



UNIVERSITY
OF
CALIFORNIA

UCOP 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 UCOP Operating Budget Manual is updated annually to coincide with the annual budget call. The UCOP Budget and Finance Department may make additional changes throughout the year to support modified budget and/or forecast procedures. Revisions to the Budget Manual are tracked in the below table.

VERSION CONTROL

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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 *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: <http://regents.universityofcalifornia.edu/index.html>
- UC Presidential Policies: <https://policy.ucop.edu/index.html>
- UC Accounting Manual: <https://policy.ucop.edu/manuals/accounting-manual.html>
- Business and Finance Bulletins: <https://policy.ucop.edu/manuals/business-and-finance-bulletins.html>

Questions about the *Manual* should be directed to the [UCOP Budget and Finance Department](#).

1 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 CA, 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 multi-billion 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 has undertaken a multi-year project 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. This document will continue to be updated as the UCOP annual budget process, policies and guidelines evolve.



2 UCOP BUDGET & FINANCE DEPARTMENT (BFD)

The UCOP Budget & Finance Department 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 UC president, division leaders and department heads with tools for reporting and monitoring actual expenditures compared to the budget. Budget and Finance also provides support to other UCOP departments on budget-related issues and manages the annual UCOP fiscal close process.

Additional information on the department, including contact information, is available at: <https://www.ucop.edu/ucop-budget/index.html>. For information on the UC systemwide annual budget, please visit: <https://www.ucop.edu/operating-budget/index.html>.

3 BASIC CONCEPTS

ACCOUNTING STANDARDS

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

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.

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
 - **Undesignated Funds:** Funds classified as unrestricted for accounting purposes and are not designated for a specific purpose

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 purposes of budgeting, fund balances are the excess of a fund's resources over its planned expenditures.

OPERATING BUDGET

The Operating Budget is the budget 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.

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.

ACTUALS

The Actuals are comprised of General Ledger (GL) data representing all financial transactions in the GL system for a given fiscal period.

REVENUE & 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** (i.e. 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.

4 UCOP BUDGET PROCESS

4.1 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 multi-year priorities and objectives are reviewed and aligned with financial resources for the forthcoming fiscal year. 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.

4.2 ROLES AND RESPONSIBILITIES

4.2.1 Budget and Finance Department

The Budget and Finance Department reports to the Executive Director, 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 the Budget and Finance department 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
- Manage budgeted headcount ensuring integrity of UCOP hiring and alignment with approved positions and salary ranges within the budget system
- Provide analytical support to departments and divisions 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
- Manage the annual UCOP fiscal close process
- Coordinate with other financial departments for alignment on policies and controls
- Provide reporting and analytical support for internal and external audits

4.2.2 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

4.2.3 Department Managers/Department Administrators

In large divisions, budgets are created for each division's department and overseen by the department manager and/or an authorized department administrator as outlined in the UCOP Financial Policy: <https://www.ucop.edu/finance-office/mission-goals/ucop-financial-policy.html>. 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 the Budget and Finance Department
- Compare actual financial results to the budget to 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
- 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

4.2.4 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 the Budget and Finance Department in development of the budget of their area of responsibility
- Coordinate and consult with the Budget and Finance Department in development of the annual budget and forecasts for their area(s) of responsibility
- Implement annual budget guidelines, processes, and timelines communicated by Budget and Finance
- Participate in training and the Budget and Finance 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

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- Monitor actual financial results for variances and review with division leaders
- Consult with UC leadership to ensure alignment of priorities to available resources

4.2.5 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 ensures transparency to the public and consistent application of controls.

4.2.6 Regents of the University of California

The University of California is governed by The Regents, which under [Article IX, Section 9](#) of the California Constitution has "full powers of organization and governance" 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.

Under [Appendix C – Charter of the Finance and Capital Strategies Committee](#), 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 such, the annual operating budget for the UC Office of the President is presented to the Finance and Capital Strategies Committee, unless requested to be presented before the Board.

4.2.7 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 that derives its authority from the President. The EBC meets monthly, and has the following powers, purpose, and responsibilities as outlined in the charter. [See Appendix E](#)

- 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 CSA Audit 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 in the course of performing the above duties, and formally report its activities at least annually
- Keep the chancellor and senior leadership informed, and proactively seek their input as needed

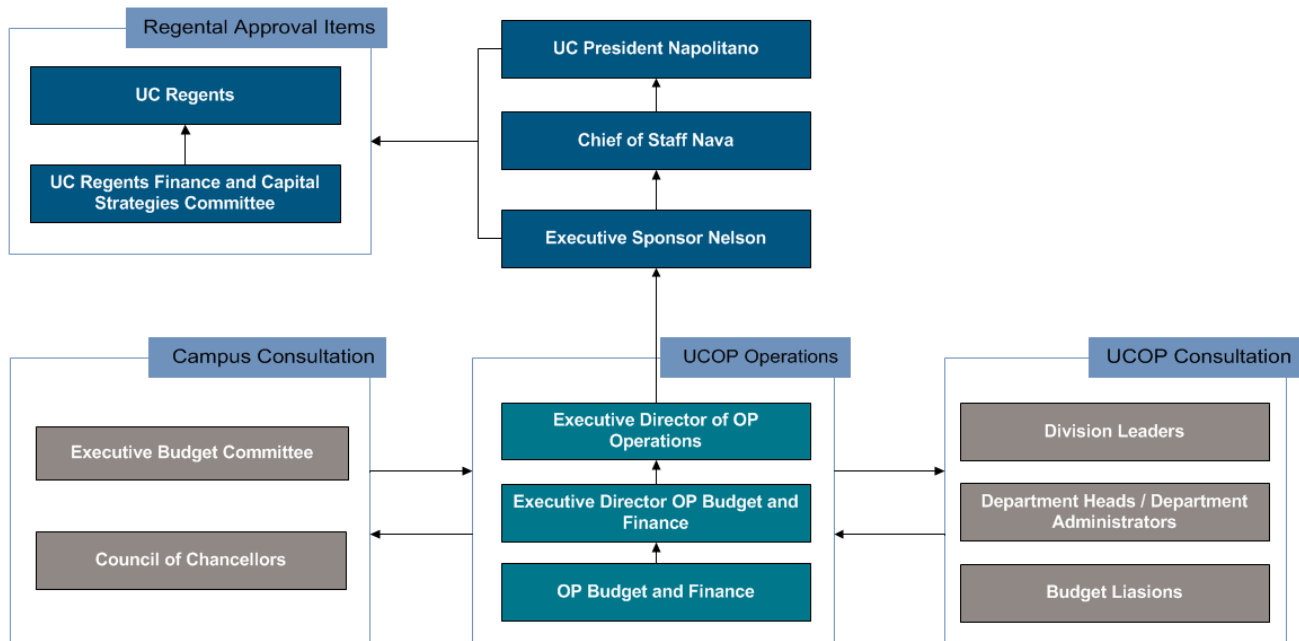
4.2.8 Budget and Finance Community of Practice

The Budget and Finance 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 convened by the Budget and Finance Department, and meets regularly during the annual budget process to 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.

4.2.9 Budget Improvement Governance

In support of the on-going activities to improve the budget process and presentation at the Office of the President to align with best practices, the following governance structure is in place:

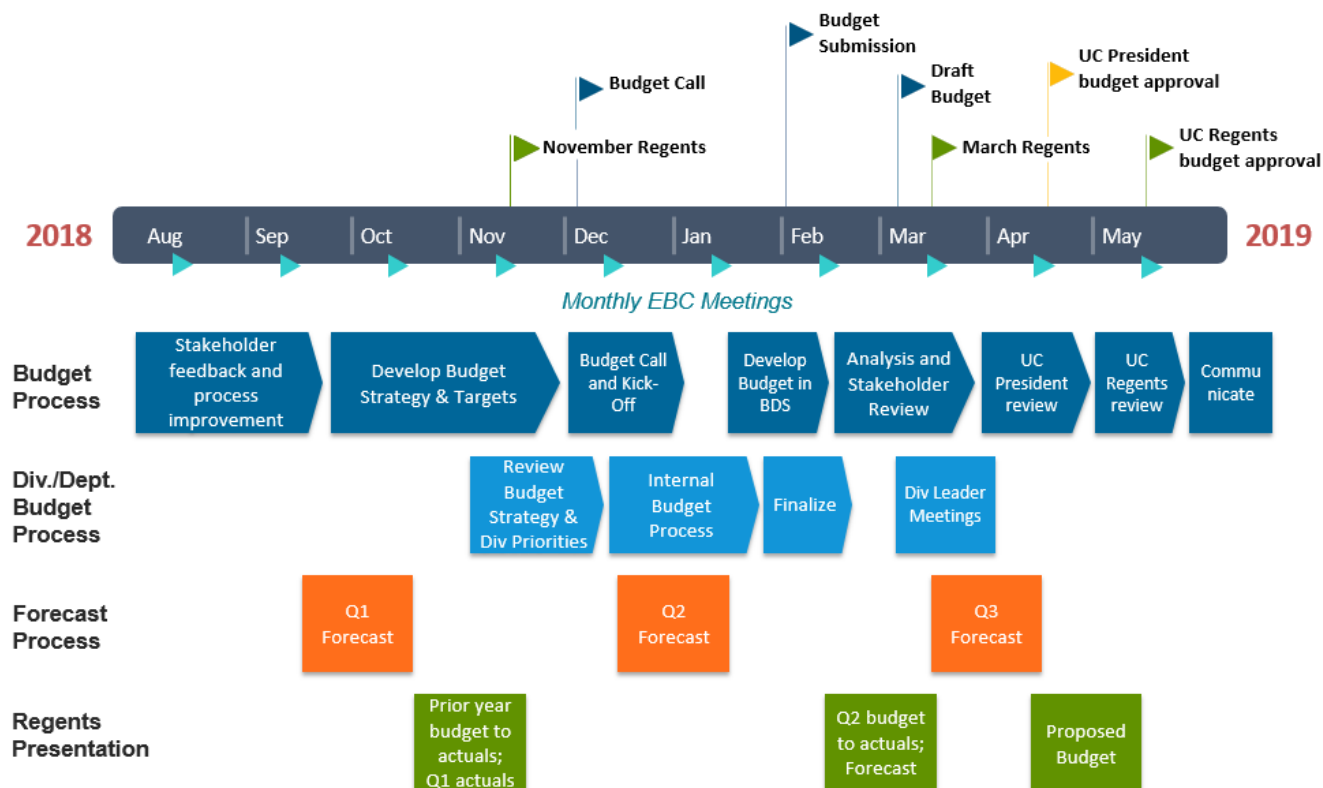
Figure 1. Budget Improvement Governance



4.3 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 fall 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



4.4 ANNUAL OPERATING BUDGET PROCESS

4.4.1 Develop Budget Strategy

The Budget and Finance Department 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.

4.4.2 Budget Kick-Off

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. Kick-off meetings are held to socialize the guidance with all budget and finance 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.

4.4.3 Budget Development

Once the 2nd quarter forecast is complete with 6 months of actuals and 6 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, BDS opens to users with an initial budget that 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 twelve months.

Budget liaisons partner with department managers and division leaders to develop budgets in the Budget Development System (BDS) 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.

4.4.4 Budget and Finance Analysis

During development of the budget, the Budget and Finance Department works with budget liaisons and stakeholders to ensure accuracy of budget entry. Preliminary targets may be revised and updated information from internal and external factors, such as negotiated contracts, improved understanding of unavoidable cost increases, evaluation of key priorities & tradeoffs, 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 development of the upcoming year's operating budget.

4.4.5 Budget Submission

Budget liaisons review the input budgets in BDS 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 Budget Development System. Budget liaisons work with division leaders, department managers, and the Budget and Finance Department to accurately reflect targets, priorities and trade-offs in budgets and complete entry in the Budget Development System by communicated timelines.

4.4.6 Analysis and Stakeholder Review

The Budget and Finance Department locks the budget in BDS from additional edits and analyzes the data for accuracy and alignment with internal and external requirements. Budget and Finance 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 Budget Development System for budget routing and approval.

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4.4.7 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 of the University of California.

4.4.8 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.

4.4.9 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 UC Board of Regents, the annual operating budget for the UC 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 development of the future year budget. The approved budget is compared to actual activity from closed periods and projections for future periods in the quarterly forecasting process.

4.5 FORECAST PROCESS

The Office of the President requires a quarterly forecasts 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 projects data in future periods of the current fiscal year.

To facilitate development of the current year forecast, the Budget and Finance Department engages stakeholders and budget liaisons to discuss process changes, identify challenges, and share best practices.

4.5.1 Forecast Data in BDS

The Budget and Finance Department opens the forecast in the Budget Development System quarterly by loading actual financial data for the closed periods and projecting future open. Data from closed periods is not editable by system users. Payroll data is loaded from UCPath through the last financial closed period.

4.5.2 Forecast Development/Adjustment

Budget liaisons, with guidance from division leaders and department managers, develop quarterly forecasts in the Budget Development 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.

4.5.3 Forecast Comparison to Budget

Budget liaisons review the forecast compared to the future 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 G/L 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.

4.5.4 Forecast Presentation in Annual Budget Submission

Once finalized, divisions and departments include the 2nd quarter forecast and variance explanations as part of the annual budget submission to the Budget and Finance Department. The Budget and Finance Department reviews the forecast and consolidates variance explanations by division and department. Division leaders engage in a series of meetings to collectively discuss priorities and trade-offs. Information is then summarized for all of UCOP across fund groups. A snapshot of the consolidated forecast is captured in BDS and reviewed with UC leadership and stakeholders, and included as part of the annual budget submission process for review and approval by the UC President and UC Regents.

4.5.5 Forecast Threshold (CHANGE HEADER)

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 actual expenditures compared to the approved budget, and the current fiscal year first quarter budget to actual expenditures
- March: Report on the current mid-year 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% 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.

4.6 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 FY2018-19 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.

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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
 - 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
- Cause of Change analysis detailing year over year budget change drivers
- 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 as shown in the below item presented in May 2018.

Figure 3: May 2019 Regents Item Contents

Office of the President	
TO THE REGENTS OF THE UNIVERSITY OF CALIFORNIA:	
<u>ACTION ITEM</u>	
<i>For the Meeting of May 24, 2018</i>	
FISCAL YEAR 2018-19 BUDGET FOR THE UNIVERSITY OF CALIFORNIA OFFICE OF THE PRESIDENT (UCOP)	
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4.7 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 inputs to the annual budget process, but may be owned by UCOP departments outside of Budget and Finance.

4.7.1 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 FTE over \$300,000. Decision Memos are also required for any ongoing 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 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.

4.7.2 Major Projects and Initiatives (MPI) Process

The Strategy and Program Management Office (SPMO) manages a quarterly MPI process to evaluate proposed major projects and initiatives. [MPI Proposals](#) are required for projects and initiatives decisions:

- From the Strategic Priorities Fund, for any dollar amount
- To increase existing Division budgets or FTEs, by any dollar amount
- For \$300,000 or more, from any fund source (even if there is an approved line item in department budget allocation)

Examples of MPIs include the development and implementation of software solutions, training programs, alumni or diversity campaigns, etc. Requestors submit proposals through their division leader. A working group of representatives from OP Operations, ITS, and the SPMO reviews proposals for documentation and budget impact. Next, a review committee, including the Provost, CFO, COO, and CSO review proposals in light of UCOP priorities and provides recommendations to the president. Proposals over \$1M impact to the operating budget area also reviewed by the UC Executive Budget Committee. MPI proposals are approved at the discretion of the president.

4.7.3 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 at \$30 million annually, pending approval of the UCOP budget by the Regents. Approved MPI proposals funded from the SPF are itemized in the budget presentation and reports are required 2 times during the fiscal year (mid-year and year-end). The approval of the Chair of the Board is required for commitments greater than \$5 million.

4.7.4 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

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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.

4.7.5 Workforce Planning

This process is currently under development and more details are forthcoming.

4.7.6 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.¹

The first MDS was created by the Programs and Initiatives Working Group that convened from 2017-2018 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.

4.7.6.1 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.

¹ UCOP-affiliated programs and initiatives are defined as functions 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.

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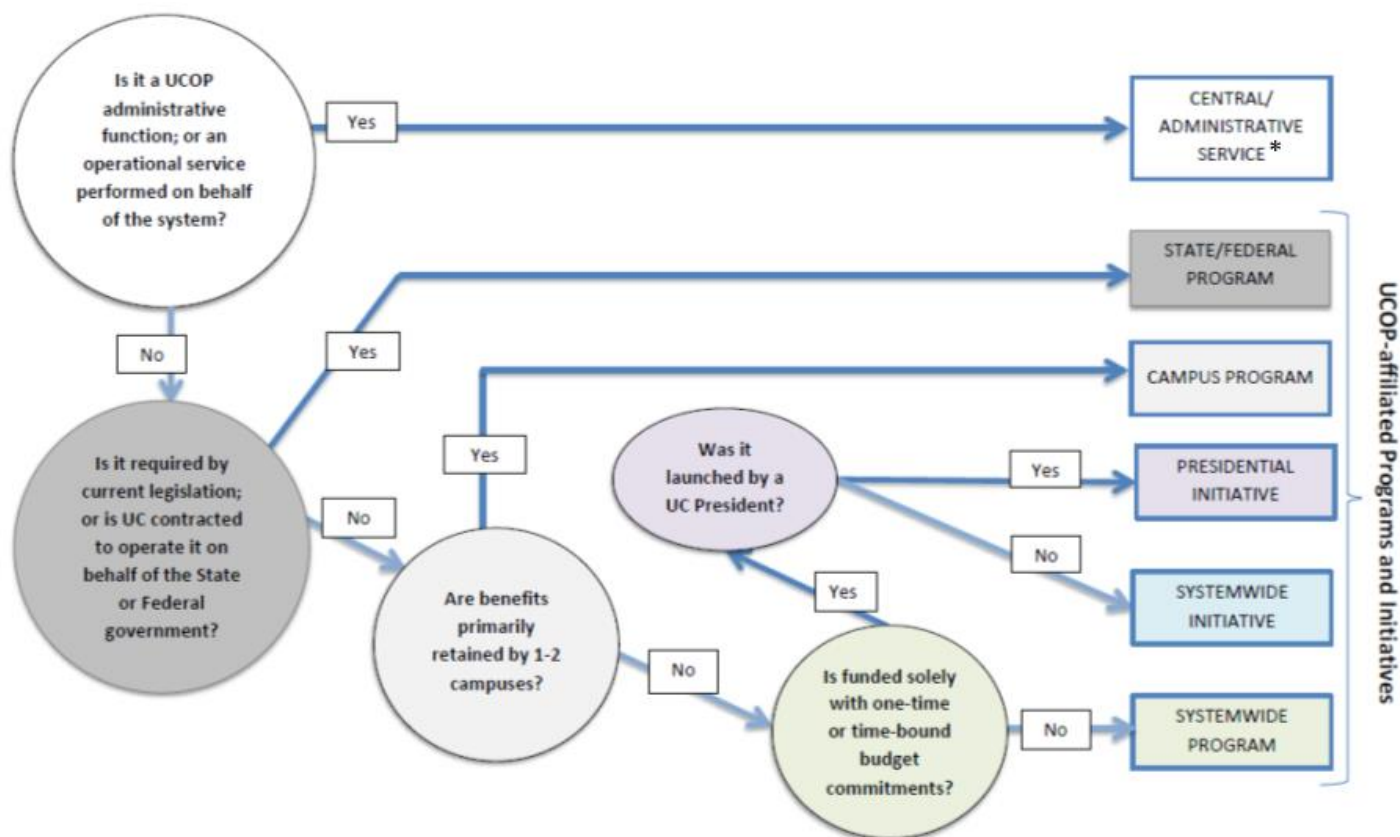
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4.7.6.2 Recommended Annual Process

Annual Timing	Task	Owner	Timing	Notes
August	Budget Office 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	Steve Garber 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.	Steve Garber 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	*Discussion item: should there be a mid-year review/update of the budget numbers in MDS at this time based on Q2 actuals and forecast information?
February	Analyze and verify numbers	Budget Office	February	
March/April	Review and Revise	Budget Office + UCOP departments	March/April	
May	Budget for upcoming fiscal year is submitted for approval by UC Regents	Budget Office	May	

4.7.6.3 Decision Tree for Categorization of UCOP-affiliated Functions

Figure 4. Decision Tree for Categorization of UCOP-affiliated Functions



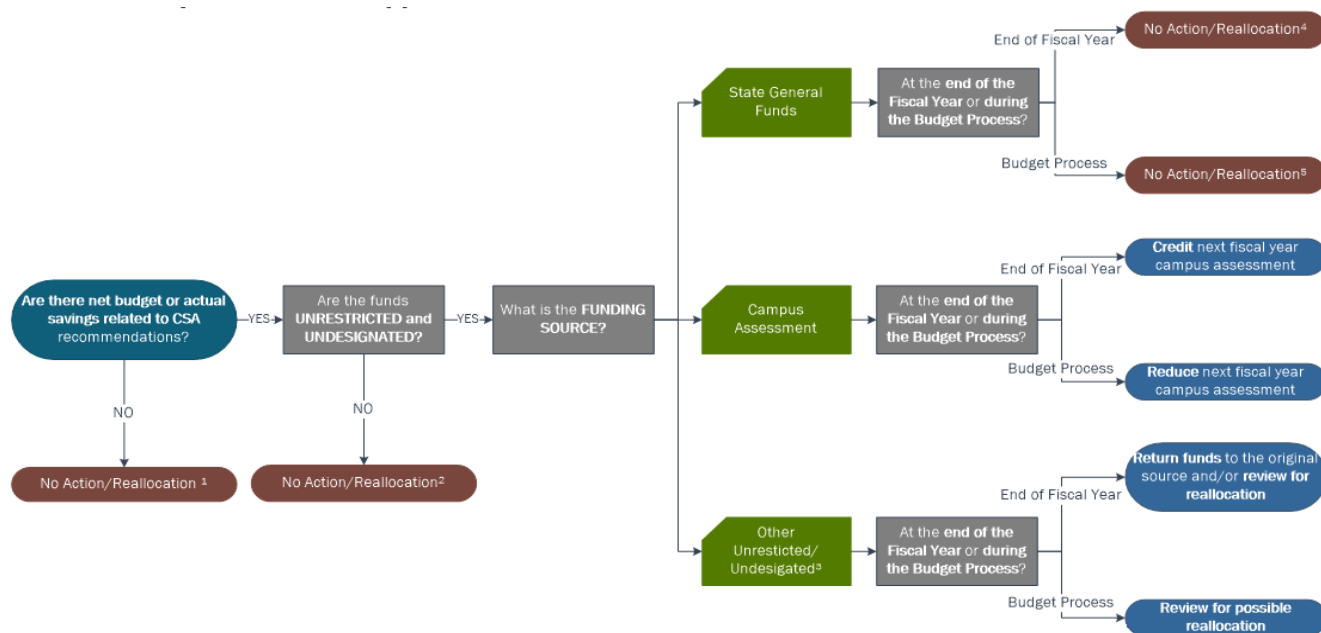
***Central and Administrative Services** are UCOP administrative support functions or centralized operational services for which there is a clear benefit to having one entity perform on behalf of the entire system, capturing economies of scale.

4.7.7 UCOP Fund Reallocation Plan

UCOP will evaluate savings related to the implementation of CSA recommendations according to the following guidelines:

- Funds from savings are evaluated according to the UCOP Savings Fund Reallocation Decision Tree
- Funds from savings related Campus Assessment Funding are reallocated either during the budget process or after fiscal year end as follows:
 - Budget Process:
 - If there are net savings on budgeted campus assessment funds, reallocate by requesting lowering the campus assessment for the upcoming budget year
 - Any potential funds from savings on Other Unrestricted Undesignated fund sources will be reviewed for possible reallocation during the UCOP annual budget process and will be approved as part of the UCOP annual budget
 - Fiscal Close:
 - Funds from savings are evaluated with final fiscal close by November 30 following the fiscal year in question (e.g. by November 30, 2019 for FY18/19)
 - Reallocate proportionally according to the original assessment percentage paid by each campus
 - Reallocate to the campuses by offsetting the monthly UCOP campus assessments until the full savings balance has been returned to the campuses

Figure 5. UCOP Savings Fund Reallocation Decision Tree



¹ If no savings, no funds to be reallocated.

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

³ Other unrestricted undesignated 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 year-end savings accrue.

⁵ In years where State General Funds replace the campus assessment, no campus assessment funding requests to reduce during the budget cycle

5 SYSTEMS AND DATA INTEGRATION

5.1 OVERVIEW

The primary system supporting the development of UCOP budgets and forecasts is the Budget and Development System (BDS). Additional systems feed data into or from BDS including the General Ledger, the Permanent Budget System, and UCPATH. The following provides information on these systems, including the flow of data between the systems in support of the budgeting process.

5.2 SYSTEMS

5.2.1 Budget Development System (BDS)

The Budget Development System, an IBM Cognos TM1 application, is a web-based collaborative budgeting interface used to facilitate UCOP budget and forecast processes.

The Budget Development System is managed centrally by the Budget and Finance Department and utilized by departments and divisions to enter and monitor their budget and forecast. Reports are produced for the annual budget submission to the Regents and to support budget monitoring and forecasting.

5.2.2 General Ledger (GL)

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. UCOP leverages a subset of the UCLA General Ledger that is tracked using the Location Code “M” in the Full Accounting Unit (FAU). General Ledger data is used to monitor actuals data and compare actuals against the budget.

5.2.3 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, full accounting units (FAUs), or personnel action category. The UCPATH system is used throughout the year for payroll, benefits, and human resources transactions and UCOP Human Resources department reporting. The UCOP Budget and Finance Department uses data uploaded from the UCPATH system for the UCOP annual budget process.

5.2.4 Permanent Budget System (PBS)

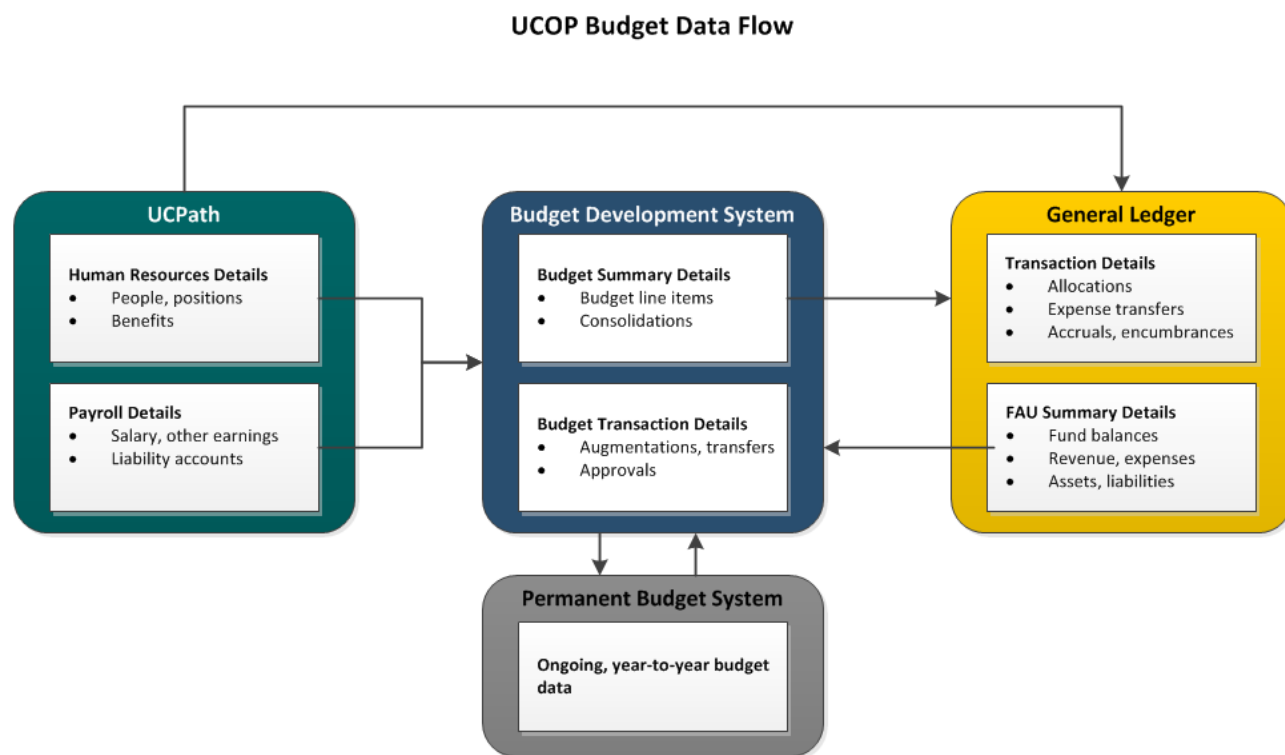
The Permanent Budget System maintains the budget approved by the State and allocated to the campus at the beginning of each fiscal year.

The Permanent Budget System is a batch system that accepts and edits transactions from other sources like UCOP Inter-Location Transfer of Funds (ITF), Payroll's Staffing System, and Financials online Permanent Transfer of Funds (TOF) and is hosted by UCLA. This system manages the ongoing, year-to-year budget that is provided by the State, Endowments, and Income Producing Funds (e.g. Sales & Service funds).

The Permanent Budget Systems maintains the Budget Detail and Summary database. It records all the ongoing year-to-year adjustments from internal and external sources. The corporate budget extract file is transmitted to Office of the President on quarterly basis.

5.3 UCOP BUDGET DATA FLOW

Figure 6. UCOP Budget Data Flow



This diagram represents high-level flows of data but does not include timing and/or activity that may be required to support data integration. UCOP will be reviewing and revising the budget process for FY2019-20. As part of this effort, UCOP will define a regular schedule for budget data integration.

UCPath System – General Ledger

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.

General Ledger – Budget Development System

Summarized FAU and actuals data from the General Ledger are regularly migrated to the Budget Development System to allow for comparative analysis of budget data and actuals in the Budget Development System reports.

Budget Development System – Permanent Budget System and General Ledger

Summarized FAU budget data from the Budget Development System is migrated to the permanent budget system annually and General Ledger to allow for comparative analysis of budget data and actuals in the General Ledger reports

5.4 BDS REPLACEMENT ASSESSMENT PROJECT

5.4.1 Overview

The key objective of the BDS replacement project is to develop improved budgets that are clear, transparent, and comprehensive and align processes, presentations and financial systems; develop and document repeatable, best-practices processes supported by financial systems; enable stakeholder involvement; and initiate long-range UCOP plans aligned with the UC mission. As UCOP works to improve the annual budget process and presentation to the UC Regents, the current system's limitations must be mitigated. New functionality is needed to satisfy budget best-practices as well as specific recommendations identified in the audit findings of the California State Auditor's (CSA) April 2017 report. This section outlines UCOP's efforts to improve its budget and planning systems. In summary:

- UCOP currently relies on UCLA's financial system and the UCOP Budget Development System (BDS)
- Budget and reporting needs have evolved, and the current BDS system, initially implemented for the FY2011-12 budget was not implemented with consideration for these requirements or budgeting best-practices.
- UCLA's decision in fall 2017 to deploy a new financial system will require UCOP to also change its financial system
- UCOP, after a thorough review, has decided to partner with UC San Diego and become part of their new Financial Information System which will also be on Oracle with a scheduled go-live of July 2020
- UCOP has worked to incrementally improve existing BDS functionality to satisfy requirements in the 2018-2020 timeframe

5.4.2 Project Background

The financial systems at UCOP are supported and operated by UCLA, with the exception of UCOP's budgeting system, BDS. In fall 2017, UCLA reached a decision to install a new Oracle Enterprise Resource Planning (ERP) system which will update their legacy general ledger (G/L) and financial reporting and planning systems. UCLA started their project after the UCPath go-live in September 2018. In an effort to continue leveraging shared services and reduced costs, UCOP chose to investigate potential partnerships with other UC locations. An assessment of financial systems at UCLA, UCSB, UCSF and UCSD was performed. In September 2018, UCOP selected UCSD which projects a go-live date of July 2020.

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The BDS system used at UCOP was developed using IBM's Cognos and TM1 technology and implemented in the FY2011-12 budget year. UCOP is currently on a 3-year phased track to update its budget presentation and internal budgeting process based on industry best practices from GFOA and NACUBO. BDS has been enhanced to accommodate best-practice budgeting as a mitigation strategy while UCOP prepares to implement a new Oracle cloud-based planning system that will integrate with the UCSD Oracle Financial Information System.

5.4.3 Challenge Statement

BDS is used to develop, present, and manage UCOP's annual budget in a collaborative manner across UCOP's divisions and departments. The system is also used for reporting, forecasting and analytical queries. The system has several areas that require updates to facilitate improved budget processes, presentations, controls, and long-range plans. Many of these gap areas include, but are not limited to:

- Process and controls of the underlying data
- Revenue planning (and fund sources); the system currently includes only expenses
- Reports which must be enhanced to support reviews of quarterly actuals and forecasts
- Forecasts which rely on improved methodologies focusing on actual expenditures; and
- Multi-year budgets supporting long range planning

ERP financial system implementations are complex, expensive, and time consuming. In order to ensure best-practice budgeting and reporting, UCOP enhanced the existing BDS system to ensure that it can be relied upon for budget development in FY19-20. UCOP leadership decided partner with UCSD on an Oracle solution for the Financial Planning and Forecasting System. UCOP will have its own 'instance' and will therefore be separate from UCSD's 'instance' of the Oracle Module. While the research to make this decision was occurring and until implementation is complete, UCOP Budget and Finance Department is in the process of executing enhancements to the existing BDS system in phases to address CSA findings and improve internal capabilities.

6 BUDGET GUIDELINES

6.1 OVERVIEW

Throughout the development, administration, and on-going 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. The Budget and Finance Department 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 FY2018-19 budget process, UCOP aligned the budget presentation with best practices from the Government Finance Officers Association (GFOA), National Association of College and University Business Partners (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 on-going 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; and
- Development of a Budget Manual.

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

6.2 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. The Budget and Finance Department, 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: <http://regents.universityofcalifornia.edu/governance/policies/index.html>

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](#)

6.3 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, policies and guidelines are issued and it is the responsibility of the University administration to implement and carry out policy. The Budget and Finance Department, 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:

<https://policy.ucop.edu/>

6.4 UCOP FINANCIAL POLICY

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

6.4.1 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.

6.4.2 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.

6.4.3 Budgeting Financial Resources

Each operating department at UCOP requires financial resources in order 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 the Budget and Finance Department, 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.

6.5 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 three and a half 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.

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- The Central Operating Reserve level shall be reviewed and reported annually by the Executive Director of UCOP Budget and Finance. The target reserve level would be reviewed by the President whenever there is a change of more than ten percent to the UCOP budget or at least every five years.

6.6 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 unrestricted funds (e.g. variable interest and income, annual scheduled unrestricted endowment payouts, campus assessment funds, and other unrestricted sources) as identified by UCOP Budget and Finance 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 on-going 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 Decision Memo process. In addition, all commitments over \$5 million require documented approval of the Chair of the Board of Regents.
- **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.

6.7 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?

- Budget allocation decisions are made with a view to all available sources and uses
- Increased confidence in maximizing the utility of all funds
- Incentivize actions to maximize revenue and reduce costs
- Enhance distributed accountability and improve long term financial sustainability

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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 UCOP uses to deliver on its mission.

6.8 BUDGET GUIDELINES

Guidelines developed by the Budget and Finance department with consultation of UC leadership and stakeholders, and in alignment of 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 Budget Development System;
- Budgeting on-going and one-time expenditures;
- Developing an all-funds budgets;
- Developing and monitoring the forecast;
- Submitting requests for carryforward; and
- Others as described in the Budget Manual

The Budget and Finance Department issues guidance throughout the budget process to assist departments in development of their annual budgets. The guidance includes pertinent information specific to the budget development for the fiscal year ahead.

7 BUDGET PLANNING ASSUMPTIONS

7.1 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 Budget and Finance 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 the 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 the UCOP Budget and Finance Department which have been reviewed with budget liaisons, division and department leaders, the Executive Budget Committee, and the president. Examples of budget call letters issued during the FY2018-19 budget process are available in [Appendix F](#) and [Appendix G](#). 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.

7.2 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 	A savings factor built into the budget to account for vacancies related to planned hiring and turnover. The vacancy factor 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 Presidents Endowment Fund and Searles Fund

8 BUDGET METHODOLOGY AND ANALYSIS

8.1 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.

8.2 REVENUES

8.2.1 Overview

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
- **Unrestricted 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 Undesignated 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.

8.2.2 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 basis 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 sub-awards, and assumes that the revenues will equal expenses.
- UCOP budgets for **gift and endowment** revenue 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 the Budget and Finance Department.
- 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.

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

8.2.3 Unrestricted Designated Revenues

Unrestricted designated revenues are a sub-set 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, the UC Retirement System Fund, etc. Each of these funds requires management activities that form the basis of the estimate.
- For **other designated revenues** 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.

8.2.4 Unrestricted Undesignated 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. The Budget and Finance Department estimates the amount of undesignated revenues during the budget development process, focusing on five undesignated revenue sources:

- **State General Funds** – In FY2017-18, revenue was appropriated by the State of California to UCOP to support its general operations and the UC Path Center in place of the campus assessment. The State of California provides revenue through state appropriations 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 missions.
- **Investment Revenue** is revenue generated through financial returns from undesignated 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. BFD 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 BFD 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 UCPress 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 undesignated revenue sources, divisions estimate the revenue based

on analysis of relevant metrics – like rent on facilities for the Building & Administrative Service Center or book sales for UC Press.

- **NOTE: In years where UCOP is under Campus Assessment,** funds collected from the UC campuses to support 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.

8.3 EXPENSES

8.3.1 Overview

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; and
- **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** – Budget and Finance centrally calculates the amount for certain expenses and distributes them across the divisions or central funds; and
- **Division-Submitted** – Divisions project certain expenses and submit them to Budget and Finance for review and updates.

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

8.3.2 Compensation

There are three primary types of compensation expenses at UCOP:

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

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

8.3.2.1 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 Budget Development System (BDS) 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; and
- 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 BDS 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 Budget System aligns with workforce plans and incorporates guidance communicated in the budget call.

Salaries: Budget Variance Analysis

Budget and Finance 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.

Budget and Finance 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; and
- **Prior fiscal year** – actuals, and if relevant, prior year budget

Budget and Finance 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.

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Salaries: Position Reconciliation

During the budget development process, Budget and Finance analyzes data on filled and vacant positions across UCOP to reconcile position data between BDS 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
- Ensure that new positions added in BDS have the approval of UCOP leadership
- Determine what, if any, data corrections need to be made to BDS or the UCPATH system to reflect changes identified during the reconciliation process.

This process ensures the accuracy of budgeted salary information and consistency between BDS and the UCPATH system. Budget and Finance pursues a five-step process for this reconciliation

- Extract data from the BDS 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;
- Convene meetings with representatives from the divisions/departments, Budget and Finance, 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; and
- Update the BDS and UCPATH systems by removing old records, adding new records, or updating existing records and then validating that the changes were made correctly.

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); and
- **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.
- **Full FTE Budgets** - most positions are budgeted at a full FTE for the year even if the position is expected to be filled after July 1. This is in part due to limitations of the BDS system in budgeting partial-year headcount and also due to the difficulty in forecasting turnover and projected hire dates.
- **Hiring trends** due to the ramping up or down for special projects such as UC Path or Redwood, or changes in organizational models such as the OCIO in-sourcing of fund managers to reduce 3rd party management fees.

To account and budget for this variance in salaries, Budget and Finance 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. Budget and Finance 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 (e.g., 15% of all unrestricted salary expenses);
- Calculating the total vacancy factor by fund group; and

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- Allocating the vacancy factor to each department based on total salary expenses and current vacancies.

Budget and Finance 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.

8.3.2.2 Benefits

Employee benefits include health insurance, retirement, and other participation programs. Budget and Finance 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).

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.

8.3.2.3 Other Compensation Actions

In addition to salary and benefits, there are additional compensation actions that Budget and Finance 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; and
- **Vacation Accrual**, which is used to recognize the liability that the university accrues when employees carry earned but unutilized vacation days.

Budget and Finance allocates the budgeted expense across each division and enters the data directly into BDS 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, while Budget and Finance adds a general amount for unplanned administrative stipend expenses as a single budget line item allocated to UCOP's Central Funds Division.

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Budget and Finance calculates the annual budget for unplanned administrative stipends based on historical trends, typically by looking at the actual expenses for administrative stipends from the prior five fiscal years as well as qualitative insights. A five-step process is employed to calculate the estimated administrative stipends for the upcoming fiscal year:

- Calculate the average amount for administrative stipends for each preceding fiscal year by dividing the total amount of administrative stipend expenses by the number of employees receiving stipends;
- Calculate the percentage of employees who received administrative stipends in each preceding fiscal year by dividing the number of employees who received administrative stipends by the total UCOP employee headcount in the operating budget for those fiscal years;
- Develop forecasts of the prior two metrics for the current fiscal year based on year-to-date actual data and trends;
- Estimate the target percentage of employees who will receive administrative stipends and the average amount per administrative stipend for the upcoming fiscal year leveraging the prior and current year data, qualitative insights, and knowledge of changing universities policies and practices; and
- Calculate the total budget for administrative stipend expenses for the upcoming fiscal year by multiplying those target metrics.

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 President, decide to reduce the merit increase based on the organization's current financial situation and priorities. Represented employees may also receive negotiated increases outlined in their [collective bargaining unit agreement](#).

Due to the timing of the annual budget process, UCOP Budget and Finance cannot know who specifically will receive merit increases in the future fiscal year. For the purposes of planning, Budget and Finance 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. Budget and Finance 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 Budget and Finance also analyses historical trend of budgeted merit compared to actual merit allocated. If there is a material difference, UCOP Budget and Finance 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, Budget and Finance:

- 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;

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- 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 UCOP's current situation; and
- 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, Budget and Finance 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 on-going 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.

Budget and Finance estimates the amount to budget for STAR Awards by fund group (e.g., unrestricted, restricted) based on historical trend analysis from prior fiscal years and any known changes to the STAR Award program policy, and allocates the budget for the STAR Award program to UCOP's Central Funds Division which is administered by the Human Resources department. To perform this calculation, Budget and Finance:

- Calculates the average STAR Award amount for the past few fiscal years based on the total payout for STAR awards and the number of employees who received STAR Awards;
- Calculates the percentage of employees who received STAR Awards in the past few fiscal years by dividing the number of employees who received STAR Awards 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 STAR Award program policy;
- Estimates the amount to budget for STAR Awards for the upcoming fiscal year based on the historical trends in the average amounts for and percentage of employees who receive the Awards, the total number of budgeted positions in the coming fiscal year, and qualitative analysis UCOP's current situation; and
- Applies the total budgeted amount for STAR Awards to UCOP's Central Funds Division.

STAR Award payments are classified under the category of "Staff Recognition & Development Programs" in BDS.

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% 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 leave, UCOP must budget for accrued vacation days. To perform this estimation, Budget and Finance:

- Calculates the actual vacation usage rate by dividing accrued vacation expenses by the total salary expenses for the past few fiscal years;

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- Forecasts the actual vacation usage rate for the current fiscal year based on year-to-date data;
- 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 UCOP's current situation; and
- Applies the total budgeted amount for vacation accrual to UCOP's Central Funds Division.

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.

8.3.3 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; and
- 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; and
- Targeted **zero-based budgeting** for expected non-compensation expenses.

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

8.3.3.1 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 budget, and requested budget augmentations into BDS.

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

8.3.3.2 Variance Analysis

Budget and Finance 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.

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Budget and Finance 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; and
- **Prior fiscal year** – actuals, and if relevant, prior year budget

Budget and Finance 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.

8.3.3.3 Zero-Based Budgeting

For some non-compensation expenses, Budget and Finance 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.

8.3.3.4 Centrally Budgeted Expenses

Budget and Finance 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, is estimated based on known commitments and unanticipated events;
- Specific **Dues and Subscriptions** for memberships or materials that generally benefit multiple divisions, are estimated based on actual expenses from prior fiscal years; and
- **Other non-compensation expenses**, which are estimated based on a combination of perceived needs, historical trends, and qualitative analysis of UCOP's current situation.

8.3.4 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, and 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.

8.3.4.1 Methodology

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

- **Fee-for-Service** activities that are funded through service-specific fees and reimbursements;
- **Systemwide Purchases** made by UCOP on behalf of the system using funds allocated to UCOP;² and
- **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.

8.3.4.2 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 three special expense classifications – Fee-for-Service, Pass-Through, and Systemwide Purchases.

8.3.4.3 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 pre-determined unit of measurement like headcount, FTE, or investment returns, like the Risk Service department, which is funded by fees based on campuses' payroll; and
- **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 & Entrepreneurship funds these operations through fees collected from the patent payments.

² Systemwide Purchases will be tracked for the FY2019-20 operating budget, but the other classifications will be included in the FY2018-19 operating budget.

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- 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.

8.3.4.4 Systemwide Purchases

Systemwide Purchases in UCOP's operating budget include purchases 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:

- Purchases of services from the **Corporation for Education Network Initiatives in California** (CENIC) that benefit all of the campuses.
- Purchases of cyber security software and services from **FireEye, Inc.** which are provided to all UC locations.

In both of these examples, UCOP pays for the services on behalf of the UC system and funds those payments through State General Funds that were allocated to UCOP through its direct appropriations from the State of California. These purchases were previously paid using campus assessment funds.

Systemwide Purchases: Systemwide Payments

Importantly, UCOP pays for, and facilitates the purchase of, many goods and services on behalf of the UC system using funds that are provided directly by the campuses and other locations. These payments and expenses are not included in UCOP's operating budget, except the proportion that is paid by UCOP for its own consumption

- UCOP facilitates the purchases of **benefits programs** for employees across the UC system. The campuses' provide funds to pay for those benefits programs, so UCOP only includes the benefits expenses for UCOP employees in its operating budget under Core Operations or Fee-for-Service (depending on the funding source).
- UCOP facilitates the purchase of **utilities contracts** for some of the campuses through the Wholesale Power Program. The campuses provide funds to pay for those contracts, so UCOP does not include those expenses in its operating budget.

8.3.4.5 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 examples of these transfers is The ***Innovative Learning Technology Initiative*** (ILTI) which provides grant funds to campus-based faculty to develop online courses; and
- **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

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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 the 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; and
- Transferring patent **royalty and prosecution payments** to the inventors and administration on the campuses and other locations from external entities.

8.4 BUDGET SCHEDULES

To provide the Regents and other stakeholders with a clear, robust, and forward-looking perspective on UCOP's operating budget, Budget and Finance 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 group;
- **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; and
- **Cause of Change** is a means of conveying the key changes or variances in the UCOP budget from prior year to the next.

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 & 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;

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- **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 & Initiative:** Displays a subset of the uses – the Programs & 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 & Sub-Division:** Displays a subset of the uses – the Central & Administrative Services, which are organized by division and sub-division – for the upcoming fiscal year budget compared to the forecast for the current fiscal year and other relevant metrics;
- **Schedule E – Strategic Priorities Fund:** Displays a subset of the uses – the Strategic Priorities Fund commitments – for the upcoming fiscal year budget; and
- **Schedule F – Cause of Change:** Displays the cause of changes between the upcoming and current fiscal year budget and forecast based on groups of changes broken out by the categories of sources and uses.

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

8.4.1 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.

BFD 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.

8.4.1.1 Methodology

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

- **Restricted Sources** – Funds that are restricted and legally constrained for certain uses by external entities as a condition of their receipt by the University.
- **Unrestricted Sources** – Funds that UCOP may use for any purposes, as they do not have any externally-imposed restrictions. There are two main types of unrestricted sources – **designated sources**, for which UCOP or the Regents have established constraints on how the funds may be spent, and **undesignated sources**, which do not carry any such constraints.

UCOP splits **restricted sources** into three sub-categories – **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

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main sub-categories – **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 undesignated sources** into three different sub-categories – **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.

8.4.1.2 Reporting Guidelines

UCOP calculates the amounts for these categories and sub-categories of sources in the operating budget schedules by summarizing the total operating expenses by fund code and fund group. UCOP recently updated its definitions for the sources, so the names and amounts for the FY2018-19 schedules may not align directly with the names and amounts for prior fiscal year schedules.

8.4.2 Uses

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

8.4.2.1 Methodology

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

- **Central and Administrative 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; and
- **Strategic Priorities Fund** commitments, which are used to support one-time and limited-term strategic priorities and projects and urgent, emerging issues.

Central and Administrative 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 & Compliance, External Relations & Communications, Finance, General Counsel, Health Sciences, Innovation & 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 exists solely at one or two campuses and are not systemwide in reach or impact;

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- **Systemwide Programs:** Functions that benefit the State, multiple campuses, or 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; and
- **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 central and administrative 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 system-wide, presidential, strategic priorities, initiatives, and projects that benefit a single campus, multiple campuses, or the system in general; and
- 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 \$5M require approval by the Chair of the Board of Regents.

8.4.2.2 Reporting Guidelines

UCOP calculates the amounts for these categories and sub-categories 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 BDS that flag the programs by the categories listed above;
- **Central and Administrative Services** – Summarizing expenses by those divisions excluding the amounts for Programs & Initiatives expenses within those divisions; and
- **Strategic Priorities Fund** – Summarizing the expenses in the departmental code for the Strategic Priorities Fund.

UCOP recently updated its definitions for uses, so the names and amounts for the FY2018-19 schedules align with the names and amounts for prior fiscal year schedules.

8.4.2.3 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. UCOP is not implementing the use of the Systemwide Purchases classification for FY2018-19 has developed definitions and completed analysis to do so in a future fiscal year.

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- **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; and
- **Pass-Throughs** and **Systemwide Purchases** are calculated by summarizing the total expenses for the specific expense categories.

For the initial implementation of these special expense classifications in FY2018-19, 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 “sub-awards” are a distinct expense category, “transfer” expenses are included in the “unallocated” expense category which also includes additional expenses that are not transfers.

UCOP is planning on making several changes to its budgeting practices and policies to further address special expense classifications in FY2019-20 and FY2020-21, by evaluating best practices to automate the calculation of these special expense classifications for UCOP’s operating budget. Some of these changes may be implemented alongside the selection of a new budget system and other changes in the budgeting process over the next two fiscal years.

8.4.3 Cause of Change

In addition to the other schedules, UCOP prepares a **Cause of Change** analysis which explains expense variances between UCOP’s current year budget and forecast to the upcoming fiscal year budget. These schedules organize changes into groups and sub-groups (e.g. position adjustment, increases in membership dues) that summarize the primary drivers and reasons for the variances and offer insights into any decisions, external circumstances, and other factors that may have created the variances.

BFD manually tracks and manages the cause of change during the budget development process. BFD identifies key shifts in the operating budget through a quantitative analysis of variances between the budget submissions for the upcoming fiscal year and departmental forecasts for the current fiscal year. At the end of the budget development process, BFD:

- Compiles all the details on the manually tracked expense variances into a single table;
- Aligns the expense variances with the major use categories (e.g., Programs and Initiatives, Central and Administrative Services, Strategic Priorities Fund);
- Verifies the expense amounts to ensure that they collectively equal the total expense variance between UCOP’s upcoming fiscal year budget and the current fiscal year budget and forecast ; and
- Summarizes these cause of change into groups and sub-groups based on similar attributes to present the variances in a cohesive structure.

This analysis helps stakeholders to understand the proposed adjustments to the operating budget, as well as identified savings, that result from decisions impacting UCOP as a whole (such as a change in the vacancy rate) and external factors (such as increased premiums).

8.5 MONITORING AND PERFORMANCE

8.5.1 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 Budget and Finance Department, 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.

8.5.2 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 2Q, 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 the Budget and Finance department

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The following are the standard Budget/Actuals/Variance reports that are available from BDS (Budget Development System):

- **Variance Reports by Org or by Fund** – compares budget or actual expenses from one specified period to another specified period. The 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.

8.5.3 Forecast

The Office of the President requires each division to develop a forecast. The Budget and Finance Department opens the Forecast in the Budget Development System (BDS) by loading actuals from closed periods and projections for future periods. Forecasts are completed on a quarterly basis. Data is available in BDS as follows:

- Actual data from the closed periods is loaded into BDS approximately the fifth working day after the December month-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 have the ability to update projections for the remaining open months. Forecasted data is loaded into the open periods and system users have the ability to update the projections
- Payroll data obtained from the UCPath system is loaded into BDS 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 BDS 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.

8.5.4 Carryforward

Guidelines currently under revision.

8.5.5 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

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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 Budget Development 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 non-recurring 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 mark-ups 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/sub budget.

AUXILIARY

An enterprise that is a self-supporting activity that provides non-instructional 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 & FINANCE DEPARTMENT (BFD)

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 on-going.

BUDGET AND FINANCE 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 COORDINATOR

A member of the Budget and Finance Department 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.

BUDGET DEVELOPMENT SYSTEM (BDS)

The Cognos TM1 system used to generate and report on UCOP's annual operating budget and forecast.

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 PERIOD

The intervals of time into which a multi-year 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.

CENTRAL AND ADMINISTRATIVE 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.

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 sub-units.

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 non-salary 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 close process.

FISCAL YEAR

A period that the University of California uses for accounting, fiscal, and budgetary purposes. The University's fiscal year starts on July 1st and ends on June 30th of the following calendar year. Fiscal years are commonly defined by the two calendar years that they span (e.g., FY18/19).

FORECAST

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

FULL ACCOUNTING UNIT (FAU)

A string of up to eight elements used to track information about financial transactions, including location, account, cost center, fund, project, sub-object, and source. Each element of the FAU summarizes and classifies information about the financial transactions in different ways, and should be used consistently to ensure the integrity of the information.

FULL TIME EQUIVELANT (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 is may/may not be subject to special regulations, restrictions, or limitations for use. The terms and conditions established by this income source must be complied with in making expenditures. 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 sub-account reserved for actual salaries and overtime salaries for positions that not permanently budgeted. General Assistance expenses are classified by sub-account 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

MAJOR PROJECT OR INITIATIVE (MPI)

[MPI Proposals](#) are a more detailed form of decision memo and are required for one-time funding of major projects or initiatives with a specific start/end date over \$300,000 from any fund source, including an approved line item in the division's budget allocation. Examples of MPIs include the development and implementation of software solutions, training programs, alumni or diversity campaigns, etc. MPI proposals are approved at the discretion of the president.

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 non-recurring 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.

REFUND

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

UNIVERSITY OF CALIFORNIA

Appendix A – Glossary of Terms

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.

UNIVERSITY OF CALIFORNIA

Appendix A – Glossary of Terms

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.

SPECIAL ITEMS

A means of classifying specific non-payroll 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 in BDS 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.

SUB ACCOUNT

An optional sub-division or cost center of an account used to track budget and expenses.

SUB OBJECT

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 be 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.

UNIVERSITY OF CALIFORNIA

Appendix A – Glossary of Terms

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.

UNDESIGNATED FUNDS

Funds classified as unrestricted for accounting purposes and are not designated, and therefore, are available for spending. ([Mar 2018 Regents Item F10](#))

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 internally imposed, the funds are unrestricted. Unrestricted funds have been further classified as Regents-designated, Designated, Agency, and Undesignated. ([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 BASE 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
BDS	Budget Development System
BFD	Budget and Finance 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
MPI	Major Project and Initiatives
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	Permanent Budget System
PEF	President's Endowment Fund
PEO	President's Executive Office
P&L	Profit and Loss Statement

UNIVERSITY OF CALIFORNIA

Appendix B – Budget Manual Acronyms

Acronym	Definition
RFP	Request for Proposals
SPF	Strategic Priorities Fund
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:
<http://regents.universityofcalifornia.edu/index.html>
 - a. Board of Regents Policies: <http://regents.universityofcalifornia.edu/governance/policies/index.html>
 - b. Board of Regents Item F11: <http://regents.universityofcalifornia.edu/regmeet/mar18/f11.pdf>
 - c. Board of Regents Governance: <http://regents.universityofcalifornia.edu/governance/index.html>
 - d. Board of Regents Policy 5101: Policy Regarding Approval of Annual Budget for the Office of the President: <http://regents.universityofcalifornia.edu/governance/policies/5101.html>
 - e. Board of Regents Policy 5102: Policy on Use of the University Opportunity Fund: <http://regents.universityofcalifornia.edu/governance/policies/5102.html>
 - f. Board of Regents Policy 5104: Policy on a Central Operating Reserve for the University of California Office of the President: <http://regents.universityofcalifornia.edu/governance/policies/5104.html>
 - g. Board of Regents Policy 5202: Policy on the Use of Endowment Funds for Enrichment: <http://regents.universityofcalifornia.edu/governance/policies/5202.html>
 - h. Board of Regents Bylaw 5. Composition and Powers of the Corporation: <http://regents.universityofcalifornia.edu/governance/bylaws/bl5.html#5.1>
 - i. Board of Regents Appendix C - Charter of the Finance and Capital Strategies Committee: <http://regents.universityofcalifornia.edu/governance/committee%20charters/Appendix%20C.html>
 - j. Presidential Guidelines Governing the UCOP Strategic Priorities Fund: <http://regents.universityofcalifornia.edu/regmeet/jan18/f7attach3.pdf>
2. UC/UCOP Policies and Guidelines: <https://policy.ucop.edu/>
 - a. UCOP Budget and Finance Department: <https://www.ucop.edu/ucop-budget/index.html>
 - b. UC Presidential Policies: <https://policy.ucop.edu/index.html>
 - c. UC Presidential Guidelines Governing the UCOP Central Operating Reserve: <https://policy.ucop.edu/doc/3000673/UCOP%20Central%20Operating%20Reserve>
 - d. UC Accounting Manual: <https://policy.ucop.edu/manuals/accounting-manual.html>
 - e. UC Business and Finance Bulletins: <https://policy.ucop.edu/manuals/business-and-finance-bulletins.html>
 - f. UCOP Financial Policy: <https://www.ucop.edu/finance-office/mission-goals/ucop-financial-policy.html>
 - g. UC Presidential Initiatives: <https://www.ucop.edu/initiatives/>
 - h. Major Projects and Initiatives: <https://www.ucop.edu/pmo/resources/major-projects-and-initiatives/index.html>
 - i. UC Systemwide Annual Budget: <https://www.ucop.edu/operating-budget/index.html>
3. CA State Auditor Report 2016-130: <https://www.auditor.ca.gov/reports/2016-130/summary.html>
4. Financial Accounting Standards Board: <http://www.fasb.org/jsp/FASB/Page/LandingPage&cid=1175805317350>
5. Government Finance Officers Association: <http://www.gfoa.org/>
 - a. Recommended Budget Practices from the National Advisory Council on State and Local Budgeting: <http://www.gfoa.org/recommended-budget-practices-national-advisory-council-state-and-local-budgeting>
 - b. GFOA, *Basis of Accounting versus Budgetary Basis*: <http://www.gfoa.org/basis-accounting-versus-budgetary-basis>
 - c. GFOA, *Financial Forecasting in the Budget Preparation Process*: <http://www.gfoa.org/financial-forecasting-budget-preparation-process>
 - d. GFOA, *Effective Budgeting of Salary and Wages*: <http://www.gfoa.org/effective-budgeting-salary-and-wages>
 - e. GFOA, *Budget Monitoring*: <http://www.gfoa.org/budget-monitoring>
 - f. GFOA, *Departmental Presentation in the Operating Budget*: <http://www.gfoa.org/departmental-presentation-operating-budget-document>
 - g. GFOA, *Presenting the Capital Budget in the Operating Budget*: <http://www.gfoa.org/presenting-capital-budget-operating-budget-document>

- h. GFOA, *The Statistical/Supplemental Section of the Budget Document*: <http://www.gfoa.org/statisticalsupplemental-section-budget-document>
 - i. GFOA, *Making the Budget Document Easier to Understand*: <http://www.gfoa.org/making-budget-document-easier-understand>
 - j. GFOA, *Accurately Displaying Total Expenditures in Budget Presentation*: <http://www.gfoa.org/accurately-displaying-total-expenditures-budget-presentations-budget-consolidation>
6. National Association of College and University Business Officers: <https://www.nacubo.org/>

D. MAY 2018 APPROVED UCOP FY18-19 BUDGET

****Approved****

BOARD OF REGENTS

May 24, 2018

FISCAL YEAR 2018-19 BUDGET FOR THE OFFICE OF THE PRESIDENT

The President of the University recommended that the Regents approve the Fiscal Year 2018-19 Budget for the University of California Office of the President as shown in Attachment 1.

Board vote: Regents Anguiano, Elliott, Guber, Kieffer, Lansing, Lemus, Makarechian, Mancina, Monge, Napolitano, Ortiz Oakley, Park, Pérez, Tauscher, and Zettel voting “aye.”

Full documentation is available at: <https://regents.universityofcalifornia.edu/aar/mayb.pdf>

E. EXECUTIVE BUDGET COMMITTEE CHARTER

UNIVERSITY
OF
CALIFORNIA

Executive Budget Committee Charter

Revised: November 9, 2017

Date	Author	Version	Change Reference
September 12, 2017	Zoanne Nelson	1.0	No Previous Document
October 13, 2017	Eileen Foster	2.0	Incorporated EBC Feedback
October 30, 2017	Zoanne Nelson	3.0	Updated Academic Senate Term
November 9, 2017	Eileen Foster	4.0	Updated OP Support Staff

Executive Budget Committee Charter

I. Name

The name of this committee is the Executive Budget Committee (the "Committee").

II. Authority

The Executive Budget Committee is a standing committee that derives its authority from President Napolitano, who appointed the initial members on June 17th, 2017.

III. Powers, Purpose & Responsibilities

- A. The Executive Budget Committee has the authority and responsibility to review, advise, and make recommendations to the President on the development of the UC Office of the President (UCOP) annual budget guidelines and call, proposed annual budget, presentation of the budget to the Regents, and budget implementation.
- B. The Executive Budget Committee is accountable for ensuring that recommendations are consistent and aligned with the timely incorporation of the CSA Audit budget requirements dated April 2017, as part of a transparent planning, resource allocation, and assessment process.
- C. The Executive Budget Committee shall receive and review financial reports presented to the Regents of the University of California comparing in-year actual results to budget estimates to assess and evaluate the performance of the UCOP annual budget.
- D. The Executive Budget Committee shall provide strategic counsel to UCOP divisions as needed in support of annual budget development.
- E. The Executive Budget Committee shall apprise the President of significant developments in the course of performing the above duties, and formally report its activities at least annually.
- F. The Executive Budget Committee members shall also be responsible for keeping the Chancellor, other members of their campus senior leadership, and their councils informed, and proactively seek their input as needed.

IV. Membership

- A. The Executive Budget Committee is responsible and accountable for providing advice and recommendations to the President that lead to, and result in, the successful development of the annual UCOP budget. One member will be appointed from each campus, and two from the Academic Senate. The EVP-Provost, EVP-COO and EVP-CFO are standing members. To fulfill this role effectively, members shall have the following characteristics and engage in following activities:

- Represent their respective campus or Senate leadership.
 - Actively inform and solicit input from the views of their leadership councils and keep their leadership council apprised of the Committee's work.
 - Actively and constructively engage in the work of the Executive Budget Committee.
 - Be in an EVC/Provost, Vice Chancellor, CFO or equivalent role at the location or in a leadership position in the Academic Senate.
- B. Academic Senate representatives are recommended by the Senate Chair and appointed by the President for a two-year term.
- C. Campus representatives are recommended by the Chancellors and appointed by the President for a three-year term, except at the initiation of the Committee, where duration will be staggered across 1-3 years so that several members of the Committee in any given year have experience with the UCOP budget.
- D. Other UCOP members may be appointed by the President to support the work of the Committee (the "support team").
- E. The Executive Budget Committee shall be composed of the members listed in Appendix A which follows.
- F. New members shall receive a copy of this charter upon appointment, and shall receive appropriate orientation from Committee Leadership.

V. Committee Leadership

- A. **Chair:** The Chair of the Executive Budget Committee will be a campus representative.
- B. **UCOP Executive Sponsor.** The EVP-COO will be the Executive Sponsor and internal coordinator for UCOP.

VI. Meetings

- A. The Executive Budget Committee will maintain scheduled monthly meetings from September through June but may cancel based on need. Please note that more frequent meetings may be required if the agenda / topics warrant such meetings. After the first year the need for monthly meetings will be re-evaluated. Members may participate in person in the Oakland office, or by videoconference.
- B. In the first year, meetings will be calendared at least three months in advance. After the first year, meetings will be calendared in August for the following budget year. Ad hoc meetings may be called by the chair with no less than 72 hours' notice.
- C. Given the absolute requirement for engagement and continuity within the Executive Budget Committee, no substitute representation will be permitted for at least the first year unless the representative has left the University or goes on an extended (more than three months) leave, at which point the President shall designate an interim representative.
- D. The Executive Budget Committee support team will orient their efforts to provide succinct, timely, and comprehensive details related to the OP budget and will ensure that appropriate information and issues are escalated in a timely manner to the Executive Budget Committee for advice and review.

VII. Voting

In general, the Executive Budget Committee will strive for consensus as it engages in decision making and issue resolution. However, it will not be possible to attain 100% consensus on all topics and alternatives.

Therefore, votes will be taken by the Chair as required. Each of the 15 executive members will have a single vote, and a 70% majority (11 votes) will constitute a final decision. As an advisory body, decisions will primarily be made regarding the Committee's recommendations to the President, who has the final decision making authority over the UCOP budget, subject to the approval of the Regents.

If a particular item is urgent, and a majority of the Executive Leadership Team supports a particular decision but a 70% (11 votes) consensus has not been obtained, the Executive Sponsor will determine the resolution.

VIII. Quorum

Sixty percent of the Executive Budget Committee (9 members) constitutes a quorum for the purpose of conducting a meeting although votes cannot be taken without a minimum of 11 members present.

IX. Amendments

Amendments to the Bylaws must be approved by a 70% of the voting members of the Executive Budget Committee.

Approved:

 12/14/17

Rachael Nava Date
Executive Sponsor and
Chair, Audit Task Force

 11/15/17

Paul Jenny Date
Chair, Executive Budget Committee

F. UCOP FY19-20 BUDGET CALL

UC Office of the President

FY19-20 Budget Call

December 3, 2018

1. Introduction

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

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

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

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

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

- a. **Budget Entry:** The Budget Development System (BDS) will be used in FY19-20 budget development and will be relied on for all data and budget analyses. All budget inputs will be entered directly into BDS by department budget liaisons between 1/17/19 – 2/5/19. Budgets are due in BDS at the end of day **February 5, 2019**.
- b. **Revenues / Sources of Funds:** All projected revenues (funding sources) will be budgeted in BDS based on uses of funds, consistent with the FY18-19 approach by the BFD. Budgeted sources must equal uses or expenditures.
- c. **Funds will be categorized by type:** Unrestricted: (1) Undesignated / (2) Designated, and (3) Restricted.

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

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

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

- i. **UC Health:** UC Health sub-divisions UC Core and UC HealthCare Collaborative (UHC) and their associated FY19-20 operating budgets will be line items in the FY19-20 budget presentation to the UC Regents.
- ii. **ANR:** ANR will be funded through a corridor model and will develop a new financial schedule for the FY19-20 budget presentation to the UC Regents.
- g. **UCOP Operations Administrative Overhead Assessment:** UCOP will perform an analysis of operations overhead costs applying supportable, best-practice methodology. Subject to the outcome of this analysis, an overhead assessment may be implemented during the January input window.

4. **Budget Development and Submission:**

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

5. **Planning Assumptions**

- a. **3.7% Increase to Cover Merit and Mandated Increases (benefits, retirement, etc.)**
 - i. UCOP will assume a 3.7% planned increase in State General Funds for FY19-20 consistent with the UC system wide budget. If the State of CA determines not to fund the planned increase, UCOP advocates to reinstate a campus assessment to fund the difference.
 - ii. Outside of merits and mandated cost increases to benefits and retirement, division budgets should be kept flat. Any exceptions to a flat budget will be communicated to divisions directly.
 - Any unavoidable non-salary cost increases that cannot be absorbed must be requested in BDS and will be reviewed.
 - All budget increases will be carefully scrutinized. Do not submit “wish lists”. Only critical and/or unavoidable cost increases will be considered.

- b. **Campus Assessment vs. State General Funds:** Consistent with last year, budget all expenses currently on State General Funds against the 19900 funds. Should there be any change to this practice, the BFD will communicate them as they are received.
- c. **Accurately Reflect Headcount Plans**
 - i. Correlation with Workforce Plans – Divisions and departments should consider work force plans and any new or redeployed FTEs should be consistent with priorities identified through workforce planning.
 - ii. With the development of monthly budgets, planned vacancies will be entered by the month when they are expected to be filled to improve headcount and vacancy plans.
 - iii. Headcount is expected to remain flat to current budget.
 - iv. New position requests, if any, should be funded from existing headcount and budget (no new funds, no new FTE).
 - v. Any new key activities that cannot be offset by savings in other areas and require incremental salary funding and headcount (e.g. new grant funding received that requires staffing), must be noted and requested in BDS for consideration. *Note: these requests will undergo rigorous review and there is a high likelihood the division or department will be asked to absorb the addition headcount.*
- d. **Salary and benefits planning:**
 - i. **Vacancy factor:** The FY19-20 vacancy factor will be determined based on analysis of open positions across the organization. BFD will complete vacancy factor analysis and include updates in the January budget input window.
 - ii. **Merit:** A merit of 3% will be included initially, contingent on approval of the budget by the Regents, for all current employees when payroll data is uploaded after 2Q forecast.
 - iii. **Other salary costs:** An organization-wide target percentage of total salary costs will be determined to centrally fund equities, promotions, stipends, and STAR awards. The process for budgeting and funding these will be completed by the BFD centrally.
 - iv. **Salary savings:** Should not be relied upon to cover other expenditures; they will be swept.
 - v. **Benefits costs:** Cost increases associated with benefits, retirement and other related costs will be budgeted by Budget and Finance. Benefit cost increases will be communicated when completed and rate changes will be applied centrally by BFD.

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

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

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Appendix F – UCOP FY19-20 Budget Call

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

G. UCOP FY19-20 BUDGET CHECKLIST

UCOP FY19-20 Budget Development Checklist

Use the below checklist to facilitate developing your FY19-20 budget by February 5, 2019.

12/12 – 12/21: DEVELOP ACCURATE FY18-19 2nd QUARTER FORECAST IN BDS

- ☐ Review FY18-19 year-to-date expenses and remaining budget in BDS. Identify any areas where projected expenses may exceed the budget or where the full budgeted amount may not be spent.
- ☐ Accurately complete projections for the remainder of FY18-19. This forecast will be reviewed by UC leadership, regents, and provide input for the opening, initial FY19-20 budget.
- ☐ Review your 2Q Forecast with department/division leadership and ensure accuracy of FY18-19 projections. It is critical that leadership is aware of projected overspending or deficits in order to advise on course correction actions. Complete entry in BDS by the EOD, 12/21/18.

1/17 – 2/05: DEVELOP FY19-20 BUDGET IN BDS

- ☐ Review the initial FY19-20 budget data populated in BDS. This data was copied from your FY18-19 2Q Forecast, and includes items updated centrally by the Budget and Finance Department.
- ☐ Enter detailed FY19-20 expense budgets by month in BDS by February 5, 2019:
 1. The FY18-19 2Q Forecast is the basis of your budget, this includes 6 months of actuals and 6 months of projections.
 2. Review pre-populated data by month and adjust to align for FY19-20 considerations, such as funding that is beginning, ending, or changing. Accurate monthly budgets will assist in improved budget to actuals variance reporting during the fiscal year.
- ☐ Ensure proper budgeting in the correct expense category and object code. If actual expenses are currently *not* being recorded in the expenses categories and object codes where you have them budgeted, please contact your budget coordinator, who can work with the Business Resource Center to ensure expenses are recorded against the correct categories and codes.
- ☐ Enter requests for unavoidable expense increases or one-time funding requests and justification in BDS, including:
 1. Unavoidable cost increases - Only critical and/or unavoidable cost increases will be considered.
 2. Requests for Strategic Priority (one-time) Funding (SPF) – SPF funding requests should be captured by budget liaisons and coordinators and submitted to BFD, but are not considered approved. SPF requests are considered approved only with an approved MPI or decision memo.
 3. Requests for headcount increases that can't be offset within your budget (e.g., new grant funding that requires staffing).
- ☐ Budget all salary and headcount, including part-time appointments such as interns, students, retired rehires, etc. in BDS:
 1. Align with Workforce Plans – Divisions and departments should consider work force plans and any new or redeployed FTEs should be consistent with priorities identified through workforce planning. Do not include positions, which have yet to be approved, in BDS.
 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 any, should be funded from existing headcount and budget (no new funds, no new FTE).
 4. Update BDS with any new key activities that cannot be offset by savings in other areas and require incremental salary funding and headcount (e.g. new grant funding received that requires staffing).

H. UCOP FY19-20 KEY DATES

UCOP FY19-20 Budget Process Key Dates

FY19-20 BUDGET KICK-OFF

12/05	UCOP FY19-20 Budget Call
12/05	Budget Kick-Off sessions for Division Leaders, Chiefs of Staff, and Budget Liaisons
12/07	Budget Kick-Off sessions for Division Leaders, Chiefs of Staff, and Budget Liaisons
12/11	Budget Kick-Off sessions for Division Leaders, Chiefs of Staff, and Budget Liaisons
12/13	Division Leaders and Chiefs of Staff meetings

FY18-19 2Q FORECAST

12/11	Nov18 Actuals load to BDS
12/12	Forecast opens to ALL Users for entry in BDS
12/21	Forecast closes EOD to Budget Liaisons
1/10	Dec18 Actuals load to BDS and overlay December in "Current Forecast"
12/12 to 1/14	BFD reviews forecast, works Budget Liaisons on material variances
1/28 to 2/01	BFD meets with Divisions to communicate 2QForecast

FY19-20 BUDGET DEVELOPMENT

1/17	Budget opens to ALL Users for entry in BDS
2/05	Budget closes EOD to Budget Liaisons
2/13	Budget Narrative due to Budget Office (<i>Send to: obud-opbudget-sa@ucop.edu</i>)
1/17 to 2/22	BFD analyzes budget and coordinates with Budget Liaisons
3/05	FY19-20 draft budget consolidated for leadership review

FY18-19 3Q FORECAST

3/11	Feb18 Actuals load to BDS
3/12	Forecast opens to ALL Users for entry in BDS
3/25	Forecast closes EOD to Budget Liaisons
3/12 to 4/01	BFD reviews forecast, works with Budget Liaisons on material variances
TBD	BFD meets with Divisions to communicate 3QForecast

FY19-20 BUDGET APPROVAL

3/11-3/22	Draft budget review with UCOP Division Leaders and EBC
3/29	Draft budget review with UCOP President
4/15	UCOP FY19-20 budget approval with UCOP President
5/16	UCOP FY19-20 budget presentation to UC Regents for approval
6/28	Approved UCOP FY19-20 budget communicated

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