

**UC Office of the President
FY25-26 Budget Call
December 12, 2024**

As we prepare to kick-off the FY25-26 UC Office of the President (UCOP) budget in January, we are sharing this Budget Call guidance. The information below provides:

[Section 1: Introduction to FY25-26 Budget](#) – budget background and financial outlook.

[Section 2: FY25-26 High-Level Assumptions and Guidelines](#) – for preparing budgets.

[Section 3: Process Information](#) – details to support your budget submissions.

[Section 4: Department Budget Planning](#) – key timeline and planning information

California faces a budget deficit of \$46.8 billion for the current fiscal year 2024-25. Despite more recent encouraging tax revenue data shared by the Legislative Analyst’s Office (LAO) in November, the state continues to address a second consecutive deficit through a number of actions, including a planned reduction to the University’s budget of over \$270 million. This reduction, coupled with rising costs, will exacerbate existing budget challenges across the system.

As we prepare our budget submissions, please consider the following:

1. Plan conservatively on unrestricted funding. Campus assessments will be constrained, and campuses are already undertaking efforts to reduce expenses and manage costs.
2. Exercise caution with fee-for-service designated funding. Growth in campus-funded fee-for-service should be limited and carefully rationalized.
3. We will review overall budget and personnel numbers carefully; however, budget growth will not be constrained for areas supported by higher restricted or designated revenues (e.g., contracts, grants) that do not impact campus budgets.

Resource optimization, budget transparency, UC’s mission, UCOP’s Presidential Priorities and Strategic Goals continue to be our focus. Divisions should clearly indicate and rank priorities, where possible, for funding and staffing needs, and provide sufficiently detailed justifications. **Thank you in advance for your considerable time commitment to the annual budgeting process.**

Section 1: Introduction to FY25-26 Budget

Background

The UCOP Budget will be presented to the UC Regents in May 2025. Budgets must include sources and uses by fund type and must not include any deficits. We will build on efforts to improve our budget calendarization (or alignment of revenues and expenses by month and quarter).

FY25-26 Outlook

Budget proposals should align with the UCOP Multi-Year Plan (MYP), which outlined key priorities and potential funding challenges. While significant investments have been made in critical areas like campus safety, compliance, and technology, the University faces ongoing needs, including workforce retention, technology upgrades, and UC Center Sacramento expansion. Given the State

Compact deferral and rising costs, we must carefully prioritize and implement cost-containment strategies for FY25-26.

Timeline

The Planning and Budgeting System (PBS) will be open between **February 3 and February 24, 2025**, for divisions to complete their input. A more detailed timeline is included in Section 4.

The Budget, Financial Planning & Analysis Department (BFP&A) will support departments throughout the process with Community of Practice meetings, training, and office hours. We thank everyone in advance for strictly adhering to the budget guidelines and timeline.

Section 2: FY25-26 High-Level Budget Assumptions and Guidelines

With the support of President Drake, the following goals, assumptions, and guidelines, will be considered throughout the budget process:

Overall Budget

a. Budget guidelines:

- i. **Fund Sources and Uses must be balanced:** All projected sources of funds will be budgeted in PBS and UCOP's final budget must be balanced with no deficit budgets.
- ii. **No Campus Impact:** UCOP savings efforts must not shift costs to campuses.
- iii. **Budget increases will be scrutinized:** Critical, contractual / mandated, unavoidable cost increases and limited strategic investments will be given priority, where they cannot be absorbed into department budgets. The MYP should guide Decision Package requests.
- iv. **Building and operations recharges:** Building and Common Fund recharges will continue as per the FY24-25 rates. BFP&A will meet with groups to confirm requirements.
- v. **Budgets are our commitment to financial resource deployment:** Budgets, once approved by the Regents, will be a financial commitment and divisions and departments will be accountable to achieve their goals within budget.
- vi. **Budget targets will be shared:** Targets on Unrestricted funds, estimated to include a reduction of between 3-5%, may be communicated when the PBS system opens (Jan. '25) and will be included in the system.

b. Budget assumptions:

i. Unrestricted:

Sources:

- Core UCOP unrestricted funding will come from the campus assessment.
- Unrestricted funding is constrained, and any adjustment to campus assessment funding is subject to review by President Drake and the Executive Budget Committee (EBC).
- Other sources of unrestricted funding include investment income, one-time fund balances, and the Common Fund, which consists of internal recharges for administrative services from restricted and designated sources.

Expenditures:

- Increases on unrestricted funding will be needed for the systemwide salary program (across-the-board increase on July 1, 2025) and contractual cost increases, leaving extremely limited funding for other augmentations.

Decision packages:

- Any request for a budget or FTE augmentation must be submitted in a Decision Package. This includes items shared in the MYP process.
- All SFRs approved mid-year FY24-25 for ongoing unrestricted funding must be submitted, for the amounts over (or under) the FY24-25 approved budget.
- Departments and divisions must evaluate current commitments and headcount to reallocate funding or positions to new priorities wherever possible.
- Ongoing operating expenses:
 - Departments and divisions should anticipate budget targets that will be included in PBS in January. We will track adherence to targets in this process.
 - If an increase is needed in one area, including contractual increases, funds should be reallocated from another area in the department or division budget.
 - If the current year's expenses are forecasted (Q2, FY24-25) to be significantly below budget, departments should reallocate funds to other areas of the department or division budget where funding is needed.
 - Decision Packages should be submitted for one-time projects.

ii. **Designated:**

- While designated funding in some areas may require increases (ex. UC Investments), increases affecting the campuses (ex. Fee-for-Service such as UCPath, UC Legal) should be limited and will be reviewed with the EBC.
- All requests for increases will be reviewed, and trade-off / funding reallocation alternatives should be considered to manage the overall budget size.
- Augmentation requests must be submitted in a Decision Package.

iii. **Restricted:**

- Restricted budgets should reflect the expected availability of third-party funds allowable for use in the upcoming budget year. To the extent these items are supported by restricted fund sources, they are not constrained.
- Augmentation requests must be submitted in a Decision Package.

Sections 3 and 4 of this call letter are contained in Attachment 1. Attachment 1 provides more guidance and details the process for Budget Liaisons and those responsible for budget data input.