

FCR 17

Office of the President
June 13, 2006

Members, Board of Trustees:

PLAN FOR THE DISTRIBUTION AND USE OF PROFESSIONAL INCOME UNDER
THE UNIVERSITY OF KENTUCKY CENTER FOR MANUFACTURING
LEAN MANUFACTURING PROGRAM

Recommendation: that the Board of Trustees approve revisions to the Plan for the Distribution and Use of Professional Income under the UK Center for Manufacturing Lean Systems Program. The Board approved a pilot plan in December 2004 to operate through June 30, 2006. Based on the experience with the pilot plan and an internal review of the program, several revisions are being incorporated into this renewal. The plan revisions will be effective for two years, from July 1, 2006 to June 30, 2008.

Background: The University of Kentucky Center for Manufacturing has built a program of courses and workshops to teach Lean Manufacturing to industry. Lean Manufacturing is a set of practices and philosophies to improve manufacturing operations. It is based on practices and philosophies initially pioneered by Toyota. This program has become very successful, and its clients include companies from around the world. Demand for expanded services makes it essential that the center have the ability to attract new faculty instructors as well as provide a competitive compensation package to all faculty instructors.

The proposed plan provides a structure for the use of the income generated by the courses and workshops for industry. While it is based on the practice plans used for clinical income from faculty in UK clinical departments in the College of Medicine, it varies from existing practice plans. Under the terms of the plan, income is received and managed within the College of Engineering in accordance with university regulations, as opposed to being managed by a separate corporation. Additionally, this plan is limited to a single center.

The plan serves multiple purposes, allowing the current instructors in the program to share in revenue from expanded course offerings and allowing the hiring of new instructors with anticipated compensations that are competitive with the market.

The major changes in the plan include the following:

- (1) The faculty directly participating in the plan will have an Annual Anticipated Remuneration (AAR) (salary prior to any supplementary income distributions) based on published industry salary data.

- (2) Any supplementary distributions of plan income to the faculty participants will be calculated only on received income. In contrast, the 2004 plan had distributions calculated also on accounts receivable.
- (3) A larger share of the supplementary income distribution pool now returns to the Center for Manufacturing and College of Engineering for program support. In the 2004 plan, only 10 percent of the supplementary income distribution pool went to the college. Now the college retains 10 percent and the Center retains 15 percent. This is in addition to the collection of overhead expenses through a standard indirect rate.
- (4) The plan includes a mechanism, the Professional Activity Award, to encourage program growth through course development and delivery by faculty not directly involved in the plan (non-principal faculty). For such a faculty member, the award provides support through that faculty member's college and department, permitting their college and department also to benefit from the involvement.

Further information and full documentation for the revised plan have been reviewed by the Interim Provost and the Treasurer and are available upon request.

At the end of the two-year operation, the program will again be evaluated by the Office of the Provost and the Office of the Treasurer, and a recommendation will be made at that time either to continue the program or terminate it.

Action taken: Approved Disapproved Other _____