revising Implementing Procedures, affected Plan participants and the Advisory Committee shall be afforded the opportunity to review and comment on the proposed Procedures. Implementing Procedures shall specify how additional compensation will be calculated, when it may be paid, and the title(s) of person(s) authorized to approve individual compensation agreements. Additional compensation may be paid, in accordance with fund source restrictions, as follows:



1) Negotiated additional compensation (Y)

Plan members may receive a negotiated amount of additional compensation. This component of pay is beyond the base salary and is not covered compensation for UCRP, but may be eligible for optional disability and life insurance programs, where applicable.

2) Incentive/Bonus compensation (Z)

Plan members may receive incentive/bonus compensation. This incentive/bonus compensation is not covered compensation for UCRP.

Departmental Implementing Procedures will describe the manner in which faculty members within a department, division, or APU may earn incentive compensation beyond base and negotiated compensation, upon approval by the Dean.

3) Administrative Stipends

Plan members may receive administrative stipends, defined as payments by the University for responsibilities related to University administration beyond normal responsibilities.

**670-19 Other Outside Income That May be Retained by Plan Members**

- a. Patient care activities must be provided within the University setting, or as part of an approved affiliation agreement or professional service agreement. All clinical income is due to the Plan. In no case will Plan participants be allowed to retain income from patient care activities.
- b. Certain categories of income accruing from occasional service, as described below, may be retained by Plan members. Department Implementing Procedures shall address whether members can deposit remuneration from miscellaneous outside activities into an academic enrichment account, and the terms and conditions for those accounts. The Department Chair and/or Dean shall monitor the frequency of individual activity in these areas:
  - 1) Income from occasional outside professional activity in accordance with [APM - 671](#), Conflict of Commitment and Outside Activities of Health Sciences Compensation Plan Participants and school Implementing Procedures;

- 2) Prizes, defined as gifts in recognition of personal achievements and not for services rendered;
- 3) Royalties, defined as shares of proceeds for contributions as authors or inventors, as allowed under the University's copyright and patent policies;
- 4) Honoraria, defined as payments by agencies outside the University for occasional lectures and similar public appearances beyond normal academic responsibilities to the University of California and which are not in return for other services, whether given directly or indirectly;
- 5) University honoraria, defined as payment for occasional lectures or similar services performed on a University of California campus as permitted by Academic Personnel Policy; and
- 6) Income from a profession or activity unrelated to the training and experience which is the individual's qualification for University appointment as determined by the Department Chair in consultation with the Dean.

**c. Complaints and Appeals**

A faculty member who has a complaint about an issue related to outside professional activities should first try to resolve the issue at the departmental level. If the complaint cannot be resolved through discussions, the faculty member's complaint and the Department Chair's response should be documented. If the faculty member disagrees with the departmental decision, s/he should file a formal complaint with the Dean. The Dean will charge the Advisory Committee with fact-finding. Both the Chair or the Chair's designee and the faculty member will have the right to be heard by the Committee. The Committee will issue a formal recommendation for resolution to the Dean. The Dean makes the decision based on this recommendation. Senate faculty may pursue their grievance rights under the terms of [Senate Bylaw 335](#). Non-Senate faculty may request a hearing under the terms of [APM - 140](#).

**670-20 Use/Terms of Employment/Conditions of Employment**

**Benefits**

No campus may offer faculty benefits beyond those which have been approved by The Regents. All benefits shall be provided in accordance with policies and/or guidelines issued or approved by the Office of the President. Each health sciences school and respective accounting office shall develop and provide a funding

mechanism for support of all benefits made available under the provisions of this Plan, and this mechanism shall be included in the school Implementing Procedures established for administration of the Plan. All such benefits as described below and in related policies shall be provided uniformly within departments or divisions, as reviewed by their participants and as approved by the Dean.

a. **Base Salary-Related Benefits**

Base salary-related benefits are associated with an individual's salary from one of the Health Sciences Salary Scales. These benefits include participation in the UCRP, health care benefits, disability benefits, regular term life coverage, and other benefits as may be approved by The Regents. Base salary-related benefits will be made available to faculty members who are members of this Plan on the same basis as to all other members of the University faculty.

b. **Optional Benefits on Additional Compensation**

The Regents have authorized disability and life insurance benefit programs related to health sciences additional compensation beyond the base salary. These programs must be approved by the Office of Human Resources, Office of the President. Policies governing optional disability and life insurance programs on additional compensation are available from that office.

c. **Paid Leave**

Plan members who are eligible for sabbatical leave, leave with salary, or extended illness leave may be granted such leave paid at least the Health Sciences Scales Base Salary rate (X, X') as set forth in local Implementing Procedures. A Plan member who leaves University service or transfers from a vacation-accruing title to a non-accruing title shall be paid for accrued vacation at the Plan member's total negotiated salary rate at the time of separation.

With the exception of the two provisions below, or where explicitly stated in policy, members of the Plan are eligible for leaves as defined in APM - [710](#) - [760](#). Schools or departments that include provisions in Implementing Procedures for leaves shall clearly define the rate of pay, i.e. whether any additional leave will be paid more than the minimum base salary rate. In the absence of specific Implementing Procedures, the leave provisions as described in APM - [710](#) - [760](#) will be used.

1) **Extended Illness**

Members of the Plan who are appointed full-time to at least a twelve-month term who are unable to work for reasons of extended personal illness, injury,

or disability shall be granted paid medical leave of a minimum of six (6) weeks of consecutive or intermittent paid medical leave at the approved base salary. Any additional compensation under the HSCP shall be paid in accordance with campus policies.

- a) Extended illness leave may not exceed the maximum time period allowable under [APM - 710-11-a and b](#).
- b) Authority to review and approve requests for extended illness leave rests with the Chancellor. This authority may be redelegated.

2) **Childbearing and Childrearing**

Childbearing and childrearing leaves shall be approved consistent with [APM - 760-25](#). In no case shall childbearing and childrearing leave be less than the minimum time period or base salary rate of pay as allotted under [APM - 760-25-b](#).

670-22 **Funds**

The management and reporting of professional services income and expenses under this Plan must be consistent with campus accounting and budgeting methods as outlined in Appendix B of this policy.

670-24 **Authority**

a. **The President**

- 1) The President or the President's designee shall have the authority to issue administrative guidelines and procedures further refining this Plan.
- 2) The President or the President's designee shall approve the inclusion or exclusion of a health sciences school, discipline, or specialty in the Plan, subsequent to the Chancellor's recommendation.

b. **The Chancellor**

- 1) The Chancellor shall submit school Implementing Procedures to the President or the President's designee for approval. Such authority may not be redelegated.
- 2) The Chancellor shall submit revisions to school Implementing Procedures within the limitations of the Plan to the President or the President's designee for approval. Such authority may not be redelegated.

- 3) The Chancellor shall approve exceptions to the provisions of the Plan to meet special teaching, research, or clinical service requirement.

#### **670-80 Procedures/Review Procedures**

##### **a. Annual Notification**

Once per fiscal year, the Department Chair or Unit Head shall provide each member of the Plan a written notification of the member's total annual compensation. This notification shall include:

- 1) The amount of UCRP-covered salary (X, and if applicable, X');
- 2) Which HSCP Salary Scale has been assigned to the Plan member's APU (X, X');
- 3) The amount of negotiated additional compensation (Y); and
- 4) The payment schedule for Incentive/Bonus compensation (Z) payments and the departmental and/or school assessment policy for Z payments.

##### **b. Implementation**

- 1) Revisions to school Implementing Procedures that are necessitated by revisions to the Plan shall be submitted for the President's or the President's designee's review within one year of approval of said Plan revisions. School Implementing Procedures may be made effective as of the effective date of such revisions to the Plan, or at any time thereafter, as authorized by the President or the President's designee.
- 2) The Dean is responsible for implementing and administering the school Plan, including the resolution of complaints and appeals.

## **Appendix A Philosophy**

Health Sciences education occupies a special place in American higher education with unique functions and responsibilities. In health sciences education, the orientation to clinical practice, essential to the teaching function, requires an emphasis on sophisticated patient care, in addition to an emphasis on research and the advancement of knowledge. In medicine, dentistry, nursing, pharmacy, and other health sciences education as well, clinical teaching is integrated with basic and applied research. The University of California is committed to excellence in instruction, research, and public service in the health sciences just as it is committed to the same goals in other academic disciplines. Health sciences faculty members are expected to act as professional role models for all. As a public university in California authorized to grant professional doctoral degrees in the health sciences, the University has a responsibility to the State, the public, and its students to maintain the breadth and depth of its curricula, the creativity of its research efforts, and the quality of its health care services.

To ensure the level of excellence essential in the University of California, special effort must be exerted to recruit and retain the best and most dedicated faculty. Special compensation plans have been established over the years to provide for quality across academic programs in the health sciences disciplines. These health sciences compensation plans must offer a competitive salary structure indispensable to the health sciences schools' recruitment and retention efforts.

Health sciences disciplines require varying compensation levels in order to remain competitive with comparable schools elsewhere in the United States. However, because University health sciences schools share some common needs and operating requirements, the University has developed a uniform Health Sciences Compensation Plan to govern compensation arrangements and account for compensation plan income to the University's Schools of Medicine, Dentistry, Nursing, Pharmacy, and other health sciences units as deemed appropriate by the President or the President's designee.

Health sciences compensation plans must be clear and justify calculation of compensation and contain a mechanism for impartial review to protect the rights of individual faculty.

The Health Sciences Compensation Plan is approved, amended and repealed by and under the authority of The Regents of the University of California. Through the Plan, compensation is set as a part of the employment relationship, and as a consequence, the level of compensation and the terms and conditions of the Plan may be amended or repealed at any time by the President, following consultation with the Health Sciences Chancellors, Deans, and the appropriate Academic Senate Committee(s).

SALARY ADMINISTRATION  
Health Sciences Compensation Plan

APM - 670

The implementation, administration and continued operation of this Plan shall be contingent on the understanding and assurance that it will not require the expenditure of more State-appropriated funds in the University budget than operation without the Plan would require.

**Appendix B**  
**Campus Accounting and Budgeting Methods**

a. **Management and Reporting of Professional Services Income and Expenses**

1) University Management

All professional services income generated by Compensation Plan members shall be considered revenue of the University; the only exception to this requirement shall be income which the Plan participant is allowed to retain in accordance with APM - 670-19. All compensation paid by the University to Plan members will be subject to Federal and State withholding and reported on a W-2 form as wages in accordance with Internal Revenue Service (IRS) Regulations and University policies and procedures. All compensation must be included in the employee's income as wages subject to withholding for applicable Federal, State and FICA taxes. Eligibility and withholding for benefits (such as the University of California Retirement Plan, Retirement Savings Programs and employee life insurance programs) will be determined based upon the University's policies and procedures. School Implementing Procedures shall include billing and accounting procedures necessary to assure accountability for all funds. All financial transactions shall be approved, documented, and otherwise processed or executed in accordance with University policies, procedures and delegations of authority.

- a) Professional fee billing and collection activities shall be conducted by University billing groups, by external vendors with which the University has contracted, or as otherwise permitted by University procedures. All such fees shall be deposited upon receipt by the University or by an external vendor in a University bank account established in accordance with University delegations of authority.
- b) Contracts with external billing vendors shall be processed and executed in accordance with delegated authority and University purchasing policies and procedures. They shall contain standard University-approved clauses, be subject to audit, and provide for monthly transmission of billings and receipt information to the University. Specific University-wide regulations may be developed for such contracts as needed to assure that funds are accounted for, safeguarded, and appropriately managed.



2) Reports

The accounting standards specified in the University of California Accounting Manual must be used in reporting income and expenses in all compensation arrangements.

b. **Accounts and Sources**

Each campus shall establish one or more school Compensation Plan account(s) in the financial accounting records for the campus or, with the approval of the Chancellor on recommendation of the Dean, an account for each such unit participating in this Plan; may also be established at the department and divisional level. Plan income from the following sources should be recorded in these accounts:

- 1) Income from professional services.
- 2) Amounts paid by University hospitals or affiliated institutions for professional and managerial services rendered to the hospitals by participants in the Plan, excluding stipends in APM - 670-18-c(3).
- 3) Such other funds as are required by the Chancellor or President or the President's designee to be included in fund accounts.

Certain other sources of University income may be available to support faculty compensation and benefits but are not recorded in Compensation Plan accounts, such as:

- 1) Funds made available for salaries from University-administered grants and contracts.
- 2) Funds made available from unrestricted, non-State fund accounts within the school.
- 3) Gifts and other funds available for such purposes, as allocated by the Dean or Chancellor.

c. **Assessment of Professional Services Income**

To aid in the administration, budgeting, and allocation of professional services income, gross Plan income shall be assessed using a rate(s) annually recommended by the Dean and approved by the Chancellor for each school or department. The income categories specified in APM - 670-19 are not subject to assessment.

d. **Contingency in Event of Inadequacy of Health Sciences Fund Accounts**

School Implementing Procedures shall require the establishment of one or more reserve account(s) and shall specify whether such reserve account(s) will be established at the school, department, or division. The purpose of the reserve(s) is to

provide the funds necessary to pay Plan expenses, including the agreed-upon compensation to each Plan participant, in the event that the current year income of the Plan is insufficient to do so. If the funds in the appropriate reserve account are insufficient for the purpose, the Chancellor may seek support from another non-State account(s) within the school. If such support is not forthcoming, then the campus will reduce the participants' additional compensation in a uniform manner in accordance with any fund source restrictions across the school, department, or division, as determined by the Chancellor.

Although funds may be transferred from one account to another within a health sciences school in accordance with University accounting and budgeting policies and procedures, accounts on each campus shall be maintained as financially independent for administrative purposes.

e. **Budgeting**

Subject to approval by the Chancellor on recommendation of the Dean, each campus shall develop a process to annually budget for and monitor expenditures from the Health Sciences Compensation Plan accounts. Expenditures shall be budgeted for and funded in the following order of priority:

- 1) Clinical practice operating expenses, defined as costs incurred by the University for billing and collection of fees for clinical services; for faculty use of University-owned and/or -leased practice facilities; and for related professional operating activities.
- 2) To the extent that funds remain after expenditures for clinical practice costs indicated in 1), above, compensation may be paid to eligible participants in the Plan. Base salary and related benefits, including any required contribution on behalf of University of California Retirement Plan covered compensation, shall be funded before additional compensation.
- 3) To the extent that funds remain after the foregoing expenditures, benefits costs approved in accordance with APM - 670-20 may be paid.
- 4) To the extent that funds remain after all the foregoing expenditures, funds shall be contributed to the reserve(s) for contingencies in an amount recommended by the Dean and approved by the Chancellor.

- 5) When a health sciences account has accumulated a surplus beyond that required for expenditures and reserves as provided in all the above categories, the surplus shall be used as follows:
  - a) At least one-half may be used for academic purposes in the department or division of origin (including but not limited to salaries for support personnel) as recommended by the Chair and approved by the Dean; and
  - b) The remainder may be used for other purposes in the school or campus as recommended by the Department Chair and the Dean and approved by the Chancellor.