

**UC Office of the President
FY19-20 Budget Call
December 3, 2018**

1. Introduction

Welcome to the FY19-20 UC Office of the President (UCOP) budgeting season. Last year's FY18-19 budget included transformational changes to present a clearer, simplified and more transparent budget. This year's budget process continues these changes and builds on implemented improvements with a streamlined budget process and increased use of actual expenditures and forecasts. We expect each annual budget to be part of continuous improvement efforts that leverage best-practices, streamline processes, and develop a clear value-proposition and financial narrative of the critical work performed by UCOP.

The timeline for development of the FY19-20 budget was revised after reviewing feedback from budget liaisons and identifying key review dates with UCOP stakeholders. While the time to input the budget into the system is reduced, greater time has been spent to develop a budget strategy and accurate forecasts based on monthly actuals. The budget will be submitted to the UC regents for their approval at the May 2019 meeting.

With an improved process and better communication across the organization, we aim to have clear requirements and expectations for divisions, departments and the UCOP Budget and Finance Department (BFD). The BFD team is available for support throughout the budget process, and will continue to offer community of practice meetings, trainings and office hours. We'd like to thank everyone in advance for adhering to the budget guidelines and timeline and their commitment to successfully and accurately completing the UCOP FY19-20 budget.

2. The FY19-20 budget will leverage last year's improvements; FY19-20 is less complex from a year-over-year perspective:

This section highlights factors of the FY19-20 budget that are consistent with FY18-19:

- a. **Budget Entry:** The Budget Development System (BDS) will be used in FY19-20 budget development and will be relied on for all data and budget analyses. All budget inputs will be entered directly into BDS by department budget liaisons between 1/17/19 – 2/5/19. Budgets are due in BDS at the end of day **February 5, 2019**.
- b. **Revenues / Sources of Funds:** All projected revenues (funding sources) will be budgeted in BDS based on uses of funds, consistent with the FY18-19 approach by the BFD. Budgeted sources must equal uses or expenditures.
- c. **Funds will be categorized by type:** Unrestricted: (1) Undesignated / (2) Designated, and (3) Restricted.
- d. **Budget all salary and headcount:** Departments will budget all headcount and salaries including part-time and limited appointments such as interns, students, rehired retirees, etc. All positions must have a budgeted headcount (or partial headcount), Position ID, and a salary budget.

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- e. **Merits:** Any included merit program will be calculated automatically and funds will be allocated for all staff on central funding.
- f. **Equities, Promotions, Star Awards, and Stipends:** UCOP will budget equities, promotions, star awards, and stipends *centrally in an account managed by Budget and Finance*.
- g. **Benefits:** UCOP will include benefit rate adjustments as necessary and the rate will be applied by the Budget and Finance team.
- h. **Strategic Priority Fund:** The SPF will be budgeted as a \$30M line item which includes \$7.8M for Presidential Initiatives, and all known projects and commitments must be identified.
- i. **Zero-based budgeting:** May be deployed during the budget analysis phase for some discretionary expense line items, such as travel and meetings.
- j. **Known Cost Increases:** Requests for unavoidable or known expense increases must be submitted. These include contract escalations, but not discretionary items.
- k. **Strategic Investments:** Certain strategic initiatives, approved through the MPI and decision memo process in FY18-19, will continue into the future and must be included in operating budgets.

3. As we seek to develop more accurate budgets, additional improvements are being implemented for the FY19-20 budget:

- a. **Overall UCOP Budget Target:** After three consecutive years of flat funding support, in FY19-20 UCOP will seek an increase from the state of 3.7% consistent with the total UC system imputed rate. Much of this increase will be used to cover planned cost increases, such as merit and benefit costs, and is not guaranteed. BFD will be working with the CFO and State Government Relations groups on our overall strategy for funding the UCOP budget in FY19-20.
- b. **Budget Narrative:** Division leaders will complete a budget narrative template to clearly articulate their priorities, trade-offs and value propositions for the FY19-20 budget. Division narratives and FY19-20 budgets from BDS will be reviewed with each division leader.
- c. **Budgets Phased by Month:** The FY19-20 budgets introduce budget-by-month capabilities in BDS to provide improved phasing of UCOP's expenditures. This applies to payroll related expenses and to non-payroll related expenses.
- d. **Budgets Leverage Forecasts:** Departments will prepare 2nd Quarter (2Q) FY18-19 forecasts in BDS. The 2Q Forecast will be used in January to provide the opening budgets for FY19-20.
- e. **Initial Budgets:** Opening budgets in the BDS system will include data copied over from the UCOP 2Q Forecast of FY18-19 expenditures. These will be referred to as "Initial Budgets" and will serve as the basis for development of the FY19-20 budget.
- f. **Advisory Committee Outcome:** The UCOP FY19-20 budget will incorporate outcomes from Advisory Committee recommendations regarding the UC Health and Agriculture and Natural Resources (ANR) divisions.
 - i. **UC Health:** UC Health sub-divisions UC Core and UC HealthCare Collaborative (UCHC) and their associated FY19-20 operating budgets will be line items in the FY19-20 budget presentation to the UC Regents.
 - ii. **ANR:** ANR will be funded through a corridor model and will develop a new financial schedule for the FY19-20 budget presentation to the UC Regents.

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- g. **UCOP Operations Administrative Overhead Assessment:** UCOP will perform an analysis of operations overhead costs applying supportable, best-practice methodology. Subject to the outcome of this analysis, an overhead assessment may be implemented during the January input window.

4. Budget Development and Submission:

- a. **Budget Kick-Off on December 5th:** The FY19-20 budget process will kick-off over a month before the BDS system is open. The kick-off meetings are intended for all division leaders, chiefs of staff, and budget liaisons. Guidance issued at this meeting will provide information to launch your internal division and department budget development processes. Because the initial FY19-20 budget will be based on the 2Q Forecast, and that forecast will be reported to the Regents in March, the focus in December will be on developing an accurate 2Q Forecast.
- b. **Budget System Opens on January 17th:** BDS will open on January 17th for data entry of the UCOP FY19-20 budgets. The initial budget will be the 2Q Forecast. Prior to opening the system, the BFD will assess all budget guidance and may provide updated information if needed. This could pertain to items such as organization updates, recharges, administrative assessments, and others.
- c. **Budget Submission on February 5th:** All budgets are due at the end of day on February 5th and should include:
 - i. Budgets developed in Budget Development System (BDS)
 - ii. Preliminary planning assumptions (see section 5 below)
- d. **Budget Narrative is due on February 13th :** Submit to BFD at: OBUD-OPBUDGET-SA@ucop.edu.

5. Planning Assumptions

- a. **3.7% Increase to Cover Merit and Mandated Increases (benefits, retirement, etc.)**
 - i. UCOP will assume a 3.7% planned increase in State General Funds for FY19-20 consistent with the UC system wide budget. If the State of CA determines not to fund the planned increase, UCOP advocates to reinstate a campus assessment to fund the difference.
 - ii. Outside of merits and mandated cost increases to benefits and retirement, division budgets should be kept flat. Any exceptions to a flat budget will be communicated to divisions directly.
 - Any unavoidable non-salary cost increases that cannot be absorbed must be requested in BDS and will be reviewed.
 - All budget increases will be carefully scrutinized. Do not submit “wish lists”. Only critical and/or unavoidable cost increases will be considered.
- b. **Campus Assessment vs. State General Funds:** Consistent with last year, budget all expenses currently on State General Funds against the 19900 funds. Should there be any change to this practice, the BFD will communicate them as they are received.

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c. **Accurately Reflect Headcount Plans**

- i. Correlation with Workforce Plans – Divisions and departments should consider work force plans and any new or redeployed FTEs should be consistent with priorities identified through workforce planning.
- ii. With the development of monthly budgets, planned vacancies will be entered by the month when they are expected to be filled to improve headcount and vacancy plans.
- iii. Headcount is expected to remain flat to current budget.
- iv. New position requests, if any, should be funded from existing headcount and budget (no new funds, no new FTE).
- v. Any new key activities that cannot be offset by savings in other areas and require incremental salary funding and headcount (e.g. new grant funding received that requires staffing), must be noted and requested in BDS for consideration. *Note: these requests will undergo rigorous review and there is a high likelihood the division or department will be asked to absorb the addition headcount.*

d. **Salary and benefits planning:**

- i. **Vacancy factor:** The FY19-20 vacancy factor will be determined based on analysis of open positions across the organization. BFD will complete vacancy factor analysis and include updates in the January budget input window.
- ii. **Merit:** A merit of 3% will be included initially, contingent on approval of the budget by the Regents, for all current employees when payroll data is uploaded after 2Q forecast.
- iii. **Other salary costs:** An organization-wide target percentage of total salary costs will be determined to centrally fund equities, promotions, stipends, and STAR awards. The process for budgeting and funding these will be completed by the BFD centrally.
- iv. **Salary savings:** Should not be relied upon to cover other expenditures; they will be swept.
- v. **Benefits costs:** Cost increases associated with benefits, retirement and other related costs will be budgeted by Budget and Finance. Benefit cost increases will be communicated when completed and rate changes will be applied centrally by BFD.

6. **Requesting Strategic Priorities Funding (SPF):**

- a. The SPF will be funded at \$30M in FY19-20, and includes \$7.8M in Presidential Initiatives, as well as additional multi-year commitments, leaving very limited Strategic Priority Funding.
- b. **Requests are not approvals:** All preliminary requests for SPF funds must be submitted through BFD directly. Requests are *approvals only with an approved MPI or decision memo*.
- c. **SPF is a new department:** Items budgeted at UCOP from Strategic Priorities Funds will be funded and tracked in a central SPF department and will not be part of departmental expenses.

Please contact your [Budget and Finance Budget Coordinator](#), [Dave Baltaxe](#), or [Eva Goode](#) with further questions.