

APPENDIX IV

CAMPUS ACCOUNTING AND BUDGETING METHODS

A. MANAGEMENT AND REPORTING OF PROFESSIONAL SERVICES INCOME AND EXPENSES

1. University Management

All professional services income generated by Plan members shall be managed, accounted for and reported as 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. Professional services income is defined as income derived from a profession or activity related to the training and experience which constitute the individual's qualification for University appointment, including professional witness fees, fees for advice related to the practice of medicine, and industry consultation. Professional services income includes cash and non-cash compensation, such as stock or stock options, received in exchange for professional services provided. 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.

- 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 revenue account established in accordance with University delegations of authority.
- b. For consulting and other payments not authorized for direct retention, but which are made directly to the faculty member and are owed to the Plan, the check should be made payable to The UC Regents and deposited in the same revenue accounts.
- c. 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.

B. FUND ACCOUNTS AND SOURCES

Compensation Plan Fund Accounts shall be structured so that each account shall receive income from patient care services and from other professional services due the Plan; amounts paid by University hospitals or affiliated institutions for professional and managerial services rendered to the hospitals by participants in the Plan; and such other funds as are required by the Chancellor or President 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 fund accounts such as funds made available for salaries from University-administered grants and contracts; funds made available from unrestricted, non-State fund accounts within the school; gifts and other funds available for such purposes, as allocated by the Dean or Chancellor.

C. ASSESSMENT OF PROFESSIONAL SERVICES INCOME

Gross Plan income is subject to assessment. Plan income includes all patient care professional income and other professional services income due the Plan. The income retained by Plan participants from the categories specified in Section VI is not subject to assessment.

All calculations for the assessments set forth below are applied to patient care professional fee income and other professional services income deposited in a University account and will be based on gross patient care professional fee income, regardless of where or how earned. Gross patient care professional fee income is defined as gross patient care professional fee collections less refunds.

All assessment rates described below will be reviewed annually. The Compensation Plan Advisory Committee will review and make recommendations on proposals submitted by the Dean to change the School and Practice Development Assessment rates. If the Dean and Committee cannot reach an agreement as to the assessment rates, the Dean may decide the issue or refer the issue to the Chancellor for a decision.

1. Assessments

The assessment rates are as follows:

- a. The School assessment will be five (5) percent.
- b. The Practice Development Assessment (PDA) will be five (5) percent.
- d. The department assessment will be used by the department for purposes as determined by the Department Chair. The department assessment rate will be from zero to fifteen (0-15) percent. This rate will be requested by the Department Chair, each year as part of the department budget package for the subsequent fiscal year.
- e. A department overhead assessment to cover administrative and/or clinical practice costs may be applied to patient care income and other professional services income by the Department Chair, as approved by the Dean.

D. CONTINGENCY IN EVENT OF INADEQUACY OF APU FUND ACCOUNT

Each APU shall establish a Reserve for Contingencies. In the event that current year income of the Plan in the APU Fund Accounts is insufficient to pay Plan expenses, including the agreed-upon compensation to each Plan participant, the Chair shall turn first to the APU Reserve for Contingencies. If sufficient funds are not available, then the department or APU will reduce the participants' additional compensation and/or benefits by a uniform formula, in accordance with any fund source restrictions, that is recommended by the Chair and approved by the Dean. The Chancellor shall be notified prior to such action being taken. The APU shall submit a reserve plan annually during the budget review process.

E. BUDGETING

Each department shall submit a budget to the Dean by March 1 of each fiscal year for professional fees funds and funds used to pay salaries and benefits covered by this Plan. The budget shall consist of a revenue projection and anticipated expenses including salary and benefits, billing costs, assessments and all other expenses. Budget updates may be required as frequently as the Dean considers necessary, given each department's financial condition. 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, assessments described in this Plan, 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.

Each department must maintain a Reserve for Contingencies in an amount recommended by the Dean's Office. These reserves will be used for such academic purposes as funding necessary renovation projects, recruitment expenses, or unfunded research expenses, and as a security for emergencies. In the event a department has accumulated a surplus beyond that required to cover contingencies, it is expected that these funds will be used to enhance the department's academic program or to develop new programs as recommended by the chair/director and approved by the Dean. Fund balances will be monitored monthly by the Dean.