Michael V. Drake, MD
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CAMPUSES

Berkeley
Davis
Irvine
UCLA
Merced
Riverside
San Diego
San Francisco
Santa Barbara
Santa Cruz

MEDICAL CENTERS

Davis
Irvine
UCLA
San Diego
San Francisco

NATIONAL LABORATORIES

Lawrence Berkeley
Lawrence Livermore
Los Alamos

October 23, 2020

The Honorable Holly J. Mitchell
Chair, Joint Legislative Budget Committee
1020 N Street, Room 553
Sacramento, California 95814

Dear Senator Mitchell:

Pursuant to Item 6440-005-0001, Provision 4, of the 2020 Budget Act (AB89, Chapter 7, Statutes of 2020), enclosed is the University of California's annual report to the Legislature on *UCPath*.

If you have any questions, Associate Vice President David Alcocer would be pleased to speak with you. David can be reached by telephone at (510) 987-9113, or by email at David.Alcocer@ucop.edu.

Sincerely,

Michael V. Drake, MD
President

Enclosure

cc: Senate Budget and Fiscal Review
        The Honorable Richard D. Roth, Chair
        Senate Budget and Fiscal Review Subcommittee #1
            (Attn: Ms. Anita Lee)
            (Attn: Ms. Jean-Marie McKinney)
        The Honorable Kevin McCarty, Chair
        Assembly Budget Subcommittee #2
            (Attn: Mr. Mark Martin)
            (Attn: Ms. Carolyn Nealon)
        Mr. Hans Hemann, Joint Legislative Budget Committee
        Ms. Erika Contreras, Secretary of the Senate
        Ms. Amy Leach, Office of the Chief Clerk of the Assembly
        Ms. Sue Parker, Office of the Chief Clerk of the Assembly
        Mr. Jeff Bell, Department of Finance
        Mr. Chris Ferguson, Department of Finance
        Ms. Rebecca Kirk, Department of Finance

Mr. Gabriel Petek, Legislative Analyst Office
Ms. Jennifer Pacella, Legislative Analyst Office
Mr. Jason Constantouros, Legislative Analyst Office
Provost and Executive Vice President Michael Brown
Executive Vice President and Chief Financial Officer Nathan Brostrom
Executive Vice President Rachael Nava
Interim Vice President-Chief Information Officer and EVP Mark Cianca
Senior Vice President Claire Holmes
Associate Vice President David Alcocer
Associate Vice President and Director Kieran Flaherty

UNIVERSITY OF CALIFORNIA

2020 UCPath Legislative Report

Provision 4 of Item 6440-005-0001 of the Budget Act of 2020 (as amended by AB 89) requires the University of California to provide the following report to the Legislature regarding UCPath:

> "By November 1 each year, the University of California shall report key information regarding UCPath to the Department of Finance and the Joint Legislative Budget Committee. At a minimum, the report shall include UCPath's staffing levels, funding by source, and spending by function. The funding source data shall summarize fund sources used by campuses to cover the supplemental assessment. The report shall include actual data for the prior fiscal year, budgeted data for the current fiscal year, and projected data for the coming fiscal year. The report shall include any cost savings resulting from the UCPath project at the campus level."
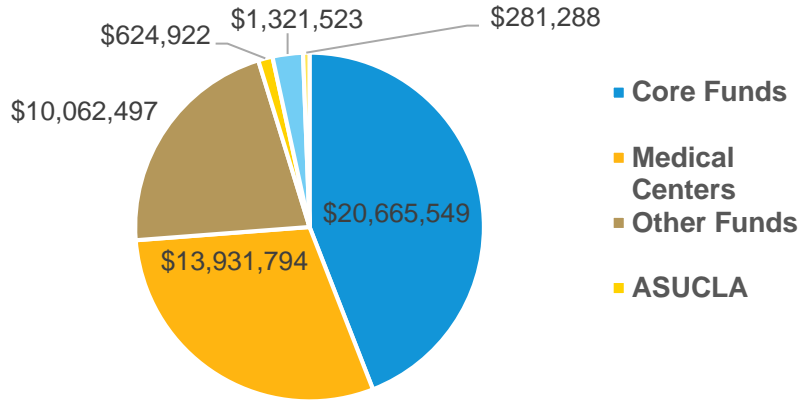
Overview

In July 2020, the University of California completed implementation of UCPath, the largest business transformation initiative in UC history. The term UCPath contains an acronym of its core service components: payroll, academic personnel, timekeeping and human resources. UCPath is a strategic transformation of UC's legacy payroll systems into a state-of-the-art workforce management solution. Designed to meet the complex needs of UC's large workforce, UCPath provides a shared services platform for payroll, benefits, academic personnel and human resources services and 24/7 access to employees' job and pay information.

Today, UCPath serves more than 230,000 employees across the UC system and is operational at all UC campuses and medical centers, the UC Office of the President (UCOP), the Associated Students of UCLA (ASUCLA), UC Agriculture and Natural Resources (ANR), Hastings College of the Law (Hastings), and Lawrence Berkeley National Lab (LBNL). As of August 2020, every UC employee is paid through UCPath. Each month, UCPath issues 110,000 monthly and 220,000 biweekly pay checks. In early 2021, UCPath will issue more than 300,000 W-2s.
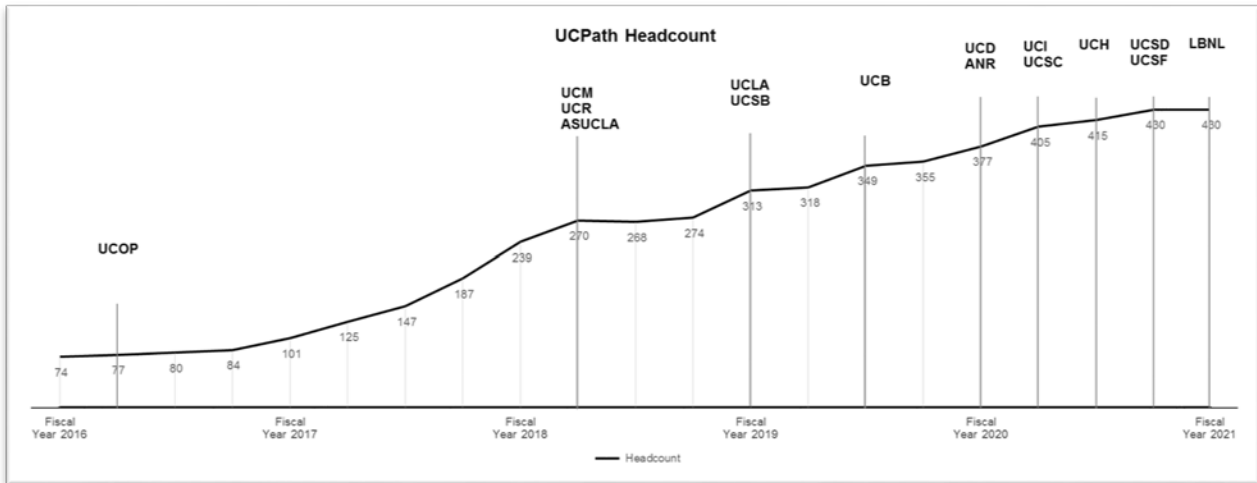
Since FY 2017-18, UCPath operations have been jointly funded by direct State appropriation and UC campuses. The Legislature has allocated a portion of its appropriation for the UC Office of the President to UCPath operations; UC campuses and other entities provide the remainder of UCPath funding as fees for service based on W-2 count.

In FY 2019-20, the UCPath fee-for-service allocation totaled $46,887,573. This allocation was approved by the Director of the Department of Finance, as required by the State Budget Act. About three-fourths of this assessment comes from campus core funds and medical center sources, as shown in the display below.

UCPath Sources of Campus Funds FY 2019-20

$624,922 $1,321,523 $281,288

$10,062,497

$20,665,549

$13,931,794

- Core Funds
- Medical Centers
- Other Funds
- ASUCLA

During FY 2019-20, UC more than doubled the UCPath service population from 103,000 employees to 233,000 employees, while increasing UCPath staff headcount by 14%, from 377 to 430, as shown in the displays below.

Location				
Office of the President (UCOP)	Nov-15	15-16	1,957	77
Merced, Riverside, Associated Students UCLA (ASUCLA)	Dec-17	17-18	16,724	270
Los Angeles, Santa Barbara	Sep-18	18-19	79,336	313
Berkeley	Mar-19	18-19	103,001	349
Davis, Agriculture and Natural Resources (ANR)	Sep-19	19-20	138,689	377
Irvine, Santa Cruz	Dec-19	19-20	169,063	405
Hastings	Feb-20	19-20	169,553	415
San Diego, San Francisco	May-20	19-20	233,008	430
Lawrence Berkeley National Laboratory (LBNL)	Jul-20	20-21	236,635	435

Benefits

Cost Avoidance
By implementing the centralized UCPath model, UC avoided an estimated $15-25 million in additional costs per location for standalone PeopleSoft instances. Examples of cost-avoidance benefits of UCPath include the following:
- Elimination of paper-based processes, including paper-based time collection
- Creation of common business processes have eliminated exceptions
- Centralized application of regulatory changes that require software modifications (e.g., Affordable Care Act requirements), so that changes are made once for all UC locations and employees
- Elimination of redundancy, along with enhanced consistency and compliance, through centralized payroll processing

Workforce Data and Reporting
UCPath streamlines workforce data and reporting processes by:
- Providing position control and position administration capabilities that are foundational for effective workforce management
- Supporting an organizational hierarchy for workflow and approval automation process that results in efficiencies and stronger controls
- Making data available to support a variety of needs, including compliance and union reporting
- Validating data and automating calculations, thereby improving data integrity
- Increasing the amount of workforce data available
- Featuring UC-wide data that does not have to be aggregated
- Standardizing data definitions across all UC locations
- Displaying HR and payroll metrics that drive a collective understanding of services

Compliance and Risk Reduction
The following features of UCPath support policy compliance and reduce risk:
- Centralized application of policy changes ensure UC-wide compliant, consistent response

- System-driven controls and automated calculations result in greater accuracy in pay, accruals and benefits eligibility and consistent application UC-wide
- Vendor-supported tax and software updates ensure payroll accuracy and data security
- Common business processes ensure consistency UC-wide
- Modern technology platform reduces security risk
- Up-front data validation reduces input errors
- Cloud technology and vendor supported infrastructure and redundancy ensures business continuity

Continuous Improvements

Ongoing improvements to UCPath include the following:
- Enhanced employee and manager self-service capabilities
- Liaisons support operational changes and provide a primary point of contact for questions and issue resolution
- In addition to phone and online access, UCPath offers chat capabilities to UC employees
- Added mass transaction capabilities
- Access to W-2s and earnings statements for former employees

UCPath Operating Costs

UCPath actual expenses for FY 2019-20, budgeted expenses for FY 2020-21 and forecast expenses for FY2021-22 are shown in the table below:

UCPath Operating and Financing Costs: 2020-22
(in $millions)

	FY 2019-20	FY 2020-21	FY 2021-22
OPERATIONS			
UCPath Operations	$90.1	$89.2	$91.3
PROJECT DEBT SERVICE			
Interest Payment	$3.5	$3.5	$3.5
Principle Payment	$0.0	$0.0	$18.0
Subtotal Debt Service	**$3.5**	**$3.5**	**$21.6**
Total	**$93.7**	**$92.7**	**$112.9**

As a result of State budget cuts for FY 2020-21, the UCPath State General Fund appropriation decreased by $6,656,000. To contain costs, UC leadership eliminated planned staff increases to accommodate the larger service populations and postponed important projects, such as implementation of Oracle updates, already deferred over the prior three years of campus deployments.

The FY 2021-22 forecast allows for:
- Continued lower staffing level of 435 FTE vs. planned 460 FTE
- One-time funding for Oracle updates and high-priority improvements
- Implementation of cyber audit recommendations/requirements
- First year of debt service principle payments

UCPath provides services through the UCPath Center, a shared services center located in Riverside, California, that includes HR, payroll, and benefits back-office operations, along with an employee contact center. UCPath operating and financing costs are allocated by service as shown below.

UCPath Operating and Financing Costs By Service: 2020-22
(in $millions)

	FY 2019-20	FY 2020-21	FY 2021-22
Customer Facing Services	**$65.9**	**$67.3**	**$69.0**
HR Administration	$10.5	$10.8	$11.1
Payroll Processing	$10.9	$10.8	$11.1
Benefits Processing	$10.5	$10.8	$11.1
Absence Management	$9.4	$9.6	$9.9
Mass Update of Records	$6.2	$6.3	$6.5
Employee Services	$11.6	$11.9	$12.2
Records and Fulfillment	$6.8	$7.0	$7.2
Delivery Support Costs	**$24.2**	**$21.8**	**$22.4**
Subtotal Operating Costs	**$90.1**	**$89.2**	**$91.3**
UCPath Debt Service	$3.5	$3.5	$21.6
Total	**$93.7**	**$92.7**	**$112.9**