

**REPORT ON 2006-07 EMPLOYEE COMPENSATION**  
**University of California**  
October 2007

**Summary**

- **UC's total payroll increased 7.5% in 2006-07, due to workforce growth and market demands.**
- **Similar to total payroll growth, earned employee income "above base pay" also increased by 6.4% in 2006-07.**
- **No major trend changes in 2006-07 "above base pay" versus prior years:**
  - **The vast majority – over 75% -- of above base pay in 2006-07 went to academic employees, and particularly to health sciences faculty in connection with their patient care responsibilities.**
  - **Nearly 50% of the funding for this compensation comes from professional fees, clinical revenue, and other activities associated with UC teaching hospitals.**
  - **Clinical faculty and athletics personnel continue to dominate the list of high earners at UC.**
  - **Compensation "above base pay" paid to senior managers falls by more than \$1 million in 2006-07, and still represents less than 1% of the total.**
- **UC continues reforms to compensation programs to ensure policy compliance and appropriate public disclosure.**

**Background**

Total compensation for many University of California employees is made up of several different components. For example, some nurses and other employees in UC teaching hospitals are compensated with a combination of base pay and shift differential for working evening or night shifts. Compensation packages for clinical faculty members who treat patients often include income from established medical incentive plans, but little or no base pay. Other faculty salaries are made up of a combination of base pay, research funds, and summer teaching salary payments. Staff and administrators receive most of their income from base pay, but can also earn stipends for performing additional temporary responsibilities.

Earned compensation other than base salary and overtime is known as "**above base pay**" compensation. In many cases, these payments are a normal and integral part of an employee's earned annual total compensation. But this taxable income also can be temporary, such as

stipends; or one-time, such as a housing allowance for a faculty member or administrator recruited to the University of California or a payout of accrued vacation for an employee leaving the University.

Consistent with its commitment to transparency, public accountability, and to disclose compensation information annually, the University is making this summary of 2006-07 payroll data broadly available to the public, as well as to news media.

### **Key Points**

#### **1. “Above base pay” is a common type of earned employee compensation; it is *not* inappropriate**

- Compensation “above base pay” is a widely recognized category of pay that refers to various other kinds of earned compensation beyond base salary that contribute to an employee’s total compensation.
- “Above base pay” should be viewed as an appropriate part of total compensation necessary to recruit, retain, and reward valuable employees in the competitive marketplace in which UC operates. Examples of this kind of additional compensation include:
  - Compensation paid to doctors for the medical care they provide to patients
  - Shift differential pay for nurses and other employees at UC medical centers
  - Payments to faculty for research and teaching they do in the summer beyond their normal 9-month academic-year appointments
  - Temporary stipends for staff and administrators for assuming temporary additional job responsibilities
  - Payments provided to faculty or senior administrators as part of a recruitment to the University
  - Payout of accrued vacation when an employee leaves the University
- As a recognized form of earned compensation, “above base pay” should not be viewed as “inappropriate” or “extra” (unearned) pay.

#### **2. 2006-07 total compensation grows, due to workforce growth and market demands**

- The University’s total annual payroll of approximately \$8 billion in 2005-06 grew to \$8.6 billion for 2006-07, an increase of approximately 7.5%.
- As in previous years, this growth is a result of several factors, including continued growth in the University’s workforce and the need for the University to continue using multiple elements of compensation in many cases to remain competitive in the market for talented faculty and staff.
- A fuller answer explaining the increase in total payroll expenditures would require a more comprehensive analysis, but likely factors include:

- UC's **employee workforce grew 2.7%** (more than 3,300 employees, not including national laboratory employees) between fall 2005 and fall 2006, driven by increases in services provided by the University:
  - Student enrollments grew by over 2.5% between 2005-06 and 2006-07
  - Overall research expenditures at UC grew 3.1%
  - Inpatient days at UC medical centers grew 2.8%

### 3. "Above base pay" also increased in 2006-07

- "Above base pay" compensation grew \$59 million (6.4%) during the last fiscal year, from \$917 million in 2005-06 to \$975 million in 2006-07 (not including employees at the national laboratories).
- As noted, "above base pay" does not represent "inappropriate," "extra" (unearned) compensation or "executive perks", nor is its use unique to the University of California. On the contrary, it is one type of *earned* compensation, commonly provided to employees in both the public and private sectors. At the University of California, the majority of "above base pay" compensation goes to faculty, particularly health sciences faculty, consistent with their teaching and clinical care responsibilities and in accordance with University policy. (Previous external and internal audits indicated that *some* payments within the category of "above base pay" compensation were not provided and/or publicly disclosed consistent with University policy. This has since been remedied.)

### 4. How the \$975 million breaks down

- An analysis of the \$975 million in compensation "above base pay" to non-lab UC employees in 2006-07 indicates the following:
  - **As in previous years, the vast majority of compensation "above base pay" in 2006-07 -- over 75% -- went to employees directly engaged in the academic mission – professors, clinical professors, other teaching faculty, research titles, and a variety of other academic titles.** (See accompanying Table 1 for details.)
  - **By *fund source*, nearly 50% of the funding for this compensation came from professional fees, clinical revenue, and other activities associated with the University's teaching hospitals.** Like last year, approximately 9% of the funding came from State of California funds, and 7% from student fees with the majority of student fees coming from summer sessions and University Extension courses. (See accompanying Table 2 for details.)
  - **As in previous years, the "top 10 earning" employees at the University in 2006-07 based on total compensation were either members of the health sciences faculty – typically world-renowned specialists in their fields – or athletic coaches.**

- **As described below, “above base pay” compensation for senior managers *decreased* by more than \$1 million in 2006-07 and continues to represent less than 1% of the total “above base pay” compensation paid to UC employees.**

5. “Above base pay” for senior managers *decreased* in 2006-07. It still represents less than 1% of the total

- “Above base pay” paid to senior managers fell more than \$1 million in 2006-07, from \$7.17 million in 2005-06 to \$6 million in 2006-07, and, as in previous years, represents less than 1% of the total above base pay paid to employees. The \$6 million in the 2006-07 payroll was provided to 169 members of the Senior Management Group.
- “Above base pay” paid to senior managers in 2006-07 breaks down as follows:

Performance/incentive/bonus pay	\$1,414,795
Health Sciences Compensation Plan	1,328,031
Relocation	707,182
Payout of unused vacation upon separation	963,834
Severance pay	314,932
Stipends for additional job responsibilities	531,958
Research/teaching <sup>1</sup>	290,202
Automobile allowance	353,824
Other/miscellaneous	103,862
<b>TOTAL</b>	<b>\$6,008,620</b>

- The Senior Management Group represents UC’s senior leadership, including the president, other officers of The Regents, chancellors, vice presidents, vice chancellors, associate/assistant vice presidents, some associate/assistant vice chancellors, some executive directors, and senior academic administrative titles such as deans.

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<sup>1</sup> An academic appointee may receive additional compensation for services in connection with extramurally funded research projects undertaken by the University unless the terms of the University appointment prohibit acceptance of additional compensation. In addition, faculty members under certain conditions may receive additional compensation for specified additional University teaching activities, including University Extension courses, other continuing education programs run by the University, and self-supporting University degree programs.