

## Incentive-Based Budget Model Faculty Resources

### BACKGROUND

In 2012-13, the campus implemented the Faculty Resources module of the budget model. The Faculty Resources module was developed to align the funding model for faculty positions with the newly implemented revenue allocation practices during a period of enrollment and revenue growth. The module shifted the responsibility for fully funding faculty positions (salaries and benefits) at time of hire from the campus to the deans.

Historically, deans' offices downgraded vacated faculty positions to the Assistant Professor III level and any salary above that level was returned to the campus. When vacancies were filled, deans' offices would fund the position up to the Assistant Professor III and would request upgrading from the campus to fully fund the position.

During the career of a faculty member, the campus allocates central funding to support salary and benefit adjustments that occur through faculty merits and range adjustments for costs allocated to state funds and tuition.

### DESCRIPTION OF FACULTY RESOURCES BUDGET MODEL

Under the faculty resources component of the budget model deans' offices return a percentage of the exit salary and benefits to the campus when a faculty member retires or resigns. When a new faculty member is hired, the unit is responsible for funding the full cost of the replacement.

From the unit perspective, this provides greater flexibility in the use of funding remaining in the units, better reflects the cost of hiring new faculty in the unit that incurs the expense, and reduced the administrative work of "upgrading" and "downgrading" positions through a central account. On average, a unit should have sufficient funds to replace a position when a faculty member separates.

From the campus perspective, the amount returned is a proxy for funds invested by campus in cumulative salary adjustments during the career of a faculty member. It also provides a pool of resources that the campus can reinvest in faculty hiring across the institution in ways that may be different than hiring decisions made within a school or college. These funds are used to reinvest in faculty hiring in a number of ways, including, participating in hiring in defined core areas, investing in hiring in areas beyond what the budget model supports, to advancing campus goals such as increasing faculty diversity, supporting faculty start-up, and funding faculty merits, equities and other salary programs. Over the past several years these funds have primarily supported the [Faculty Hiring Investment Program \(HIP\)](#).

## ANALYSIS

The following describes the analysis done to establish the percent of funds returned to campus by colleges and professional schools upon a faculty retirement or resignation. An analysis compared the average salary and benefits of faculty at the time of retirement, separation, and hire over a 4-year period. Based on the initial analysis done in 2012, the campus determined that for retirements, colleges would return 30% of exit salary and benefits while professional schools would return 20%. The return percentage for other types of resignations was set at 10% for both colleges and professional schools.

In 2016-17, the analysis of separation and new hire data since the implementation of the faculty resource module was repeated. Table 1 shows the results of the analysis. Based on this information, the campus determined that the professional school retirement return rate and the resignation return rate for all units would remain unchanged (20% and 10% respectively). However, in the colleges the retirement rate would increase to 35% of exit salary and benefits.

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

College/Division	Average Salary and Benefits <sup>1</sup>			New Hire Salary as a % of...	
	At Retirement	At Resignation	New Hire <sup>2</sup>	Retirement Salary	Resignation Salary
CAES/AES	\$230,907	\$170,658	\$124,299	54%	73%
CBS	\$200,655	\$256,974	\$121,863	61%	47%
COE	\$225,502	\$177,609	\$139,191	62%	78%
HARCS	\$160,330	\$113,981	\$106,475	66%	93%
MPS	\$199,855	\$184,704	\$139,918	70%	76%
DSS	\$215,767	\$143,799	\$129,961	60%	90%
Average	\$205,503	\$174,621	\$126,951	62%	73%

School	Average Salary and Benefits <sup>1</sup>			New Hire Salary as a % of...	
	At Retirement	At Resignation	New Hire <sup>2</sup>	Retirement Salary	Resignation Salary
GSM	\$360,393	\$232,580	\$111,353	31%	48%
SOE	\$156,285	\$0	\$108,768	70%	0%
LAW	\$229,827	\$0	\$215,560	94%	0%
SOM	\$198,411	\$152,780	\$145,810	73%	95%
SON	\$0	\$0	\$103,411	0%	0%
SVM	\$247,750	\$176,994	\$165,786	67%	94%
Total/Average	\$198,778	\$93,726	\$141,781	71%	151%

### Notes:

<sup>1</sup>Salaries & Benefits: based on 2013-14, 2014-15, and 2015-16 separations and the 2016-17 composite benefit rate for the appropriate rate group.

<sup>2</sup>New Hire excludes Target of Excellence hires.

<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.

## **DETAILED PROCESS AND METHODOLOGY**

The following is the process for managing faculty hiring decisions and methodology for funding adjustments:

### **Recruitment authorization**

- The provost initiates an annual faculty recruitment call with information about campuswide objectives and metrics. Schools and colleges update their multi-year hiring plans which include details about the positions proposed and information on start-up and space needs for a 5 year period. Each year, schools and colleges update their plans to include active hiring information as well as provide detailed information for two upcoming recruitment cycles.
- The provost will review proposals from deans and authorize all recruitments with input from senior staff and provides a one or two year hiring plan authorization.
- The vice provost of academic affairs will continue to approve hires above assistant professor, step III, and off-scales consistent with campus policy 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 provide block grants to deans support start-up packages. The campus generally sets aside \$8-12 million annually for start-up block grants, which is distributed based on hiring plan approvals, taking into account the variation of costs for start-ups in different disciplines and available resources.

### **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 in addition to 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 unless there is a specific equity program approved and funded at the campus level.
- Subject to exceptions noted above, if a change in series occurs (e.g., ladder rank to another series), deans will return 10% of total salary and benefits at the composite

benefit rate in effect at the time of the change in series supported by state funds and tuition to the provost.

### **Termination of employment:**

- At retirement/death, the deans of the colleges and divisions will return 35% of the faculty member's total exit salary and benefits at the composite benefit rate in effect at the time of retirement supported by state funds and tuition to the provost. Deans of the professional schools will continue to return 20% of total exit salary and benefits at the composite benefit rate in effect at the time of retirement supported by state funds and tuition to the provost.
- At resignation, all deans will return 10% of total salary and benefits at the composite benefit rate in effect at the time of resignation 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 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.
- For faculty positions supported by more than one unit (joint or split appointments), each unit will return its proportional share of salary and benefits to the provost.

### **Special circumstances**

- **Dean or academic administrative officer's return to faculty:** Units are expected to support the full salary and associated benefits needed when a dean (or a vice provost/vice chancellor with an academic senate appointment) returns to the faculty. When a dean or academic administrative officer returns to a faculty position, current practice is to provide them with a one-year sabbatical and add a service-based offscale to their faculty salary. In these cases, the provost will provide:
  - One time funding for the cost of salary and benefits during the sabbatical year.
  - Base funding for the service-based offscale and associated benefits. The amount of the service-based offscale is determined by Academic Affairs.
  - When this individual separates from the university, the same rules regarding the return of faculty salary and benefit funding will apply to the full exit salary.

This does not apply to an academic administrative officer in an interim or limited term role who is returning to faculty as it is not expected that they will have an offscale (requires a minimum of 5 years in the position) nor a sabbatical for the same purpose as an academic administrative officer who was in a permanent role.

In a case where an academic administrative officer holds a split appointment (i.e. 50% in administrator title and 50% in faculty title) and returns to the faculty, the academic unit should consult with BIA about funding for their return. This decision

will be made on a case-by-case basis and will depend what happened to the funding associated with the faculty position when they initially entered the partial academic administrative officer role (i.e., did it stay with the unit or was it returned to central campus). In the case of new split appointments involving an academic administrator it is expected that all salary and benefit funds will stay at the unit.

- **Loans:** Any outstanding provost loans of faculty FTE will be returned at full salary and benefits. At the conclusion of the loan, full salary and benefits at the composite benefit rate in effect at the end of the loan will be returned to the provost.

### **Timing**

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

- For changes starting July 1, 2017, and afterward:
  - Units will return funds based on the full exit salary and benefit funds at the composite benefit rate in effect at time of separation (35% of retirement for colleges and divisions, 20% of retirement for professional schools, and 10% of resignations) for any departures starting after July 1, 2017.
  - 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.