



UNIVERSITY OF CALIFORNIA

Michael V. Drake, MD  
President

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November 4, 2022

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 21 of the Budget Act of 2022 (AB178, Chapter 45, Statutes of 2022), 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](mailto: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: Mr. Christopher Francis)  
(Attn: Ms. Jean-Marie McKinney)
- The Honorable Kevin McCarty, Chair  
Assembly Budget Subcommittee #2  
(Attn: Mr. Mark Martin)  
(Attn: Ms. Sarah Haynes)
- 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
- Ms. Tammy Weis, Office of the Chief Clerk of the Assembly
- Mr. Chris Ferguson, Department of Finance
- Ms. Rebecca Kirk, Department of Finance

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

DIVISION OF AGRICULTURE AND NATURAL RESOURCES

Mr. Jack Zwald, Department of Finance  
Mr. Gabriel Petek, Legislative Analyst Office  
Ms. Jennifer Pacella, Legislative Analyst Office  
Executive Vice President and Chief Operating Officer Rachael Nava  
Executive Vice President and Chief Financial Officer Nathan Brostrom  
Senior Vice President Brent Colburn  
Associate Vice President David Alcocer  
Associate Vice President and Director Kieran Flaherty

## UNIVERSITY OF CALIFORNIA

### 2022 UCPATH Legislative Report

AB 178, Chapter 45, Statutes of 2022, Budget Act of 2022, 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 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

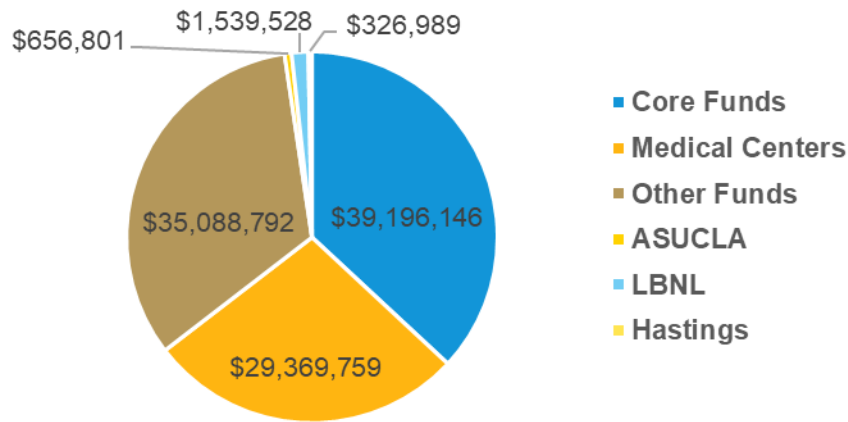
UC fully implemented UCPATH in July 2020 to meet the complex needs of its large workforce through a shared services technology platform. The term UCPATH contains an acronym of its core service components: **p**ayroll, **a**cademic personnel, **t**imekeeping and **h**uman resources.

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). Annually, UCPATH issues 4.4 million paychecks, totalling \$19.7 billion. In January 2022, UCPATH issued 304,000 W-2s.

#### UCPATH Funding and Operating Costs

Between FY 2017-18 and FY 2020-21, UCPATH was jointly funded from a direct appropriation of State General Funds and contributions from the campuses. Since then, 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 2022-23



UCPath actual expenses for FY 2021-22, budgeted expenses for FY 2022-23 and forecast expenses for FY 2023-24 are shown in the table below:

#### UCPath Operating and Financing Costs: FY 2021-22 – FY 2023-24 (\$ in millions)

	FY 2021-22 Actual	FY 2022-23 Budget	FY 2023-24 Forecast <sup>1</sup>
<b>OPERATIONS</b>			
UCPath Operations	\$87.40	\$105.30	\$107.80
<b>PROJECT DEBT SERVICE</b>			
Interest Payment	\$3.90	\$3.30	\$3.30
Principal Payment	\$0.50	\$4.40	\$13.80
<b>Subtotal Debt Service</b>	<b>\$4.40</b>	<b>\$7.70</b>	<b>\$17.00</b>
<b>Total</b>	<b>\$91.90</b>	<b>\$113.00</b>	<b>\$124.80</b>

1) The forecast amounts are pre-decisional and do not reflect FY 2023-24 planning activities now underway.

FY 2021-22 actuals fell short of the operating budget of \$98.6 million by \$6.7 million due to a number of factors, including not reaching full staffing levels during the fiscal year; not completing certain planned projects due to changing priorities or other dependencies; and savings and lower-than-expected costs, such as lower unemployment insurance claims costs and savings in UCPATH platform hosting costs. As a carry-forward, these savings will partially offset FY 2022-23 campus assessments.

The FY 2022-23 budget of \$113.0 million approved earlier this year includes provisions for:

- Staffing to achieve a planned headcount of 465 FTE, net of vacancy, internal hire, lead time and attrition factors, which aligns with the longstanding organizational plan for full staffing of the center
- Temporary surge staffing for peak workload periods, such as fall hiring and open enrollment
- Increased debt service payments incurred on the project expenses to cover the principal portion of the debt
- Adjustments for contractual and cost-of-living increases
- Temporary IT staff to fill critical vacancies
- One-time project costs to automate processes, increase operational efficiency and improve customer service
- Lower ongoing costs for system hosting and unemployment claims processing

The proposed FY 2023-24 budget of \$124.8 is preliminary and will not be finalized until May 2023 when the UC Regents consider the Office of the President budget. UCPATH is currently planning system and operational projects for review and feedback by stakeholders through early 2023. Compared to FY 2022-23, this preliminary budget provides for:

- The first year of full debt service principal and interest payments
- Level staffing and systems and operational project activity
- A 3% general cost increase, including staff and operational costs and excluding debt service

UCPATH delivers services through its shared services center located in Riverside, California, that provides HR, payroll and benefits administration services and an employee contact center. UCPATH allocates operating and financing costs by service as follows:

**UCPath Operating and Financing Costs by Service: FY 2021-22 – FY 2022-23**  
(\$ in millions)

	FY 2021-22 Actual	FY 2022-23 Budget	FY 2023-24 Forecast
<b>Customer Facing Services</b>	<b>\$66.00</b>	<b>\$79.50</b>	<b>\$81.40</b>
HR Administration	\$10.60	\$12.80	\$13.10
Payroll Processing	\$10.60	\$12.80	\$13.10
Benefits Processing	\$10.60	\$12.80	\$13.10
Absence Management	\$9.40	\$11.40	\$11.60
Mass Update of Records	\$6.20	\$7.50	\$7.70
Customer Support	\$11.70	\$14.10	\$14.40
Records and Fulfillment	\$6.90	\$8.30	\$8.50
<b>Delivery Support Costs</b>	<b>\$21.40</b>	<b>\$25.80</b>	<b>\$26.40</b>
<b>Subtotal Operating Costs</b>	<b>\$87.40</b>	<b>\$105.30</b>	<b>\$107.80</b>
UCPath Debt Service	\$4.40	\$7.70	\$17.00
<b>Total</b>	<b>\$91.90</b>	<b>\$113.00</b>	<b>\$124.80</b>

**UCPath Headcount**

For the first time since all UC locations deployed UCPath in 2020, budgeted headcount matches planned headcount for UCPath’s scope of services and the UC employee population. However, recruitment and retention remain a significant challenge due to the current nationwide labor shortage.

