



UNIVERSITY
OF
CALIFORNIA

OPERATING BUDGET MANUAL

The Operating Budget Manual provides an overview of the guidelines, policies and procedures associated with the development of the annual operating budget at the University of California Office of the President.

The University of California Office of the President (UCOP) *Operating Budget Manual (Budget Manual)* is updated periodically, as needed. The UCOP Budget Financial Planning & Analysis department (BFP&A) may make additional changes throughout the year to support the modified budget and/or forecast procedures. Revisions to the *Budget Manual* are tracked in the below table.

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2 FOREWORD

The *UCOP Operating Budget Manual* is a summary of policies, guidelines and general information used by the University of California Office of the President in the development, administration and ongoing management of the annual operating budget. This document provides transparency into the UCOP budget process and ensures that applicable policies, guidelines and processes are well understood and consistently applied.

The *Budget Manual* complements other university policies, guidelines and related documents, including but not limited to:

- [The Policies, Charters and Standing Orders of the University of California Board of Regents](#)
- [UC Presidential Policies](#)
- [UC Accounting Manual](#)
- [Business and Finance Bulletins](#)

Questions about the *Budget Manual* should be directed to the [UCOP Budget Financial Planning & Analysis](#) department.

3 INTRODUCTION

The University of California is a system of 10 campuses, five medical centers and three affiliated national laboratories. The Office of the President (UCOP), located in Oakland, California, is the university's systemwide office. The annual operating budget for the University of California Office of the President reflects the university's commitment to the three pillars of its success – affordability, access and excellence – in support of its teaching, research and public service mission.

The UCOP budget reflects the annual planned revenues and expenses associated with supporting the functions provided by the Office of the President, including: support for campus faculty, students and staff through systemwide services and programs; management of UC's multibillion dollar operations and investments; oversight of medical centers and national labs; centralized labor relations and legal services; and promotion of the well-being of its diverse and large workforce through benefits and retirement programs. The Office of the President also supports the Board of Regents and the systemwide Academic Senate.

The Office of the President coordinates activities that allow a complex and unique system to operate efficiently as one university, furthering its public interest, academic and research missions. It oversees and manages programs that serve the entire university system, allowing campuses to capture the savings and efficiencies that come from centralized operations.

To support this complex budget, UCOP seeks continuous improvements to enhance the annual budget process, policies and guidelines, and presentation of the budget to the UC regents and other key stakeholders. The goal is to provide clear, simplified and transparent information to the UC community and the public



4 UCOP BUDGET FINANCIAL PLANNING & ANALYSIS DEPARTMENT

The UCOP Budget Financial Planning & Analysis department (BFP&A) is responsible for systematically aligning resources of the Office of the President with university priorities, strategic needs and goals. This department develops the budget, prepares the annual UCOP budget presentation to the Board of Regents and provides the UC president, division leaders and department heads with tools for reporting and monitoring actual expenditures compared to the budget. BFP&A also provides support to other UCOP departments on budget-related issues.

Additional information on the department, including contact information, can be found on the [Budget Financial Planning and Analysis website](#). Information on the UC systemwide annual budget can be located on the [Budget Analysis and Planning website](#).

5 BASIC CONCEPTS

5.1 ACCOUNTING STANDARDS

UCOP follows the Governmental Accounting Standards Board (GASB) guidelines of generally accepted accounting principles and practices.

5.2 FUND

Fund accounting is the method of classifying resources into categories according to the purpose of use. Each fund is self-balancing and has separate assets, liabilities and a fund balance.

5.3 FUND TYPES

Funding sources include agreements and practices associated with the acquisition, distribution and use of the funds. Fund types are characterized as Unrestricted or Restricted. In 2018, the university reviewed funds in use at the Office of the President and developed definitions for fund types that align with the university's policies for fund restrictions, which are consistent with Generally Accepted Accounting Principles (GAAP):

- **Restricted Funds:** Funds subject to externally imposed restrictions. The funds are considered restricted until the specific resources are used for the required purpose or for as long as the provider requires the resources to remain intact. Restricted funds may be expendable for a specific purpose or nonexpendable if the provider requires the university to permanently hold the funds. Examples of restricted funds are contracts and grants, gifts and endowments, and special federal and state appropriations.
- **Unrestricted Funds:** Funds not subject to externally imposed restrictions governing their use; however, unrestricted funds may be designated for specific purposes by the regents or management. Unrestricted funds have been classified into the following categories:
 - **Regents-Designated Funds:** Funds governed under regents' policies or previous actions
 - **Designated Funds:** Funds designated for a specific purpose, such as for self-supporting programs or purposes approved by campuses
 - **Agency (pass-through) Funds:** Funds in the process of being distributed to the campuses and/or third parties

To receive additional training on Fund types, and funds, please access the [Fund Training video](#).

5.4 FUND BALANCES

For the purposes of accounting, fund balances are found by subtracting liabilities from assets. A positive fund balance means there are more assets than liabilities; a negative fund balance means there are more liabilities than assets. For the purpose of budgeting, fund balances are the excess of a fund's resources over its planned expenditures. Reserves are a separate subset of fund balances and are discussed in [Section 8.5.6](#).

5.5 CHART OF ACCOUNTS (COA)

Since July 1, 2020, UCOP has implemented a new financial information system, Oracle. With the implementation of Oracle, UCOP has moved to a new [Chart of Accounts \(COA\)](#) system that is standardized across the UC system. The new COA has 8 segments, with the first 5 required for most financial transactions. A complete list of all [UCOP Chart of Accounts segments](#) is available and updated regularly. For more training and information regarding the new Chart of Accounts, please reach out to BFP&A, BRC or visit the [Financial Information System \(FIS\) website](#). The [Financial Accountability Management \(FAM\) Chart of Accounts \(COA\) video](#) can also be viewed.

5.6 OPERATING BUDGET

The Operating Budget is the budget that accounts for UCOP's current and ongoing operations, as well as the one-time costs that result from its day-to-day business. The operating budget includes both revenues and expenses for the fiscal year.

5.7 FORECAST

Based on budgetary and financial analysis on existing financial data, the forecast presents an assessment of future financial behavior or budgetary standing. The financial forecast is a fiscal management tool that presents estimated information based on past, current and projected financial conditions. A forecast can identify future revenue and expenditure trends that may have an immediate or long-term influence on priorities, policies, strategic goals or services. For more information on forecasts, see [Section 6.5](#) in this report.

5.8 ACTUALS

The Actuals are comprised of General Ledger (GL) data representing all financial transactions in the GL system for a given fiscal period. This data can be pulled through various tools, such as the PBS (Planning and Budgeting System), and the FIS (Financial Information System) through Oracle. For more information on these tools, see [Section 7.2](#) on Systems.

5.9 REVENUE AND EXPENSES

The annual budget is developed to ensure that every expenditure activity has sufficient funding sources to offset the planned expenditures. Revenues are generally funds received from parties outside of UCOP and budgeted to offset planned expenses.

- **Revenues** (e.g., Income or Fund Sources) are earnings that come into UCOP from an external source. At UCOP, revenues may include fees, assessments, state appropriations, donations, grants, interest earned, program incomes, unrelated business income, etc.
- **Expenses** (aka Expenditures or Spending or Funding Uses) represent UCOP payments for goods and services made to vendors, transfers of funds made to recipients outside of UCOP (e.g., a campus) and payment of employee salaries and other liabilities.

6 UCOP BUDGET PROCESS

6.1 OVERVIEW

The annual budget process is the formal method through which the Office of the President determines its annual operating budget for the following fiscal year. During the budget development process, annual and multiyear priorities and objectives are reviewed and aligned with financial resources for the forthcoming fiscal year. Budget timing for each fiscal year varies but is usually started with the Budget Kickoff around late Q2. The budget is developed for each division and department and reviewed for strategic alignment by each division leader. Budgeting decisions are balanced by mission priorities of the Office of the President and availability of resources. The Executive Budget Committee, which includes representatives of each UC campus and the Academic Senate, also engages in discussions of trade-offs, priorities, opportunities and risks, and provides input to the president.

The annual operating budget for the Office of the President is reviewed and approved by the president and then submitted to the Board of Regents in May for their review and final approval. The final, approved operating budget is then enacted and monitored throughout the year. For more information on the UCOP Budget process, see [Section 6.4](#) in this report.

6.2 ROLES AND RESPONSIBILITIES

6.2.1 Budget Financial Planning & Analysis department (BFP&A)

BFP&A reports to the executive director of UCOP Operations (in the division of the chief operating officer). It develops, monitors and manages the local UCOP budget and associated processes. Primary responsibilities of BFP&A are to:

- Oversee the annual budget process, including development and communication of guidelines and targets
- Develop the consolidated UCOP annual operating budget
- Consult with and provide strategic decision support for UC leadership and stakeholders, including the Executive Budget Committee
- Prepare the annual UCOP operating budget submission to the Board of Regents
- Monitor performance of the approved budget by completing budget to actual variance analysis
- Provide decision support and guidance through the development of quarterly financial forecasts
- Create and facilitate Quarterly Division Review Meetings (QDRM's) and forecast financials with supported departments and division leaders
- Manage budgeted headcount ensuring integrity of UCOP hiring and alignment with approved positions and salary ranges within the budget system
- Provide analytical support to department and division leaders and liaisons
- Develop and support a finance community of practice with division and department budget liaisons
- Manage the financial systems used to develop, monitor, track and report budgets and actual expenditures
- Coordinate with other financial departments for alignment of policies and controls
- Provide reporting and analytical support for internal and external audits

6.2.2 Division Leaders

Division leaders oversee the development and execution of their division's budget and determine organizational priorities and trade-offs. Budgetary responsibilities of division leaders are to:

- Manage the development and execution of the division’s annual budget
- Set priorities for the division in consultation with department managers, administrators and budget liaison staff
- Collaborate with division leaders, UC leadership and stakeholders in discussions on priorities, resource alignment and trade-offs across the organization
- Authorize the division’s requests for budget-related decisions, such as review and approval of decision memos (note: final approval of budget augmentations and decisions is the responsibility of the president and the regents)
- Review the division’s financial status, including monitoring of actual activity and projection of an accurate forecast, to address issues and foster informed and effective decision-making
- Ensure the division’s financial controls and procedures are within compliance
- Complete a budget narrative template to clearly articulate their priorities, trade-offs and value propositions

6.2.3 Department Managers/Department Administrators

In large divisions, budgets are created for each division’s departments and overseen by the department managers and/or an authorized department administrator. Budgetary responsibilities of department managers/administrators are to:

- Establish, review and monitor an annual department budget that aligns with the priorities of the division
- Submit required budgetary documentation, including requests for budget augmentations, to BFP&A
- Compare actual financial results to the budget to identify and/or correct transaction errors and measure financial performance
- Determine the cause, evaluate the activity and take corrective action when actual financial results vary significantly from the budget
- Operate the department within the approved budget and provide justification to division leaders in cases where actuals exceed the approved budget
- Comply with financial controls and ensure the department’s financial procedures are within compliance

6.2.4 Budget Liaisons

Budget liaisons develop and monitor the budget for their area(s) of responsibility and report out current year results to division leaders to ensure alignment with priorities. Depending on the complexity of the budget, budget liaisons may have budget development as a primary function of their job or one of several job duties. Budgetary responsibilities of budget liaisons are to:

- Serve as the primary point of contact and financial intermediary for BFP&A in development of the budget of their area of responsibility
- Coordinate and consult with BFP&A in development of the annual budget and forecasts for their area(s) of responsibility
- Implement annual budget guidelines, processes and timelines communicated by BFP&A
- Participate in training and the BFP&A Community of Practice to stay informed
- Comply with financial controls, policies and guidelines
- Develop and maintain the annual operating budget and forecast for their area(s) of responsibility
- Monitor actual financial results for variances and review with division leaders
- Consult with UC leadership to ensure alignment of priorities to available resources

6.2.5 President of the University of California

The president of the University of California is responsible for recommending the annual budget for the Office of the President to the Board of Regents. With recommendations from UC leadership and stakeholders, such as the Executive Budget Committee, the president determines annual targets, reviews the annual budget and ensures resources are aligned with the mission of the university. The president upholds fiscal accountability and consistent application of financial controls and ensures transparency to the public.

6.2.6 Regents of the University of California

The regents who govern the University of California have "full powers of organization and governance" under [Article IX, Section 9](#) of the California Constitution, subject only to very specific areas of legislative control. The article states that "the university shall be entirely independent of all political and sectarian influence and kept free therefrom in the appointment of its regents and in the administration of its affairs." As outlined in [Regents Policy 5101: Policy Regarding Approval of Annual Budget for the Office of the President](#): The regents of the University of California annually approve the budget for the Office of the President and there shall be no expenditure of funds by the president or anyone in the Office of the President until such approval has occurred each year.

The Finance and Capital Strategies Committee provides strategic direction and oversight, makes recommendations to the board, and takes actions pursuant to delegated authority, including review and approval of university budget and planning as outlined in the [Charter of the Finance and Capital Strategies Committee](#). As such, the annual operating budget for the Office of the President is presented to the Finance and Capital Strategies Committee, unless requested to be presented before the board.

6.2.7 Executive Budget Committee

The Executive Budget Committee (EBC) is a standing committee comprised of appointed members from each UC campus, the Academic Senate and UCOP, which derives its authority from the president. The EBC meets monthly, and has the following powers, purpose and responsibilities as outlined in the [Charter of the Executive Budget Committee](#).

- Authority and responsibility to review, advise and make recommendations to the president on the development of the UCOP annual budget guidelines and call, proposed annual budget, presentation of the budget to the regents, and budget implementation
- Accountability to ensure that recommendations are consistent and aligned with the timely incorporation of the California State Auditor (CSA) budget requirements dated April 2017, as part of a transparent planning, resource allocation and assessment process
- Review of financial reports presented to the regents of the University of California comparing current year actual results to budget estimates to assess and evaluate the performance of the UCOP annual budget
- Provide strategic counsel to UCOP divisions as needed in support of annual budget development
- Apprise the president of significant developments while performing the above duties
- Keep the chancellor and senior leadership informed, and proactively seek their input as needed

6.2.8 BFP&A Community of Practice (COP)

The BFP&A Community of Practice is a network of budget liaisons and subject matter experts, responsible for developing and monitoring the UCOP budget, who gather to explore ways of working better, identify common solutions and share best practices. The Community of Practice is conducted by BFP&A, and meets regularly during the annual budget process to

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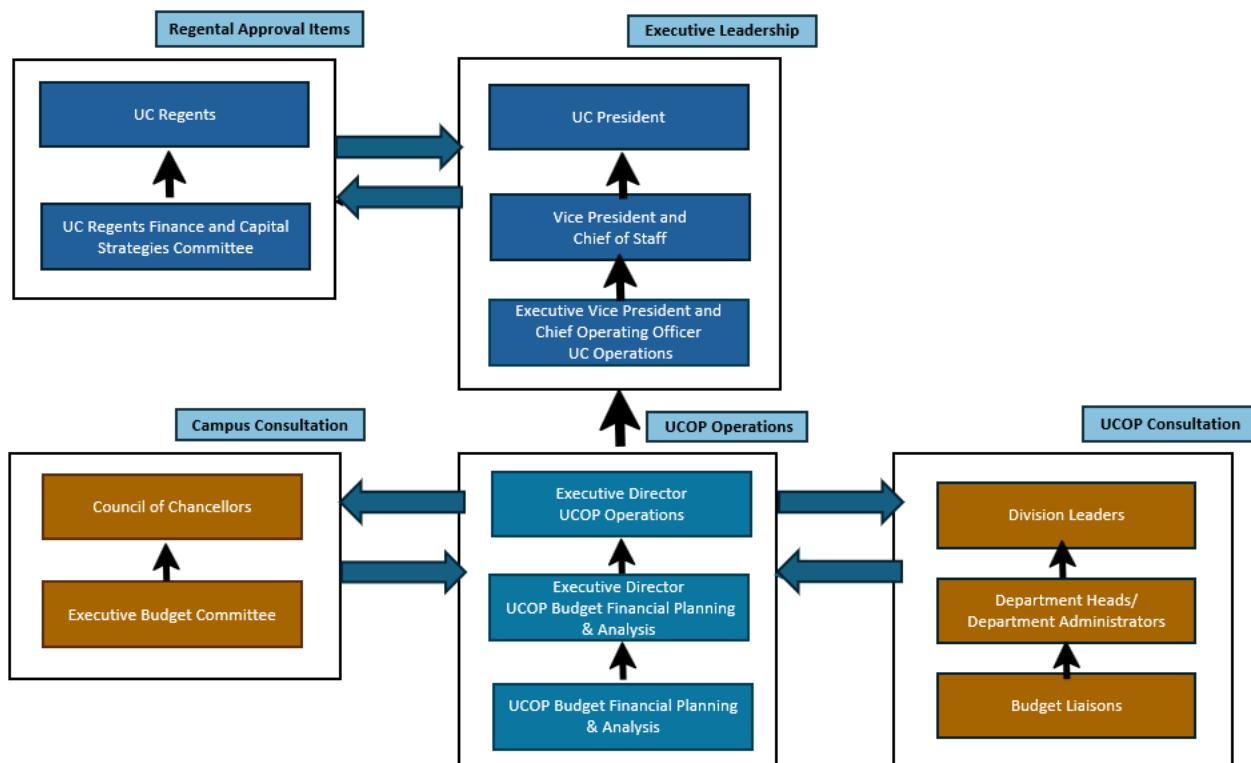
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discuss the annual budget guidelines and processes, connect with peers, discuss and solve problems, stay informed on important news, and gather feedback and recommendations on proposed enhancements. The Community of Practice dates are compiled within a Calendar for that Fiscal Year. Please reach out to your Budget Liaisons or BFP&A for more information.

6.2.9 Budget Governance

The Office of the President has the following budget governance structure in place:

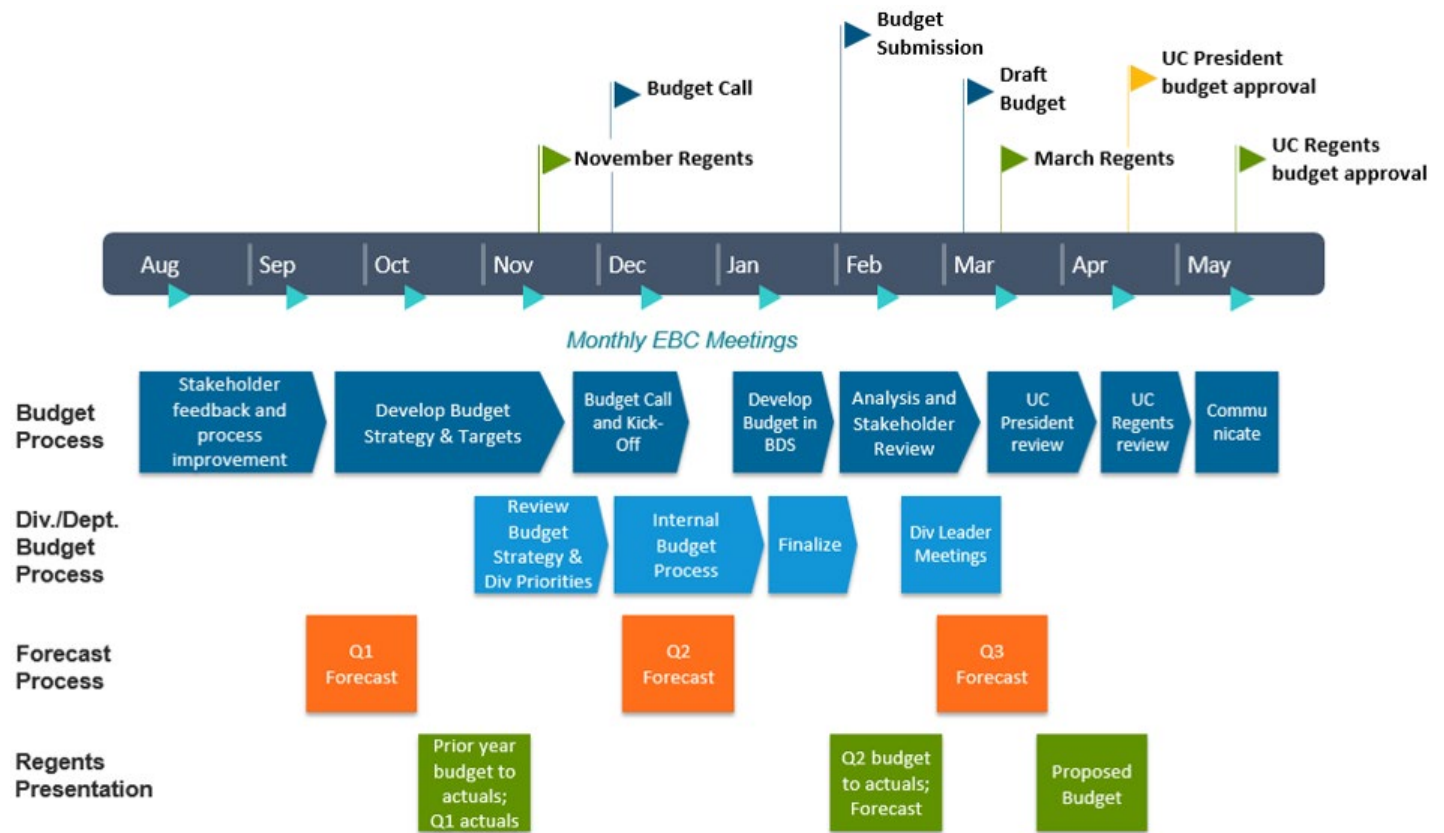
Figure 1. Budget Governance Structure – View Full Description of Images in Appendix D



6.3 BUDGET CALENDAR

The Office of the President’s annual budget cycle aligns with the fiscal calendar year. Actual dates may shift each year due to external and internal factors, but the process is launched with the budget call in the winter of each year, and timing aligns with the availability of quarterly forecasts. Subsequent budget calls may be issued with updated guidance during the annual budget process. The process is finalized once the budget, approved by the UC president and regents of the University of California, is implemented.

Figure 2. UCOP Annual Budget Calendar– View Full Description of Images in Appendix D



6.4 ANNUAL OPERATING BUDGET PROCESS

To receive an overview of the Budgeting Process, please view the [Budget Process Overview video](#).

6.4.1 Develop Budget Strategy

BFP&A plans for the annual budget cycle launch by reviewing the accuracy of the prior year budget compared to actuals and utilizing variances to inform budget strategy and guidance for the next fiscal year. Budget and financial priorities are reviewed to reflect the strategic priorities of the Office of the President and alignment with the academic and research missions of UC campuses, labs and medical centers. Guidelines and approaches are socialized with internal and external stakeholders before being approved by the president.

Part of the planning cycle includes quarterly forecasts of full-year revenues and expenditures. Forecasts measure expected performance against the current year budget.

6.4.2 Budget Kickoff

The annual budget process is launched with communication of the budget call, which includes budget guidance, targets, timeline and supporting documentation needed to develop the annual budget. Kickoff meetings are held to socialize the guidance with all BFP&A staff and leadership, and to allow divisions and departments time to determine their annual priorities and trade-offs based on the budget guidance prior to budget development.

6.4.3 Budget Development

Once the second quarter forecast is complete with six months of actuals and six months of projections, the forecast is copied to the initial annual budget for next fiscal year and updated with any centrally budgeted assumptions. To initiate budget development, the Planning and Budgeting System (PBS) opens to users with an initial budget, which includes monthly data based on the forecast prepared in the second fiscal quarter, plus known adjustments (for example, payroll run rate increases for the annualized impact of new positions added within the last 12 months).

Budget liaisons partner with department managers and division leaders to develop budgets in the Planning and Budgeting System by month. The working version of the budget is updated with known changes based on analysis of actuals and forecasts, and to reflect the budget guidance and priorities and trade-offs of the unit. Departments and divisions also complete any required documentation to support budget development, such as targeted zero-based budgeting and requests for unavoidable or known expense increases.

6.4.4 BFP&A

During development of the budget, BFP&A works with budget liaisons and stakeholders to ensure accuracy of budget entry. Preliminary targets may be revised and information from internal and external factors updated--such as negotiated contracts, improved understanding of unavoidable cost increases, evaluation of key priorities and trade-offs, approved decision memos and Presidential Initiatives, and the state of California Governor's Budget released in January of each year. UC leadership and stakeholders are engaged in development and review of updated targets. Additional budget calls may be issued to include revised targets, timelines and requested information to support the development of the upcoming year's operating budget.

6.4.5 Budget Submission

Budget liaisons review the input budgets in PBS with department and/or division leaders to finalize their budget submission. Division leaders submit a narrative to accompany their budget and engage in a series of meetings to discuss priorities and trade-offs that are then incorporated into the Planning and Budgeting System. Budget liaisons work with division leaders, department managers, and BFP&A to accurately reflect targets, priorities and trade-offs in budgets, and complete entry in the Planning and Budgeting System to meet communicated timelines. PBS is the only tool for submitting budgets and requesting budget changes. No offline requests or updates are accepted.

6.4.6 Analysis and Stakeholder Review

BFP&A locks the budget in PBS from additional edits and analyzes the data for accuracy and alignment with internal and external requirements. BFP&A partners closely with UC leaders to ensure priorities and budget augmentations are captured by department, division and across the organization. Stakeholders, including the Executive Budget Committee, are engaged in reviews of the budget and trade-off discussions. In some cases, additional guidance may be issued for implementation of improved budget targets. Schedules are produced in the Planning and Budgeting System for budget routing and approval.

6.4.7 UC President Review and Approval

The Office of the President annual operating budget and forecast schedules are produced and submitted with supporting narrative to the president of the university. The president reviews the budget and recommendations of leadership and UC stakeholders. The budget is finalized with any additional changes, socialized with stakeholders, and approved for submission to the regents by the president.

6.4.8 UC Board of Regents Review and Approval

The annual operating budget approved by the president of the University of California is submitted to the Finance and Capital Strategies Committee of the UC Board of Regents for their review and approval in a public meeting. The result is shared with the full board the following day as part of the committee update. If requested by the chair of the board, the UCOP annual operating budget may also be presented to the full board.

6.4.9 Decision Packages

Decision Packages are the vehicle for a department to request incremental funding increases during the budgeting process. Any request for a budget or FTE augmentation must be submitted in a Decision Package during the PBS window ending around February. The amounts will be the incremental/decremental dollars from the prior year's approved Regent's Budget. We urge departments and divisions to scrub budgets and reevaluate current commitments to reallocate funding to new priorities wherever possible. Headcount increases will be scrutinized, and you are encouraged to use or repurpose open positions from the previous fiscal year in your division. For more information, please reach out to your BFP&A partner.

6.4.10 Implement and Monitor Approved Budget

Per Regents Policy 5101, no expenditure of funds may occur until approval of the budget by the UC Board of Regents has been obtained. Once approved by the Board of Regents, the annual operating budget for the Office of the President is implemented. Planned expenditures are authorized and monitored in year for control, accuracy and risks. Monitoring the performance of the approved budget continues throughout the budget cycle and informs the development of the future year budget. The approved budget is compared to actual activity from closed periods and incorporates projections for future periods in the quarterly forecasting process.

6.5 FORECAST PROCESS

The Office of the President requires a quarterly forecast for each division. The forecast is an essential tool in monitoring current year performance and allows for more accurate future year budget development based on actual activity. The forecast utilizes actual data from closed periods and incorporates projections for the remainder of the current fiscal year.

To facilitate development of the current year forecast, BFP&A engages stakeholders and budget liaisons to discuss process changes, identify challenges and share best practices. For more information on the forecast process as a whole, including forecasting and variance issues, please view the [Resolving Forecasting and Variance Issues video](#).

6.5.1 Forecast Data in Planning and Budgeting System

BFP&A opens the forecast in the Planning and Budgeting System quarterly by loading actual financial data for the closed periods and creating projections for future open periods. Data from closed periods is not editable by system users. Payroll data is loaded from UCPATH, the University of California's payroll, benefits, human resources and academic personnel solution for all UC employees, just before the opening of the forecast process.

6.5.2 Forecast Development/Adjustment

Budget liaisons, with guidance from division leaders and department managers, develop quarterly forecasts in the Planning and Budgeting System. Future projected months are available for adjustment; closed periods are not. Headcount is

adjusted for known changes, including filling approved vacancies and removing active employees with appointments ending before the end of the fiscal year.

6.5.3 Forecast Comparison to Budget

Budget liaisons review the forecast compared to the current year budget for accuracy. Identified anomalies and material variances are reviewed with department managers and division leaders to determine appropriate explanations and adjustments to the forecast or budget. The General Ledger (GL) Detail Report is run to identify and inform variances. Analysis may be completed on additional closed periods to identify material changes and included in the forecast.

6.5.4 Quarterly Division Review Meeting (QDRM)

The Quarterly Division Review Meeting (QDRM) is separated by each subsequent fiscal quarter from Q1 to Q3, not including the last quarter of the fiscal year Q4. QDRM's are usually held within the last month of each subsequent quarter. BFP&A reviews quarterly performance results by comparing the forecast against actuals year-to-date and consolidates variance explanations by division and department. Year-to-date performance for all divisions across UCOP is snapshotted and provided to division leaders and stakeholders, along with a snapshot of the consolidated forecast. All relevant information pertaining to any known variances and potential risks and opportunities will be discussed during this meeting. For more information on QDRM's, please reach out to the BFP&A team.

6.5.5 Forecast Threshold

UCOP reviews budget, forecast and actual expenditures with the Board of Regents three times annually:

- May: Presentation of the next fiscal year's annual budget for approval
- November: Report on the prior fiscal year's actual expenditures compared to the approved budget, and the current fiscal year first quarter actual expenditures
- March: Report on the current midyear actual expenditures and second-quarter full-year forecast compared to the approved budget

As mentioned above, every March UCOP will review the variances between the second-quarter forecast and budget with the Finance and Capital Strategies Committee. To the extent a variance exceeding 5 percent or more of the total budget is identified in advance of or after this meeting, the Office of the President will communicate off-cycle with the chair of the Board and the chair of the Finance and Capital Strategies Committee, and will present at the next scheduled meeting of the committee.

6.6 REGENTS ANNUAL BUDGET SUBMISSION

The UC Board of Regents approves the annual budget for the Office of the President as outlined in the [Governance for the Board of Regents](#). The budget is presented to the Finance and Capital Strategies Committee, and the result is shared with the full board the following day as part of the committee update. If requested by the chair of the board, the UCOP annual operating budget may also be presented to the full board.

To simplify, clarify and deliver a transparent budget to the UC regents, the UCOP budget presentation format was enhanced for the Fiscal Year (FY) 2018-19 presentation to incorporate established best practices, emerging industry best practices, UC stakeholder feedback, and recommendations from the California State Auditor. The updated format was reviewed with the

regents in March 2018, and compares actual results and forecasted projections for the current year and the proposed budget for the next fiscal year.

The format for the Fiscal Year 2018-19 annual budget presentation was updated to include:

- A single, transparent and comprehensive regents budget
- All ongoing operating and one-time expenses combined into one budget
- A “Sources and Uses” report which includes:
 - Total budgeted revenues
 - Budget to actuals comparisons
 - Clear reporting of pass-through funds and fee-for-service
 - Alignment of accounting practices related to recharges to reflect gross revenues and expenditures for all divisions and departments
 - Fund balances
 - Reserve balances
- Fund restrictions designations
- Strategic Priorities Fund reporting that clearly reflects known commitments and uncommitted balances

The proposed format was reviewed with the regents in March 2018, and is presented annually to the regents in May.

6.7 CONTRIBUTING PROCESSES

There are several processes at the Office of the President that contribute information to the annual operating budget which may run concurrently or separately from the annual budget process. The following processes provide critical input to the annual budget process but may be owned by UCOP departments outside of BFP&A.

6.7.1 Decision Memo Process

Decision memos are required for decisions requiring the approval of the president. For budget purposes, a decision memo is required for ongoing funding requests within the existing division budget and Full-Time Equivalent (FTE) over \$300,000. Decision memos are also required for any funding requests from the Strategic Priorities Fund or for requests to increase the existing division budget and/or FTEs. Decision memo requests and approvals occur on an ongoing basis. Requestors prepare the decision memo for review and approval by the division leader and then route it to Office of the President (OP) Operations for review and comment. Once completed, the memo is reviewed and approved at the discretion of the president. Approved proposals and related funding and/or headcount are reflected in the UCOP annual budget either through the SPF or in the upcoming annual budget.

6.7.2 Strategic Priorities Fund

The Strategic Priorities Fund (SPF) provides funding for one-time and limited-term strategic priorities and urgent, emergent issues for UCOP, the campuses and the UC system, as described in the [Presidential Guidelines Governing the UCOP Strategic Priorities Fund](#). The Strategic Priorities Fund will be budgeted annually, pending approval of the UCOP budget by the regents. Approved SFR proposals funded from the SPF are itemized in the budget presentation. The approval of the chair of the board is required for commitments greater than \$5 million. More information and a video about the [Strategic Priorities Fund](#) can be found here.

6.7.3 Supplemental Funding Request (SFR)

The Supplemental Funding Request (SFR) is a process managed by BFP&A that allows additional funding to be requested. For more information regarding the SFR process, please visit the [BFP&A website](#) to access the following forms below:

- SFR Process Information
- SFR Process Timeline
- SFR Submission Form
- SFR Revision Form

6.7.4 Interlocation Transfer of Funds (UCOP to any UC Campus)

Interlocation transfer of funds (ITF) is a temporary transfer of funds from one UC campus to another. BFP&A receives ITF requests for fund transfers from UCOP to any UC campus. The ITF has to be submitted to BFP&A and approved by the Business Resource Center (BRC). BFP&A will review submitted ITFs and send them to BRC for processing once given approval. Forms are to be completed fully, with all relevant information, including but not limited to transfer explanation, corresponding UCOP COA, UC Campus COA (formerly FAU), transfer amount, etc. More information on [Interlocation Transfer of Funds](#) can be found on the Business Resource Center website or by contacting your BFP&A representative.

6.7.5 Financial Accountability Management Reports

Financial Accountability Management (FAM) Reports are monthly reports sent out to the FAM Reports recipients/budget owner lists. These reports are sent out for the purpose of allowing budget owners and liaisons to better support budget funding management and decision making. These reports are sent out every 27th of the month and are delivered by email based on a recipient list. To update, add, or remove a recipient on the list, please reach out to the BFP&A team for relevant changes. Effective Sept 27th, 2024, the FAM reports have been updated to include [changes to the reports](#) that provide better financial visibility and insight into UCOP divisions.

6.7.6 Presidential Initiatives

[Presidential Initiatives](#) are launched by a UC president to address university, statewide, national or global issues that are solely funded by time-bound or single-occasion funding commitments. Initiatives are prioritized by the president and included in the annual UCOP budget as part of the Strategic Priorities Fund. As part of the annual request and reporting process, Initiative Leads report out on their prior year budget, actual expenditures and anticipated budget for the upcoming fiscal year. Requests are reviewed by the Strategy and Program Management Office and approved by the president as part of the annual budget process.

6.7.7 UCOP Master Data Set of Active Programs and Initiatives

The Master Data Set of Active Programs and Initiatives (MDS) is a spreadsheet that stores in a single location a set of comparable information –such as program description, start date, end date, type of funding, current year budget, program owner, program review protocols, etc.— on all active UCOP-affiliated programs and initiatives.⁵

⁵ UCOP-affiliated programs and initiatives are defined as functions funded wholly or in part through the UCOP budget and/or those that receive State General Funds through an annual “set-aside” allocation that flows directly to the campus and not through the UCOP budget.

The first MDS was created by the Programs and Initiatives Working Group that convened from 2017-18 in response to requests from the California State Legislature and the California State Auditor. This working group developed the definitions below and an associated decision tree for consistent categorization of programs and initiatives, and validated information to ensure accuracy, consistency and verifiability.

While specific program-related information will continue to come from the UCOP division and departmental owners, starting in December 2018, the integrity and accuracy of the MDS will be maintained by the UCOP Budget Office. The following annual process is recommended.

6.7.7.1 Program Categorization

The five categories of active UCOP-affiliated programs and initiatives are:

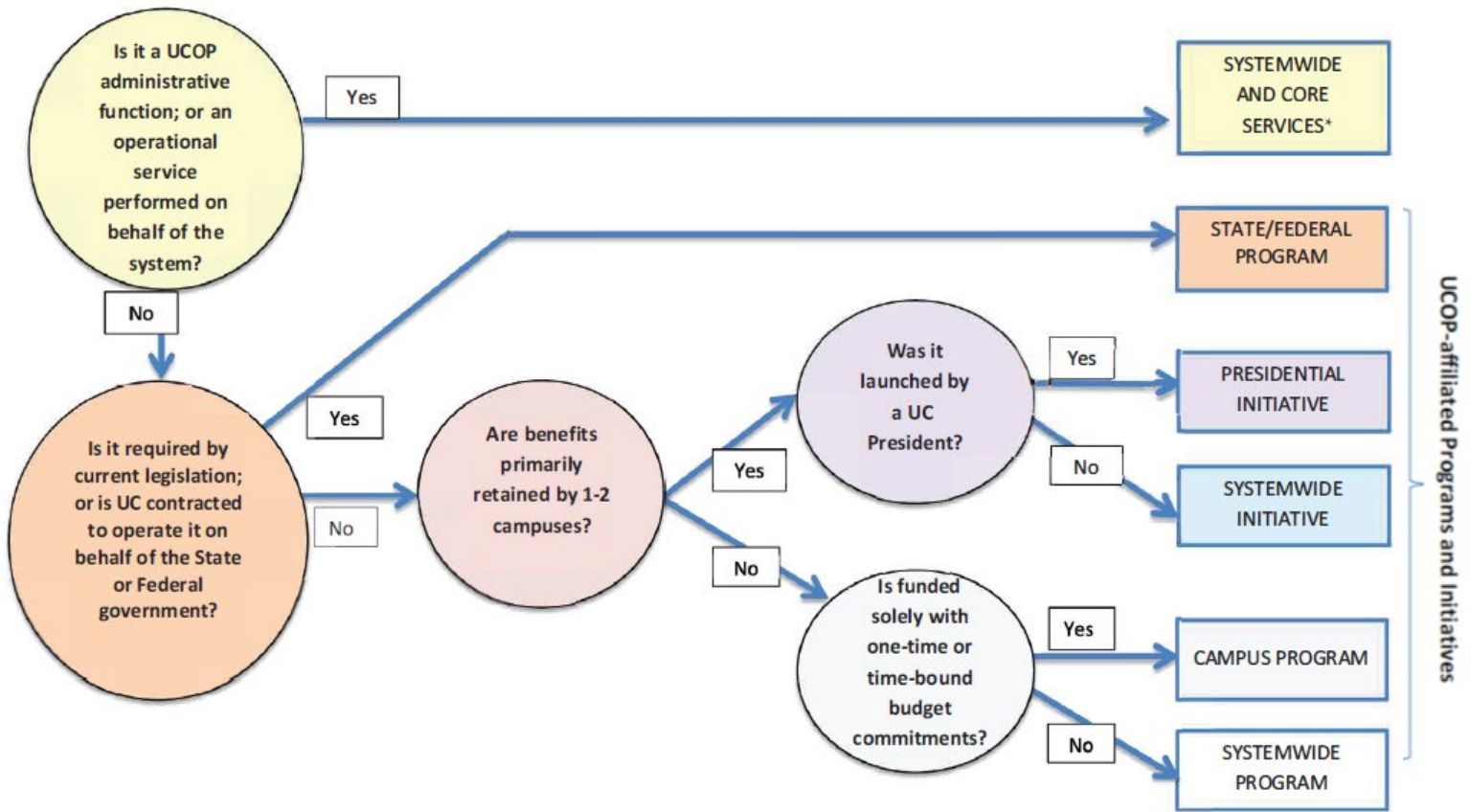
- State/Federal Program: A function that is either required by current legislation, or that UC operates, by contract, on behalf of the state or federal government
- Campus Program: A function that exists solely at one or two campuses and is not systemwide in reach or impact
- Systemwide Program: A function that benefits the state, multiple campuses or entire system, and is funded with ongoing or permanent funds
- Systemwide Initiative: A function that benefits the state, multiple campuses or entire system, and is funded solely with time-bound or single-occasion funding commitments
- Presidential Initiative: A function launched by a UC president to address university, statewide, national or global issues, that is solely funded by time-bound or single-occasion funding commitments

6.7.7.2 Recommended Annual Process

Annual Timing	Task	Owner	Timing	Notes
August	BFP&A creates a new MDS for the new fiscal year, updating the budget columns with the newly approved figures and adding any new programs.	Budget Office	August	*After updating the budget columns, a fresh pair of eyes is recommended to validate that MDS column totals match the totals in the budget item; and to ensure that the MDS formulas are correct.
September	Request for Program Updates	Director, Division Administration for Academic Affairs programs; Budget Office for all other programs	November	* Use automated tools in Smartsheet to send customized request to each program’s contact person listed in MDS to validate and/or update program information.
October	Request for information on new programs; technical assistance to departments on program identification, categorization and information summarization for inclusion in the MDS.	Director, Division Administration for Academic Affairs; Budget Office for all other programs	December	*Limitations with Smartsheet preclude request for program updates and request for new information to be sent at the same time, as different fields need to be locked/unlocked.
December	Launch of Budget Process	Budget Office	December	
January	Budget Data Systems opens for departmental input	UCOP departments	January	
February	Analyze and verify numbers	Budget Office	February	
March/April	Review and Revise	Budget Office and UCOP departments	March/April	
May	Budget for the upcoming fiscal year is submitted for approval by UC Regents	Budget Office	May	

6.7.7.3 Decision Tree for Categorization of UCOP-affiliated Functions

Figure 3. Decision Tree for Categorization of UCOP-affiliated Functions - View Full Description of Images in Appendix D



*Systemwide and Core Services are UCOP administrative support functions or centralized operational services for which there is a clear benefit to having one entity perform on behalf of the entire system, capturing economies of scale.

6.7.8 UCOP Fund Reallocation Plan

As required by the April 2017 CSA audit, UCOP must report to the Regents the accumulated three-year total funds reallocated to campuses as a result of fund balance and UCOP budget reductions. Having reviewed fund balances as of the June 30, 2019 fiscal year-end close for the three years following the audit’s release (2017-2019), and achieved savings as reflected in the FY17-18, FY18-19, and FY19-20 budgets, UCOP identified **total reallocated funds of \$166.3M**, summarized below. The Regents reviewed this information at the November 2019 Regents meeting.

Figure 4: Fund Reallocation

<i>\$ millions</i>	FY17-18	FY18-19	FY19-20	Total Reallocation
Direct	\$ 29.0	\$ 38.4	\$ 20.2	\$ 87.6
Indirect	\$ 4.0	\$ 39.2	\$ 35.5	\$ 78.7
Total	\$ 33.0	\$ 77.6	\$ 55.7	\$ 166.3

UCOP has directly reallocated \$87.6M in fund balances to the campuses, in support of campus housing projects (\$65.5M), campus seismic work (\$7.1M), campus development efforts (\$7M), and the UC Riverside Medical School (\$8M).

Direct reallocations are defined as funds that have been reallocated to the campuses after the June 30, 2017, fiscal year-end close so that the campuses can utilize those funds.

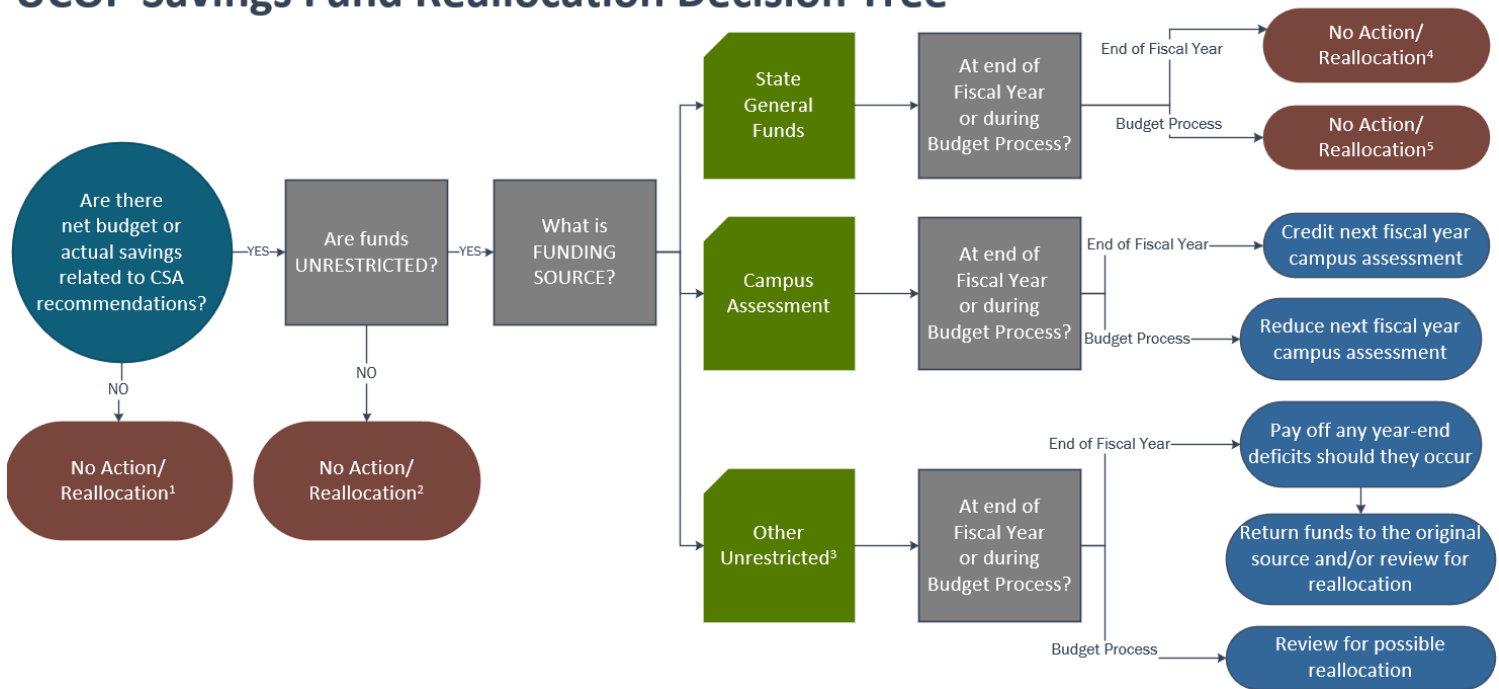
Indirect reallocations are defined as UCOP savings that translated into budget reductions, or the use of fund balances to address budget gaps, both of which reduced the financial resources required of the campuses to support the UCOP budget and the services it provides. Indirect reallocations are largely the result of the CSA’s recommendation to the Legislature to directly appropriate UCOP’s budget, and the resulting decision to hold the budget flat to FY16-17 levels with restrictions against assessing the campuses for any difference. The outcome of those decisions freed up funding for the campuses to be used for other campus priorities.

UCOP has **indirectly reallocated \$78.7M** in funds to campuses by reducing UCOP’s fund balances (\$50.8M) to support strategic priorities that would otherwise have been funded through the assessment. In response to Assembly Bill 97 (FY18-19) and a review of program, salary, and benefit costs, UCOP also reduced operating expenses (\$27.9M) which would also have been funded through the assessment. Of this total, AB97 specifically redirected \$8.6M to fund campus enrollment growth.

As of June 30, 2019, the cumulative impact of the reallocation process has been a **reduction of unrestricted fund balances from \$90.0M to \$0M** to the benefit of the campuses.

Figure 5. UCOP Savings Fund Reallocation Decision Tree – View Full Description of Images in Appendix D

UCOP Savings Fund Reallocation Decision Tree



¹ If no savings, no funds to be reallocated.

² Only Unrestricted funds can be considered for reallocation. Designated or Restricted funds are retained for specifically designated or restricted purposes.

³ Other unrestricted funds are primarily investment income funds. Net savings against these fund sources will be evaluated for reallocation during the annual budget process and after the fiscal year-end close.

⁴ State General Funds are received on an expense reimbursement basis only; no fiscal year-end savings accrue.

⁵ In years where State General Funds replace the campus assessment, no campus assessment funding requests are permissible.

7 SYSTEMS AND DATA INTEGRATION

7.1 OVERVIEW

The primary system supporting the development of UCOP budgets and forecasts is the Planning and Budgeting System (PBS). PBS uses an Oracle cloud-based planning system (Oracle EPBCS) and was implemented in FY 2019-20. The following provides information on UCOP systems, including the flow of data between the systems in support of the budgeting process.

7.2 SYSTEMS

7.2.1 Planning and Budgeting System (PBS)

The Planning and Budgeting System (PBS), is configured from Oracle EPBCS, and includes a web-based collaborative budgeting interface used to facilitate UCOP budget and forecast processes.

The PBS System is supported at UCOP by BFP&A and by IT Services (ITS). Reports are produced for the annual budget submission to the regents and to support budget monitoring and forecasting. UCOP access to PBS can be found through this

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UCOP access to PBS for Budget Liaisons and Budget Partners can be found on the BFP&A website. For more information on this, please reach out to the BFP&A team, or refer to the [PBS information section on the BFP&A website](#).

7.2.2 General Ledger (GL) / Financial Information System (FIS)

The General Ledger is a fiscal management solution that provides effective controls, automated financial processing and real-time reports of financial results.

The General Ledger is the official record for UCOP financials and includes budget transactions, revenue and expense transactions, encumbrances, assets, liabilities, and fund balances. General Ledger data is used to monitor actuals data and compare actuals against the budget. Effective July 2020, UCOP's General Ledger uses [Oracle's cloud ERP solution](#) that introduces an integrated financial reporting and planning technology platform. For more information, please reach out to the Business Resource Center's (BRC) [Compliance, Accounting, Audit & Policy \(CAAP\) team](#).

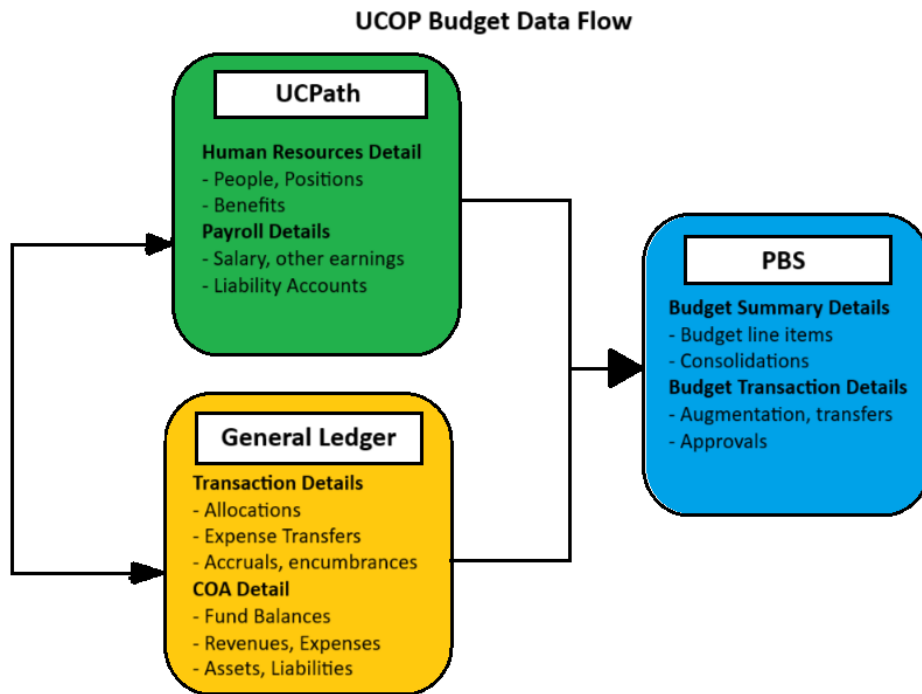
7.2.3 UCPath System (UCPath)

UCPath is the University of California's payroll, benefits, human resources and academic personnel solution for all UC employees.

The UCPath system calculates personnel transaction and expense data for each employee and consolidates it by location, units and departments within a location or personnel action category. The UCPath system is used throughout the year for payroll, benefits human resources transactions, and UCOP Human Resources Department reporting. UCOP BFP&A uses data uploaded from the UCPath system for the UCOP annual budget process. This information is also implemented within PBS as well and is utilized during the budget and forecasting processes throughout the year.

7.3 UCOP BUDGET DATA FLOW

Figure 6. UCOP Budget Data Flow – View Full Description of Images in Appendix D



This diagram represents high-level flows of data but does not include timing and/or activity that may be required to support data integration.

Personnel transaction results and expense data, including payroll and benefits figures, are consolidated and migrated to the General Ledger as journal entries for reporting purposes as well as to establish an official record. Data integrations between UCPATH and the General Ledger occur at least in concurrence with fiscal close procedures at month end, quarter end, and fiscal year-end.

Both UCPATH personnel transaction data and General Ledger transaction details are migrated and consolidated within PBS, which can be accessed through the use of SmartView, or within Oracle Cloud. This data is consolidated and can also be viewed during the forecasting periods throughout the fiscal year.

The PBS System incorporates a Chart of Accounts (CoA) implemented by the systemwide Controller. Through June 2020, UCOP used the General Ledger at UCLA, and data is converted to the CoA through an automated data conversion function in PBS. Effective July 2020, UCOP's General Ledger and PBS provide an integrated solution facilitating real-time data integration and improved analytics. Effective 2024, all campuses have transitioned to the new Chart of Accounts system.

8 BUDGET GUIDELINES

8.1 OVERVIEW

Throughout the development, administration and ongoing management of the UCOP annual operating budget, policies and guidelines are adhered to in order to ensure compliance, consistency, accuracy and transparency. Policies and guidelines may be established by the Board of Regents and UC president and enacted by financial leadership at the Office of the President. BFP&A issues guidance throughout the annual budget cycle to keep staff informed of pertinent information for the development of the budget, including how to implement new and/or revised policies and guidelines in the budget.

As part of the budget process, UCOP aligned the budget presentation with best practices from the Government Finance Officers Association (GFOA), National Association of College and University Business Officers (NACUBO), and input from stakeholders, including the UC Executive Budget Committee. Policies and guidelines were revised and/or established and reflected in the development of the revised budget presentation, including:

- Development of a comprehensive operating budget inclusive of all funds and expenditures including ongoing and limited-term commitments
- New fund restriction guidance and fund classifications
- Implementation of an Operating Reserve policy and related guidelines
- Establishment of a Strategic Priorities Fund and related guidelines
- Definitions and transacting guidelines for a number of key budget areas
- Development of a budget manual

This section outlines the policies and guidelines issued by UCOP governing bodies that impact the creation and ongoing maintenance of UCOP's Operating Budget.

8.2 UC REGENTS POLICIES

The Regents of the University of California annually review and approve the budget for the Office of the President. It is the responsibility of the board to set policy and the responsibility of the university administration to implement and carry out policy. BFP&A, division leaders, the Executive Budget Committee, and the president ensure that development, implementation and monitoring of the annual budget support the policies of the regents, as described at: [University of California Governance Policies](#).

Critical to the implementation of the annual budget, is the approval of the budget presentation by the regents. Regental policy prescribes that there shall be no expenditure of funds by the president or anyone in the Office of the President until such approval has occurred each year.

The UCOP annual budget is subject to all policies of the UC regents, and the following policies are of direct importance:

- [5101: Policy Regarding Approval of Annual Budget for the Office of the President](#)
- [5102: Policy on Use of the University Opportunity Fund](#)
- [5104: Policy on a Central Operating Reserve for the University of California Office of the President](#)
- [5202: Policy on the Use of Endowment Funds for Enrichment](#)

8.3 UC PRESIDENT POLICIES AND GUIDELINES

The president of the University of California is the executive head of the university and facilitates the university's direction, goals and strategy which are reflected in the annual budget. The president is charged with establishing a university environment that complies with law, regulation, policy and ethical principles. Towards this effort, polices and guidelines are issued and it is the responsibility of the university administration to implement and carry out policy. BFP&A, division leaders, the Executive Budget Committee, and the president ensure that development, implementation, and monitoring of the annual budget support the policies of the president, as described at: [UCOP Presidential Policies](#).

8.4 UCOP Financial Policy

The following information regarding financial accountability, including delegations of responsibility and financial stewardship, is available in the [UCOP Financial Policy](#).

8.4.1 Divisional Accountability

The UC Office of the President is structured along divisional lines and each division leader has programmatic, administrative, and budgetary responsibility for the areas under their jurisdiction. Division leaders report to the president of the University of California. The executive vice president, chief operating officer of the Office of the President, is responsible for development of policy for, and oversight of, the budget practices and financial systems for the Office of the President. Each division leader has responsibility for assuring that business practices are in compliance with these policies. As part of the oversight responsibility, each division leader delegates responsibility and accountability for the financial management of UCOP resources to functional units (departments) at UCOP. Each UCOP department is responsible for managing its own financial resources.

The head of each department is responsible for managing the department's financial resources and may delegate the overall financial management administration. If delegated, the department administrator is responsible for developing an appropriate structure for handling the department's financial resources. This will involve delegating a variety of tasks to employees within the department.

8.4.2 Financial Stewardship

Financial stewardship is defined as the responsibility for managing university resources wisely and executing these responsibilities with integrity and ethical conduct, as defined in the [UCOP Financial Policy](#). These resources include time, money, people and property. When UCOP employees manage public resources in an efficient, economical and ethical manner, the result will be better achievement of the university's overall missions of teaching, research and public service.

Stewardship responsibilities encompass total oversight of the resources assigned to each employee as well as those resources available for use. Financial stewardship responsibilities include:

- Spending money wisely and monitoring expenditures
- Purchasing goods and services wisely
- Helping others in their financial stewardship efforts
- Being accountable for your actions, equipment, funding and time
- Encouraging others to be good stewards of their resources

8.4.3 Budgeting Financial Resources

Each operating department at UCOP requires financial resources to perform its role in the university's mission of research, teaching and public service. Each department manager is responsible for ensuring that the department manages financial resources in an efficient and cost-effective manner.

Each department manager shall adopt the following practices to ensure sound financial management:

- A budget must be established annually by the department. The department manager must review and approve the submission of the budget. Budgets are reviewed and approved by BFP&A, division leaders, the UC president and the UC Board of Regents.
- Actual financial results must be compared to the budget to identify changes in circumstances or the business environment, identify and/or correct transaction errors and measure financial performance. When actual financial results vary significantly from the budget, a manager must determine the cause, evaluate the activity and take corrective action.
- Departments must operate within their budget. When expenditures exceed budget, justification for such excess must be provided to the department manager. The department manager must develop a formal plan to eliminate deficits generated.
- All requests for budget or FTE augmentation must be submitted to BFP&A in a Decision Package during the next fiscal year budgeting period.

8.5 UCOP RESERVES GUIDING PRINCIPLES

For more information on UCOP Reserves, access the [University of California Office of the President Reserves Guiding Principles](#) on the BFP&A website.

8.5.1 Best Practices and Benchmarking

UCOP researched the requirements for setting reserve targets and benchmarked peer institutions and concluded that there is no single best practice that can be applied uniformly across all organizations or reserve types. A few of the more than 37 organizations UCOP researched for best practice guidance included:

- Government Finance Officers Association (GFOA)
- North American College and University Business Officers (NACUBO)
- Federal Deposit Insurance Company (FDIC)
- Association of Physical Plant Administrators (APPA)
- Generally Accepted Accounting Principles (GAAP)
- Financial Accounting Standards Board (FASB)
- State of California and Federal Regulations
- Industry benchmarking

8.5.1.1 Operating Reserves Best Practices

Most standards for establishing operating reserves are based on a formula that provides enough unrestricted liquid assets to cover operating expenses for a number of months and takes into consideration the organization's volatility or predictability of revenue sources and operating expenditures. At a minimum, GFOA recommends a target of no less than two months funding to cover operating expenditures. A more commonly established goal is three to six months of operating budget, and within the higher education industry, reserves vary widely based on the institution's needs.

8.5.1.2 Nonoperating Reserves Best Practices

Establishing reserves for the renewal and replacement of capital assets may be based on the value of an asset and its maintenance or replacement cost, or projected project costs. The Association of Physical Plant Administrators (APPA) recommends a reserve level for maintenance between 1 percent to 3 percent of the Current Replacement Value (CRV) of university facilities. A commonly identified target in higher education is up to 10 percent of CRV and/or 100 percent of projected project costs for a set number of years.

8.5.2 UCOP Reserves and Funding Levels

The purpose of UCOP reserves is to ensure the stability of the mission, programs, employment, assets and ongoing operations. The reserves managed and funded at UCOP support the operations, programs, facilities and infrastructure within the scope of the UCOP budget.

UCOP reserves consist of funds intentionally allocated and accrued from fund sources for use in the event of revenue disruption or increased expenses, to fund or maintain assets including buildings and infrastructure, or for future planning purposes. Reserve target funding levels have been established to ensure reserves are appropriately funded.

UCOP maintains the following types of reserves and target funding levels. The adequacy of reserves beyond the minimum is variable and depends on factors such as the reliability of operating revenues and impact of economic conditions among others.

UCOP RESERVE	TARGET FUNDING LEVEL
Building and Capital Assets Reserves	Capital Maintenance and Renewal: 1%-3% of Current Replacement Value (CRV), validated against projected project costs
	IT Infrastructure: 10%-15% of Current Replacement Value (CRV)
Program Reserves	UC National Laboratories (UCNL): reserves for Los Alamos National Lab (Triad) and Lawrence Livermore National Security, LLC (LLNS) set by the regents; funding levels for Lawrence Berkeley National Laboratories (LBNL) reserves set by LBNL and UCNL management
	UC Press: ⁶ Target funding level set by the UC Press Board at one month of budgeted annual operating revenue
	UC Washington Center (UCDC): Target funding for reserve, as set by the UCDC Governing Council, includes the following: <ul style="list-style-type: none"> • Building: 1%-3% of Current Replacement Value (CRV), validated against projected project costs • IT Infrastructure: 10%-15% of Current Replacement Value (CRV) • Operations: At least 25%, or 3 months of annual expense, up to 50% or 6 months
Other Required Reserves	Housing Loan Program: 3%-3.5% of the outstanding balance of the loans
Central Operating Reserve	\$15 million or at least 3.5% of covered funds and expenses, whichever is greater

8.5.2.1 Building and Capital Assets Reserves

The Building and Capital Assets Reserves provide a source of funds for UCOP owned- and maintained-buildings, parking facilities, and capital assets to maintain assets in good working order or fund asset renewal, maintenance and renovation projects.

Building and Capital Assets Reserves include the following:

- **Capital Maintenance and Renewal Reserve**
The Maintenance and Renewal Reserve supports the maintenance and renewal of UCOP owned- and maintained-facilities and provides protection against unforeseen issues and emergencies for facilities, assets and infrastructure that may arise during the year. UCOP maintains this reserve at 1 percent to 3 percent of Current Replacement Value (CRV) of UCOP owned and maintained facilities, validated against projected project costs.
- **Information Technology (IT) Infrastructure Reserve**
The IT Infrastructure Reserve supports the maintenance and renewal of UCOP owned- and maintained-information technology assets and provides protection against unforeseen issues that may arise during the year. UCOP

⁶ UC Press is the nonprofit publishing arm of the University of California system.

maintains this reserve at 10 percent to 15 percent of Current Replacement Value (CRV) of UCOP owned- and maintained-information technology assets.

8.5.2.2 Program Reserves

Reserves for self-supporting programs are reviewed with and recommended by associated governing boards, where applicable and calculated annually. These reserves are reviewed by UCOP and included in the UCOP budget presentation.

University of California National Laboratories Reserves

The University of California National Laboratories (UCNL) provides contract management and oversight of Lawrence Berkeley National Laboratories (LBNL) and ensures UC obligations in the limited liability companies (LLCs) that hold contracts to operate Los Alamos National Laboratory (LANL) and Lawrence Livermore National Laboratory (LLNL). UCNL reserves ensure self-sufficiency of the National Laboratory enterprise without resorting to UC institutional or state funding and limit the university's risk exposure for post-contract liabilities, unanticipated disruption in revenue, natural disaster, and to support future contract competition.

The UC Board of Regents approved, and annually reviews, the reserves that support the university's obligations to the Triad, the limited liability company (LLC) for Los Alamos National Laboratory (LANL), and Lawrence Livermore National Security (LLNS), the limited liability company (LLC) for Lawrence Livermore National Laboratory (LLNL) as follows:

- **Triad and LLNS-LLC Post-Contract Contingency:** Enables the university to fund any potential residual liabilities to the LLC upon expiration or completion of the contract, or to the Department of Energy under its performance guarantee⁷. By approval of the regents, these reserves may be accessed for other reasons, such as to compete for future contracts should the university choose to do so. The target funding of this reserve is established by the UC regents and determined based upon prior contract closeout/liability expenses and projected recompetition expenses.
- **Triad and LLNS Fee Contingency:** Ensures continued funding of operational liabilities in the event of disruption to Triad and LLNL fee income. The target funding of this reserve is established by the UC regents and currently maintained at nine months to twelve months of operating expenses due to the high-level of risk for disruption in revenue.

UCNL also maintains reserves associated with the Lawrence Berkeley National Laboratories (LBNL) which are reviewed annually with LBNL management. These reserves are primarily funded by fee and other income from LBNL and used to support LBNL and the university as follows:

- **LBNL Post-Contract Contingency:** Protects against the risk of residual liabilities to the university upon completion of the LBNL contract, as well as liabilities in any given year that may exceed net fee income earned for that year. The target funding of this reserve is set based upon prior contract closeout/liability expenses.
- **LBNL Building Commitment:** Ensures continued ability to support the outstanding debt and required debt service payments on LBNL/university-owned buildings. The established target funding level was established by the regents and LBNL at the time the debts were authorized and are based on LBNL's responsibilities for meeting the debt obligations of this multidecade debt. This includes is an expectation to carry a minimum balance of one full

⁷ "Allocation of Los Alamos National Security LLC and Lawrence Livermore National Security LLC Fee Income to be expended in Fiscal Year 2013-14." University of California, 17 Jul. 2013.

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year of the annual debt service obligation, up to 1 1/2 years, and an amount equal to one year of lab fees, to maintain sufficient funds to meet debt obligations in the event of disruption to lab fee funding.

- **LBNL Guest House Renewal and Replacement:** Supports the renewal or replacement of the LBNL-owned and -maintained guest house. Funds for this reserve are primarily from the proceeds of operating the Guest House. Currently, an annual amount equal to 25 percent of the debt service payments is placed into this fund.

UC Press

The University of California Press is one of the six largest university publishers in the United States, and the only one associated with a public institution. As the nonprofit publishing arm of the University of California system, UC Press functions as a unit of the Office of the President and is not associated with any one campus.

In 2018, the UC Press Board of Directors, including the provost for the University of California, reviewed its risk profile and industry standards, and established a reserve policy to protect the organization from unexpected disruption in revenue. The target funding level for the UC Press Reserve is one month of annual budgeted revenue.

UC Washington Center (UCDC)

The UC Washington Center (UCDC) is a multicampus residential, instructional and research center that provides students and faculty from the University of California with opportunities to study, research, work and live within Washington's rich cultural, political and international heritage. The program is housed in an 11-story building in a lively neighborhood a short walk from the White House with room for more than 270 students.

The UCDC Reserve is established to support operations in the event of unexpected disruption in revenue, for the renewal and maintenance of its assets, and for future planning purposes. The reserve funding level takes into account the following:

- **Building: 1 percent to 3 percent of Current Replacement Value (CRV), validated against projected project costs**
- **IT Infrastructure: 10 percent to 15 percent of Current Replacement Value (CRV)**
- **Operations: At least 25 percent, or three months of annual expense, up to 50 percent or six months**

8.5.2.3 Other Required Reserves

UCOP may be required to maintain reserves for certain assets and/or liabilities by regulatory agencies and/or internal required based on an asset and risk portfolio. Required reserves are maintained to protect against unexpected costs increases that exceed UCOP's ability to absorb them in the operating budget, and to address financial risk in an asset portfolio.

Systemwide Housing Loan Program Reserve

The University of California Housing Loan Program provides housing assistance programs for the recruitment and retention of faculty and senior managers in support of the education, research and public service missions of the University of California. The Mortgage Origination Program (MOP) provides first deed of trust variable rate loans, and a reserve is established to protect against risk of defaults due to changes in housing prices and interest rate increases. UCOP maintains a Housing Loan Program Reserve at 3 percent to 3.5 percent of the outstanding balance of the loans originated by the University of California.

8.5.3 Funding Reserves

The UCOP BFP&A annually reviews reserves with UCOP reserve owners as part of the budget process and also after fiscal year-end close to review their reserve fund(s) and confirm the plan for maintaining reserves at the recommended level. If applicable, these reviews will address reserve balances that are over- and under-reserved and include a recommended course of action. As part of this review process, self-funded programs will consult with and report to their associated governing bodies as needed.

In the event that a reserve is less than 50% of the minimum target reserve level for two consecutive years, UCOP Budget & Finance and the departmental reserve contact shall develop a plan to rebuild reserves to the targeted level over the next two fiscal years, which may include budgeting funds for replenishment in the UCOP operating budget. The approval of the annual budget serves as the adoption of proposals to replenish reviews to appropriate targets.

8.5.4 Use of Reserves

Transactions that result in the flow of funds out of a reserve must be approved within the appropriate Division through the Established delegation of authority. Self-funded programs may also review plans for the use of reserves with their associated governing boards, subject to delegation of authority. Planned reserve fund spending must be accounted for and reported in the annual UCOP budget proposal which is reviewed by the president and approved by the regents.

In the case of requests for funds out of the Central Operating Reserve, the president will notify the chair of the Board of Regents, the chair of the Finance and Capital Strategies Committee, and the chair of the Compliance and Audit Committee before funds are drawn from the Central Operating Reserve. Access to funds beyond \$15 million would require approval from a majority of votes of the chair of the Board, chair of the Finance and Capital Strategies Committee and chair of the Compliance and Audit Committee.

8.5.5 Reporting and Monitoring

UCOP BFP&A will monitor and report reserve spending as part of their normal reporting and forecasting processes throughout the year. Any adjustments made to the target funding levels and/or funding mechanism(s) follow the delegation process and the UCOP budget manual guidelines related to budgeting and forecasting.

UCOP reserves, including target levels and balances, are reported to the Board of Regents biannually as part of the annual budget presentation in May and reporting of the fiscal year-end close in November. In addition, self-supporting programs will review and recommend reserves with their governing boards at least annually.

8.5.6 Reserves vs. Fund Balances

Previously, several UCOP reserves were maintained as a subset of a program or function's operating fund balance(s), rather than in a separate reserve account. Beginning with the FY 2019-20 Budget, reserves will be managed and maintained separately from operating fund balances, in order to manage each more effectively and transparently.

A **reserve** is the portion of net assets formally designated and intentionally accrued to sustain financial operations in the unanticipated event of losses in operating revenues, mitigate unbudgeted increases in operating expenses, address one-time needs that further the mission of the program, maintain assets in good working order, and/or funds asset renovation projects, as required by UC or regulatory agencies.

A **fund balance** is the net position, or the cumulative revenues (sources) received in excess of expenditures (uses) for a given fund. Fund balances often result from (a) differences in the timing of budget appropriations, expenses and revenues or (b) incurring lower expenditures than initially budgeted. Fund balances can be measured at any given point in time, but for the purposes of the UCOP budget, fund balances are forecasted as part of the annual budget preparation process and then reviewed after fiscal year-end close. Fund balances are categorized by **fund type** (i.e., restricted funds, designated funds, or unrestricted funds).

Operating **fund balances** result from either savings relative to the budget or timing of multiyear funding and expenses across fiscal years. Operating fund balances may be:

- **Committed for a specific, and often one-time, purpose and/or priority**
- **Encumbered by contractual obligations to expend funds**

Remaining fund balances are the operating fund balances that remain after commitments and encumbrances. Remaining balances for restricted and designated funds are typically due to differences in the timing of appropriations, revenues and expenses, and per the fund definitions, which funds are considered committed to their intended purpose. Unrestricted and designated fund balances are evaluated for allocation to UCOP and/or campus budgets.

UCOP forecasts and evaluates fund balances as part of preparing the annual budget for the regents' review and approval in May and reports actual fund balances as part of the prior year budget to actuals report for the regents' review in November, after the fiscal year-end process has closed. The process for reallocating funds is documented in [Section 6.7.8](#).

8.5.7 Governance and Compliance

Function	Responsibilities
President	Approve reserve levels through the UCOP annual budget process; notify regents when the Central Operating Reserve is utilized
Chief Operating Officer	Review UCOP reserve target funding level and funding mechanism as part of the annual budget process approve covered funds and expenses when changes are required to scope of reserve coverage
UC Provost	Review UCDC and UC Press reserve target funding levels and funding mechanisms and funding requests that draw down the reserves
Executive Director, UCOP Operations	Convene work group to review guidelines for the Central Operating Reserve every three years or whenever there is a change of 10% or more to the UCOP budget
Executive Director, UCOP BFP&A	Review reserve balances on an annual basis; recommend covered funds and expenses; report on reserves to the UC Board of Regents, as part of the annual budget presentation and after fiscal year close
Program Reserve Governing Board	Perform the oversight and/or advisory functions as outlined in the board’s charter, which may include the review and recommendation of reserve funding levels, funding mechanisms, and funding requests to draw down the reserves; ensure alignment with the funding and reporting requirements of UCOP

8.6 UCOP CENTRAL OPERATING RESERVE

The regents require that the University of California Office of the President (UCOP) maintain a Central Operating Reserve to support operations in the event of an unanticipated disruption in planned funding. The reserve funds may be used to cover ongoing budgeted expenses such as payroll and other operating expenses. The Central Operating Reserve shall not be used for other purposes. The president shall have the authority to establish and amend guidelines that specify the size and funding source(s) for the Central Operating Reserve. Access to reserves above the threshold stipulated in the Central Operating Reserve Guidelines shall require approval of the regents as outlined in [5104: Policy on a Central Operating Reserve for the University of California Office of the President](#).

[Presidential Guidelines for the UCOP Central Operating Reserve](#) outline the scope, requirements, funding, and reporting, monitoring and compliance for the Central Reserve. Key points include:

- The Central Operating Reserve shall have sufficient funds to cover immediate costs for UCOP budgeted expenses such as payroll and other ongoing operating expenses in the event of an unanticipated one-time disruption in funding;
- UCOP shall fund the Central Operating Reserve through the President’s Endowment Fund (PEF) by designating \$15 million or at least 3.5 percent of covered funds and expenses, whichever is greater, in the PEF for use only as Central Operating Reserve funds;
- In the event that the impact of an unanticipated disruption in planned funding exceeds the Central Operating Reserve balance, the Central Operating Reserve may be supplemented up to an additional \$100 million or up to three months of covered funds and expenses, whichever is more, with funds from a variety of sources (e.g., a loan from the Short-Term Investment Pool (STIP) or special payout from unrestricted endowment funds, etc.) as recommended by the chief financial officer and approved by the president;
- Transactions that result in the flow of funds out of the Central Operating Reserve must be reviewed by the COO and approved by the president. Additionally, the president will notify the regents before funds are drawn from the Central Operating Reserve; and

- The Central Operating Reserve level shall be reviewed and reported annually by the executive director of UCOP BFP&A. The target reserve level would be reviewed by the president whenever there is a change of more than 10 percent to the UCOP budget or at least every five years.

8.7 STRATEGIC PRIORITIES FUND

The [Presidential Guidance Governing the UCOP Strategic Priorities Fund](#), requires that UCOP maintain a Strategic Priorities Fund to provide funding for one-time and limited-term strategic priorities and projects; and urgent, emerging issues for UCOP, the campuses and the UC system; and to support initiatives and collaborations that serve the mission of university.

- **Target:** The Strategic Priorities Funds should be budgeted at \$30 million annually. The \$30 million budget may be adjusted based on projected business needs through the annual regents budget approval process or during the year by approval from the regents.
- **Funding:** The Strategic Priorities Fund shall be included in the annual budget. The source of funding shall be designated/unrestricted funds (e.g., variable interest and income, annual scheduled unrestricted endowment payouts, campus assessment funds and other unrestricted sources) as identified by UCOP BFP&A and approved by the president and the regents as part of the overall UCOP budget. The contributions of each funding source may vary depending on funding availability and will be determined during each annual budget cycle.
- **Allowable expenditures:** The Strategic Priorities Fund is available for emerging, urgent and planned one-time or limited-term presidential, strategic priorities, initiatives and projects that benefit a campus, campuses, system, or the global communities served by the university. It is not intended to support ongoing operating expenses, one-time or limited-term UCOP staffing expenses not associated with an approved project, or funding for UCOP or campus budget omissions.
- **Approval:** Presidential approval is required for all expenditures from the Strategic Priorities Fund. All requests require documentation via the Supplemental Funding Request (SFR) process. In addition, all commitments over \$5 million require documented approval of the chair of the Board of Regents; and
- **Monitoring and Reporting:** The Strategic Priorities Fund balance shall be reviewed quarterly to ensure that appropriate payments and reimbursements have been made and that the fund balance is accurate and up to date. It will be included as a line item in the UCOP annual operating budget and actual commitments, payments and projected expenses will be reported to the regents with the annual budget submission. Project or initiative outcomes and actual expenditures will be monitored, tracked and reported.

8.8 ALL FUNDS BUDGETING

All funds budgeting is a comprehensive financial framework structured to present an enterprise-wide view of UCOP's budget, incorporating all operating funds into the official budget. The all funds model expands the budget from a control mechanism to a strategic management viewpoint. With the inclusion of revenue sources, the expanded budget view enhances understanding of how and whether financial resources are allocated to support institutional objectives, integrating the budget with strategic and capital plans.

Why All Funds Budgeting?

- Ensures budget allocation decisions are made with a view to all available sources and uses
- Increases confidence in maximizing the utility of all funds
- Incentivizes actions to maximize revenue and reduce costs
- Enhances distributed accountability and improve long-term financial sustainability

The budget focus of an all funds model shifts from an “accounting” perspective of balancing the budget to a strategic perspective of ensuring funds are available to meet the university’s strategic objectives. UCOP recognizes that the implementation of an all funds budget will provide stakeholders additional transparency into the flows of revenues between the systemwide office and campuses/external entities, while clarifying the net administrative expenditures upon which UCOP uses to deliver its mission.

8.9 MULTI-YEAR PLANS

UCOP deploys a multi-year planning process to extend the UCOP financial planning horizon from one year to three years. The three-year plan supports alignment and integration with the UCOP strategic planning process. Over a three-year cycle UCOP can evaluate alternative financial scenarios based on key assumptions and drivers including revenue, costs, the impact of external, economic and political factors, and needed capital project investments.

8.9.1 Multi-Year Planning Benefits

Multi-year budgets must align to the UC president’s vision for the university system, and this provides key stakeholders with the projected needs of UCOP to fund and execute these goals. The process defines and socializes a common understanding of midterm to long-range priorities and related costs. These may include multi-year financial commitments, other projects and initiatives and capital project investments. By developing driver-based models, UCOP can identify funding requirements and consider model sensitivities to manage with greater foresight.

By developing scenarios, there is a greater ability to communicate UCOP financial requirements and priorities to internal and external stakeholders including the state and the campuses. These communications will continue to provide transparency and demonstrate the value, financial and social benefits of UCOP programs and services. Models should include projected funding requirements for UCOP including fund and reserve balances. This process improves long-term financial predictability and stability for the university’s central headquarters.

Lastly, with better alignment and evaluation of UCOP core competencies in support of the campuses, UCOP can improve core competencies and adjust trade-offs over longer periods that can influence programs and their durations. For more information please reach out to BFP&A, as well as the process and timeline.

8.9.2 Multi-Year Planning Key Components

UCOP will use a three-year planning horizon, as follows:

- Reporting will include the latest full year of actual results and the current fiscal year budgeted at the *detail* level (the Regents approved annual budget)
- The first year of the three-year Plan will be budgeted at a *detailed* level to develop an improved twenty-four-month outlook.
- Years 2 and Year 3 will be projected based on key modelling assumptions and drivers established by the UCOP BFP&A and UCOP leadership
- Multi-year budget scenarios will be developed to reflect potentially different outcomes based on impacts to funding, investments, and expenses

8.9.3 Multi-Year Planning Inputs, Drivers, Dependencies, and Constraints

UCOP will leverage available information for multi-year budget inputs as well as model drivers or assumptions that include, but are not limited to:

- The UCOP Strategic Framework and divisional Strategic Plans
- The UCOP Workforce Plan
- Program & initiative evaluations and assessments
- Organizational reviews
- Project and SPF timelines over multiple years
- Reviews of UCOP budget-to-actuals data and forecasts
- Economic outlooks and forecasts
- Overall systemwide priorities, financial health and pressures
- Projections of funding availability, cost of employee benefits, talent market, inflation, financing costs, etc.
- Overall political environment including legislation impacting revenues, costs and labor relations
- UC-wide strategy and planning efforts, including annual strategy, planning and review meetings with the campuses and health centers

The planning process must consider a number of dependencies to be effective. The primary goal is to align financial models with the UCOP strategic planning process and accurately reflect the cost of implementing presidential goals over three years. The planning should be assumption-based, and must consider overall funding limits and constraints. Some of these limits can include workforce limitations, control over funding levels, types of funds, and fund and reserve balances.

8.9.4 Annual Timeline and Process

The UCOP Strategic Framework and divisional Strategic Plans are developed by UCOP leadership and facilitated by the UCOP Strategy and Program Office (SPMO). The framework and plans are updated periodically and provide the strategic direction for the development of multi-year budgets. This planning occurs on a schedule developed by leadership and the SPMO to update plans throughout the year on a rolling basis so that by the fall of each year they are relatively current and can inform the multi-year budget process. The UCOP workforce plan, which UCOP Human Resources manages in consultation with leadership, will also be reviewed and updated annually so that the strategic plans and workforce plan are integrated.

The UCOP Strategic Framework and divisional strategic plans and the additional inputs listed in number 4 above will be the foundation for beginning the multi-year budget process each year. The multi-year budget commences each October and extends through mid-December. The multi-year planning process is predominantly an internal planning process and will be used to inform the development of yearly budgets that kick off in December. The process and timing are described below:

- April-October: UCOP strategic framework and divisional plans updated, organizational reviews, program evaluations are completed
- July - October: The multi-year plan is developed
- December: BFP&A launches the budget process for the next year's budget
 - a. Planned system updates are completed
 - b. UCOP-specific assumptions are identified and documented
 - c. The UC systemwide budget is presented to the Regents, including systemwide assumptions that UCOP and all campuses will use to prepare the budget
 - d. The UCOP past year budget-to-actuals and current year Q1 actuals are presented to the Regents
- January: The Q2 budget-to-actuals and forecast for the current year and the budget process for the subsequent year are launched in the PBS system and throughout UCOP

- March: The UCOP Mid-Year Item is presented to the Regents providing Q2 (first-half or six months) budget-to-actuals and forecast for the current year. The Q3 forecast for the current year is launched in the PBS system and throughout UCOP.
- May: The UCOP annual budget proposal is presented to the Regents and includes the Q3 forecast for current year
- July 1: The budget year begins

8.9.5 Roles and Responsibilities

The roles and responsibilities for the multi-year planning process are distributed across the UCOP organization.

- The **UC President** establishes the vision and high-level strategic framework for the UC Office of the President.
- The **SPMO** leads the UCOP strategic planning annual refresh process.
- UCOP **HR** leads the annual workforce planning refresh process.
- **Division Leaders** evaluate their goals and develop their strategic and workforce plans to align with the president's vision and identify tactics and necessary resources and investments.
- **Chiefs of Staff** consolidate their divisional needs and work with the SPMO and UCOP BFP&A to prioritize prospective plans.
- The **Executive Budget Committee** meets throughout the year to provide input from the campuses and Academic Senate.
- **UCOP BFP&A** leads the overall budgeting effort, coordinates with UC Systemwide Business Analysis and Planning to understand macroeconomic, State of California, and other external inputs, develops the three-year model and coordinates the completion of pro-forma financials.

8.9.6 Deliverables

The annual multi-year plan will include the following key deliverables:

- Executive summary to provide alignment between the overall vision of the president and the financial plan along with summary findings and conclusions
- Summary of significant planning assumptions
- Three-year pro-forma financial outlook for UCOP
- Submission (as applicable) of alternative scenarios with trade-offs and financial implications

8.10 BUDGET GUIDELINES

Guidelines developed by BFP&A with consultation of UC leadership and stakeholders, and in alignment with regental and presidential policies, are documented throughout the *Budget Manual* to assist the development, implementation and maintenance of the UCOP annual budget. UCOP budget guidelines include:

- Budgeting of all UCOP core operation expenses and revenues within the Planning and Budgeting System
- Budgeting ongoing and one-time expenditures
- Developing an all funds budgets
- Developing and monitoring the forecast
- Submitting requests for carryforward
- Others as described in the *Budget Manual*

BFP&A issues guidance throughout the budget process to assist departments in the development of their annual budgets. The guidance includes pertinent information specific to the budget development for the fiscal year ahead.

9 BUDGET PLANNING ASSUMPTIONS

9.1 OVERVIEW

Each year the annual budget must consider the dynamic fiscal and higher education environment including changing priorities and the need to balance resources. The Office of the President's annual budget focuses on placing resources to best support the UC campuses and the university's mission. Budgets can change each year based on variable revenue streams, expense structures, strategic projects, internal and external factors, needs of key stakeholders, such as students, faculty, staff and more. Each annual budget requires a strategy to optimize UCOP expenditures within available resources to provide the best outcome for undergraduate and graduate education, research and public service.

As part of the annual budget process, UCOP BFP&A evaluates the key budget drivers to determine a high-level of understanding or framework for the budget. This can include opportunity areas that would benefit from increased investment, areas that may be able to reduce costs, and risk areas that may currently be under-resourced. These primary risks and opportunities are identified both in the central management of administrative functions that leverage efficiency across the system, and academic programs and initiatives that advance the teaching and research mission.

The annual budget assumptions are incorporated into the guidance issued to the divisions by UCOP BFP&A which have been reviewed with budget liaisons, division and department leaders, the Executive Budget Committee, and the president. To provide a general overall timeline, two essential documents -- UCOP Key Budget and Planning Dates and UCOP Budget Checklist -- are included in Appendix C in this document. Additional budget preparation documents for the two most recent fiscal years, including the UCOP Budget Call and Budget Call Attachment, can be found on the [BFP&A website](#), or by reaching out to your BFP&A representative.

The following section details assumptions that are regularly evaluated as part of the annual budget process and included in the budget call letters. From year to year, additional assumptions may be evaluated to meet specific priorities and targets.

9.2 ANNUAL BUDGET ASSUMPTIONS

The following indicate regular drivers that are analyzed for impact on the annual budget. Additional assumptions may also be analyzed as needed to align with targets and priorities specific to that budget cycle.

Budget Driver	Overview
Expense Budget Target	Targets may be set each year to limit or grow particular areas of the budget. Targets may be issued in \$ or %
Salary and Benefits Planning	
<ul style="list-style-type: none"> • Headcount 	Targets may be set each year to limit or grow the budgeted headcount for UCOP
<ul style="list-style-type: none"> • Vacancy Factor 	Savings factor built into the budget to account for vacancies related to planned hiring and turnover, which is budgeted as an offset to salaries.
<ul style="list-style-type: none"> • Vacation Accrual 	Assumption set annually to plan for the amount of vacation liability to be accrued and the amount of accrued vacation to be paid through payroll
<ul style="list-style-type: none"> • Merit 	Assumption set annually for the planned annual employee merit program
<ul style="list-style-type: none"> • Other Salary Actions 	Budget determined annually for planned costs related to promotions, STAR awards and administrative stipends
<ul style="list-style-type: none"> • Benefits 	Assumption set annually for increases/decreases to the composite benefit rate, retirement and other related costs
General Automobile and Employee Liability (GAEL)	Assumption set annually for the planned GAEL expenses
Short-Term Investment Pool (STIP)/ Total Return Investment Pool (TRIP)	Revenues from STIP and TRIP estimated annually using a straight-line forecast based on actual revenues from the current and prior fiscal years
Endowment Payout	UCOP Endowment and Investment Accounting group provides annual estimates of endowment payouts by fund, including the President’s Endowment Fund and Searles Fund ⁸

⁸ The Searles Fund is an endowment purposely intended to finance “general purposes” of the University of California which frequently cannot be covered by more restrictive funding sources.

10 BUDGET METHODOLOGY AND ANALYSIS

10.1 OVERVIEW

This section of the *Budget Manual* documents the methodologies and analyses used to develop the annual budget and to monitor performance during the fiscal year. This section reviews budget guidelines while outlining the supporting assumptions and calculations used.

10.2 REVENUES

UCOP budgets for revenues differently based on fund group:

- **Restricted Revenues** – Revenues which are subject to external, third-party imposed restrictions on how the funds can be used per generally accepted accounting principles
- **Designated Revenues** – Revenues which do not have external restrictions, but do have internally-imposed designations for how the funds can be used within UCOP (e.g., regents-designated or designated for a specific purpose including self-supporting programs or funds for purposes approved by campuses)
- **Unrestricted Revenues** – Revenues which do not have external restrictions or internally-imposed designations for the use of the funds

UCOP calculates the anticipated revenue from revenue sources and enters planned amounts by fund code in the annual budget. The methodologies for calculating the revenues for UCOP's operating budget in each of these fund groups are described below.

10.2.1 Restricted Revenues

Restricted revenues are received from external, third-parties who have placed restrictions on their use. The revenues are considered restricted until the specific resources are used for the required purpose or for as long as the provider requires the resources to remain intact. Restricted revenues may be expendable for a specific purpose or nonexpendable if the provider requires the university to permanently hold the funds. Examples of restricted revenues are contracts and grants, gifts and endowments, and special federal and state appropriations.

Divisions and departments estimate the restricted revenues for the upcoming budget year based on the revenue source:

- For **contracts and grants**, UCOP typically bases contract and grant estimates on current agreements with the contracting or granting agencies. If the contracts and grants are reimbursement-based, the division or department estimates the expenses for the coming fiscal year, including subawards, and assumes that the revenues will equal expenses;
- UCOP budgets for **gift and endowment** revenue is based on agreements with donors or foundations. The Endowment and Investment Accounting Unit within UCOP provides annual endowment payout estimates by fund for the upcoming fiscal year to BFP&A;
- A significant source of restricted revenue is special **state research funds**, such as Tobacco-Related Disease Research and Breast Cancer Research. These state revenues are intended for research and related work, to be granted through a peer review process to California-based researchers and administered by UCOP. UCOP estimates these restricted revenues based upon information from the state budget process, in conjunction with expected allocations and awards to researchers. Because these funds are reimbursement-based, UCOP only

budgets for revenues, the amount that is expected to be allocated and awarded during the year, not the total revenue that the state of California appropriates annually for those funds; and

- UCOP budgets for other **sources** of restricted revenues based on various factors that may be unique to each fund source.

10.2.2 Designated Revenues

Designated revenues are a subset of unrestricted revenues which UCOP receives from external or internal sources that UC has designated for specific uses. Designated revenues do not have restrictions on their use by third parties. UCOP budgets for the designated revenues in two ways based on the amount of control UCOP has over the revenue source:

- **Centrally controlled revenues** are revenues based on the estimated expenses associated with managing the fund. Examples of these revenue sources include the Asset Management Fund, the Bond Management Fund, etc. Each of these funds requires management activities that form the basis of the estimate; and
- **Other designated revenues** are generated through means that UCOP cannot centrally manage (e.g., tuition revenue for UCDC and management fees from the National Laboratories). Divisions estimate revenue based on an analysis of relevant metrics (e.g., anticipated enrollment for tuition-based programs such as UCDC, or expected federal funding for the National Laboratories).

10.2.3 Unrestricted Revenues

Unrestricted revenues can be received from external or internal sources and allocated for any purpose, with no externally imposed restrictions or internally imposed designations. BFP&A estimates the amount of unrestricted revenues during the budget development process, focusing on five unrestricted revenue sources:

- **State General Funds** – Periodically, UCOP has received revenue appropriated by the state of California to support its general operations in lieu of the campus assessment. When this occurs, this funding is provided to UCOP on a reimbursement basis. This revenue is retained in Fund 19900, which is UCOP's state general fund, and is used to cover many of the core activities and operations required by the university to accomplish its mission.
- **Campus Assessment - The campus assessment funding stream model is deployed** to collect funds from the UC campuses in support of UCOP's central administration, operations, common good services and UCOP-affiliated systemwide academic programs and initiatives. Campus Assessment Funds historically have been the largest source of unrestricted revenue in UCOP's annual operating budget. In years when the majority of unrestricted funding for UCOP comes from the Campus Assessment, UCOP estimates the expenses for the upcoming year and determines the campus allocations based on an agreed upon formula (campus expenditures, total students, and total academics and staff). As part of this process, UCOP does not submit reimbursement for State General Funds.
- **Investment Revenue** is revenue generated through financial returns from endowments and investment pools. Investment revenue typically comes from endowments, such as the President's Endowment Fund (PEF) and Searles Fund, and investment pools for working capital, such as the Short-Term Investment Pool (STIP) and the Total Return Investment Pool (TRIP). These endowments and investment pools generate revenue by investing capital and generating financial returns, which UCOP can use to fund its operations. BFP&A estimates revenues from STIP and TRIP using a straight-line forecast based on actual revenues from the current and prior fiscal years. The Endowment and Investment Accounting Unit within UCOP provides an estimate to BFP&A in the spring for revenue generated from the PEF and Searles Fund; revenue from these endowments are recorded during the year in which the income is earned and budgeted in the following year.
- **Auxiliary Revenues** are revenues from the sales of goods and services to external entities through auxiliary enterprises within UCOP such as UC Press, which sells books and journals to the public.

- **Other Third-Party Revenue** is revenue generated from third-party entities for other activities like rent paid to UCOP for the use of its facilities. For these revenue sources, divisions estimate the revenue based on analysis of relevant metrics – like rent on facilities for the Building and Administrative Service Center or book sales for UC Press.

10.3 EXPENSES

This section of the *Budget Manual* documents the guidelines, methodologies, assumptions and analyses used to determine the expenses for UCOP's annual operating budget. UCOP budgets for two major categories of expenses:

- **Compensation** – Expenses entailing the salaries and benefits for its employees
- **Non-compensation** – Expenses that reflect the other, additional costs of operating UCOP on a regular basis, including things like supplies, travel, membership dues, utilities, etc.

During the budget process, UCOP calculates and determines that amount of these expenses for the operating budget in one of two ways:

- **Centrally Budgeted** – BFP&A centrally calculates the amount for certain expenses and distributes them across the divisions or central funds
- **Division Submitted** – Divisions project certain expenses and submit them to BFP&A for review and updates

Many of the centrally budgeted expenses reflect the implementation of organization-wide policies, while those that are submitted by divisions reflect their changing operational priorities and needs.

10.3.1 Compensation

There are three primary types of compensation expenses at UCOP:

- **Salaries**, which are submitted by the divisions and updated or reviewed by BFP&A
- **Benefits**, which are calculated based on an established rate that is managed centrally by BFP&A
- **Other compensation actions** such as stipends, promotions, etc., which are budgeted centrally by BFP&A

Each of these categories of compensation expenses are managed slightly differently between BFP&A and the division. The following sections identify how UCOP budgets for compensation expenses.

10.3.1.1 Salaries

The largest expense category in UCOP's operating budget is planned salary expenditures, which also directly impacts planned benefits expenses and other compensation expenses. UCOP calculates salary expenses through:

- A **submission** of planned salary expenses from the divisions
- A **budget variance analysis** between the upcoming fiscal year and the prior fiscal year to determine if divisions are requesting more funding than prior years
- A **position reconciliation** between the Planning and Budgeting System (PBS) and the UCPATH payroll system to ensure all filled positions are included in the operating budget and to determine if any vacancies should be eliminated. BFP&A works in conjunction with UCPATH to eliminate these inactive positions.

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- A **vacancy factor** calculation, which estimates the difference between budgeted salaries and prior year actuals due to turnover and vacancies, and reduces the budgeted salary expenses accordingly

Salaries: Budget Submission

Budget liaisons work with department managers and division leaders to estimate the amount of salary expenses in PBS based on the upload from UCPATH for all existing and planned positions, including estimated FTE and salaries (including known stipends, raises and other compensation changes).

Entry in the Planning and Budgeting System aligns with workforce plans and incorporates guidance communicated in the budget call.

Salaries: Budget Variance Analysis

BFP&A supports the divisions by providing variance analysis to highlight differences between the proposed salary expenses for the upcoming operating budget and prior year forecasts, actuals and budgets.

BFP&A analyzes salary expense variances for each division and department by fund group (e.g., restricted funds, unrestricted funds), for each of the following periods:

- **Upcoming fiscal year** – proposed budget
- **Current fiscal year** – budget and forecasted expenses
- **Prior fiscal year** – actuals, and if relevant, prior year budget

BFP&A provides this information to the divisions and departments throughout the budget development process to identify, clarify and validate changes between one budget year and the next.

Salaries: Position Reconciliation

During the budget development process, BFP&A analyzes data on filled and vacant positions across UCOP to reconcile position data between PBS and the UCPATH system, and to:

- Ensure that all filled and vacant positions that are currently on the payroll are included in the operating budget, unless a position is term limited and scheduled to end before the start of the next fiscal year
- Determine which budgeted vacant positions should be eliminated and have their codes repurposed for other positions
- Ensure that new positions added in PBS have the approval of UCOP leadership
- Determine what, if any, data corrections need to be made to PBS or the UCPATH system to reflect changes identified during the reconciliation process

This process ensures the accuracy of budgeted salary information and consistency between PBS and the UCPATH system. BFP&A pursues a five-step process for this reconciliation:

- Extract data from the PBS and UCPATH systems for the same time period, including relevant data elements such as job titles, employee names, salary and FTE
- Determine what, if any, discrepancies exist between the two systems for all filled and vacant positions

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- Convene meetings with representatives from the divisions/departments, BFP&A, Human Resources and other relevant staff to resolve any discrepancies
- Present division leaders with the list of vacant positions to determine whether they plan to fill the vacancy over the upcoming fiscal year
- Update the PBS and UCPath systems by removing old records, adding new records or updating existing records, and then validating that the changes were made correctly

For more information on the Position Reconciliation process, please reach out to your BFP&A representative.

Salaries: Vacancy Factor

Historically, UCOP has spent less on salary expenses than was budgeted primarily due to:

- **Turnover** in positions, which reduces salary expenses due to the amount of time required to recruit and refill for positions (typically three to six months, but sometimes up to one year)
- **Delays** in filling new positions and existing vacancies since divisions and departments do not typically fill all of the vacant positions immediately before the start of the fiscal year
- **Hiring trends** due to the ramping up or down for special projects such as UCPath or the Redwood project,⁹ or changes in organizational models such as the Office of the Chief Investment Officer insourcing of fund managers to reduce third party management fees

To account and budget for this variance in salaries, BFP&A calculates and budgets for a vacancy factor that reduces compensation expenditures and more accurately reflects the reality that UCOP will not spend its total salary budget. BFP&A calculates the vacancy factor by:

- Comparing budget-to-actuals for salary expenses in prior fiscal years and budget-to-forecast for the current fiscal year, by fund group (e.g., restricted, unrestricted)
- Determining the percentage rate to apply to each fund group (i.e., 15 percent of all unrestricted salary expenses)
- Calculating the total vacancy factor by fund group
- Allocating the vacancy factor to each department based on total salary expenses and current vacancies
 - The vacancy factor could also be applied to all departments across UCOP based on executive decisions

BFP&A applies the vacancy factor by adding contra-expenses for salaries to each division's/department's salary budgets and communicates to the divisions/departments that they must realize the savings from the vacancy factor through turnover, delays in hiring or other means of reducing expense budget.

10.3.1.2 Benefits

Employee benefits include health insurance, retirement and other participation programs. BFP&A calculates benefits expenses by multiplying salary expenses by the appropriate composite benefits rate established at a systemwide-level by the Financial Accounting Department, and then allocating the benefits expense budget to each department by fund group (e.g., unrestricted funds, restricted funds).

⁹ *The Redwood project seeks to modernize the University's pension administration technology, and with that, adapt it to the changing landscape of retirement programs and enhance the member experience.*

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The Financial Accounting Department provides two composite benefits rates – one for employees on full benefits and another for employees with limited benefits. Both rates are heavily dependent on university-wide contracts and negotiations with health insurance companies, other benefits providers, and represented groups, as well as regents' policies and the direct costs of university-administered benefits (e.g., the UC Retirement Plan, UC Care). The composite benefit rates are adjusted annually and may include planned increases year over year.

10.3.1.3 Other Compensation Actions

In addition to salary and benefits, there are additional compensation actions that BFP&A calculates and allocates centrally during the budget process. These include:

- **Administrative Stipends**, which are additional payments to employees to compensate employees for taking on levels of responsibility over and above their existing responsibilities for an extended period of time up to one year
- **Merit Increases**, which is the calculated increase for staff based on the systemwide merit plan
- **Promotions**, if it includes a salary increase when an employee is promoted from one role to another
- **STAR Awards**, which are payments used to recognize employees for exceptional performance as allowed by the UCOP application of the STAR Award program policy
- **Vacation Accrual**, which is used to recognize the liability that the university accrues when employees carry earned but unutilized vacation days

BFP&A allocates the budgeted expense across each division and enters the data directly into PBS during the budget process. Additional details on each of these analyses can be found in the following sections.

Other Compensation Actions: Administrative Stipends

In accordance with [University Policy PPSM-30](#), UCOP may provide administrative stipends when an employee is temporarily assigned, for a period of at least 30 working days, responsibilities of a higher-level position or other significant duties not part of the employee's regular position. Administrative stipends are one-time or short-term payments to employees over and above their base salaries, which are transacted through payroll and charged using a specific earning code. Budget liaisons and other staff within the divisions and departments include known administrative stipends in their department budgets.

As administrative stipends are not generally established at the same rate throughout the year (and may be impacted by changes to policies and external circumstances), organizational factors, policies and internal climate are considered to estimate the budgeted amount and arrive at a figure that is based on, but not constrained by, prior trends.

Other Compensation Action: Merit Increase

UCOP may offer annual merit-based salary increases within established salary ranges to non-represented employees in career positions based on performance. The merit increase rate is determined annually at a UC systemwide-level typically in the spring prior to the budget year. Generally, campuses are expected to follow the systemwide guidance although in unusual circumstances a campus' leadership may, in consultation with the president, decide to reduce the merit increase based on the organization's current financial situation and priorities. A letter is usually to be sent out from the President's Office addressing the merit increases for the next fiscal year, along with the requirements for eligibility from employees. Represented employees may also receive negotiated increases outlined in their [collective bargaining unit agreement](#).

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Due to the timing of the annual budget process, UCOP BFP&A cannot know who specifically will receive merit increases in the future fiscal year. For the purposes of planning, BFP&A calculates the planned increase based on systemwide guidance by multiplying the approved merit increase rate by the budgeted salary and benefits expenses for filled positions for the upcoming fiscal year (since an increase in pay would also increase the cost of benefits). BFP&A applies the merit increase across the division (and department) budgets based on their proportional budget salary and benefits expenses based on fund group (e.g., unrestricted, restricted).

During the budget process, UCOP BFP&A also analyzes historical trend of budgeted merit compared to actual merit allocated. If there is a material difference, UCOP BFP&A may reduce the budgeted merit pool by the amount of unallocated merit based on historical trend and projections.

Other Compensation Actions: Promotions

A promotion is the act of changing an employee from one position to another that has a higher salary range maximum. To perform this calculation, BFP&A:

- Calculates the average amount for each of the promotion categories for the past few fiscal years by dividing the total amount of salary increases by the total number of employees who received promotions
- Calculates the percentage of employees who received promotions for the past few fiscal years by dividing the total number of employees who received promotions by the total budgeted employee positions
- Forecasts these two metrics for the current fiscal year based on year-to-date data and known changes to the promotion policy
- Estimates the amount to budget for each promotion category for the upcoming fiscal year based on historical trends and qualitative analysis of UCOP's current situation
- Applies the total budgeted amount for promotions to UCOP's Central Funds Division

Since promotions are not generally known far in advance and may be impacted by changes to policies and external circumstances, BFP&A considers organizational factors, policies and internal climate to estimate the budgeted amount for promotions and arrives at a figure that is based on, but not constrained by, prior trends. As part of UCOP's ongoing efforts to align with best practices in future budgeting years, workforce planning will assist in addressing this issue.

Other Compensation Actions: STAR Award Program

The UC system established the Staff Appreciation and Recognition Plan (STAR Award) program to allow managers to give one-time cash awards to staff below the executive level in recognition of exemplary performance and contributions that further operational and administrative improvements within the university.

STAR Award payments are classified under the category of Staff Recognition and Development Programs in PBS.

Other Compensation Actions: Vacation Accrual

Vacation accrual is a UCOP liability owed to employees. The university provides paid vacation leave to eligible employees, which is typically offered at 8 percent of their working days during the year. Employees may accrue up to a maximum of two times the annual accrual total and are paid for accrued vacation through the last day of employment. Because the university pays out employees for unused vacation days when they separate from the university, UCOP must budget for accrued vacation days. To perform this estimation, BFP&A:

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- Calculates the actual vacation usage rate by dividing accrued vacation expenses by the total salary expenses for the past few fiscal years
- Forecasts the actual vacation usage rate for the current fiscal year based on year-to-date data
- Periodically analyzes the difference between the actual vacation usage rate and the vacation accrual rate to determine historical trends for the percentage of payroll that was accrued for unused vacation time over the current and past few fiscal years
- Estimates the amount to budget for vacation accrual for the upcoming fiscal year based on the historical trends in the vacation usage compared to vacation accrual, the total amount of salary expenses and qualitative analysis of UCOP's current situation
- Includes the estimated vacation accrual amount as part of the Composite Benefits Rate for the year

Vacation accrual is collected in a central liability account, which is credited upon utilization by the employee. Vacation utilization is recorded as a specific earning code.

10.3.2 Non-compensation

UCOP budgets for non-compensation expense categories, including:

- Computer, office equipment and service maintenance
- Professional and external services
- Library and other office expenses
- Travel and related expenses
- Dues and Subscriptions

UCOP calculates these non-compensation expenses through:

- A **submission** of planned non-compensation expenses from the divisions
- A **budget variance analysis** between the upcoming fiscal year and the prior fiscal year to determine if any divisions are requesting more funding than prior years
- **Targeted zero-based budgeting** for expected non-compensation expenses

While most of these expenses are submitted to PBS at the division and department level, BFP&A also develops budgets for expenses like the Strategic Priorities Fund, specific Dues and Subscriptions and other expenses centrally.

10.3.2.1 Budget Submission

Budget liaisons and other staff within the divisions and departments estimate the amount of non-compensation expenses for each expense category by entering their second quarter forecast, next year's budget and requested budget augmentations into PBS.

This entry is reviewed and updated throughout the budget development process and incorporates guidance communicated in budget calls.

10.3.2.2 Variance Analysis

BFP&A supports the divisions in estimating their non-compensation expenses by providing an ongoing variance analysis to highlight differences between the proposed expenses for the upcoming operating budget and prior year forecasts, actuals,

and budgets. This ongoing analysis has the dual benefit of helping to identify transactional errors on a regular basis, as well as ensuring the budget remains dynamic on a year-to-year basis.

BFP&A primarily analyzes variances between the sums of non-compensation expenses for each division and department by fund group (e.g., restricted funds, unrestricted funds), for each of the following periods:

- **Upcoming fiscal year** – proposed budget
- **Current fiscal year** – budget and forecasted expenses
- **Prior fiscal year** – actuals, and if relevant, prior year budget

BFP&A utilizes General Ledger data to perform their variance analysis of their supported departments. BFP&A then communicates this information to budget liaisons and other staff within the divisions and departments throughout the budget development process and uses this analysis to highlight when divisions and departments may be requesting additional funds or missing some expenses from their operating budgets that had been previously included.

10.3.2.3 Zero-Based Budgeting

For some non-compensation expenses, BFP&A may request the development of zero-based budgets. Zero-based budgeting is a methodology in which the divisions and departments must justify their expenses by starting from a "zero base" without using the prior year operating budgets as a starting assumption. Examples of targeted zero-based budgeting may include travel and meeting and outside professional services.

10.3.2.4 Centrally Budgeted Expenses

BFP&A supports the budget development for central expenses in UCOP's Central Funds Division and other centrally controlled segments of the budget. Some of these centrally budgeted non-compensation expenses include:

- The **Strategic Priorities Fund**, an unrestricted set of funds set aside for one-time and limited-term expenses that support strategic priorities, projects and presidential initiatives, which is estimated based on known commitments and unanticipated events
- Specific **Dues and Subscriptions** for memberships or materials that generally benefit multiple divisions, which are estimated based on actual expenses from prior fiscal years
- **Other non-compensation expenses**, which are estimated based on a combination of perceived needs, historical trends and qualitative analysis of UCOP's current situation

10.3.3 Special Expense Classification

UCOP classifies expenses within its operating budget to help illustrate the different types of activities performed across UCOP. This document identifies the definitions and methodology for determining which expenses fall into each special expense classification in UCOP's operating budget.

These special expense classifications offer additional transparency in viewing UCOP's operating budget. A significant portion of UCOP's operating budget is transferred to other entities, primarily UC campuses, and not consumed directly by UCOP or its employees. Another large portion of UCOP's operating budget is funded as a fee-for-services and -activities that UCOP provides to other entities. UCOP developed these special expense classifications to help illustrate the proportional size of its operating budget that is a part of UCOP's core operations versus other activities.

10.3.3.1 Methodology

In addition to its Core Operations, UCOP has identified two major special expense classifications:

- **Fee-for-Service** activities that are funded through service-specific fees and reimbursements
- **Pass-Throughs** of funds from UCOP to entities within and external to the University of California system

The following sections define these special expense classifications in more detail and include examples of the types of expenses that fit into each classification.

10.3.3.2 Core Operations

Core Operations within UCOP include expenses directly incurred by UCOP and UCOP's employees which are funded from UCOP's base revenue streams. Effectively, this includes all of UCOP's expenses, except those that are included in the two special expense classifications – Fee-for-Service and Pass-Throughs.

10.3.3.3 Fee-for-Service

Fee-for-Service activities on UCOP's operating budget include expenditures that are funded through service- or activity- fees that are charged to the UC locations, against investment returns, or to external entities. Fee-for-Service activities are services which are funded through fees and reimbursements that the recipients of the services pay either directly or indirectly; these fees can be calculated through a variety of means, including, but not limited to:

- **Consumption or usage**, such as the legal services offered to the campuses and other locations by the Office of the General Counsel
- **Per-unit metrics** based on some predetermined unit of measurement like headcount, FTE or investment returns, like the Risk Service Department, which is funded by fees based on campuses' payroll
- **Flat rates**, such as the Healthy Campus Network, in which all locations pay the same amount regardless of consumption or other units of measurement

Any expenses that UCOP consumes directly – like salaries, benefits, related travel, and supplies – may be considered Fee-for-Service activities so long as the expenses are funded by service-specific fees collected from the recipients of the services. For example:

- UCOP manages **benefits programs** on behalf of employees across the UC system and charges fees to cover the direct and indirect costs of Benefits Administration Unit;
- UCOP manages enterprise-level **risk and insurance programs** through the Risk Services Department; the direct and indirect costs of running this department are funded through fees collected from the campuses;
- UCOP manages the tracking of, payments from, and litigation related to **patents** across the UC system; the Office of Innovation and Entrepreneurship funds these operations through fees collected from the patent payments; and
- UCOP manages the **UCPath Center**, which will provide payroll and human resources services to all UC locations. Under the former assessment-based funding model, each location paid UCOP fees to cover the cost of the UCPath Center based on the number of W-2 forms they had on file.

There are many other examples of Fee-for-Service activities, including management of investment assets, the retirement program, the retiree health trust, bonds, the mortgage program, energy contracts, etc.

10.3.3.4 Pass-Throughs

Pass-throughs on UCOP's operating budget include distributions or transfers of funds from UCOP to entities within the University of California system or external entities. Pass-throughs are effectively expenses incurred by entities outside of UCOP – either within or outside the University of California system – that are funded by UCOP. Pass-throughs must be included in UCOP's operating budget if the funds that are utilized for the pass-throughs are allocated to UCOP. For example, UCOP manages the following pass-throughs and accounts for them in its operating budget:

- **State Appropriation Set-Asides:** UCOP manages several programs that distribute State General Funds for activities at the campuses and/or external entities. An example of these transfers is the *Innovative Learning Technology Initiative* (ILTI) which provides grant funds to campus-based faculty to develop online courses.
- **Grants to Campuses and External Entities:** Certain divisions within UCOP act as granting agencies to distribute funding within UC and also to external entities outside of the University of California. In these cases, UCOP receives or allocates funds for distribution, and is accountable for awarding grants, auditing expenditures and reporting to stakeholders as necessary. An example is the *Tobacco-Related Disease Research Program* (TDRP) for which UCOP offers grant funding to California researchers across the state – including within and outside of the UC system – to perform tobacco-related research.

UCOP may retain funds locally to cover the direct and indirect costs associated with managing these pass-throughs, but these administrative expenses are categorized under the Core Operations or Fee-for-Service classifications depending on how they are funded.

Pass-Throughs: Systemwide Revenue Distribution

Importantly, there are some transactions called Systemwide Revenue Distribution that are similar to pass-throughs but are not included in UCOP's operating budget because they are transferring revenues or awarding funds that were not allocated to UCOP. These transactions are not pass-throughs and are not included in UCOP's operating budget. Examples of these transactions include:

- Transferring roughly \$3 billion in **State General Funds** to the campuses and other locations based on the pre-established distribution formula
- Transferring investment **income** from endowments, the Short-Term Investment Program (STIP), the Total Return Investment Program (TRIP), the UC Retirement Program and other managed assets
- Transferring patent **royalty and prosecution payments** to the inventors and administration on the campuses and other locations from external entities

10.4 BUDGET SCHEDULES

To provide the regents and other stakeholders with a clear, robust and forward-looking perspective on UCOP's operating budget, BFP&A has developed a series of schedules and figures to illustrate the proposed budget for the next fiscal year. This section of the *Budget Manual* documents the schedules used to communicate the proposed operating budget, organized around four main categories:

- **Sources** are a means of illustrating the sources of funding that are used to pay for UCOP's expenses in the next fiscal year, organized primarily around fund groups.
- **Uses** are a means of illustrating anticipated expenditures across the organization, organized primarily by the types of programs and administrative services provided.

- **Special Expense Classifications** are a means of illustrating core operations by separating out expenses that UCOP incurs on behalf of other entities, primarily campuses.

A schedule is a table that allows the regents and other stakeholders to compare the size and nature of UCOP's sources and uses against several comparative metrics. Each schedule entails a different means of organizing the budget in order to provide a nuanced view of the operating budget and changes over time. UCOP presents seven schedules to the regents, including:

- **Schedule A – Sources and Uses by Year:** Displays the sources, uses and special expense classifications for the upcoming fiscal year budget compared against the budget and forecast for the current fiscal year and other relevant metrics
- **Schedule B – Expenditures by Fund:** Displays the uses and special expense classifications for UCOP's upcoming fiscal year budget organized by the sources that fund those uses and special expense classifications
- **Schedule C – Budget by Program and Initiative:** Displays a subset of the uses – the Programs and Initiatives – for the upcoming fiscal year budget compared to the forecast for the current fiscal year and other relevant metrics
- **Schedule D – Budget by Division and Subdivision:** Displays a subset of the uses – the Systemwide and Core Services, which are organized by division and subdivision – for the upcoming fiscal year budget compared to the forecast for the current fiscal year and other relevant metrics; Schedule D also provides a note to specifically call out and detail the annual budget for the Associate of the President
- **Schedule E – Strategic Priorities Fund:** Displays a subset of the uses – the Strategic Priorities Fund commitments – for the upcoming fiscal year budget

The budget is reviewed by the Executive Budget Committee, and submitted by the president to the University Board of Regents for approval.

10.4.1 Sources

It is common among universities to display expenses for the coming year according to "Sources" and "Uses." Sources are a means of illustrating the sources of funding that are used to pay for UCOP's expenses in the next fiscal year, organized primarily around fund group (e.g., restricted, unrestricted).

Sources are different from revenues. Though they both are means of conveying the money that UCOP is using to pay for its expenses, revenues represent income that UCOP plans to collect in the next fiscal year; whereas, sources include all sources of funds used to cover UCOP's expenses for the next fiscal year. Revenues may not equal expenses, for instance, investment revenues that may be used in future years; whereas sources reflect only the funds available and used in the current year to cover current expenses. For instance, sources can include transfers from fund balances. A budget surplus exists when revenues exceed expenses. Alternatively, situations where revenues are less than expenses would infer a budget deficit, and the difference between the two would need to be paid through fund balances.

BFP&A develops a series of schedules that provide insight into the sources that are used to cover expenses for the coming fiscal year and outline changes from prior year.

10.4.1.1 Methodology

UCOP has developed categories and subcategories of sources based on whether there are any restrictions, stipulations and designations on how the funds can be spent. These include:

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- **Restricted Sources** are funds that are restricted and legally constrained for certain uses by external entities as a condition of their receipt by the university.
- **Unrestricted Sources** are funds that UCOP may use for any purpose, as they do not have any externally imposed restrictions.
- **Designated sources** are funds that which UCOP or the regents have established constraints on how the funds may be spent.

UCOP splits **restricted sources** into three subcategories – **Gifts and Endowments** that are restricted by the donors who offered the gifts or established the endowments; **Contracts and Grants** that have stipulations and restrictions on how the funds can be spent by the granting entity; and **Federal and Special State Appropriations** that are restricted in their use by the federal or state governments and may only be used for specific purposes. UCOP splits **designated sources** into two main subcategories – **Regents-Designated** funds that the Board of Regents have constrained or designated the use of through their policies and requests to UCOP, and **Program-Designated** funds that UC has designated the use of through internal practices, policies and guidelines.

Finally, UCOP splits **unrestricted sources** into three different subcategories – **State General Funds** that are received from the state of California as general state appropriations; **Investment Income** that is received from endowments and investment pools that are not restricted in how the investment returns may be spent; and **Other Unrestricted Sources**, which includes any other funds that do not have designations or restrictions. For more information on revenue sources, please refer to [Section 10.2](#) in this document.

10.4.1.2 Reporting Guidelines

UCOP calculates the amounts for these categories and subcategories of sources in the operating budget schedules by summarizing the total operating expenses by fund code and fund group.

10.4.2 Uses

Uses are a means of organizing expenses by the functions or organizations that consume those expenses. BFP&A develops a series of schedules that provide insight into the uses of expenses for the coming fiscal year and outline changes from prior years. BFP&A may compare uses against the sources to offer an illustration of how expenses are both used and funded.

10.4.2.1 Methodology

Uses are primarily a means of organizing expenses by their function or organization. UCOP has developed three main categories and several subcategories of uses. These include:

- **Systemwide and Core Services**, which are UCOP administrative support functions or centralized operational services for which there is a clear benefit to having one entity perform on behalf of the entire system, capturing economies of scale
- **Programs and Initiatives**, which directly serve UC's mission are directly funded and/or operated by UCOP on behalf of the various stakeholders, including the university, the campuses and the state of California
- **Strategic Priorities Fund** commitments, which are used to support one-time and limited-term strategic priorities and projects and urgent, emerging issues

Systemwide and Core Services are organized by UCOP divisions, and include all expenses allocated to those divisions excluding any expenses that are classified as Programs and Initiatives. UCOP divisions include: Academic Affairs, Ethics and

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Compliance, External Relations and Communications, Finance, General Counsel, Health Sciences, Innovation and Entrepreneurship, Investments, Operations, the President's Executive Office, the Secretary of the Regents, and the Systemwide Academic Senate.

Programs and Initiatives are organized into five categories based on the audiences and initiators for the programs and initiatives. These categories are:

- **State/Federal Programs:** Functions that are either required by current legislation or that UC operates, by contract, on behalf of the state or federal government
- **Campus Programs:** Functions that exist solely at one or two campuses and are not systemwide in reach or impact
- **Systemwide Programs:** Functions that benefit the state, multiple campuses or the entire system and are funded with ongoing or permanent funds
- **Systemwide Initiatives:** Functions that benefit the state, multiple campuses or entire system and are funded solely with time-bound or single-occasion funding commitments
- **Presidential Initiatives:** Functions launched by a UC president to address university, statewide, national or global issues that are solely funded by time-bound or single-occasion funding commitments

Finally, the **Strategic Priorities Fund** is intended to fund strategic priorities and projects, urgent, emergent issues and initiatives. The president makes commitments against the fund based on recommendations or requests from the campuses, UCOP leadership and/or the president's priorities. Commitments may support either systemwide and core priorities, such as a systems upgrade, or programmatic priorities. The Strategic Priorities Fund is specifically intended to address:

- Emerging and urgent one-time or limited-term systemwide, campus or UCOP expenses
- Planned one-time or limited-term funding for systemwide, presidential, strategic priorities, initiatives and projects that benefit a single campus, multiple campuses or the system in general
- Initiatives that support innovation, research, teaching or service and benefit the local and global communities served by the university

The schedule for the Strategic Priorities Fund lists known commitments for the coming year and an unallocated amount for unexpected or unforeseen commitments. Existing presidential initiatives will be included as the budget for each initiative will be determined through the budget process and approved by the regents as part of the budget process. Commitments against the unallocated budget made throughout the year that exceed \$5 million require approval by the chair of the Board of Regents. For more information on the Strategic Priorities Fund, refer to [Section 6.7.2](#) in this document or the [BFP&A website](#).

10.4.2.2 Reporting Guidelines

UCOP calculates the amounts for these categories and subcategories of uses in the operating budget schedules by summarizing the total operating expenses by:

- **Programs and Initiatives** – Summarizing the data from several data elements in PBS that flag the programs by the categories listed above
- **Systemwide and Core Services** – Summarizing expenses by those divisions excluding the amounts for Programs and Initiatives expenses within those divisions
- **Strategic Priorities Fund** – Summarizing the expenses in the departmental code for the Strategic Priorities Fund

10.4.2.3 Reporting Special Expense Classifications

UCOP reports the amounts of special expense classifications in the operating budget schedules presented to the Board of Regents in May. UCOP calculates these amounts by summarizing the total operating expenses by expense category and fund code.

- **Fee-for-Service** activities are calculated by summarizing the total expenses paid for by certain fund codes, which are listed in the appendix of this document, excluding those expenses.
- **Pass-Throughs** are calculated by summarizing the total expenses for the specific expense categories.

For the initial implementation of these special expense classifications, UCOP performed the following analyses and changes:

- **Fund Code Identification:** UCOP identified an initial list of the fund codes that meet the criteria for Fee-for-Service activities outlined earlier.
- **Pass-Through Calculation:** UCOP manually calculated the amount for pass-throughs because, though “subawards” are a distinct expense category, “transfer” expenses are included in the “unallocated” expense category which also includes additional expenses that are not transfers.

10.5 MONITORING AND PERFORMANCE

10.5.1 Overview

Once the UCOP annual budget has been approved and finalized, it is monitored for performance and accuracy on an ongoing basis throughout the fiscal year by various stakeholders including the BFP&A, division leaders and departments.

The performance of the approved budget is measured and monitored by analyzing variances of budgeted revenues and expenditures to actuals, reviewing transactional activity, and developing forecasts to project performance throughout the remaining portion of the fiscal year. The information resulting from the analyses and forecasts is used to identify any significant variances and to ensure that departments operate within the approved budget.

The budget is also monitored by reviewing carryforward balances to ensure that surpluses/deficits of fund balances are handled in accordance with established policies. Forecasts are developed and reviewed to avoid any significant carryforward deficits or surpluses.

In addition, an annual review of open positions is performed to monitor the compensation-related portion of the budget to ensure that only approved and funded positions are included in the budget.

10.5.2 Budget to Actuals

An analysis of the prior fiscal year’s Budget to Actuals is performed after the entire fiscal year has closed to review the accuracy of the prior year’s budget and to provide guidance for the following fiscal year. Once the budget for the following fiscal year is finalized and approved, Budget to Actuals analysis is performed and reviewed at the end of the second quarter, or Q2, to measure financial performance and to ensure that departments operate within their established budgets.

The Budget to Actuals analysis includes standard reports, ad hoc analysis, spreadsheets and pivot tables. The analysis includes General Ledger Actuals from the current fiscal year and may also include actuals data from one or more prior fiscal years. The analysis also includes budget data from the current fiscal year and may include budget data from one or more

prior fiscal years. In addition to the current and prior years' budget and actuals data, the analysis may include forecasted actuals data for the remainder of the current fiscal year. The data may be summarized at the division, subdivision, department, fund or account level or at a combination of levels to provide a more detailed analysis and includes the calculated variance between budget and actuals.

Budget to Actuals analysis occurs at strategic points during the budget process and includes:

- Once the fiscal year has closed, normally in August
- At the end of Q2 in the current budget year
- Ad hoc as necessary to support requests from stakeholders and/or the work of BFP&A

The following are the standard Budget/Actuals/Variance reports that are available from PBS (Planning and Budgeting System):

- **Variance Reports by Org or by Fund** – compares budget or actual expenses from one specified period to another specified period; most commonly used budget variance report compares the current year budget to current year actuals, by fiscal year quarter
- **Summary Reports by Org or by Fund** – analyzes budget or expense trends over a period of quarters or fiscal years for budget or actuals
- **Comprehensive Budget Variance Report** – compares the budget to actual expenses to calculate the percentage of budget spent and shows whether actual expenses are exceeding the budgeted amount for the specified period
- **Budget Submission Tracking by Org or by Fund** – allows preparers and units to follow the status of their budget proposal after it is submitted and allows them to view their total approved budgets
- **Budget Variance Report** – displays, in side-by-side format, the total approved budget for the prior and current years and calculates the variance in total funds and percentage

10.5.3 Forecast

The Office of the President requires each division to develop a forecast. BFP&A opens the forecast in the Planning and Budgeting System (PBS) by loading actuals from closed periods and projections for future periods. Forecasts are completed on a quarterly basis. Data is available in PBS as follows:

- Actual data from the closed periods is loaded into PBS approximately the fifth working day after the quarter end. The data from closed periods is not editable by system users.
- The approved budget is the starting point of the forecast. Once actuals have been loaded for closed months, users can update projections for the remaining open months. Forecasted data is loaded into the open periods and system users can update the projections.
- Payroll data obtained from the UCPath system is loaded into PBS using active employee headcount data. Headcount may be adjusted for known changes, including filling approved vacancies and removing active employees with appointments that will end before the end of the fiscal year.
- During the analysis process, material changes in future closed periods are reviewed and may be incorporated in the forecast.
- Division and department managers are responsible for reviewing the accuracy of quarterly forecasts.

A snapshot of the consolidated forecast is captured in PBS and reviewed with UC leadership and stakeholders. The forecast is used as the basis of next year's budget process and to monitor the in-year performance of the organization. Material anomalies or variances are reviewed to determine appropriate explanations and adjustments to the forecast or budget.

The forecast is included in schedules produced for review and approval by the UC president and UC regents as part of the annual budget submission process.

10.5.4 Carryforward

Carryforwards of unspent unrestricted funds within specific departments or divisions are not allowed. Any unspent funds at the end of the year are closed into fund balance accounts and can be used in future years based on the overall budget priorities. Unspent designated and restricted funds are also closed into fund balance accounts, to be used for the intended purpose in future years. These fund balance expenditures must be budgeted in the year in which they are planned to be spent.

10.5.5 Position Review

As the budget for salaries and benefits makes up a sizable portion of the expenditure budget for UCOP, an annual Position Review is performed to ensure the accuracy of the budgeted compensation amounts. The position review includes identifying any open positions that are no longer valid and closing them, as well as confirming that open positions are funded and approved. Additionally, reconciliation is performed to ensure that the UCPath system and the Planning and Budgeting System are in sync relative to open positions, and that the Position Numbers and employees assigned to positions are accurate. Any necessary corrections are made prior to establishing the compensation budget for the new fiscal year.



APPENDIX



A. GLOSSARY OF TERMS

The following glossary contains terms related to the UCOP budget. The glossary is sorted alphabetically.

A

ABOVE MINIMUM

The portion of the budgeted salary that exceeds the minimum of the salary range of that title code established by the University of California.

ACCOUNT

The 6-digit code in the Full Accounting Unit (FAU) used to identify each revenue, expenditure or balance sheet account authorized in the accounting records. Account numbers are assigned by, and unique to, the organization to which they belong.

ACCRUALS

The fiscal recording of items pertaining to a current period which would not have appeared on the general ledger until a future period in the normal course of payment or receipt of the item. Accruals allow departments to recognize expenses for services rendered in one fiscal year when payment is made in the next fiscal year.

ACTUALS

General Ledger (GL) data representing all financial transactions in the GL system for a given fiscal period.

AD HOC

A term that indicates that an action has been performed on a one-time and nonrecurring basis for a specific purpose, case or situation.

ADMINISTRATIVE STIPEND

A regular or fixed payment made to career staff in recognition of temporary additional responsibilities. Administrative Stipends are paid in addition to employees' base salaries.

AGENCY FUNDS

Funds in the process of being distributed to the campuses and/or other third parties. At any point in time, agency funds will have balances that are in transit to/from the campuses and/or other third parties and the Office of the President's role is to distribute the funds similar to an agent. There are no fees or markups by the Office of the President for processing these transactions. As an example, unclaimed property and vendor rebates are received by the Office of the President and distributed to campuses. ([Mar 2018 Regents Item F10](#))

ANNUALIZED SALARY

The conversion of a pay rate amount to reflect the annual equivalent or sum of earnings for a fiscal year.

APPROPRIATION

A budgeted amount allocated for expenditure by a department, unit or activity. An appropriation limits the amount that can be expended under a particular account fund/subbudget.

AUXILIARY

An enterprise that is a self-supporting activity that provides noninstructional support in the form of goods and services to students, faculty and staff upon payment of a user charge or fee. Examples are housing operations, non-housing food service operations, parking operations, bookstores and student centers.

B

BASELINE BUDGET

Budget representing steady state operating position of a unit. The baseline reflects the resources required to provide the same level of service in the current year, before any new priorities, funding requests or budget augmentations.

BUDGET

A financial plan that estimates the costs of conducting future activities. The budget is intended to express the program objectives and how they will be carried out in terms of resources required.

BUDGET FINANCIAL PLANNING & ANALYSIS DEPARTMENT (BFP&A)

The department within UCOP that manages and oversees the development of UCOP's annual operating budget, performs related financial analysis, and produces budget and financial reporting.

BUDGET ADJUSTMENT

An augmentation or reduction of the operating budget by moving funds from one category or line item to another based on a set of assumptions or decision criteria. Budget adjustments can be one-time or ongoing.

BFP&A COMMUNITY OF PRACTICE

A network of Budget Liaisons and subject matter experts responsible for developing and monitoring the UCOP budget, who gather to explore ways of working better, identify common solutions and share best practices.

BUDGET CALL

A communication sent out to stakeholders within UCOP that establishes the expectations, requirements and guidelines for development and submission of the UCOP annual operating budget.

BUDGET LIAISON

An individual who develops and monitors the budget for their area(s) of responsibility and reports out the current year results to division leaders to ensure alignment with priorities.

BUDGET PARTNER

A member of BFP&A who works with budget liaisons, department managers, division leaders and senior leaders to provide guidance and analytical support for the development and monitoring of the UCOP budget.

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Appendix A – Glossary of Terms

BUDGET PERIOD

The intervals of time into which a multiyear project is divided for budgetary and funding purposes. For example, the UCOP annual Budget is established for the fiscal year.

BUDGET TRANSFER

An action that moves budgeted appropriations in a specific fund from one Full Accounting Unit (FAU) to another within UCOP or to/from campuses.

BUDGET TRANSFER TYPES

The classifications of budget transfers based on similar attributes and rationale for transferring the budgeted appropriations. There are eight main types of budget transfers, including presidential action, merit, etc.

BUDGETARY CLASS

A type of budget transfer that indicates when a budget transfer is being submitted and transacted. Budgetary class A is for adjustments to the budget prior to May of the preceding fiscal year. Budgetary class I is for incremental budget transfers from May through August and must have an effective date of July 1.

C

CARRYFORWARD

The outstanding balance in budgeted appropriations, before encumbrances, that is available for authorized expenditures in future fiscal years. Requests for carryforward must be documented, reviewed and approved by the UC president.

SYSTEMWIDE AND CORE SERVICES

UCOP administrative support functions or centralized operational services for which there is a clear benefit to having one entity perform on behalf of the entire system, capturing economies of scale. ([Mar 2018 Regents Item F9](#))

CENTRAL OPERATING RESERVE

A reserve of liquid, unrestricted assets used to support operations in the event of an unanticipated disruption in revenue. The regents require that the UCOP maintain a Central Operating Reserve to support operations in the event of an unanticipated disruption in planned funding. ([Jan 2018 Regents Item F6](#))

CHART OF ACCOUNTS

A numbering scheme to assist in identifying how funds are received and how funds are used. The chart of accounts enables the university to report information to a variety of external and internal sources. This includes information on location, account, fund, subaccount and object code.

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Appendix A – Glossary of Terms

COMPOSITE BENEFIT RATE (CBR)

Rates developed in order to cover the costs of fringe benefits offered by the university. The rates are determined by creating a pool of benefit costs and dividing by the salary base per the requirements in OMB circular A-21. The rates on federal grants and contracts are negotiated with the government in advance for a fiscal year and any over- or under-recovery is included as an adjustment in a subsequent rate proposal.

COMPOUND ANNUAL GROWTH RATE (CAGR)

A measure of the mean annual growth rate of an investment over a specified period of time longer than one year.

CORE FUNDS

An allotment of funds which are used to cover the basic activities and operations required by the university to accomplish its missions. Core funds are comprised of State General Funds and UC General Funds and include STIP, TRIP, President's Endowment Fund and Searles.

COST CENTER

The entity within UCOP to which costs may be charged. The cost center is an element in the FAU used to divide a department or unit account into subunits.

CREDIT

An increase to an income account or a decrease to an expense account. For balance sheet accounts, credits are increases in fund balances or liabilities or decreases in assets.

CURRENT FUNDS

An allotment of funds expended for current operating purposes as contrasted with longer-term purposes like retirement funds, loan funds, endowment funds or plan funds.

D

DEBIT

An increase to an expense account or a decrease to an income account. For balance sheet accounts, debits are increases in assets or decreases in fund balances or liabilities.

DEBT

An amount owed for funds borrowed. Debt allows the institution to plan and execute major capital programs by providing a financial mechanism that spreads cash flow obligations over longer periods of time.

DECISION MEMO

Documentation of requests requiring the approval of the president. For UCOP budget purposes, a decision memo is required for ongoing funding requests within the existing division budget and FTE over \$300,000. Decision memos are also required for ongoing funding requests from the Strategic Priorities Fund or for requests to increase the existing division budget and/or FTEs.

DEFERRED MAINTENANCE

The practice of postponing or deferring maintenance activities later than they might ordinarily be pursued. UCOP may fund projects to address deferred maintenance on facilities and equipment in the operating budget.

DEFICIT

A negative financial balance for an account, resulting from an excess of expenditures over revenue in a given period of time (typically one fiscal year).

DEPRECIATION

The process of allocating the one-time costs of property, plant and equipment as a recurring expense in a systematic and rational manner to those periods expected to benefit from the use of the asset.

DESIGNATED FUNDS

Funds designated for a specific purpose are intended to fulfill certain academic, research and public service missions; including funds that were generated by self-supporting programs or funds for purposes approved by campuses. Examples of these funds include the University of California Press, University of California Washington Center, UC Health, UCPATH and the Wholesale Power Program. Endowment cost recovery charges paid from gifts and endowments for the purpose of administering the gifts and endowments, as well as fees from the retirement programs and the investment pools for management and administration services are also classified as designated funds.

DIRECT COST

A cost or expenditure that can be identified specifically with a particular project or activity or with the provision of a particular good or service, and that can be directly assigned to the activity relatively easily with a high degree of accuracy.

DISBURSEMENT

A payment of money from a fund.

DIVISION LEADER

A person who heads a UCOP Division and who reports to the president. A division leader has programmatic, administrative and budgetary responsibility for their jurisdiction.

E

EMPLOYEE BENEFITS

The indirect and nonsalary compensation offered to employees by the University of California in addition to their normal wages or salaries. The university pays for Employee Benefits through a combination of university funds and employee contributions.

ENCUMBRANCE

A commitment or obligation placed against funds to cover a later expenditure required when goods are delivered or services are rendered.

ENDOWMENT

An allotment of funds derived from donations of money or property that is used to invest and generate financial income that may be expended. Endowments may have stipulations or restrictions from the donors that limit the use of the funds and associated income.

EQUITY ADJUSTMENT

An increase to an employee's base salary to retain the employee at UCOP, address significant external market gaps and/or address equity issues within UCOP.

EXECUTIVE BUDGET COMMITTEE (EBC)

A standing committee comprised of appointed members of each UC Campus and Academic Senate that has the authority and responsibility to review, advise and make recommendations to the president on the development of the UCOP annual budget.

EXPENDITURE DEFERRAL

An action that allows a department or unit to recognize an expense for goods procured or services rendered in one fiscal year when payment was made in the previous fiscal year.

EXPENDITURE/EXPENSE

The cost of goods delivered or services rendered which are recorded as charges to the accounts of an activity or department.

F

FEE-FOR-SERVICE

A UCOP budgeted expense funded through service- or activity- fees charged to UC locations, against investment returns or to external entities. Fee-for-Service activities are services which are funded through fees and reimbursements that recipients of the services pay either directly or indirectly.

FINANCIAL STEWARDSHIP

A UCOP guiding principle that promotes the responsibility for managing university resources wisely and executing these responsibilities with integrity and ethical conduct.

FISCAL

A term used for matters that are financial in nature.

FISCAL PERIOD

A segment of the fiscal year. There are 13 periods defined for each fiscal year -- one period for each month of the year and one period for the fiscal year-end close process.

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Appendix A – Glossary of Terms

FISCAL YEAR

A period that the University of California uses for accounting, fiscal and budgetary purposes. The university's fiscal year starts on July 1 and ends on June 30 of the following calendar year. Fiscal years are commonly defined by the two calendar years that they span (e.g., FY 2018-19).

FORECAST

A hypothesis or estimate of a future outcome based on the analysis of existing data and assumptions about future behavior.

FULL-TIME EQUIVALENT (FTE)

A unit of measurement for an employee's workload or funding based on a baseline 40-hour work week. A 1.0 FTE represents a full-time commitment, whereas anything between 0 and 1.0 is considered a part-time commitment.

FUNCTION

The classification of activities and appropriate funds according to similar purposes and intentions. The first two digits of the 6-digit account number in the FAU are used to classify functions.

FUND

The income source established for the purpose of carrying out specific activities or attaining certain objectives, that may/may not be subject to special regulations, restrictions or limitations for use. In making expenditures, the terms and conditions established by this income source must be met. The fund code is a 5-digit code in the FAU used to identify the source and type of funding.

FUND ACCOUNTING

A method of accounting that separates and tracks financial transactions to meet restrictions and reporting requirements imposed by fund sources.

FUND BALANCE

For the purposes of accounting, the excess of a fund's assets over its liabilities. For the purposes of budgeting, the excess of a fund's resources over its expenditures.

FUND GROUP

A high-level classification of fund sources which have similar characteristics.

G

GENERAL AND EMPLOYMENT LIABILITY INSURANCE (GAEL)

An insurance expense that protects UCOP from general and employee-related liabilities imposed by lawsuits or other claims. UCOP assesses the insurance expenses on departments and units as a percentage of total salary expenses.

GENERAL ASSISTANCE

The subaccount reserved for actual salaries and overtime salaries for positions that not permanently budgeted. General Assistance expenses are classified by subaccount 02.

GENERAL LEDGER (GL)

The organization's official accounting record of all financial transactions recorded under each revenue, expenditure and balance sheet account. UCOP uses a subset of the UCLA General Ledger and is recorded within location M.

I

INCREMENTAL BUDGETING

An approach to budgeting that adjusts funding incrementally based on the prior year's budget and overall changes in the organization's funding levels.

INDIRECT COSTS

The costs of conducting business that are incurred from common or joint objectives and therefore cannot be identified readily and specifically with particular projects (such as individual grants or contracts) or with a specific activity (such as research, public service).

INITIAL BUDGET

The data populated in the budget as the starting point of the annual budget development process. The initial budget is populated utilizing the 2nd quarter forecast and adjusted with centrally budgeted items, position data from UCPath, and other factors that might be communicated as part of the budget call. Once the initial budget is created, users may go into the system and update the working version of the budget.

INTERLOCATION

A transaction taking place between locations (e.g., campuses, national laboratories, UCOP) within the University of California system.

M

MERIT INCREASE

A salary increase designed to reward performance. Merit increases are funded centrally through a merit pool. ([PPSM-30](#))

MERIT POOL

An allotment of budgeted funds for performance-based pay increases that can be distributed within a division at UCOP.

MERIT SAVINGS/SURPLUS

The remainder of funds in the budgeted merit pool at the end of the fiscal year after all merit increases have been offered and transacted.

O

OBJECT

The classification used to define each financial transaction and identify what was purchased (in the case of expenses). The object code is a 4-digit element in the FAU used to identify the nature, purpose or objective of each financial transaction.

OBJECT CONSOLIDATION

A collection, or high-level summary, of transactions by objects that have the same functional nature.

OBJECT TYPE

A code used for reporting purposes to classify and group objects based on similar characteristics (e.g., accrued expense, fund balance, recharge).

OPERATING BUDGET

The budget or plan that accounts for UCOP's current and ongoing operations, as well as one-time costs that result from its day-to-day business. The operating budget includes both revenues and expenses for the fiscal year.

ORGANIZATION

A collection of accounts, units or organizations reporting in a structural hierarchy used for reporting, routing and approvals.

OVERHEAD EXPENSE

As assessment on the direct costs incurred on contracts and grants to reimburse the university for related costs of general administration and facility operations.

OVERRIDE

An input or decision for the operating budget that deviates from the expected or estimated numbers because of considerations that supersede the typical analysis.

P

PASS-THROUGH

A UCOP-budgeted expense incurred by entities outside of UCOP, either within or outside the University of California system, that are funded by UCOP. Pass-throughs on UCOP's operating budget include distributions or transfers of funds from UCOP to entities within the University of California system or external entities. Pass-throughs must be included in UCOP's operating budget if the funds that are utilized for the pass-throughs are allocated to UCOP.

PAY DISTRIBUTION

The distribution of accounts and fund sources used to pay an employee's salary.

PRESIDENT'S ENDOWMENT FUND (PEF)

An endowment fund that was created by combining a collection of unrestricted funds to create a general pool of funding for nonrecurring systemwide operations and initiatives.

PRESIDENTIAL INITIATIVE

A function launched by a UC President to address university, statewide, national or global issues that are solely funded by time-bound or one-time funding commitments and prioritized by the president. Presidential initiatives are funded from the Strategic Priorities Fund and presented to the regents as part of the UCOP annual budget.

PROGRAMS AND INITIATIVES

UCOP-Affiliated Programs and Initiatives are funded wholly or in part through the UCOP budget and/or receive State General Funds through an annual set-aside allocation that flows directly to the campus and not through the UCOP budget. (Note: some programs, like the Student Academic Preparation and Educational Partnerships [SAPEP] and the California Institutes for Science and Innovation (Cal-ISIs), receive funding from both sources.)

The five categories of active UCOP-affiliated programs and initiatives are:

- **State/Federal Program:** A function that is either required by current legislation; or that UC operates – by contract – on behalf of the state or federal government
- **Campus Program:** A function that exists solely at one or two campuses and is not systemwide in reach or impact
- **Systemwide Program:** A function that benefits the state, multiple campuses or entire system, and is funded with ongoing or permanent funds
- **Systemwide Initiative:** A function that benefits the state, multiple campuses or entire system, and is funded solely with time-bound or single-occasion funding commitments
- **Presidential Initiative:** A function launched by a UC president to address university, statewide, national or global issues, that is solely funded by time-bound or single-occasion funding commitments

Note: any function, regardless of category, may also be a Presidential Priority. This designation identifies the continuously evolving set of functions that, at a given time, has the special attention of the current president of the university. ([Mar 2018 Regents Item F9](#))

PROJECT CODE

An optional element of the FAU that is used to group and classify transactions across charts, organizations and accounts for short-term tasks or projects.

PROJECTION

A hypothesis or estimate of a future outcome based on a set of assumptions.

PROMOTION OR IN-FAMILY PROMOTION

The act of raising an employee to a higher position or level. Promotions typically come with an increase to an employee's base salary and may occur within a job family or to a new job family.

PROVISION

An unfilled or vacant position that is used to budget for the salary and benefits associated with this position.

R

RANGE ADJUSTMENT

An adjustment of a position's salary range to maintain pay parity with comparable institutions that have similar work and positions.

RECHARGE

The assessment and collection of funds by one unit to recover the direct costs of providing goods or services to another unit.

RECHARGE ACTIVITY

An activity that provides a specific, ongoing and repetitive good or service to several units or projects and recovers the cost of providing the service through recharge fees.

RECHARGE RATE

The unit price for a recharge activity based on an approved, established, standard pricing method.

REDWOOD

The Redwood project seeks to modernize the University's pension administration technology, and with that, adapt it to the changing landscape of retirement programs and enhance the member experience. Maintaining the current 35-year old system into the future represents a significant risk to the execution of UC fiduciary responsibilities and for the timely delivery of benefits. The project is funded by the restricted monies of the UCRP trust.

REFUND

The act of returning money in restitution, repayment or balancing of accounts to the entity that provided the money.

REGENTS

The governing board which oversees the University of California, has fiduciary responsibilities for the university, and ultimately is responsible for serving as the trustees and stewards of the university on behalf of the people of the state of California.

REGENTS-DESIGNATED FUNDS

Funds governed under regents policies or previous actions. Examples of these funds include fees from the Department of Energy for the National Laboratories and reserves in the housing loan programs, Mortgage Origination Program (MOP) and Supplemental Home Loan Program (SHLP). (Mar 2018 Regents Item F10)

RESTRICTED FUNDS

Funds subject to externally imposed restrictions. The funds are considered restricted until the specific resources are used for the required purpose or for as long as the provider requires the resources to remain intact. Restricted funds may be expendable for a specific purpose or nonexpendable if the provider requires the university to permanently hold the funds. Examples of restricted funds are contracts and grants, gifts and endowments, and special federal and state appropriations. Gifts and endowments are restricted by the donors. Contracts and grants are restricted under the terms of the agreements with the granting agencies; however, since revenues for contracts and grants are reimbursed based on expenditures, the fund balances are usually zero. Restricted resources are each kept in separate funds to demonstrate the resources are spent for the intended purpose. (Mar 2018 Regents Item F10)

REVENUE

The income and inflow of funds from sales, services, fees, gifts, recharges and other sources which are recorded to the accounts of the activity or department that generated or has been granted the income or funds.

S

SALARY ACTION

A change to an employee's total pay either by adjusting the compensation rate or offering a one-time payment. Salary Actions may reflect adjustments such as equities, merits, STAR awards, promotions or administrative stipends.

SALARY/BENEFIT INCREASE

An increase to the amount budgeted for employees' salaries and benefits based on projected merit or equity adjustments in the coming fiscal year.

SEARLES FUND

The Searles Fund is an endowment purposely intended to finance "general purposes" of the University of California which frequently cannot be covered by more restrictive funding sources.

SHORT-TERM INVESTMENT POOL (STIP)

A cash investment pool that maximizes returns on short-term cash balances by taking advantage of the economies of scale of investing in a larger pool. STIP consists primarily of current funds slated for payroll and operating/construction expenses for all UC campuses and medical centers.

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SPECIAL ITEMS

A means of classifying specific nonpayroll expenses. Departments or units can track travel, consulting and professional services, or specific projects using special items.

SOURCES

Reporting of the inflow of funding used to cover UCOP's expenses in a budget period organized primarily by fund group (e.g., restricted, unrestricted). Sources reflect only the fund available and used to cover expenses.

STAFF APPRECIATION AND RECOGNITION (STAR) AWARDS

A performance incentive program that grants one-time payments to employees below the executive level in recognition of exemplary performance and contributions which further operational and administrative improvements within the university.

STATE GENERAL FUNDS

An allotment of general funds provided by the state of California through the annual State Budget Act. State General Funds are commonly referred to as 19900 funds since their fund code is 19900. State General Funds and UC General Funds are considered Core Funds.

STRATEGIC PLANNING

An approach to long-term planning that aligns a unit's mission with its specific courses of action and results measurement.

STRATEGIC PRIORITIES FUND (SPF)

An allotment of funds used at the President's discretion to support one-time and limited-term strategic priorities and projects, address emerging issues across the University of California, and promote the mission of university.

SUBACCOUNT

An optional subdivision or cost center of an account used to track budget and expenses.

SUBJECT

An optional, more detailed definition of an object used to classify and group certain transactions based on their nature, purpose or objective.

SURPLUS

The excess of funds that is left over when an activity's actual revenue exceeds the actual expenses within a fiscal year.

SYSTEMWIDE PAYMENTS

An activity for which UCOP pays for systemwide expenditures using either operating revenues allocated to UCOP, consumption-based internal billing reimbursements, or an assessment ("tax") from the campuses. These three funding mechanisms can be used to cover the direct payments for those systemwide expenditures and the cost of UCOP administrative operations to negotiate contracts and process vendor payments.

SYSTEMWIDE REVENUE DISTRIBUTION

An activity that includes the purchase of goods or services that benefit or are consumed by entities or individuals outside of UCOP which are paid by funds allocated to UCOP. Examples of Systemwide Payments include Payments to the Corporation for Education Network Initiatives in California (CENIC) for services rendered to all of the campuses and purchases of cyber security software and services from FireEye, Inc. which are provided to all UC locations.

T

TEMPORARY LABOR

An expense category denoting hourly labor obtained through a vendor and/or through the Temporary Office of the President Staffing (TOPS) program.

TOTAL RETURN INVESTMENT POOL (TRIP)

A cash investment pool that maximizes returns on long-term working capital, subject to an acceptable level of risk, by taking advantage of the economies of scale of investing in a larger pool and investing across a broad range of asset classes.

TRANSFER OF FUNDS

An adjustment to the budgeted appropriations and funds available for an activity or operation. The transfer could provide more or reduce the funds available for a unit.

U

UC GENERAL FUNDS

A set of funds which are unrestricted but are not provided by the state of California. UC General Funds are expected to provide general support for the university's core mission activities. UC General Funds and State General Funds are considered Core Funds.

UCPATH SYSTEM

The main payroll and human resources system for UCOP. Eventually, all locations within the University of California system will utilize the UCPath System.

UNALLOCATED FUNDS

An allotment of funds held temporarily in suspense while awaiting final allocation and appropriation to an expense category.

UNALLOWABLE COST

A cost that may not be factored into a Recharge Rate such as advertising, alumni activities, donations, fundraising, entertainment, housing and personal living expenses, interest, lobbying, and memberships.

UNRESTRICTED FUNDS

Funds which the University of California receives from external or internal sources that do not have restrictions on their use from outside entities. The university may designate these funds for specific purposes, but so long as the designations are

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internally imposed, the funds are unrestricted. Unrestricted funds have been further classified as Regents-designated, Designated, Agency. (Mar 2018 Regents Item F10)

V

VACANCY FACTOR

A rate that may be included in the annual budget for vacancies related to planned hiring and turnover. The vacancy factor is budgeted as an offset to salaries.

VACANCY SAVINGS

The savings achieved through employee turnover and vacant positions. Vacancy Savings can be achieved if there is a time lapse between when the prior employee left and the replacement employee starts or if a new position is created and not filled by the budgeted start date.

VACATION ACCRUAL

An annual calculation based on the estimated amount to be accrued for vacation that will be paid through payroll.

VALID TRANSACTION

A transaction that is authorized; allocated to the proper chart, account and object; supported by proper documentation; allowable per laws, regulations, agreements and university policy; and is for goods or services that have been received.

Z

ZERO-BASED BUDGETING

A methodology in which all estimated expenses must be justified during the development of the operating budget. The budgeting process starts from a "zero base" in which the estimated expenses are determined without relying on prior year operating budgets as a starting assumption.

B. BUDGET MANUAL ACRONYMS

Acronym	Definition
AB 97	Assembly Bill 97 - Budget Act of 2017
ANR	Agriculture and Natural Resources
APPA	Association of Physical Plant Administrators
BFP&A	Financial Planning & Analysis department
CAGR	Compound Annual Growth Rate
CBR	Composite Benefit Rate
CENIC	Corporation for Education Network Initiatives in California
CFO	Chief Financial Officer
COA	Chart of Accounts
COO	Chief Operating Officer
COC	Council of Chancellors
COVC	Council of Vice Chancellors
CSA	California State Auditor
CSO	Chief Strategy Officer
CSU	California State University
DA	Department Administrator
DACSS	Distributed Administrative Computing Security System
DCP	Defined Contribution Plan
DM	Decision Memo
CY	Current Year
DOF	Department of Finance (State of California)
EAP	Education Abroad Program
EBC	Executive Budget Committee
ERP	Enterprise Resource Planning
EVC	Executive Vice Chancellor
FAU	Full Accounting Unit
FTE	Full-Time Equivalent
FY	Fiscal Year
GAAP	Generally Accepted Accounting Principles
GAEL	General Automobile and Employment Liability
GASB	Governmental Accounting Standards Board
GFOA	Government Finance Officers Association
GL	General Ledger
I&E	Innovation and Entrepreneurship
ILTI	Innovative Learning Technology Initiative
ITF	Interlocation Transfer of Funds
ITS	Information Technology Services
LANL	Los Alamos National Laboratory
LBNL	Lawrence Berkeley National Laboratory
LRDP	Long-Range Development Plan
NACUBO	National Association of College and University Business Officers
OCIO	Office of the Chief Investment Officer
OGC	Office of General Counsel
OP	Office of the President
PBS	Planning and Budgeting System
PEF	President's Endowment Fund
PEO	President's Executive Office
P&L	Profit and Loss Statement
RFP	Request for Proposals
SPF	Strategic Priorities Fund

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Appendix B – Budget Manual Acronyms

Acronym	Definition
SPMO	Strategy and Program Management Office
STAR	Staff Appreciation and Recognition
STIP	Short-Term Interest Pool
SRECNA	Statement of Revenue, Expenses, and Changes in Net Assets
TDRP	Tobacco-Related Disease Research Program
TOF	Transfer of Funds
TRIP	Total Return Investment Pool
UC	University of California
UCB	University of California, Berkeley
UCDC	University of California, Washington Center
UCD	University of California, Davis
UCI	University of California, Irvine
UCLA	University of California, Los Angeles
UCM	University of California, Merced
UCOP	University of California, Office of the President
UCR	University of California, Riverside
UCRP	University of California Retirement Plan
UCSB	University of California, Santa Barbara
UCSC	University of California, Santa Cruz
UCSD	University of California, San Diego
UCSF	University of California, San Francisco
VCPB	Vice Chancellor Planning and Budget
ZBB	Zero-Based Budget

C. REFERENCES AND RESOURCES

The following resources have been utilized in support of the development of UCOP's annual budget and efforts to align the budget process and presentation with best practices.

1. Policies, Charters, and Standing Orders of the University of California Board of Regents
 - a. Board of Regents Policies
 - b. Board of Regents Item F11
 - c. Board of Regents Governance
 - d. Board of Regents Policy 5101: Policy Regarding Approval of Annual Budget for the Office of the President
 - e. Board of Regents Policy 5102: Policy on Use of the University Opportunity Fund
 - f. Board of Regents Policy 5104: Policy on a Central Operating Reserve for the University of California Office of the President
 - g. Board of Regents Policy 5202: Policy on the Use of Endowment Funds for Enrichment
 - h. Board of Regents Bylaw 12. Composition and Powers of the Corporation
 - i. Board of Regents Appendix C - Charter of the Finance and Capital Strategies Committee
 - j. Presidential Guidelines Governing the UCOP Strategic Priorities Fund
2. UC/UCOP Policies and Guidelines
 - a. UCOP Budget Financial Planning & Analysis department
 - b. UC Presidential Policies
 - c. UC Presidential Guidelines Governing the UCOP Central Operating Reserve
 - d. UC Accounting Manual
 - e. UC Business and Finance Bulletins
 - f. UCOP Financial Policy
 - g. UC Presidential Initiatives
 - h. Major Projects and Initiatives
 - i. UC Systemwide Annual Budget
3. CA State Auditor Report 2016-130
4. Financial Accounting Standards Board
5. Government Finance Officers Association
 - a. Recommended Budget Practices from the National Advisory Council on State and Local Budgeting
 - b. GFOA, Basis of Accounting versus Budgetary Basis
 - c. GFOA, Financial Forecasting in the Budget Preparation Process
 - d. GFOA, Best Practice: Personnel Budgeting
 - e. GFOA, Budget Monitoring
 - f. GFOA, Departmental Presentation in the Operating Budget
 - g. GFOA, Presenting the Capital Budget in the Operating Budget
 - h. GFOA, The Statistical/Supplemental Section of the Budget Document
 - i. GFOA, Making the Budget Document Easier to Understand
 - j. GFOA, Accurately Displaying Total Expenditures in Budget Presentation
6. National Association of College and University Business Officers

7. UCOP Budget and Planning Key Dates

UCOP Budget and Planning Key Dates

UPCOMING FISCAL YEAR BUDGET KICK-OFF

Mid Dec	UCOP Upcoming Fiscal Year Budget Call Kick-Off discussion w/ Budget Owners and Liaisons at Community of Practice meeting
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CURRENT FISCAL YEAR Q2 FORECAST

Mid Dec	Forecast opens to ALL Users for entry in PBS
Dec 2 nd week	Budget Community of Practice Meeting
Jan 2 nd week	December General Ledger close
Mid Jan	Forecast closes EOD to Budget Liaisons
Jan 1 st -3 rd weeks	BFP&A reviews Forecast, works Budget Liaisons on material variances
Jan 4 th week-Feb 3 rd week	Quarterly Division Review Meetings (Q2 QDR)

UPCOMING FISCAL YEAR BUDGET DEVELOPMENT

Feb 1 st week	Budget opens to ALL Users for entry in PBS
Feb 3 rd week	Budget closes EOD to Budget Liaisons
Feb 3 rd week-Mar 1 st week	BFP&A analyzes Budget and coordinates with Budget Liaisons
Mar 1 st week	Draft Budget consolidated for leadership review
Mid May	Budget Presentation to the UC Regents

CURRENT FISCAL YEAR Q3 FORECAST

Mar 4 th week	Budget Community of Practice Meeting
Apr 2 nd week	Forecast opens to ALL Users for entry in PBS
Mid Apr	March General Ledger close
April 3 rd week	Forecast closes EOD to Budget Liaisons
Apr 1 st -3 rd weeks	BFP&A reviews Forecast, works w/ Budget Liaisons on material variances
Apr 4 th week-May 3 rd week	Quarterly Division Review Meetings (Q3 QDR)

8. UCOP Budget Development Checklist

UCOP Budget Development Checklist

Use this checklist to develop your Upcoming Fiscal Year Budget by **3rd week of February**

KEY DATES AND DEADLINES

- Mid-January** –Q2 Forecast entered and final in PBS with Department/Division Leaders’ review.
- 1st week February** –PBS opens for budget input.
- 3rd week February** –PBS closes for budget input.

MID DECEMBER–MID JANUARY: DEVELOP ACCURATE CURRENT FISCAL YEAR Q2 FORECAST IN PBS

- PBS system training and office hours** for forecasts and budgets. Training classes and office hours for Budget Liaisons will be scheduled through Mid-January for forecast support.
- Review current fiscal year-to-date expenses and remaining budget in PBS.** Year-to-date actuals should be analyzed, and variances must be assessed for timing or full year impacts. Identify any areas where projected expenses may exceed the budget or where the full budgeted amount may not be spent.
- Complete **accurate projections for the remainder of current fiscal year.** This forecast will be reviewed by UC leadership, is published in a March Regents item and provides data for the pre-population of the initial upcoming fiscal year Budget.
- Review your Q2 Forecast with department/division leadership** and ensure accuracy of current fiscal year projections. It is critical that leadership is aware of projected overspending or deficits to advise on corrective actions. **Complete entry in PBS by Mid-January** with final 6+6 forecast.

FEBRUARY 1ST WEEK – 3RD WEEK: DEVELOP UPCOMING FISCAL YEAR BUDGET IN PBS

- Review the initial incoming fiscal year Budget data pre-populated in PBS.** This data was generated from your current fiscal year Forecast, and includes items updated centrally by Budget, Financial Planning & Analysis (BFP&A).
- Enter detailed current fiscal year expense budgets by month in PBS by 3rd week of February:**
 1. **Review pre-populated data by month and adjust to align for upcoming fiscal year considerations,** such as funding that is beginning, ending, or changing.
 2. **Accurate monthly budgets** should reflect the actual timing of expenses by month throughout the year and assists in improved budget-to-actuals variance reporting during the fiscal year.
- Ensure proper revenue budgeting.** PBS enables revenue budgeting for Designated and Restricted funds, where applicable. If your department has these fund sources, ensure they are entered monthly in the system.
- Ensure proper expense budgeting** in the correct category and expense account. If actual expenses are *not* currently recorded in the correct expense categories and accounts, please contact your budget partner who can work with the Business Resource Center (BRC) to ensure accuracy.
- Enter requests for additional or one-time funding** with justification in PBS using the system’s **Decision Package** feature, including:

1. **Unavoidable cost increases**—Only critical and/or unavoidable cost increases will be considered.
 2. **Expected cost reductions**—Costs that are no longer moving forward in upcoming fiscal year and result in savings should be detailed to highlight where increases may be offset.
 3. Requests for **Strategic Priority Funding (SPF)**—SPF (one-time) funding requests should be captured and submitted through PBS Decision Packages. Upcoming fiscal year required funding from previously approved SFR requests must be included as well as new incremental requests.
 4. Requests for any new **headcount** increases must be submitted through Decision Packages. Consult your Budget Partner with any questions or needs for clarification.
 5. Increases related to **additional fund sources** (e.g., special state appropriations) must also be entered in a Decision Package.
 6. Decision Package requests should only be included in this system module and are not to be included in the base budget submission. On approval, approved Decision Packages will be consolidated into the budget.
- Budget all salary and headcount**, including part-time appointments such as interns, students, rehired retirees, etc. in PBS:
1. **Align with Workforce Plans**—Divisions and departments should consider Workforce Plans, and any new or redeployed FTEs should be consistent with priorities identified in Workforce plans. FTE will be closely monitored and reviewed, as overall FTE are expected to be flat.
 2. **Enter planned vacancies by month** to improve headcount and vacancy plans.
 3. **Headcount is expected to remain flat** to current budget. New position requests, if there are any, should be first funded from existing, re-allocated headcount and budget (not new FTEs).
 4. **Submit a Decision Package in PBS** with any new key activities that cannot be offset by current FTEs and require an incremental FTE (e.g., new grant funding received that requires staffing).
Note: These Decision Package requests will undergo rigorous review and there is a high likelihood the division or department will be asked to absorb the additional headcount.
- Review your proposed upcoming fiscal year Budget with your department and/or Division Leaders.** The upcoming fiscal year Budget should be a true reflection of anticipated costs for the upcoming fiscal year. Department/Division Leaders should ensure that priorities, trade-offs, and goals are reflected in the budget submission in PBS.

GETTING HELP WITH YOUR UPCOMING FISCAL YEAR BUDGET

- Budget kick-off** will be discussed with Division Leaders and Chiefs of Staff in January.
- Budget and Finance Community of Practice** meetings will be held regularly throughout the budget process to continue learnings and training.
- Training and office hours** are available throughout the budget process for in-person learning and assistance.
- Contact your Budget Partner** in Budget, Financial Planning & Analysis (BFP&A) for additional assistance with your department/division budget.

D. FULL DESCRIPTIONS OF IMAGES

This Appendix is to give full descriptions of the images in the Budget Manual.

UCOP BUDGET GOVERNANCE STRUCTURE

This description is for the image in Figure 1 under the Section Budget Governance.

The UCOP governance budget structure has two tiers. The Top tier contains two columns --Top Tier Column 1: Regental Approval Items; Top Tier Column 2: Executive Leadership. Bottom tier consists of 3 columns -- Bottom tier Column 1: Campus Consultation; Bottom tier Column 2: UCOP Operations; Bottom tier Column 3: UCOP Consultation.

Top Tier

Top Tier Column 1: Regental Approval Items refers to items which need Regental Approval. The bodies authorized to do so are (from top to bottom): (1) UC Regents; (2) Finance and Capital Strategies Committee of UC Regents. Within Column 1 Information flows from (2) Finance and Capital Strategies Committee to (1) UC Regents.

Top Tier Column 2 is comprised of (from top to bottom): (1) President of UC; (2) Vice President and Chief of Staff; (3) Executive Vice President and Chief Operating Officer, UC Operations. It shows the flow of input the President of UC receives from UCOP Executive Leadership. Input flows from (3) Executive Vice President and Chief Operating Officer, UC Operations to (2) UCOP Vice President and Chief of Staff to (1) UC President.

Information also flows between: Column 1: Regental Approval Items and Column 2: President of UC.

Bottom Tier

The diagram also shows the flow of information within Bottom tier as well as from Bottom tier to Top tier.

Bottom tier is comprised of 3 columns (from left to right) -- Bottom tier Column 1: Campus Consultation; Bottom tier Column 2: UCOP Operations; Bottom tier Column 3: UCOP Consultation.

Bottom Tier Column 1 Campus Consultation is comprised of (from top to bottom): (1) Council of Chancellors to (2) Executive Budget Committee.

Bottom Tier Column 2 UCOP Operations is comprised of (from top to bottom) -- (1) Executive Director UCOP Operations; (2) Executive Director UCOP Budget Financial Planning & Analysis; (3) UCOP Budget Financial Planning & Analysis. Information flows from (3) UCOP Budget Financial Planning & Analysis to (2) Executive Director UCOP Budget Financial Planning & Analysis to (1) Executive Director UCOP Operations.

Bottom Tier Column 3 UCOP Consultation is comprised of (from top to bottom) -- (1) Division Leaders; (2) Department Heads/Department Administrators; (3) Budget Liaisons.

Bottom tier entities -- (1) Campus Consultation; (2) UCOP Operations; (3) UCOP Consultation -- share information with each other.

Information from Bottom tier UCOP Operations flows to Top tier Executive Leadership via Executive Director of UCOP Operations (Bottom tier Column 2). Information flows to (3) Executive Vice President and Chief Operating Officer, UC Operations to (2) UCOP Vice President and Chief of Staff to (1) UC President.

ANNUAL BUDGET CALENDAR

This description is for the image in Figure 2 under the Section BUDGET CALENDAR.

Month	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
Event				Regents	Budget Call		Budget Submission	Draft Budget Regents	UC President Approval	UC Regents Budget Approval		
Budget Process	Stakeholder Feedback and Process Improvement		Develop Budget Strategy and Targets		Budget Call and Kick-Off	Develop Budget in PBS	Analysis and Stakeholder Review		UC President Review	UC Regents Review	Communicate	
Division/ Department Budget Process				Review Budget Strategy and Division Priorities	Internal Budget Process		Finalize	Division Leadership Meetings				
Forecast Process		Q1 Forecast			Q2 Forecast			Q3 Forecast				
Regents Presentation			Prior year budget to actuals; Q1 actuals				Q2 budget to actuals; Forecast		Proposed Budget			

DECISION TREE FOR CATEGORIZATION OF UCOP-AFFILIATED FUNCTIONS

This description is for the image in Figure 3 under the Section Decision Tree for Categorization of UCOP-affiliated Functions.

- 1) Is it a UCOP Administrative Function or Operational Service performed on behalf of the system?
 - a) If yes, go to Systemwide or Core Services
 - b) If no, go to: Is it required by current legislation or is UC contracted to operate it on behalf of State or Federal government?
 - (1) If yes, go to State/Federal Program
 - (2) If no, go to: Are benefits primarily retained by 1-2 campuses?
 - (a) If yes, go to Campus Program
 - (b) If no, go to: Is it funded solely with one-time or time-bound budget commitments?
 - (i) If yes, go to: Was it launched by a UC President?
 1. If yes, go to Presidential Initiative
 2. If no, go to Systemwide Initiative
 - (ii) If no, go to Systemwide Program

UCOP SAVINGS FUND REALLOCATION DECISION TREE

This description is for the image in Figure 5 under the Section UCOP Fund Reallocation Plan.

- 1) Are there net budget or actual savings related to California State Auditor recommendations?
 - a) If no, go to: No Action/Reallocation
 - b) If yes, go to: Are the funds UNRESTRICTED?
 - i) If no, go to: No Action/Reallocation
 - ii) If yes, go to: What is the FUNDING SOURCE?
 - (1) If State General Funds, go to: At the end of the Fiscal Year or During the Budget Process?
 - (a) If At the end of the Fiscal Year, go to: No Action/Reallocation
 - (b) If During the Budget Process, go to: No Action/Reallocation
 - (2) If Campus Assessment, go to: At the end of the Fiscal Year or During the Budget Process?
 - (a) If At the end of the Fiscal Year, go to: Credit Next Fiscal Year campus assessment
 - (b) If During the Budget Process, go to: Reduce Next Fiscal Year campus assessment
 - (3) If Other Unrestricted, go to: At the end of the Fiscal Year or During the Budget Process?
 - (a) If At the end of the Fiscal Year, go to: Pay off any year end deficits should they occur and Return funds to the original source and/or review for reallocation
 - (b) If During the Budget Process, go to: Review for possible reallocation

UCOP BUDGET DATA FLOW

This description is for the image in Figure 6 under the Section UCOP BUDGET DATA FLOW.

UCPath data flows to the General Ledger. Both UCPath data and the General Ledger flow to PBS.

- 1) UC Path Data
 - a) Human Resources Detail
 - i) People, Positions
 - ii) Benefits
 - b) Payroll Details
 - i) Salary, Other Earnings
 - ii) Liability Accounts
- 2) PBS Data
 - a) Budget Summary Details
 - i) Budget Line Items
 - ii) Considerations
 - b) Budget Transactional Details
 - i) Augmentation, Transfers
 - ii) Approvals
- 3) General Ledger
 - a) Transactional Details
 - i) Allocations
 - ii) Expense Transfers
 - iii) Accruals, Encumbrances
 - b) COA detail
 - i) Fund Balances
 - ii) Revenue Expenses
 - iii) Assets, Liabilities

E. APPENDIX

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