1. **Introduction**

Welcome to the UC Office of the President (UCOP) FY20-21 budget season. Consistent with past years, this year’s budget process and format leverages actual expenditures and forecasts to align UCOP resources with a clear, value-based proposition and financial narrative of the critical work performed by UCOP for its key stakeholders.

The FY20-21 budget development timeline will closely follow the timeline used last year with similar schedules for key review dates with UCOP stakeholders, including the Executive Budget Committee and Chancellors. We acknowledge that our window to enter budget data is tight, but we hope to benefit from current budget strategy work and an accurate 2\textsuperscript{nd} Quarter forecast. The proposed FY20-21 budget will be submitted to the UC Regents for their approval in May.

New this year, the Budget and Finance Department (BFD) is launching the new Planning & Budgeting System (“PBS”) which replaces BDS. PBS is built on Oracle’s cloud-based budgeting technology and uses intuitive web forms for budget inputs. The system has been configured by a joint team of UCOP and Deloitte Consulting members who will provide support throughout the budgeting cycle through community of practice meetings, trainings and office hours.

We’d like to thank everyone in advance for your strict adherence to the budget guidelines and timeline and commitment to successfully and accurately completing the UCOP FY20-21 budget.

2. **The FY20-21 budget process will seem familiar.** This section highlights factors of the FY20-21 budget that are consistent with FY19-20:
   a. **Budget Entry**: Budget Liaisons will enter directly into PBS between 1/27/20 – 2/14/20. Budgets are due in PBS at the end of day **February 14, 2020**.
   b. **Revenues / Sources of Funds**: All projected revenues (funding sources) will be budgeted in PBS and UCOP’s final budget must show sources equal or greater than uses or expenditures.
   c. **Funds will be categorized**: (1) Unrestricted, (2) Designated, and (3) Restricted.
   d. **Budget all salary and headcount**: Departments will again 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 (full or partial), Position ID, and salary.
   e. **Merits**: A merit program will be calculated and budgeted by BFD.
   f. **Equities and Promotions**: A budget for these costs will be calculated and budgeted centrally in an account managed by BFD.
   g. **Benefits**: Benefit rates will be calculated and budgeted by BFD.
h. **Strategic Priority Fund:** The SPF will be budgeted at $30M including $7.8M for Presidential Initiatives; all known projects and commitments must be identified.

i. **Known Cost Increases:** Requests for unavoidable or known expense increases such as contract escalations must be submitted. This does not include discretionary items.

j. **Strategic Investments:** Ongoing costs associated with certain strategic initiatives, approved through MPIs and decision memos, must be included in the departmental budget request.

3. **For the FY20-21 budget, you can expect the following:**
   
a. **UCOP Funding Model:** FY19-20 completed the third year of direct appropriations from the State of California, and UCOP anticipates a return to the campus contribution (formerly known as the campus assessment) funding model in FY20-21. The final outcome of funding sources may not be known until after January 2020.

b. **Budget Forecasts:** Departments will prepare 2nd Quarter (Q2) FY19-20 forecasts in PBS.

c. **Initial Budgets:** Opening FY20-21 budgets in PBS will include data from the Q2 FY19-20 forecasts. These “Initial Budgets” will serve as the basis for developing the FY20-21 budget.

d. **Budgets Planned by Month:** New PBS functionality allows data entry for payroll and non-payroll expenditures by month, which results in a more accurate budget plan.

e. **Revenue Budgets:** New PBS functionality allows revenue budgeting. Divisions and Departments will be required to enter their own, self-generated Restricted and Designated revenues. BFD will budget centrally managed funds.

f. **Decision Packages:** New PBS functionality provides an integrated approach to budget augmentations. All incremental requests for funding or FTEs must be entered into a Decision Package, and the entire portfolio of requests will be evaluated and approved through the UCOP process, including review by the EBC, Chancellors, President and other key stakeholders.

g. **Budget Narrative:** Each division will use the same budget narrative template used last year to articulate priorities, trade-offs and value propositions for the FY20-21 budget. Division narratives and FY20-21 PBS budget entries will be reviewed by BFD with each division leader.

4. **Budget Development and Submission Timeline:**
   
a. **Budget process kicks off December 5th:** The FY20-21 budget process will kick off in December, with a focus on developing an accurate FY19-20 Q2 forecast. Kick-off meetings, intended for all division leaders, chiefs of staff, and budget liaisons, will provide guidance to launch your internal division and department budget processes.

b. **PBS opens January 27th:** PBS will open on January 27th for FY20-21 data entry. The initial budget will be the Q2 Forecast. Prior to opening the system, BFD may provide updated information regarding organization updates, recharges, administrative assessments, etc.

c. **PBS updates are due February 14th:** All budget updates are due end-of-day February 14th.

d. **Budget Narrative is due February 14th:** Submit to BFD at: OBUD-OPBUDGET-SA@ucop.edu
5. **Planning Assumptions**
   a. UCOP anticipates a return to the **Campus Contribution** funding model which will replace the use of 19900 funds. Any change to this direction will be communicated as soon as possible.
   b. Regardless of funding source, divisions should plan for **modest budget increases** primarily due to merits, benefits and other mandated cost increases; otherwise division budgets should be held flat. Known exceptions will be communicated by BFD to divisions directly in January.
      i. Any unavoidable non-salary cost increases that cannot be absorbed must be requested in PBS through Decision Package functionality and will be reviewed.
      ii. All budget increases will be carefully scrutinized. **Do not submit “wish lists.”** Only critical and/or unavoidable cost increases will be considered.
   c. **Accurately Reflect Headcount Plans**
      i. Divisions and departments should consider workforce plans and any new or redeployed FTEs should be consistent with priorities identified through workforce planning.
      ii. New hires for known vacancies should be entered by the month in which the position is expected to be filled.
      iii. Headcount is expected to remain flat to current budget. New position requests, if any, should be funded from existing headcount and budget (no new funds, no new FTE).
      iv. Any new key activities that require incremental salary funding and headcount and cannot be offset by savings in other areas must be requested in PBS through Decision Package functionality. **Note: these requests will undergo rigorous review and there is a high likelihood the Division will be asked to absorb the additional headcount.**
   d. **Salary and benefits planning:**
      i. **Vacancy factor:** The FY20-21 vacancy factor will be calculated by BFD based on an analysis of open positions across the organization and updated in PBS in January.
      ii. **Merit:** A merit of 3%, contingent on approval of the University’s budget by the Regents, will be included for all current employees, after the Q2 forecast.
      iii. **Other salary costs:** A target percentage of total salary costs for equities and promotions will be calculated and budgeted by BFD.
      iv. **Salary savings:** Should not be relied on to cover other expenditures; they will be swept.
      v. **Benefits costs:** Rate increases associated with benefits, retirement and other related costs will be communicated when completed and budgeted by BFD.

6. **Requesting Strategic Priorities Funding (SPF):**
   a. The SPF will be funded at $30M in FY20-21, including $7.8M in Presidential Initiatives. SPF funding remains very limited for new requests.
   b. **Requests are not approvals:** All preliminary requests for SPF funds must be submitted through the PBS system using the Decision Package functionality. Requests are **approvals only with an approved MPI or decision memo.**

Please contact your **Budget and Finance Budget Coordinator, Dave Baltaxe,** or **Eva Goode** with further questions.