



UNIVERSITY OF CALIFORNIA

Michael V. Drake, MD
President

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November 2, 2021

The Honorable Nancy Skinner
Chair, Joint Legislative Budget Committee
1020 N Street, Room 553
Sacramento, California 95814

Dear Senator Skinner:

Pursuant to Item 6440-001-0001 Provision 48 of the Budget Act of 2021 (SB129, Chapter 69, Statutes of 2021), 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 John Laird, 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. Brian Rutledge, 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 Operating Officer Rachael Nava
Executive Vice President and Chief Financial Officer Nathan Brostrom
Senior Vice President Brent Colburn
Vice President and Chief Information Officer Van Williams
Associate Vice President David Alcocer
Associate Vice President and Director Kieran Flaherty

UNIVERSITY OF CALIFORNIA

2021 UCPATH Legislative Report

SB 129, Budget Act of 2021, Section 216, Provision 48, requires the University of California to provide the following report to the Legislature regarding *UCPath*:

“Provision 48. 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 any campus 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

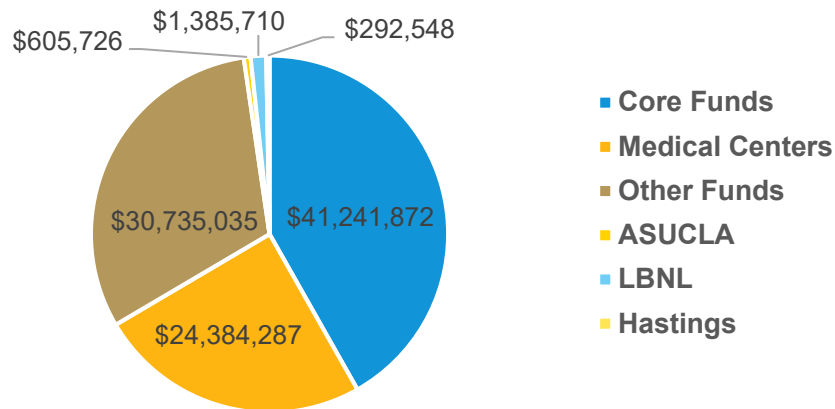
UC fully implemented UCPATH in July 2020 to meet the complex needs of its large workforce through a shared services technology platform. The term UCPATH contains an acronym of its core service components: payroll, academic personnel, timekeeping and human resources.

UCPATH provides payroll, HR, and benefits administration services to more than 230,000 employees at all UC campuses, medical centers, UC Office of the President (UCOP), the Associated Students of UCLA (ASUCLA), UC Agriculture and Natural Resources (ANR), UC Hastings College of the Law and Lawrence Berkeley National Lab (LBNL). UCPATH delivers services through the UCPATH Center, a shared services center located in Riverside, California, that provides HR, payroll and benefits administration services and an employee contact center. Each month, UCPATH issues 110,000 monthly and 220,000 biweekly paychecks. In January 2021, UCPATH issued more than 300,000 W-2s.

UCPATH Funding and Operating Costs

Between FY 2017-18 and FY 2020-21, UCPATH received funding from a direct appropriation of State general funds and UC location assessments. As of FY 2021-22, UC locations are fully funding UCPATH operations via fee-for-service assessments based on W-2 count. Approximately two-thirds of this assessment comes from campus core funds and medical center sources, as shown below:

UCPath Sources of Campus Funds FY 2021-22



UCPath actual expenses for FY 2020-21, budgeted expenses for FY 2021-22 and forecast expenses for FY 2022-23 are shown in the table below:

UCPath Operating and Financing Costs: FY 2020-21 – FY 2022-23

(\$ in millions)

	FY 2020-21 Actual	FY2021-22 Budget	FY2022-23 Forecast
OPERATIONS			
UCPath Operations	\$89.2	\$94.2	\$105.9
PROJECT DEBT SERVICE			
Interest Payment	\$3.5	\$3.9	\$3.3
Principal Payment	\$0.0	\$0.5	\$4.4
Subtotal Debt Service	\$3.5	\$4.4	\$7.7
Total	\$92.7	\$98.6	\$113.6

UCPath was unable to achieve planned staffing levels in FY 2020-21 due to a UC Office of the President hiring freeze. At the same time, a number of COVID-related budget pressures required UCPATH to postpone important projects to stabilize and improve UCPATH systems and business operations. These uncontrollable budget pressures included a five-fold increase in UC-wide unemployment claims processing costs and excessive overtime to partially offset employee leaves due to the pandemic. The approved FY 2021-22 operating budget of \$98.6 million restored some, but not all, of these reductions, and it enabled UCPATH to begin filling long-standing vacancies. Still, business operations struggled under these suboptimal

circumstances, resulting in missed service targets, work backlogs and low customer satisfaction throughout FY 2020-21. UCPATH is working closely with campus stakeholders to align operational and technology priorities for the next several years.

The proposed FY 2022-23 budget of \$113.6 million enables UCPATH to:

- Hire to the planned 460 FTE level required to effectively service the entire UC population
- Implement transformation initiatives to automate manual processes, increase operational efficiency and improve customer service.
- Successfully transition from start-up to a mature, steady-state operation
- Maintain sufficient staff to cover peak workload periods, such as fall hiring and open enrollment
- Build expertise within UCPATH to successfully research, resolve, and respond to employee inquiries and issues
- Accommodate cost-of-living increases and contractual increases for represented staff
- Cover scheduled increase in debt service principal payments

UCPATH allocates operating and financing costs by service as follows:

UCPATH Operating and Financing Costs By Service: FY 2020-21- FY 2022-23

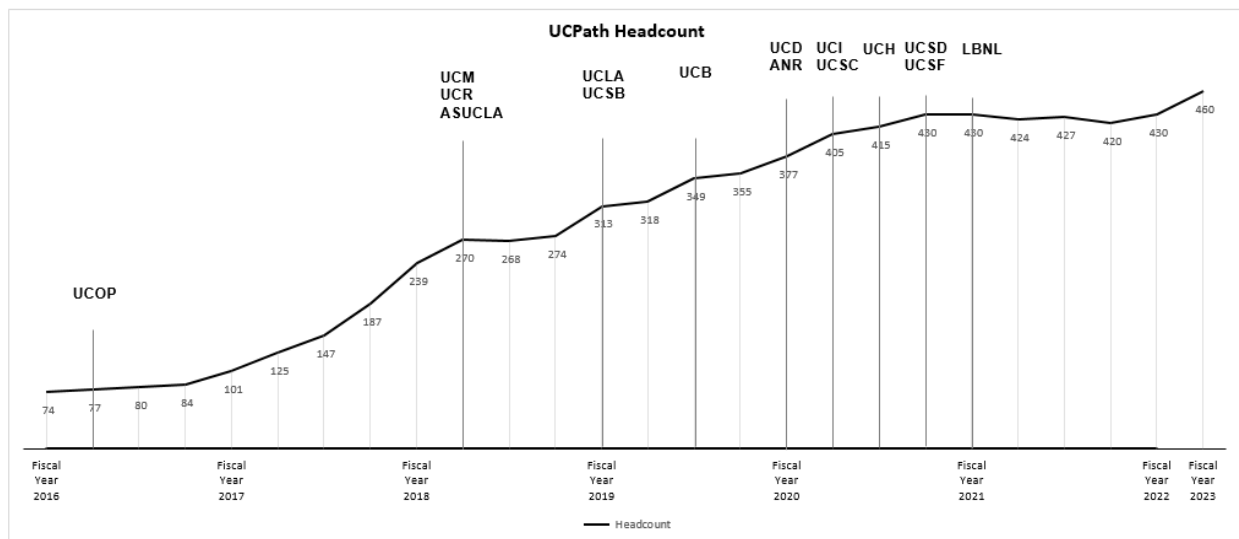
(\$ in millions)

	FY 2020-21 Actual	FY 2021-22 Budget	FY 2022-23 Forecast
Customer Facing Services	\$67.3	\$71.2	\$80.0
HR Administration	\$10.8	\$11.4	\$12.8
Payroll Processing	\$10.8	\$11.4	\$12.8
Benefits Processing	\$10.8	\$11.4	\$12.8
Absence Management	\$9.6	\$10.2	\$11.4
Mass Update of Records	\$6.3	\$6.7	\$7.5
Customer Support	\$11.9	\$12.6	\$14.2
Records and Fulfillment	\$7.0	\$7.4	\$8.4
Delivery Support Costs	\$21.8	\$23.1	\$25.9
Subtotal Operating Costs	\$89.1	\$94.2	\$105.9
UCPATH Debt Service	\$3.5	\$4.4	\$7.7
Total	\$92.7	\$98.6	\$113.6

UCPATH Headcount

During FY 2019-20, UC completed the implementation of all locations onto UCPATH which more than doubled the UCPATH service population from 103,000 employees to 233,000 employees.

In the same period, UCPath planned headcount increased by just 15%, from 377 to 430, as shown in the charts below. As a result of the COVID-19 pandemic impacts and resulting hiring freeze, UCPath headcount has remained flat since June 2020, which is 30 FTE below originally planned staffing levels that are needed to effectively support all UC employees. UCPath leadership planned to mitigate the lower staffing levels with automation and other improvements, but these projects were deferred due to other uncontrollable budget pressures described above. The lower staffing levels, delayed vacancy replacement and widespread employee leaves have resulted in excess overtime, employee burnout, high turnover, decreased service levels, and barriers to operational and service innovation and transformation.



Location	Deployment	Fiscal Year	Service Population	UCPath Staff
Office of the President (UCOP)	Nov-15	15-16	2,000	77
Merced, Riverside, Associated Students UCLA (ASUCLA)	Dec-17	17-18	17,000	270
Los Angeles, Santa Barbara	Sep-18	18-19	79,000	313
Berkeley	Mar-19	18-19	103,000	349
Davis, Agriculture and Natural Resources (ANR)	Sep-19	19-20	139,000	377
Irvine, Santa Cruz	Dec-19	19-20	169,000	405
Hastings	Feb-20	19-20	170,000	415
San Diego, San Francisco	May-20	19-20	233,000	430
Lawrence Berkeley National Laboratory (LBNL)	Jul-20	20-21	237,000	430
All locations	N/A	21-22	237,000	430
All locations	N/A	22-23	237,000	460*

* Proposed staffing

Benefits

Efficiencies

- 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) so that changes are made once for all UC locations and employees
- Centralized payroll processing eliminates redundancy and ensures consistency and compliance

Workforce Data and Reporting

- Position control and position administration capabilities that are foundational for effective workforce management
- Organizational hierarchy for workflow, approval automation resulting in efficiencies and stronger controls
- Data are available to support a variety of needs, including compliance and union reporting
- Data validation and automated calculations improve data integrity
- More workforce data is now available
- UCPath provides UC-wide data that does not have to be aggregated
- Data definitions are standard across all UC locations
- HR and payroll metrics drive a collective understanding of services

Compliance and Risk Reduction

- 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

- 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

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