

# F2A

**Office of the President**

**TO THE FINANCE AND CAPITAL STRATEGIES COMMITTEE:**

**ACTION ITEM – CONSENT**

*For Meeting of July 12, 2017*

**FISCAL YEAR 2017-18 BUDGET FOR THE UNIVERSITY OF CALIFORNIA OFFICE  
OF THE PRESIDENT**

**RECOMMENDATION**

The President of the University recommends that the Finance and Capital Strategies Committee recommend to the Regents that the fiscal year 2017-18 budget for the University of California Office of the President, as shown in Table 1 below, be approved.

Table 1 – Total FY 2017-18 Proposed Budget

| FY 2017-18 BUDGET SUMMARY<br>OFFICE OF THE PRESIDENT<br>(\$ millions) |                                  |                                  |                           |                                  |                                      |                                      |
|---|----------------------------------|----------------------------------|---------------------------|----------------------------------|--------------------------------------|--------------------------------------|
|   | TOTAL Proposed Budget FY 2017-18 | Expenses (Projected) FY2016-2017 | TOTAL Budget FY 2016-2017 | Var-FY17-18 Budget to Projection | % More / (Less) Budget vs Projection | % More / (Less) to Prior Year Budget |
| <b>OFFICE OF THE PRESIDENT</b>  |                                  |                                  |                           |                                  |                                      |                                      |
| Central and Administrative Services                                   | 277.77                           | 249.82                           | 267.70                    | 27.96                            | 11%                                  | 4%                                   |
| Academic Affairs  | 30.04                            | 28.11                            | 29.93                     | 1.93                             | 7%                                   | 0%                                   |
| Innovation & Entrepreneurship   | 61.93                            | 53.60                            | 52.73                     | 8.33                             | 16%                                  | 17%                                  |
| Finance   | 40.85                            | 33.09                            | 39.77                     | 7.76                             | 23%                                  | 3%                                   |
| Operations  | 118.58                           | 111.32                           | 119.30                    | 7.26                             | 7%                                   | -1%                                  |
| President's Exec. Office  | 2.61                             | 3.41                             | 3.18                      | (0.80)                           | -23%                                 | -18%                                 |
| Health Sciences   | 4.16                             | 3.69                             | 4.17                      | 0.47                             | 13%                                  | 0%                                   |
| Governmental Relations  | 5.44                             | 5.07                             | 5.41                      | 0.37                             | 7%                                   | 1%                                   |
| Public Affairs  | 14.18                            | 11.53                            | 13.21                     | 2.65                             | 23%                                  | 7%                                   |
| <b>Regents Officers</b>   | <b>58.45</b>                     | <b>49.71</b>                     | <b>57.96</b>              | <b>8.74</b>                      | <b>18%</b>                           | <b>1%</b>                            |
| General Counsel   | 12.49                            | 10.91                            | 11.65                     | 1.58                             | 14%                                  | 7%                                   |
| Secretary of the Regents  | 3.08                             | 2.76                             | 2.91                      | 0.32                             | 12%                                  | 6%                                   |
| Ethics & Compliance   | 7.54                             | 7.34                             | 7.67                      | 0.20                             | 3%                                   | -2%                                  |
| Investments Office  | 35.34                            | 28.70                            | 35.74                     | 6.64                             | 23%                                  | -1%                                  |
| <b>TOTAL w/o UCPath Operations</b>                                    | <b>336.22</b>                    | <b>299.53</b>                    | <b>325.66</b>             | <b>36.69</b>                     | <b>12%</b>                           | <b>3%</b>                            |
| <b>UCPath Operations</b>  | <b>52.44</b>                     | <b>16.25</b>                     | <b>20.15</b>              | <b>36.19</b>                     | <b>223%</b>                          | <b>160%</b>                          |
| <b>Grand Total (including UCPath Operations)</b>                      | <b>388.66</b>                    | <b>315.78</b>                    | <b>345.81</b>             | <b>72.88</b>                     | <b>23%</b>                           | <b>12%</b>                           |

| FY 2017-18 BUDGET SUMMARY<br>OFFICE OF THE PRESIDENT<br>(\$ millions) |                                  |                                  |                           |                                  |                                      |                                      |
|---|----------------------------------|----------------------------------|---------------------------|----------------------------------|--------------------------------------|--------------------------------------|
|   | TOTAL Proposed Budget FY 2017-18 | Expenses (Projected) FY2016-2017 | TOTAL Budget FY 2016-2017 | Var-FY17-18 Budget to Projection | % More / (Less) Budget vs Projection | % More / (Less) to Prior Year Budget |
| <b>SYSTEMWIDE ACADEMIC &amp; PUBLIC SERVICE PROGRAMS</b>              |                                  |                                  |                           |                                  |                                      |                                      |
| Instruction   | 58.38                            | 52.95                            | 53.67                     | 5.43                             | 10%                                  | 9%                                   |
| Research  | 172.28                           | 106.68                           | 108.58                    | 65.60                            | 61%                                  | 59%                                  |
| Public Service  | 15.19                            | 16.32                            | 16.43                     | (1.13)                           | -7%                                  | -8%                                  |
| Academic Support  | 46.68                            | 46.31                            | 46.40                     | 0.37                             | 1%                                   | 1%                                   |
| National Laboratories   | 4.27                             | 3.59                             | 3.94                      | 0.68                             | 19%                                  | 9%                                   |
| Presidential Initiatives  | 9.77                             | 5.57                             | 9.77                      | 4.20                             | 75%                                  | 0%                                   |
| <b>TOTAL</b>  | <b>306.58</b>                    | <b>231.43</b>                    | <b>238.79</b>             | <b>75.15</b>                     | <b>32%</b>                           | <b>28%</b>                           |
| <b>Agriculture and Natural Resources</b>                              | <b>102.27</b>                    | <b>100.82</b>                    | <b>101.08</b>             | <b>1.45</b>                      | <b>1%</b>                            | <b>1%</b>                            |
| <b>Grand Total (including ANR)</b>                                    | <b>408.84</b>                    | <b>332.25</b>                    | <b>339.87</b>             | <b>76.60</b>                     | <b>23%</b>                           | <b>20%</b>                           |
| <b>TOTAL OF BOTH TABLES (w/o UCPath)</b>                              | <b>745.06</b>                    | <b>631.77</b>                    | <b>665.53</b>             | <b>113.29</b>                    | <b>18%</b>                           | <b>12%</b>                           |
| <b>TOTAL OF BOTH TABLES</b>   | <b>797.50</b>                    | <b>648.02</b>                    | <b>685.68</b>             | <b>149.48</b>                    | <b>23%</b>                           | <b>16%</b>                           |
| <b>Strategic Priorities Reserve Year End Projected</b>                |                                  |                                  |                           |                                  |                                      |                                      |
| Committed   | 38.7                             | 57.1                             |                           | (18.4)                           |                                      |                                      |
| Uncommitted   | 16.2                             | 29.9                             |                           | (13.7)                           |                                      |                                      |

## BACKGROUND

At the May 18, 2017 Regents meeting, the Office of the President budget was presented as two items (B3, *Fiscal Year 2017-18 Systemwide Academic and Public Service Programs Budget for Office of the President*, and B4, *Fiscal Year 2017-18 Central and Administrative Services Budget for Office of the President*) to clearly delineate the two important and distinct functions of the Office: Systemwide Academic and Public Service Programs, and Central and Administrative Services. The budgets were reviewed and approved, contingent on further review by the Finance and Capital Strategies Committee in an off-cycle meeting prior to final approval at the July 2017 Regents meeting.

At the June 21, 2017 Finance and Capital Strategies Committee meeting, the University of California Office of the President (UCOP) presented item F1, *Review of Fiscal Year 2017-18 Budget for Office of the President*, with substantial additional detail and context to support additional review of the UCOP proposed fiscal year 2017-18 Budget. Key elements of the proposed budget include:

- Flat general campus assessment of \$312.4 million, compared to the prior year, which was replaced with a direct appropriation of State funds via the State budget authorized by Governor Brown on June 27, 2017. The State budget also includes a direct appropriation for UCPath in the amount of \$52.4 million.
- Existing cost controls, such as:
  - Required presidential review for proposed consultant engagements above \$20,000.
  - Required justification and review for all new hires (including replacements).
- New cost controls:
  - Restrictions on employee recognition awards (“STAR” and “Spot” awards).
  - Elimination of the use of UCOP funds for retirement recognition events.
  - Reduction in employee travel expenditures of at least ten percent
  - Formation of an Executive Budget Committee, comprised of campus leadership from all ten campuses, to fully review UCOP’s budget and advise the President. The first Executive Budget Committee meeting will convene on August 11, 2017.

F1 served as an addendum accompanying items B3 and B4 from the May meeting, and specifically provided the following additional information for review by the Finance and Capital Strategies Committee:

- Proposed Legislative Change to the Assessment Funding Model
- Update on California State Auditor Recommendations
- Review of UCOP Budget and Explanation of Variances
- Detail of the General Campus Assessment Trend by Campus
- Systemwide Initiatives and Programs

Based on feedback and comments from the Finance and Capital Strategies Committee, item F1 has been revised to provide additional clarifications in the following areas:

- Fund Balances
- Sources of Fund
- Vacancy Factor
- Terminology

**ATTACHMENTS:**

*Attachment 1: Item B3, Fiscal Year 2017-18 Systemwide Academic and Public Service Programs Budget for Office of the President – May 2017 Regents Meeting*

*Attachment 2: Item B4, Fiscal Year 2017-18 Central and Administrative Services Budget for Office of the President – May 2017 Regents Meeting*

*Attachment 3: Revised Item F1, Review of Fiscal Year 2017-18 Budget for Office of the President – June 21, 2017 Finance and Capital Strategies Committee Meeting*