

Attachment A  
The University of Texas Health Science Center at Houston (UTHealth)  
School of Dentistry Faculty Incentive Plan  
Operating Procedures

These operating procedures apply to the Faculty Incentive Plan (FIP) of The University of Texas School of Dentistry at Houston (UTSD).

**I. Funding**

- A. All funding for the FIP is derived from reserves which are created from UTSD budgeted full-time faculty salary savings. Salary savings is defined by budgeted salary expense that is saved by transferring budgeted faculty expense salary to sponsored projects.
- B. These funds are directed to three reserve pools in accordance with these operating procedures. The FIP pools are:
  - 1. Research Enhancement Pool (REP)
  - 2. Department Enhancement Pool (DEP)
  - 3. School wide Enhancement Pool (SEP)
- C. The FIP operates on a state fiscal year basis. Allocations from the three pools during the year may not exceed the level of reserves on hand at the beginning of the fiscal year.

**II. Regulations**

- A. Allocations under the FIP are of two basic types:
  - 1. Cash awards that are made to faculty members annually and treated as compensation subject to federal income tax and FICA withholdings. They are excluded from all calculations of employee fringe benefits. Deductions for retirement programs will not be made from these distributions. The payments may be used to calculate the maximum deferral available under the tax sheltered annuity program.
    - a. Faculty selected for cash awards may elect to take all or part of the award as an allocation of operating funds.
    - b. Cash awards may not exceed 30% of annual total compensation.
  - 2. Allocations of institutional operating funds from pooled state funds, designated funds, and gift funds (depending on the pool) that are for one-time expenditures for faculty and program enhancements by faculty members, their departments, and/or the UTSD Dean.

B. Eligibility

1. All UTHealth full-time faculty who occupy budgeted positions with primary appointments in the UTSD, and who meet the other eligibility requirements as stipulated below, are eligible to receive awards from the REP. All UTSD salaried faculty are eligible for awards from the DEP and SEP as long as they did not participate in REP awards in that fiscal year.
2. A condition of eligibility for participation in the plan is continued employment in the UTSD. In the event a faculty member leaves employment after notice of a cash award from the FIP but prior to receiving the full amount of the award, all unpaid and/or unexpended amounts will be retained by UTSD.
3. Faculty must have participated in the most recent fiscal year's completed annual faculty evaluation to be eligible for awards from the FIP.

**III. Research Enhancement Pool (REP)**

- A. The REP is created by an allocation of 40% of the annual salary savings resulting from the transfer of budgeted faculty salaries to qualifying non-state fund sources (extramural funds), i.e., grants.
- B. A faculty member is eligible when he or she transfers a portion of his/her base salary to a sponsored project for the purpose of performing basic or applied research, clinical/educational studies and/or materials testing. Non-research pursuits under non-state accounts do not qualify. Training grants do not generally qualify. The Dean may make a specific exception for faculty who are assigned to institutional research training grants and thereby lose the opportunity to perform research under their own grants or contracts.
- C. A faculty member's salary support on a sponsored project must equal the percent effort on the project in order to be eligible for awards from the REP. Exceptions to this policy must be approved in writing in advance by the Dean.
- D. Awards from the REP are based on recommendations that originate with the Chair and must be approved by the Dean based on verification of actual salary amounts shifted from budgeted funds to extramural funding but cannot exceed those amounts prescribed in section II.A.1.b above.
- E. Faculty members may receive awards from the REP of up to 40% of actual salary savings. They have flexibility in choosing between cash awards and operating funds allocations based on UTHealth and UTSD

expenditure restrictions including the restriction on cost awards specified in section II.A.1.b above.

#### **IV. Department Enhancement Pool (DEP)**

- A. The DEP is created by 30% of the annual salary savings resulting from the transfer of budgeted faculty salaries to extramural funds, i.e., grants.
- B. All full- and part-time faculty are eligible for awards from the DEP as long as they did not participate in REP awards in that fiscal year.
- C. In making awards from the DEP, the Chair takes into account the faculty member's contribution in teaching, research, or service based on the most recent fiscal year's completed annual faculty evaluation.
- D. The Chair may use the funds from the DEP for cash awards to faculty if the Chair believes that the distribution is required to meet departmental objectives such as clinic production, enhanced teaching activities, scholarly activity. Cash awards must be approved by the Dean.
- E. The Chair may use the funds from the DEP to support one-time expenditures for travel and other departmental enhancement programs, such as seminar series and capital equipment.

#### **V. School-wide Enhancement Pool (SEP)**

- A. The SEP is created by 30% of the annual salary savings resulting from the transfer of budgeted faculty salaries to extramural funds, i.e., grants.
- B. All full- and part-time faculty are eligible for awards from the SEP as long as they did not participate in REP awards in that fiscal year.
- C. The Dean may use the funds from the SEP for any other expenditure that supports the mission of the UTSD which may include but is not limited to incentive payments to faculty contribution to the mission of the UTSD based upon the most recent fiscal year's completed annual evaluation.

#### **VI. Recipient Selection Process**

- A. Records of pool accumulations, disbursements and pool balances shall be maintained in the Dean's office.
- B. On or about December 1 of each fiscal year, the Dean will notify each department chair of their current allotment of FIP funds, by pool, and will solicit nominations for awards. The Call for Nominations form shall be used for this purpose.
- C. Department chairs will use the Nomination Form to recommend candidates and award amounts to the Dean.

- D. The Dean will approve, deny, or modify the recommended awards and may add other awards from the SEP at his own recommendation.
- E. Faculty tentatively selected for awards will be presented with an Award Notification Memorandum. In accepting the offer, the faculty member must acknowledge that he/she has read the FIP Operating Procedures.
- F. The Dean will submit for approval a Payment Form to the UTHealth President and the UT System Executive Vice-Chancellor for Health Affairs.
- G. Faculty approved for cash payment will receive a one-time annual payment through the payroll system.

**VII. Plan Review**

- A. The terms of this plan will be reviewed periodically to ensure that its goals are being achieved. This review will consider prior experience and the overall level of salary support from non-state sources. Based upon this review, the Dean may terminate the plan if it is judged to no longer serve the best interests of the UTSD. In that event, all faculty who had contributed to the pool would be notified of the effective date of the plan termination.
- B. The *Rules and Regulations* of the Board of Regents of the UT System and the *Handbook of Operating Procedures* of UTHealth take precedence in the event of a conflict with any aspect of this plan.

## Faculty Incentive Program (FIP)

This plan supersedes all previous plans. All salaries on grants are eligible for incentive at a rate of 40% up to 30% of your total compensation.

Examples:

1) 80:20 research/teaching:

A. Faculty makes 100k, brings in R01 grant and transfers 50% effort/salary (\$50K) to grant.

**Incentive = \$20,000 (\$50,000 x .4)**

B. What if they only transfer 15% or \$15,000?

**Incentive = \$6,000 (\$15,000 x .4)**

C. What if they cover 90%?

Incentive = \$30,000 The max payout incentive for this individual is \$30,000 in a fiscal year  
**(90,000 x .4 = \$36,000 but only \$30,000 is allowable per calendar year).**