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Issuing Office: Office of the Vice Chancellor – Health Sciences

SCOPE

This document establishes policies for budgeting and financial management for all schools, departments, and organizational units in UC San Diego Health Sciences.

POLICY SUMMARY

These policies define budget and financial principles to support the budget development process, maintain consistent treatment of financial activities, and increase transparency on use and reporting of funds across all Health Sciences schools, departments, and organizational units.

BUDGET

1. General

The budget should be a performance, financing, and spending plan agreed to by the Office of the Vice Chancellor (VCO) for Health Sciences, the respective schools (School of Medicine, Pharmacy or Public Health), and UC San Diego Health (where applicable). It should contain information and data regarding expected revenues and expenditures. During the fiscal year, actual performance (revenues and expenditures) will be periodically measured against the plan.

2. Fiscal Integrity

The school, department, or organizational unit will maintain the fiscal integrity of its operating budget.

At a school/departmental level or financial unit level 4 for select divisions/organizational units, ongoing operational costs will not exceed the amount of ongoing revenue to finance those costs. Loans will not be used as a funding mechanism to address ongoing gaps between revenues and costs. If a new program/operation/service is added on an ongoing basis, an ongoing revenue source will be identified to fund the costs. General carryover balances will only be used to offset one-time costs; project-specific carryover balances should be used based on funding requirements and the respective project intent or scope of work. Programs/operations/services that are not sustainable will be suspended or discontinued.

A department facing financial challenges should consider the following operational tactics to evaluate and plan mitigation approaches:

- Delay recruitments that are not mission critical and/or requiring department investment
- Evaluate trainee program sizing/education expense
- Share infrastructure with other department(s)
- Eliminate, defer, or reduce investments/initiatives/programs/activities deemed not critical
- Freeze/reduce discretionary expenses (e.g. minor equipment, non-essential travel, entertainment, new service contracts, software)
- Leverage unspent gifts or faculty discretionary sources
- Do not fill/backfill vacancies
- Decrease non-mission-critical payroll expenses
- Other expense reduction or revenue opportunity measures

At a school/departmental level or financial unit level 4 for select divisions/organizational units, unfavorable budgeted bottom lines in the department portfolio in excess of \$250,000 (adjusted for use of existing balances) require an approved financial breakeven plan for the respective year; authorized positions should not officially be filled until the plan is agreed to by the applicable enterprise leadership.

The referenced threshold is consistent with [Campus Budget Office guidelines](#) noted in the Deficit Resolution section.

3. Basis & Framework

The following information provides general budgetary and financial guidelines. Schools/departments should review the Office of the Vice Chancellor (VCO) and School of Medicine (SOM) [call letters](#) for specific budget year assumptions and the related development process.

General

- A budget is not applicable for the research mission. Schools/departments/units must submit a Managerial Hierarchy budget and budget for the department and faculty portfolios for all other missions.

- Schools/departments/units should use balances to support respective programs and services. Factoring in appropriateness on use of balances, schools/departments/units should prioritize use of restricted funding over less restrictive sources.
- Budgets should include revenues and expenses for approved faculty recruitments that will be filled in the budgeted year. In the SOM, recruits must have formal approval with an ECC position ID number at the time of budget submission.
- Outside of clinical compensation based on approved compensation plans, all faculty salary increases otherwise require ongoing committed funding.
- The budget is a spending plan, not a commitment to pay. Regardless of contingencies or when funding is known/available, departments should budget and align activities consistent with historical practices (e.g. faculty incentive payments and transfers from department to faculty portfolios) for a more accurate budgeted bottom line. Faculty incentive payments should be budgeted in accordance with approved compensation plans, and are not guaranteed if resources do not materialize or the department's financial outlook is unfavorable.
- All budget systems do not have a line for use of existing balances, prior year resources, or carryover funds. Schools/departments/units may show budgeted deficits where spending occurs on projects with realized revenue (e.g. gifts, other faculty portfolio activities, etc). Refer to the prior section on fiscal integrity for true deficits.

Clinical

- Compensation from clinical funds should be distributed based on approved clinical compensation and/or clinical incentive plans.
- Department work relative value units (wRVU) and volume projections should be consistent with the Clinical Enterprise growth plan.
- Health System Support (HSS)
 - Contingent expenses are costs that would not be incurred if HSS is not approved and should NOT be budgeted. Any updates to expenses with approved HSS should be coordinated with SOM Finance after the budget meeting.
 - Non-contingent expenses are costs that would be incurred regardless of HSS request status and should be budgeted.

- Departments should not enter manual adjustments in the landing page to update HSS budgeted amounts. Departments should align *assumptions with UC San Diego Health and coordinate with SOM Finance where an adjustment is needed.*

Medical Education

- **ACGME Program Director/Associate Program Director Funding** – The Program Director/Associate Program Director funding model provides funds flow to clinical departments for accredited residency and fellowship Program Directors and Associate Program Directors based on ACGME minimum effort requirements. The model provides funds flow based on ACGME effort requirements and sets a salary benchmark based on a 3-year rolling average of AAMC specialty median for Associate rank, capped at 3-year rolling average of the overall AAMC median Associate rank. Funding distribution is 60% Health System, 5% Dean and 35% Department.

Program Director funding flows through the Division of Medical Education. Using amounts provided by the Office of Graduate Medical Education (GME), departments should enter a manual adjustment to the VC/Dean Allocation line item under the department portfolio in the landing page.

- **ACGME Requirements for Program Coordinators and Core Faculty** – The ACGME defines the dedicated time and support requirements for program coordinators and core faculty in accredited residency and fellowship programs. Citations may be issued to programs that are non-compliant. Departments are responsible for complying with the respective ACGME Program Requirements document on the ACGME website. When budgeting, consult ACGME to ensure financial alignment with program requirements.
- **UME High Intensity Teaching Funding** – The UME high intensity teaching model provides funds flow to departments for teaching roles that have been identified as high intensity based on specified criteria.

UME High Intensity Teaching funding flows through the Division of Medical Education. Using amounts provided by the Division of Medical Education, departments should enter a manual adjustment to the VC/Dean Allocation line item under the department portfolio in the landing page.

Core

- **Recurring** – Recurring funding to departments include, but are not limited to, FTE salaries and benefits, education, and other departmental administrative expenses. While the budget is in CORE CBO Allocation account codes in EPBCS, actuals may be posted in said account codes or the Other Allocations account code (e.g. GSGEI). Departments may realign their budget in the landing page to minimize variances. Recurring funding for joint FTE holders is budgeted and allocated proportionally to the respective appointment units.
- **One-Time** – Reflected in one-time account codes (CBO non-recurring allocation account codes and VC/Dean allocation account codes) are allocations to departments consisting of IDC, chair stipends, and other VC/Dean commitments.

4. Systems/Tools

Health Sciences schools, departments, and organizational units use the following tools and systems for budgeting:

System/Tool	VC: all except Moores Cancer Center, Public Health SOM: Medical Education, Graduate Programs, Orthopaedic Surgery	VC: Moores Cancer Center, Public Health SOM: all except Medical Education, Graduate Programs, Orthopaedic Surgery
EPBCS	All tasks	Staffing tasks only
FSW	Faculty salary implementation	Faculty salaries budgeting & implementation
LP	Not applicable	Manual adjustments & non-payroll budget
HSS	Health System Support requests	Health System Support requests
VPT	Volumes	Volumes
Overall	Full budget is in EPBCS	Full budget is in the landing page

HEALTH SCIENCES FINANCIAL PRACTICES

1. Recharge

Schools, departments, and organizational units providing ongoing products or services including, but not limited to, administrative services, clinical trial support services, or analytical services which provide a research-oriented benefit to other departments or external entities on a fee for service and cost recovery basis must have an institutionally approved charging mechanism (e.g. recharge) to recover the costs of providing those products or services. Review the [Health Sciences Recharge Activities](#) site for additional information.

Services offered as a one-off occurrence to an entity outside the university may be facilitated through a service agreement. Contact [Health Sciences Business Contracting](#) and refer to the following section for additional information.

Departments and organizational units must engage with the VC Finance Office for guidance, vetting and formal review process and endorsement of a proposed fee for service activity prior to offering products and services to customers.

2. Service Agreements

Health Sciences Business Contracting should be engaged on any of the following agreements prior to execution:

- Clinical service agreements
- Consulting agreements
- Laboratory service agreements
- Other non-clinical service agreements
- Training (formerly affiliation) agreements
- Provider agreements

3. Gifts/Endowments

Schools/departments/units are expected to budget their gift funds usage and projected income on an annual basis. A summary of gift fund expenditures will be required as part of the annual budget process.

4. Deficits

In accordance with [PPM 300-2](#), deficits over \$25,000 may not be carried over fiscal years without an approved deficit resolution plan. This deficit threshold is measured at the financial unit/fund level for unrestricted accounts and at the project

level for restricted accounts. Core funds may be withheld by CBO for any deficits without an approved deficit resolution plan or are not resolved by fiscal year-end.

Schools/departments/units should categorize deficits as high risk, medium risk, or low risk as part of the Controller's Office quarterly deficit balance review process. Resolution is required by fiscal year-end for medium and low risk deficits; previously created plans and/or details for resolution should be shared with the VCO Accounting & Report unit for review. Schools/departments/units may complete the deficit payback forecast for each identified deficit.

Deficits that cannot be resolved by fiscal year-end need to be classified as high risk. A detailed plan is required using the 'High Risk P&L Template' to understand how and when the deficit will be resolved. Situations requiring deficit rollover beyond fiscal year-end are rare, and any such occurrences will entail a thorough evaluation by, and collaboration with, the VCO, including a signed Memorandum of Understanding (MOU), justifying the necessity of the rollover and identifying alternative funding sources if the deficit is not resolved successfully. As an alternative, the sponsored project template can be utilized for high-risk restricted fund deficits.

A deficit resolution plan is considered effective only upon final approval from the VC-Chief Financial Officer.

Refer to the Controller's Office's [Quarterly Deficit Review Policy](#) for additional information.

5. Variance Reporting

All schools/departments/units receiving a variance report must submit and return to the Controller's Office.

Subject to approval, adjustments not automatically approved must:

- Include supporting documentation, and any data for validation
- Impact the bottom line (net operating results)
- Include respective written confirmation/agreement where Health System-related

Refer to the variance template for a list of adjustments automatically approved. Adjustments for incentives and timing of transactions are not expected. Financial practices regarding incentives/Z payments can be found in the following section.

Schools/departments/units are expected to review and update the forecast to reflect a more accurate bottom line.

Operating performance for leadership reporting is based on the school's/department's/unit's net surplus/deficit (line 65 in the variance report), and not the bottom line (after non-operating transfers).

6. Faculty Incentives/Z Payments

Accruals

Schools/departments/units are expected to have a regular Z Payment accrual process. For department portfolio payments only, schools/departments/units are required to submit their annual Z Payment and incentive accrual amounts (broken down by salary and benefits), along with supporting documentation and calculations, as part of the annual close form typically distributed in early August. Accrual amounts should be adjusted during the monthly close process (quarterly at a minimum) as needed. Accrued Z Payments and incentives are not a commitment to pay.

Accruals will contribute to greater accuracy in financial reporting, resulting in a more realistic forecast of the bottom line, and yielding financial results consistent with the school's/department's/unit's historical practices (regardless of when funding is known/available).

Payment Processing

Z payments can be processed directly in Online Z or by request to ARC. To ensure accurate reporting, schools/departments/units are required to designate the Z type (clinical, general, guaranteed, outside professional activities, or special) as well as specify the effective date for the Z payment (using the "EarnBeginDate" and "EarnEndDate" fields in Online Z or the "Earnings Begin" and "Earnings End" columns on the ARC template). Properly designating the Z type and associating Z payments with an earnings period distinct from the accounting period for which payroll is submitted can significantly enhance reporting accuracy and provide a clearer understanding of fair market value. Negotiated/guaranteed Z payments used in place of negotiated Y, where properly categorized as a Health Sciences Z Admin earn code (HZA), will be considered part of total negotiated/pre-incentive salary; while "Admin" may be referenced in reports (e.g. DOPE), the description should otherwise be disregarded.

As the noted fields are mandatory, processing of Z payments will be delayed until the required information is provided.

7. Balances/Collapses

Unless noted otherwise, year-end collapses are at the department's discretion.

8. Project Owning Organization

A project can only be associated with and assigned to a single financial unit. Mismatches between projects and financial units occur when the project or financial unit fields—typically from journal entries—are entered incorrectly and subsequently posted to the general ledger.

These discrepancies can be identified by comparing the financial unit code column (indicating where transactions are posted in the ledger) with the project organization code column (showing the correct financial unit assigned to the project) in the FINMAN Detailed Ad-Hoc Data or Fund Balance Summary reports.

Schools/departments/units should monitor these disparities and coordinate with appropriate central offices to resolve them in a timely manner.

9. Commitments

To support evaluation of one-time and multi-year funding needs, schools/departments/units receiving a central commitment from the VCO or SOM Dean’s Office should establish a unique project to track the commitment separately from other financial activity. For alignment, spending should occur directly in the project where central support is transferred, unless the commitment is intended for subsequent intra-unit allocation such as faculty recruitment startups. The following table details allowable funds based on the funding source:

Funding Source	Allowable Funds
VCO/SOM Dean’s Office Match	13991 - University Core Fund
VCO Commitments	13991 - University Core Fund
SOM Dean’s Office Commitments	13991 - University Core Fund, 15011 - Clinical Operating Fund, 15013 - Academic Operating Fund

CLINICAL FUNDS FLOW ACCOUNTING PRINCIPLES

1. Clinical Funding Relationship

Health System support encompasses funds flow from the Physicians Group (PG) and Medical Center (MC). The following accounting principles promote financial transparency on use of Health System funds flow.

2. Clinical Benefits

Funds flow for clinical benefits are transacted either in the Clinical Benefits Reimbursement P&L line item or as a Health System transfer.

Clinical Benefits Reimbursement

- Employees eligible for clinical benefits reimbursement consist of faculty, MSPs, APPs; supervisors are not eligible.
- Eligible employees eligible are also credited for GAEL, NGN, Medical Center Network charge, and 1% UCOP assessment on salary expenses.
- The following SOM areas are not reimbursed for clinical benefits, altogether or by this mechanism: Medical Education, Pediatrics, Ophthalmology, Student Run Free Clinic, and Hospitalist.
- Any benefits covered by GME are not eligible for reimbursement.

Health System Transfers

- Clinical benefits for the Hospitalist division are provided as a Health System transfer.

3. Pure Clinical

- Health System transfers are allowed only on pure clinical funds where outlined in this section. Transfers are not permitted in other funds, including, but not limited to funds 15013 (Academic Operating Fund), 15015 (HS Coverage Reserve), 15016 (HS Clinical Reserve).
- Health System funds should meet the intent of the support as transferred.
- Corresponding expenses for Health System support must be accounted for in the respective fund.
- Physician (ccFTE) compensation payments and productivity bonuses must be transferred to or paid from fund 15003 (PG to SOM Clinical Funds), and not fund 15011 (Clinical Operating Fund).
- CARE Payments attributed to APPs must be accounted for in fund 15023, and not fund 15003. On a monthly basis, the Controller's Office distributes CARE Payments, split either by service provider or bill provider, based on data from PG.
- All activities related to East Campus must be implemented using East Campus-specific fund numbers and in accordance with East Campus MOUs.
- Additional information regarding implementation related to fund 15027 can be found [here](#).
- ASC, where abbreviated, indicates an Administrative Service Component fund.

Fund Number	Description	Clinical Benefits Eligible Reimbursement (P&L line item)	Allowable Expenses	Revenues (line items)	Net	HSS Application SubCategory (for Health System transfers)
15003	Productivity/ ccFTE-Related Physician (non-APP) Compensation	Yes	<ul style="list-style-type: none"> • Salaries, incentives related to wRVU/ASA generating activity for faculty and MSP providers (physicians and psychologists, non-APP) • Salaries related to wRVU/ASA generating activity for clinical fellows billing under moonlighting agreements 	<ul style="list-style-type: none"> • CARE/ Guaranteed Payments (<i>CARE Payment attributed to APPs must be accounted for in fund 15023</i>) • Health System Support • Health System Professional Services • Health System Transitional Support 	<ul style="list-style-type: none"> • Collapse year-end balances to reserves 	<ul style="list-style-type: none"> • Other (Strategic Support) • Startup • Variable Strategic Support (e.g. Pulmonary PTE) • Other (Purchase Services) (e.g. Hospitalist salary and benefits) • Transitional Support <p><i>(e.g. CARE Payment-related salary supplementation, startup, backstop, incentive, salaries, compensation)</i></p>

Fund Number	Description	Clinical Benefits Eligible Reimbursement (P&L line item)	Allowable Expenses	Revenues (line items)	Net	HSS Application SubCategory (for Health System transfers)
15007	ASC - Call Coverage	Yes	<ul style="list-style-type: none"> • Only salaries related to call/coverage supported by supplemental Health System transfers (and not CARE Payments) 	<ul style="list-style-type: none"> • Health System Professional Services • Health System Support • Health System Transitional Support 	<ul style="list-style-type: none"> • Expenses not to exceed revenues 	<ul style="list-style-type: none"> • On Calls/Coverage
15023	ASC - Allied Support	Yes	<ul style="list-style-type: none"> • 100% of clinical APP salaries 	<ul style="list-style-type: none"> • Health System Professional Services • Health System Support • CARE/Guaranteed Payments (<i>CARE Payment attributed to APPs must be accounted for in this fund, and not fund 15003</i>) 	<ul style="list-style-type: none"> • Collapse year-end balances to reserves 	<ul style="list-style-type: none"> • Allied Practitioner • Supplemental Allied Practitioner Support

Fund Number	Description	Clinical Benefits Eligible Reimbursement (P&L line item)	Allowable Expenses	Revenues (line items)	Net	HSS Application SubCategory (for Health System transfers)
15024	ASC - Fellowship Support	No	<ul style="list-style-type: none"> • Only salaries for fellows supported by Health System transfers • Salaries related to wRVU/ASA generating activity for fellows not allowed 	<ul style="list-style-type: none"> • Health System Professional Services 	<ul style="list-style-type: none"> • Expenses not to exceed revenues • Salaries in excess of support should be on fund 15011 • Fellow salaries related to wRVU/ASA generating activity should be on fund 15029 	<ul style="list-style-type: none"> • Fellow Support
15025	ASC - Medical Directorships	Yes	<ul style="list-style-type: none"> • For salaries supported by the Health System for chair, medical director, physician administrator, and program leadership roles • Dollars must be paid according to the MOU 	<ul style="list-style-type: none"> • Health System Professional Services • Health System Support 	<ul style="list-style-type: none"> • Expenses not to exceed revenues • For referenced roles, salaries in excess of support should be on fund 15011 	<ul style="list-style-type: none"> • Chair Funding • Medical Director • Physician Administrator • Other (Purchase Services) (e.g. wellness) • Program Leadership

Fund Number	Description	Clinical Benefits Eligible Reimbursement (P&L line item)	Allowable Expenses	Revenues (line items)	Net	HSS Application SubCategory (for Health System transfers)
15026	ASC - Other	Yes	<ul style="list-style-type: none"> Other Health System-supported activities (e.g. QMC, clinical effort related to division chiefs, retention, QIR etc) 	<ul style="list-style-type: none"> Health System Professional Services 	<ul style="list-style-type: none"> Expenses not to exceed revenues Activities in excess of support should be on fund 15011 	<ul style="list-style-type: none"> Quality Medical Staff Committees Other (Purchase Services)
15027	ASC - GME Program Directors & Associate Program Directors	No	<ul style="list-style-type: none"> Salaries and benefits for Program Directors and Associate Program Directors: direct spending or transfer to this fund 	<ul style="list-style-type: none"> Health System: Health System Professional Services SOM (flow through Med Ed): VC/Dean Allocations 	<ul style="list-style-type: none"> Net expenses are departmental responsibility (including non-CBR benefit expenses) 	<ul style="list-style-type: none"> Residency Director
15029	Housestaff and Resident	No	<ul style="list-style-type: none"> Residency and fellowship coordinators and related administrative support salaries 	N/A	<ul style="list-style-type: none"> Collapse year-end balances to reserves 	N/A

Fund Number	Description	Clinical Benefits Eligible Reimbursement (P&L line item)	Allowable Expenses	Revenues (line items)	Net	HSS Application SubCategory (for Health System transfers)
15031	East Campus CARE Payment and Per Session Fee	Yes	<ul style="list-style-type: none"> Salaries, incentives related to wRVU/ASA generating activity at East Campus for faculty and MSP providers (physicians and psychologists, non-APP) Salaries related to wRVU/ASA generating activity at East Campus for clinical fellows billing under moonlighting agreements 	<ul style="list-style-type: none"> CARE/ Guaranteed Payments (<i>CARE Payment attributed to East Campus APPs must be accounted for in fund 15032</i>) Health System transfers consistent with fund 15003 unless noted otherwise 	<ul style="list-style-type: none"> Collapse year-end balances to reserves 	<ul style="list-style-type: none"> Categories consistent with fund 15003 unless noted otherwise
15032	ASC - East Campus Advanced Practice Provider (APP) Salaries	Yes	<ul style="list-style-type: none"> 100% of East Campus clinical APP salaries 	<ul style="list-style-type: none"> CARE/Guaranteed Payments (<i>CARE Payment attributed to East Campus APPs must be accounted</i>) 	<ul style="list-style-type: none"> Collapse year-end balances to reserves 	<ul style="list-style-type: none"> Categories consistent with fund 15023 unless noted otherwise

Fund Number	Description	Clinical Benefits Eligible Reimbursement (P&L line item)	Allowable Expenses	Revenues (line items)	Net	HSS Application SubCategory (for Health System transfers)
				<p><i>for in this fund, and not fund 15031)</i></p> <ul style="list-style-type: none"> Health System transfers consistent with fund 15023 unless noted otherwise 		
15033	ASC - East Campus Medical Directorship	Yes	<ul style="list-style-type: none"> For salaries supported by the Health System for chair, medical director, physician administrator, and program leadership roles at East Campus. Dollars must be paid according to the MOU. 	<ul style="list-style-type: none"> Health System transfers consistent with fund 15025 unless noted otherwise 	<ul style="list-style-type: none"> Expenses not to exceed revenues Salaries for medical directors, physician administrators, and program leadership in excess of support should be on fund 15011 	<ul style="list-style-type: none"> Categories consistent with fund 15025 unless noted otherwise
15034	ASC - East Campus Call / Coverage	No	<ul style="list-style-type: none"> Only East Campus salaries related to call / coverage supported by 	<ul style="list-style-type: none"> Health System transfers consistent with fund 15007 unless noted otherwise 	<ul style="list-style-type: none"> Expenses not to exceed revenues 	<ul style="list-style-type: none"> Categories consistent with fund 15007 unless noted otherwise

Fund Number	Description	Clinical Benefits Eligible Reimbursement (P&L line item)	Allowable Expenses	Revenues (line items)	Net	HSS Application SubCategory (for Health System transfers)
			supplemental Health System revenue (and not CARE Payments)			
15035	ASC - East Campus Other	No	<ul style="list-style-type: none"> Only those covered by HSS for East Campus (stipend payments without benefits reimbursement, strategic support, start up support) 	<ul style="list-style-type: none"> Health System Support 	<ul style="list-style-type: none"> Expenses not to exceed revenues 	<ul style="list-style-type: none"> Strategic Support Start Up Other
15036	East Campus Collection Model	No	<ul style="list-style-type: none"> Salaries & incentives related to wRVU generating activity at East Campus 	<ul style="list-style-type: none"> Transfer After Overhead 	<ul style="list-style-type: none"> Collapse year-end balances to reserves 	N/A

4. Other Clinical

Funds listed in this section are not eligible for clinical benefits reimbursement.

Fund Number	Definition	Allowable Expenses	Revenues (line item)	Net	HSS Application SubCategory (for Health System transfers)
15001	Rady's Affiliation Agreement	<ul style="list-style-type: none"> • Teaching and education • Operational and administrative infrastructure • Academic recruitment and development • Clinical research infrastructure • Physician compensation • Faculty discretionary 	Affiliation Agreements	N/A	N/A
15011	Miscellaneous Clinical Operating	<ul style="list-style-type: none"> • Care payment tax holding • Physician compensation related to ccFTE compensation (e.g. salaries, productivity incentives/bonuses) not allowed • Portion of salaries for medical directors, residency directors, physician administrator, program leadership, fellows <u>not supported by the Health System</u> • Clinical activities not meeting requirements of other clinical funds • Indirect clinical activities not covered by the Health System (e.g. lab coats, pagers, etc) • Health System programmatic support not clinical benefits eligible • Non-wRVU generating activities • Expenses funded by Health System Transitional Support 	<p>Health System Support</p> <p>Health System Transitional Support</p> <p>Health System Professional Services</p>	<ul style="list-style-type: none"> • Expenses can exceed support • Clinical tax can be used to cover shortfalls • Collapse year-end balances to reserves 	<ul style="list-style-type: none"> • Variable Strategic Support • Transitional Support • Other (Purchase Services) (e.g. Part A Reimbursement) • Other (Strategic Support) (e.g. discretionary)

CATEGORICAL DEFINITIONS

1. Portfolios

	Department Portfolio	Faculty Portfolio
Definition	ongoing operational activities that are essential to the department's primary operating functions and contribute to their general reserves	activities that do NOT contribute to the department's general reserves; activities that department management oversee in order to avoid deficits or misuse but is faculty-generated (revenue) or faculty-authorized (spending) once committed
Example Activities	<ul style="list-style-type: none"> • SOFI, IDC, campus allocations (not used for faculty portfolio commitments) • Taxes received by department (e.g. clinical tax; FTE tax; overhead on all service agreements under a faculty/principal investigator, including clinical service agreements, consulting agreements, laboratory service agreements, training agreements, and other non-clinical agreements) • Rady (not used for faculty commitments) • Clinical operating funds (15003, 15007, etc...) • Resident/fellowship activities • Department operating funds/business office operations • Programmatic activities where the bottom line flows to the unit's reserves/operating balances • Unit-level gifts & endowments • Material transfer, tech transfer, intellectual property funds at the department's discretion • Service agreements supporting faculty salaries, where the surplus applies to general reserves • Chair/dean start-up packages reserved for supporting unit operations, strategic initiatives and recruitment commitments 	<ul style="list-style-type: none"> • Dollars committed to faculty by department, VCO, Dean's Office (e.g. Dean's/VC Allocations) • Consult/witness • Faculty-held service agreements • Self-supporting activities not supported by the department • Discretionary dollars committed to faculty • Faculty-held gifts & endowments • Faculty start-up packages • Chair/dean funding for recruitment packages should be transferred from the department to faculty portfolio for spending once obligated

<p>Example Projects</p>	<ul style="list-style-type: none"> • Projects in funds 12316, 15003, 15007, 15011, 15013 • Projects receiving Health System Support • Projects where tax revenue is received • Projects related to FTE and IDC in fund 13991 • General reserves 	<ul style="list-style-type: none"> • Projects in funds 15011, 15013 (based on department operations or faculty specific dollars) • Projects not related to FTE/IDC in fund 13991
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2. Reserves

The following categories are used and required in the “project class code” element in PADUA. Balances from projects designated as such are reported to leadership on a quarterly basis. The noted categories are permitted on funds in fund ranges 12xxx, 13xxx, 15xxx, and 16xxx. The noted categories are not permitted on gift, endowment, or research funds.

Category	Definition	Portfolio	Direct Spending Allowed?
Faculty Start up	Faculty members' start up funding project.	Faculty	Yes
Faculty Retention	Faculty members' retention funding project as part of salary negotiations.	Faculty	Yes
Faculty Discretionary	Funding mostly generated by faculty where faculty member has discretion over use for academic enrichment purposes. Faculty compensation is not allowed.	Faculty	Yes
Committed Reserves	Funding reserved for specific and documented commitments to an identified organization, individual, or to potential future investments/expenses.	Department - Commitments for department operations <u>pending future transfer</u> to department operating project(s) Faculty - Commitments for faculty such as startup and retention <u>pending future transfer</u> to faculty startup and retention project(s)	No
General Reserves	Uncommitted funding at the discretion of the chair/department.	Department	No

3. Gifts/Donor Intent

Category	Donor Intent	Donor Intent Definitions
Discretionary	Discretionary	Unrestricted to department or chair
Programmatic Support	Programmatic Support	Programmatic support; may be discretionary to division or faculty
Endowed Chair	Endowed Chair	Endowed chairs
Research	Research	Research
Other	<ul style="list-style-type: none"> • Awards • Capital • Fellowships/scholarships • Lectureships/symposiums 	<ul style="list-style-type: none"> • Awards to faculty • Capital projects (i.e. renovations, buildings, equipment) • Fellowships, scholarships • Lecture, symposiums, events
MERF	MERF	MERF

4. Transfers

	Operating	Non-Operating
Definition	<ul style="list-style-type: none"> • Impacts current year net revenue/expenses • Movements are measurements of operational success 	<ul style="list-style-type: none"> • Do not impact current year net revenue/expenses • Movements are not measurements of operational success
Examples	<ul style="list-style-type: none"> • For costs related to current-year activity • Funds flow through (e.g. VC/Dean allocations, Care Payment, PD/UME) • Current year costs transferred from department portfolio to faculty portfolio • Current year funding or transfers between departments or between departments and their divisions/units • Dean’s tax on clinical funds flow (excludes service agreements) 	<ul style="list-style-type: none"> • Internal loan activities • Transfers between operating balances and reserves • Transfers covering an operating/budgetary deficit or moving an operating/budgetary surplus • Balance transfers/fund closeout • Correction of prior-year non-sponsored and non-restricted donor transactions

5. Account Hierarchy

Definitions of managerial hierarchy line items can be found by accessing the [Health Science Managerial Account Line Item Mapping](#) report.

6. Acronyms

ASC – Administrative Service Component

CDO – Central Department Operations (formerly); Department Portfolio (currently)

DO – Department Operations (formerly); Faculty Portfolio (currently)

GME – Graduate Medical Education

SOM – School of Medicine

VCO – Vice Chancellor's Office

REVISION HISTORY

2024-12-18 New policy published.