

**UC Office of the President
FY21-22 Budget Call
December 10, 2020**

1. Introduction

Welcome to the FY21-22 UC Office of the President (UCOP) budget planning season. We look forward to collaborating with you and appreciate the considerable time commitment that this annual planning process requires.

We expect this to be another challenging budget cycle for UCOP as UC continues to face significant funding constraints in the upcoming year. It will be essential to communicate the critical contributions UCOP makes to the UC system and mission, and to demonstrate how limited resources are used for the most essential purposes.

This FY21-22 Budget Call details the budget assumptions and parameters and outlines the process and key dates in the sections below. Most *budgeted* cost reduction strategies from FY20-21 will continue in FY21-22 (hiring freeze, travel restrictions, SPF reductions, etc.). Additional UCOP-wide one-time savings programs, such as expanded curtailments, may be considered if required to balance the budget. We should not assume we can balance the UCOP budget through cost shifts to the campuses, which face their own financial challenges.

The Planning and Budgeting System (PBS) will open in January 2021. Budget development and consultation with UCOP stakeholders, including the Executive Budget Committee and Regents, will continue through April in preparation for the May 2021 Regents budget presentation.

The Budget & Finance Department (“BFD”) will support departments throughout the process with community of practice meetings, trainings, and office hours allowing for individual consultation. We’d like to thank everyone in advance for adhering to the budget guidelines and timeline and for your commitment to successfully and accurately completing the UCOP FY21-22 budget.

2. FY21-22 High-Level Budget Assumptions and Guidelines

The following objectives, assumptions and guidelines, established in consultation with President Drake, will be considered throughout the budget process:

Overall Budget

a. Budget development by fund types:

o Unrestricted:

- The FY21-22 budget assumes our *unrestricted funds will be held flat to FY20-21 levels*.
- In order to accommodate contractually obligated increases and limited strategic investments, divisions and departments *must realize a 3% reduction in expenses on unrestricted funds compared to the FY20-21 budget* to achieve a net zero overall increase. Changes must be substantiated in the budget narrative.

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- **Designated:** Requests for strategic investments or contracted cost increases must be submitted by Decision Package and must be substantiated in the budget narrative.
 - **Restricted:** Restricted budgets should reflect the anticipated availability of third-party funds allowable for use in the current budget year. Requests for increases must be submitted by Decision Package and must be substantiated in the budget narrative.
 - The **overall size of the budget and UCOP-wide priorities** may limit the aggregate ability to invest in new initiatives across all funds.
 - Contracted or mandated cost increases should first be absorbed wherever possible. If this is not possible, a **Decision Package is required for budget increases**.
 - **All budget increase requests will be carefully scrutinized.** Only critical, unavoidable cost increases and limited strategic investments will be considered.
 - Known exceptions, such as the UCPath debt repayment, will be communicated by BFD to divisions directly in January.
- b. **Balanced budget:** All projected revenues (funding sources) will be budgeted in PBS and UCOP's final budget must show funding sources equal to or greater than uses or expenditures. No deficit budgets will be allowed.
- c. **Commitment to targets and budgets:** Budgets, once established and approved by the Regents, will be a financial commitment and divisions and departments will be expected to achieve their objectives within budget. This also pertains to targets, if provided during the budget process.
- d. **UCOP Budget Impacts on the Campuses:** Efforts to find savings at UCOP cannot assume costs will be shifted to the campuses, which face their own financial challenges.

Sources of Funds:

- e. **UCOP Unrestricted Funding Model:** UCOP will pursue a strategy to discontinue the UCOP direct state appropriations. The outcome of these efforts may be known as early as January 2021, however negotiations may extend through June 2021. If successful, UCOP would implement the following changes:
- **UCOP:** UCOP's largest source of funds, currently a \$188M state appropriation, would be replaced by a campus assessment.
 - **Agriculture & Natural Resources (ANR):** Per the recommendation of the 2018 ANR organizational review, the ANR direct appropriation would move to a systemwide UC set-aside, with future increases funded by a corridor model.
 - **UCPath:** UCPath would return to a fully funded W-2 fee-for-service model consistent with the original intent of this transformational implementation.
- f. **Campus-paid Fee-for-Service Designated Funding:** Designated funds that require campus funding will be scrutinized to limit financial impacts on the campuses and require key stakeholder approval.
- g. **Fund Balances:** One-time fund balances available to support the FY21-22 budget are minimal.

Expenditures – Salaries & Headcount:

- h. **Budget all salary and headcount:** Through the workforce planning process, departments should budget all headcount and salaries including part-time and limited appointments such as interns,

students, rehired retirees, etc. All positions must have a budgeted headcount (full or partial), Position ID, and salary.

- i. **FY20-21 Salary Savings Measures Will Be Extended:** UCOP will extend FY20-21 budgeted salary savings measures including:
 - **Hiring Freeze** with an accompanying exceptional approval process.
 - **Merits:** Limited merits for Policy-covered Staff (PSS) will be included, and the final budgeted merit program will be held consistent with any systemwide adopted merit; this will be budgeted centrally by BFD.
 - **Promotion & Equity Funding:** Funding availability for promotion and equity increases will be determined during the budget process. If funding is available, it will be budgeted and managed centrally by BFD.
 - **Salary savings:** Savings from separations or other changes should not be relied on to cover other expenditures; they will be swept.
- j. **Other Salary Savings Programs:** Additional UCOP-wide one-time savings programs, such as expanded curtailments, may be considered if required to balance the budget and will be in alignment with system-wide salary savings programs for FY21-22.
- k. **Benefits:** Benefit rates will be calculated and budgeted by BFD.
- l. **Accurately Reflect Headcount Plans**
 - i. 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).
 - ii. Any new key activities that require incremental salary funding and headcount and cannot be offset by savings in other areas, must be requested in PBS through Decision Package functionality. *Note: these requests will undergo rigorous review and there is a high likelihood the Division will be asked to absorb the additional headcount.*
 - iii. New hires for known vacancies must be entered by the month in which the position is expected to be filled.

Expenditures – Non-Salary

- m. **FY20-21 Non-Salary Savings Measures Will Be Extended:** UCOP will extend FY20-21 budgeted savings measures including travel and meetings savings, temporary personnel, and other non-salary reductions.
 - **Travel and meetings:** This year's budget will include targeted travel savings. Each division will be given a savings target equal to 25% of the FY19-20 budgeted travel and meeting expenditures.
 - **Temporary personnel costs will be held flat** and cannot be used to augment headcount.
- n. **Known Cost Increases:** Requests for unavoidable or known expense increases such as contract escalations must be submitted in Decision Packages.
- o. **Ongoing Operating Costs related to Strategic Investments:** Ongoing costs associated with certain strategic initiatives, approved through MPIs and decision memos, must be included in the departmental budget request.

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One-Time Funding Investments - Requesting Strategic Priorities Funding (SPF):

- p. The **Unrestricted Strategic Priorities Fund** (SPF) will likely be budgeted at \$20M, and this total will include any approved former or new Presidential Initiatives; all known projects and commitments must be identified. Requests for one-time **Designated and Restricted Strategic Priority Funds** will be budgeted in the designated and restricted SPF budgets respectively. All requests for limited SPF funding must be submitted through the Decision Package process.
- q. **Requests are not approvals:** All preliminary requests for SPF funds must be submitted through the PBS system using the Decision Package functionality. Requests are *approvals only with an approved MPI or decision memo*.

3. **Department Budget Planning:**

- a. **Budget Forecasts:** Departments will prepare 2nd Quarter (Q2) FY20-21 forecasts in PBS which will be used to generate the initial, pre-populated FY21-22 budgets.
- b. **Initial Budgets:** Opening FY21-22 budgets in PBS will include data from the Q2 FY20-21 forecasts. These “Initial Budgets” serve as the starting point for developing the FY21-22 budget.
- c. **Budgets Planned by Month:** Budgets must be planned by month to accurately reflect anticipated timing of revenues and expenses.
- d. **Revenue Budgets:** Revenues must be budgeted, and Divisions and Departments will be required to enter their own, self-generated Restricted and Designated revenues. BFD will budget centrally managed funds.
- e. **Decision Packages:** With limited funding, this year’s Decision Packages (incremental fund requests separately submitted into the PBS system) should be very conservative. UCOP will be unable to approve many, and Divisions should absorb most cost increases. Decision Packages that are mandatory must be included and items that provide strategic benefit to the system, future savings or high return on investment will be prioritized. Any requests for new FTEs must be entered into a Decision Package, and the entire portfolio of requests will be evaluated and approved through the UCOP process, including review by key stakeholders.
- f. **Budget Narrative:** Each division will use the included budget narrative template to articulate priorities, trade-offs and value propositions for the FY21-22 budget. Division narratives and FY21-22 PBS budget entries will be reviewed by BFD with each division leader.

4. **Budget Development and Submission Timeline:**

- a. **Budget process kicks off the week of December 7th:** The FY21-22 budget process will kick off in December, with a focus on developing an accurate FY20-21 Q2 forecast by mid-January.
- b. **PBS opens for Budget Input January 25th:** Budget Liaisons will enter directly into PBS between 1/25/21 – 2/12/21. Prior to opening the system, BFD may provide updated information regarding organization updates, recharges, administrative assessments, etc.
- c. **Budget Entry:** Budgets are due in PBS at the end of the day, **February 12, 2021**.
- d. **Budget Narrative is due February 19th:** Submit to BFD at: OBUD-OPBUDGET-SA@ucop.edu.

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