

University of California
Office of the President
June 1, 1999

**Policy on the Use of Non-19900 Fund Sources
to Support Ladder-Rank Faculty**

I. Fundamental Principles

In creating an appropriate policy framework for utilizing non-19900 funds¹ for ladder-rank faculty² compensation, four fundamental principles must be respected:

- A. All ladder-rank faculty positions, regardless of fund source, should have the same tenure, academic freedom, and funding guarantees as those now extended to ladder-rank faculty supported on State resources, often called 19900 Funds.
- B. Each decision to employ this policy should be driven by sound academic planning that considers the goals and needs of the affected unit as well as the ramifications for the campus as a whole.
- C. In all cases, no aspect of this policy shall result in any change to the manner by which ladder-rank faculty salaries are currently established.
- D. This policy will be used to maintain a faculty of superior quality, not to reduce faculty teaching loads.

¹ Budgeting for ladder-rank faculty salaries has changed in recent years as an outgrowth of State budget cuts. Today, the University's so-called 19900 Funds are a combination of State Funds, Educational Fees, and University General Funds (including both non-resident tuition and a portion of Federal overhead). Because of this commingling, 19900-funded faculty salaries are now effectively supported from all of these sources. "Non-19900 funds" refers, therefore, to all other fund sources.

² *Ladder-rank faculty* are those in the Professorial series titles Professor, Associate Professor, and Assistant Professor.

II. Determination of Appropriate Non-19900 Fund Sources

This policy will allow specified non-19900 fund sources to be used to raise ladder-rank faculty salary levels or to fund new FTE. Funds used for long-term commitments must have a high degree of security involving both predictability and continuity, as much or more than 19900 Funds. In addition, there must be sufficient scale to maintain an appropriate balance between permanent and temporary uses of funds. The following fund categories have the required characteristics for long-term commitments:

- A. *Endowment Income.* These funds derive both from endowed professorships and endowments that may be used for this purpose. The income is distributed annually by the Office of the Treasurer and campus foundations.
- B. *Fees for Selected Professional School Students.* This fee policy, approved by The Regents in January 1994 for implementation beginning 1994-95, provides regularly recurring fee income for selected UC professional schools including medicine; dentistry; veterinary medicine; law; business/management; optometry; pharmacy; nursing; and theater, film, and television. Fees for other professional schools may be approved. These revenues are directly tied to program enrollments and are treated as equivalent to General Fund revenues.
- C. *Self-Supporting Professional Degree Program Revenues.* These programs are expected to be fully self-supporting and will not be supported from State General Funds. They are governed by the Policy on Self-Supporting Part-Time Graduate Professional Degree Programs, issued June 1996 and a delegation of authority to the President approved by The Regents in November 1998. Under the delegation, fees are set by the President and reported annually to The Regents.

Campuses are required to provide separate authorization and sound justification when specific funds within these categories are proposed as sources for ladder-rank faculty salaries. The conditions described in Section III must be met. If other sources, existing or new, are identified in the future, their use will require the same authorization and justification. Other proposed sources will also require approval by the President.

III. Policy Limitations on Proportion of Non-19900 Funding

Traditionally, the protection provided to ladder-rank faculty appointees supported by 19900 Funds derives from the strength of the budget of the State of California, normal turnover within the ladder ranks, and the policy restriction within the University that a maximum of ninety percent of the budgeted faculty positions may be filled by ladder-rank faculty (including Assistant Professors), leaving at least ten percent for use in temporary appointments. In practice, fewer than ninety percent of funded positions are held by ladder-rank faculty, effectively providing a higher degree of protection.

Not more than seven percent of total budgeted faculty positions on a campus and fifteen percent in a School or College may be supported by non-19900 funds. An exception to these limits requires approval by the Provost and Senior Vice President–Academic Affairs.

When any non-19900 fund source is approved by a campus for use in funding ladder-rank faculty salaries, a minimum of ten percent of available funds from that non-19900 fund source shall be identified to protect faculty positions and must be used for temporary purposes. The definition of available funds refers to residual funds that are not committed for other long-term purposes, including capital obligations, equipment leases, or student scholarships and financial aid. However, for each fund source, the appropriate threshold percentage will be determined after accounting for all long-term commitments and based on consideration of historical and projected revenue patterns. The campus must guarantee that funds are available to cover salaries of ladder-rank faculty in the event of shortfalls. Additionally, academic support at least equivalent to the level provided by the State should be provided to faculty supported on non-19900 fund sources.

IV. Submission, Approval, and Maintenance of Non-19900 Funding Business Plans

All campus business plans to implement this policy must be submitted with a statement that addresses the fundamental principles identified in Section I above and describes how the proposed use of non-19900 funds will promote academic plans and goals. For each non-19900 fund source being considered for ladder-rank faculty salaries, a business plan must be developed as one basis for consideration and initial approval by the Chancellor before proceeding. The Chancellor shall submit business plans for review and approval to the Provost and Senior Vice President–Academic Affairs before implementation or revision of a non-19900 ladder-rank faculty

support proposal. These plans should contain the following information, according to the nature of the fund source and the nature of the planned use for faculty salaries:

- **Academic planning discussion**, describing the intended use, including raising salary levels or creating incremental FTE, the relationship to existing programs within the unit, and, if incremental FTE are proposed, the rationale for expanding the faculty.
- **Enrollment data**, including long-range (e.g., five-year) enrollment targets and, generally, three prior years' application and yield data.
- **Detailed financial statements for prior years**, including expenses and fund balances. Generally, three years of actual data will be required. Actual expenditures include non-ladder-rank-faculty costs, for example, staff, equipment, and long-term commitments for legally-binding obligations such as capital debt and equipment leases. Proposals for use of student fee funds must show the Regentally-required one-third set-aside for financial aid. This information will be used to calculate the level of "available funds" described in Section III.
- **Projected expenditures**. Three years of projected expenditures should be shown to include the same categories as required for prior years' financial statements plus the costs of supporting faculty under this policy: 1) ladder-rank faculty salary costs; 2) related payroll costs (i.e., employee benefits; merits, promotions, and cost-of-living increases; and required contributions to retirement); 3) academic support at least equivalent to the level provided by the State; and 4) related equipment.
- **Identification of fund sources to protect ladder-rank faculty salaries**. Fund sources supporting faculty salaries shall be based on long-term commitments, planned disbursements, and expected revenue fluctuations. In all cases a minimum of ten percent of available funds from non-19900 fund sources shall be identified to protect faculty positions and will be used for temporary purposes. The business plan should describe the temporary uses of these identified fund sources.
- **Planned treatment of shortfalls**. In the event that a particular fund source is unable to meet associated ladder-rank faculty salary obligations, the Chancellor may require the use of other non-19900 funds within the school or academic unit. In the event of shortfalls, ladder-rank faculty salaries shall be ensured by the campus. The business plan should discuss how the school or academic unit will meet its responsibility to repay any shortfall, including

any necessary actions such as reductions in 19900-funded temporary faculty in order to redirect 19900 Funds to the payment of guaranteed salary and benefits for the ladder-rank faculty positions.

- **Planned use for faculty salaries,** including raising salary levels or incremental FTE. Supplemental salary raises will be provided in connection with a return to scale schedule and provision for an earlier return to scale if the funds become unavailable before the time period is expired. These terms shall be communicated in detail in writing to the affected faculty.
- **Identification of separate accounts.** Within each school or major academic unit, each fund source approved for this purpose must be identified as a separate account in the financial system.
- **Deployment of funds.** Depending upon the financial status of the fund, revenues may be committed on an ongoing basis or be set aside to create a fund functioning as an endowment. In some cases, it may be appropriate to establish a reserve. If this is determined to be necessary, funds may be set aside initially, or a plan may be agreed upon for building up the required level over time.

V. Oversight

Responsibility for implementing this policy will be delegated to each Chancellor. Annually, each campus's implementation will be reviewed by the Office of the President in consultation with the Chair of the Academic Council, along with any exceptions granted by the Provost and Senior Vice President–Academic Affairs, in order to evaluate the availability of funds to maintain each campus's commitments under this policy. This is appropriate because of the long-term (if not lifelong) nature of ladder-rank faculty commitments.

Campus business plans and related materials provided to the Office of the President will be open documents available to interested parties. Consultation between the Academic Senate and the administration concerning these materials and the broader issue of the effect of this policy shall take place in the same manner as for other financial planning and management matters.