

UC Office of the President
FY23-24 Budget Call
December 12, 2022

Welcome to the FY23-24 UC Office of the President (UCOP) budget planning season. We are looking forward to partnering with you to develop next year's budget and appreciate the considerable time commitment that this annual planning process requires. The information below provides:

[Section 1: Introduction to FY23-24 Budget](#) – budget background and financial outlook

[Section 2: FY23-24 High-Level Assumptions and Guidelines](#) – for preparing budgets

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

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

This year, we anticipate that budgets across the system will be under financial pressure. Below are three key things to consider as you prepare your budget submissions:

1. This year will be a **challenging budget year**, particularly on unrestricted funds due to inflation, declining investment returns, a proposed systemwide salary program, and on-going constraints on unrestricted and some designated funding. Depending on potential funding scenarios, we may have to issue budget targets in January.
2. Campuses will face the same economic pressures and will also be financially constrained. Therefore, **growth in both unrestricted and campus-funded fee-for-service designated funding needs to be limited**.
3. The **overall size of UCOP, both budget and personnel, continues to be a focus of some key stakeholders** as are resource optimization, transparency, and achievement of UCOP's priorities in support of the UC mission. The budget will continue to grow in areas supported by higher revenues (e.g., climate funding, ANR funding, etc.), however we may need to limit the total budget increase as we invest in new initiatives across all funds.

The word to keep in mind while preparing budgets is '*prioritize*.' All divisions should clearly state and rank priorities, where possible, for funding and staffing needs, and provide a sufficiently detailed budget narrative as supporting documentation. This prioritization, under constrained circumstances, will help lead to better outcomes.

Section 1: Introduction to FY23 24 Budget

Background

The UCOP Budget, presented to the UC Regents for approval annually in May, supports the functions of the systemwide headquarters of the UC system. This budget supports the teaching, research, and public service mission of the university. UCOP provides systemwide and core services to the campuses (e.g., UC Legal, UCPath) as well as support to over thirty academic and research programs. Restricted and designated fund sources must be used for defined expenditures, while unrestricted fund sources (our most flexible funding) are largely used on UCOP operational costs and some discretionary items such as the Strategic Priority Fund. The campus assessment empowers UCOP and the campuses to collaborate on a systemwide-basis to help guide the UCOP

Budget. UCOP must continue to optimize limited resources, focus on the mission and strategic priorities, make trade-off decisions, and transparently and clearly communicate how UCOP's function supports the UC system. We will confirm priorities and balance the UCOP Budget through partnership and collaboration with the campuses represented by the Executive Budget Committee (EBC).

FY23-24 Outlook

Inflation is at its highest rate since the 1980's, placing upward pressure on salaries, goods, and services—without signs of easing. As the cost of living has increased, UC has implemented systemwide salary programs intended to retain and help support our workforce. In addition, turbulent financial market conditions have impacted UCOP's available investment income.

All signals point to continuing challenging economic factors. A recent report from the Legislative Analyst's Office (LAO), the California legislature's non-partisan fiscal advisor, announced a sobering outlook with a potential \$25 billion state budget deficit in the coming year. This year's UCOP budget must consider rising costs which cannot be passed on to our campuses who face the same challenges. Divisions can expect cost containment strategies will be needed in FY23-24. With financial constraints across the system, we must continue to rationalize growth in personnel costs, travel, and more.

Timeline

The Planning and Budgeting System (PBS) will be open between January 30 and February 16, 2023 for divisions to complete their input into the planning system. Budget development and consultation with UCOP stakeholders will continue through April in preparation for the May 2023 Regents budget presentation. A more detailed timeline is included in Section 4.

The Budget & Finance Department (BFD) will support departments throughout the process with Community of Practice meetings, trainings, and office hours for individual consultation. We would like to thank everyone in advance for strictly adhering to the budget guidelines and timeline.

Section 2: FY23 24 High Level Budget Assumptions and Guidelines

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

Overall Budget

a. Budget guidelines:

- i. **Budgeting fund sources and submitting a balanced budget:** All projected sources of funds 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.
- ii. **All budget increase requests will be carefully reviewed:** Critical, contractual / mandated, and unavoidable cost increases and limited strategic investments will be given highest priority.

- iii. Contracted or mandated cost increases should first be **absorbed within the department budget.**
- iv. **UCOP Budget impacts on the campuses:** Efforts to find savings at UCOP cannot shift costs to the campuses.
- v. **Building and operations recharges:** UCOP BFD will analyze recharges which may relate to occupancy and operational support. These analyses will consider future of work and may impact divisional expenses. BFD will work individually with any impacted group.
- vi. **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 goals within budget. This also pertains to targets, if provided during the budget process.

b. Budget assumptions:

i. Unrestricted:

- Sources:
 - Unrestricted funding remains extremely constrained with the campus assessment remaining below FY16-17 levels, one-time fund-balances fully depleted, and less certain investment income. Any adjustment to campus assessment funding is subject to review by the UCOP EBC, which is made up of senior level representatives from each campus and leadership from the Academic Senate.
 - Sources/Revenues:
 - Core UCOP unrestricted funding will continue to be funded through the campus assessment.
 - 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 in unrestricted funding will be virtually fully committed to the proposed systemwide salary program (across-the-board increase on July 1, 2023) and contractual cost increases, leaving extremely limited funding for increased expenditures on unrestricted funding.
- Decision packages:
 - Requests for contracted cost increases or strategic investments must be submitted in a Decision Package and substantiated in the Budget Narrative.
 - While Decision Packages requesting increases for staffing or expenditures may be submitted by divisions, UCOP will not be able to support many requests on unrestricted funds due to extremely limited funding.

- We urge departments and divisions to scrub budgets and reevaluate current commitments to reallocate funding to new priorities wherever possible.
- Headcount increases and new initiatives that do not require new or additional funding are more likely to be approved.
- On-going operating expenses:
 - Departments and division should aim to hold unrestricted budgets flat to the current year budget.
 - If an increase is required in one area, funds should be reallocated from another area in the department or division budget.
 - If current year expenses are forecasted to be significantly below budget, departments should review and consider reallocating funds to other areas of the department or division budget where funding is needed.
 - Contractual and other mandatory increases will be significantly constrained with trade-off decisions and funding reallocations expected.

ii. **Designated:**

- While designated funding in some areas can be increased to meet funding needs (ex. RASC, OCIO), increases impacting the campuses (ex. Fee-for-Service such as UCPath, UC Legal) should be limited and will be reviewed and evaluated in conjunction with the EBC.
- All requests for increases will also be scrutinized, and trade-off and funding reallocation alternatives should be considered, where possible to help manage the overall size of the UCOP budget and reflect our prudent fiscal management practices.
- Requests for contracted cost increases or strategic investments must be submitted in a Decision Package and substantiated in the Budget Narrative.

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, these are not constrained.
- Increases (expenditures and FTE) supported using restricted funds must be submitted by Decision Package and substantiated in the Budget Narrative.

The remaining sections contain detailed budget process and timing information for those directly using the system to input submissions. Should you have any questions, please reach out to Dave Baltaxe or Eva Goode for clarification. Thank you again in advance for your ongoing partnership.

Section 3: Process Information

a. Sources of funds:

Consistent with past practice, divisions are expected to budget their fund sources. Please note that centrally managed funds (e.g., campus assessment, benefits admin, UCRS) will continue to be budgeted by the BFD.

i. Unrestricted Funds:

- Campus assessment, investment income, and Common Fund sources will be budgeted centrally by BFD.
- Department specific or department self-generated funds will be budgeted by the department.
- Fund balances, if available, will be budgeted centrally by BFD.

ii. Designated Funds:

- **UCPath:** UCPath will continue to be fully funded by the W-2 fee-for-service model consistent with FY22-23. UCPath will budget their designated funds.
- **ANR:** ANR division will continue to receive a state direct appropriation categorized as designated.
- **All other designated funding:** Divisions using designated fund sources should budget in a manner consistent with FY22-23, and any augmentations must be documented in Decision Packages and accompanied by supporting documentation (e.g., ROI analysis, business plans, Budget Narratives, other).

b. Expenditures – salaries & headcount:

- The PBS workforce plan (or budgeted positions) will be populated with filled and approved vacant position data from UCPath as of mid-January 2023.
- For positions not reflected in the PBS starting workforce plan: If a position was approved by the department and HR through the regular hiring and recruitment process—but is not reflected in UCPath (likely due to timing differences between UCPath and PBS)—the department may enter the position in the ‘New Hire Planning’ module with a reference to the position control ServiceNow ticket number in the note field.
- Requests for other new, incremental positions must be submitted through a Decision Package and should not be included in the ‘New Hire Planning’ module.
- BFD will reconcile new position/headcount increases with HR reports indicating recruiting/hiring approval metrics and status.
- Any new key activities that require added headcount that have not been approved by HR, whether the approval process is underway and irrespective of projected savings in other areas, must be requested in PBS through a Decision Package and **not** added as new positions in the ‘New Hire Planning’ module.
- For staffing and headcount scenarios outside the scope of these guidelines or if further clarification is needed, budget coordinators should be consulted.

vii. **Budget all salary and headcount:**

- Departments should budget all headcount and salaries including part-time and limited appointments (interns, students, rehired retirees, etc.).
- All positions must have a budgeted headcount (full or partial), position ID, and salary.

viii. **Budgeted positions:**

- To qualify as an approved position in the budget, positions must have both an FTE and a budgeted salary. Unfilled position ID's (in UCPath) without salary are not considered budgeted and cannot be accessed during the year without an in-year approval.

ix. **FY23-24 headcount / FTE increases will be limited**

- **Submit only critical positions** regardless of fund source. The budget will require managed growth, however positions necessary to fulfill a department's requirements should not be omitted.

x. **Funding for new positions:**

- Unrestricted funding for new positions will be extremely limited, therefore departments should first review vacant positions and opportunities for repurposing positions before requesting funding for new positions.
- The same process and diligence should be applied to positions funded on designated funds, particularly designated funds from the campuses (e.g., fee-for-services).
- For restricted funds, a department should add new headcount on restricted funds to support new programs or program income and not artificially constrain headcount in these areas.
- Vacant positions:
 - Salaries for vacant positions will be zeroed out in PBS when PBS opens.
 - As was the practice in FY22-23, salaries for new hires to fill known vacancies must be entered by the month in which the position is expected to be filled; do not default to July 1 start dates.
 - Explanatory notes/comments should be included to support entries of salary budget.

c. **Vacancy factor:**

The vacancy factor is used to reflect annual turnover and related vacancies. As turnover cannot be predicted at the position or department level, BFD plans and budgets the vacancy factor. The vacancy factor also enables UCOP to fund Decision Packages which would otherwise need to be rejected.

- i. The overall vacancy factor will be based on overall expected vacancy savings and entered by BFD in budgets at the sub-division level.
- ii. Any major changes in expected vacancy factor when compared to last year will be communicated to divisions.

- iii. The timing of the vacancy factor in the UCOP Budget will be determined by BFD in consultation with executive leadership.
- d. **Salary program:** The final budgeted salary program is expected to be consistent with any systemwide adopted salary increases; this will be budgeted centrally by BFD.
- e. **Promotion & equity funding:**
 - i. Promotion and equity increases will be budgeted and managed centrally by BFD.
 - ii. UCOP Human Resources will distribute a recommendation form in January that divisions will be asked to return promptly, and this will guide the amount of central budget.
 - iii. No requests should be considered approved until UCOP Human Resources completes its annual process.
- f. **Benefits:** Benefit rates will be budgeted centrally by the BFD.
- g. **Expenditures – non-salary**
 - i. **FY22-23 non-salary savings measures will be extended:** UCOP will extend FY22-23 budgeted savings measures including travel and meetings savings, temporary personnel, and other non-salary reductions.
 - **Travel and meetings:** This year’s budget will include targets for travel to be provided in January. Divisions must manage their travel budgets within targets. As a reminder, travel to UCOP home office locations for remote workers under the FOW program may be reimbursable and should be included in the budget, however associated costs should be absorbed, and no augmentations should be expected for this travel.
 - **Temporary personnel costs will be held flat** and cannot be used to augment headcount. Costs for **outside contractors** should also be held flat and cannot be used to augment headcount. Requests for increases must be submitted through a Decision Package.
 - ii. **Known cost increases:** Requests for unavoidable or known expense increases such as contract escalations must be submitted in Decision Packages.
 - iii. **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 via Decision Package.
- h. **One-time funding investments - requesting Strategic Priorities Funding (SPF):**
 - i. The **Unrestricted Strategic Priorities Fund (SPF)** will be budgeted centrally by the BFD, and all known projects and commitments must be identified.
 - ii. Requests for one-time **Designated and Restricted Strategic Priority Funds** will be budgeted in the Designated and Restricted SPF budgets, respectively.
 - iii. Apart from *previously approved* SPF funding requests, all new requests for limited SPF funding must be submitted through Decision Packages and need to include an APPROVED Supplemental Funding Request (SFR). This includes requests currently being

reviewed through the SFR process. SPF requests should not occur in the first quarter of FY23-24 (unless for urgent or emergent priorities).

- iv. **Requests are not approvals.** All preliminary requests for SPF must be submitted through the PBS system using Decision Packages. Requests are not approved until the final budget is approved by the UC Regents. Approved Decision Packages, using SPF, will require completion of SFR process. The information on how to submit an SFR can be found here: <https://www.ucop.edu/ucop-budget/>

Section 4: Department Budget Planning

- a. **Forecasts:** Departments will prepare 2nd Quarter (Q2) FY22-23 forecasts in PBS which will be used to generate the initial opening FY23-24 budgets.
- b. **Initial budgets:** Opening FY23-24 budgets in PBS will include data from the Q2 FY22-23 forecasts. These “Opening” budgets serve as the starting point for developing the FY23-24 Budget.
- c. **Budgets planned by month:** Budgets must be entered by month to accurately reflect expected timing of fund sources and expenses. Historical actual fund sources and expenditures should be used to budget the period in which these actual expenses occur. Budget Liaisons are responsible for the phasing of the budget submissions.
- d. **Budget Narrative:** Each division will use the Budget Narrative template to articulate priorities, trade-offs, and value propositions for the FY23-24 Budget. Division narratives and FY23-24 PBS budget entries will be reviewed by BFD with each division leader.

Budget Development and Submission Timeline:

- **Budget process begins the week of December 12th:** The FY23-24 budget process will begin in December, with a focus on developing an accurate FY22-23 Q2 forecast by mid-January.
- **PBS opens for budget entry January 30th:** Budget Liaisons will enter directly into PBS between January 30 and February 17, 2023. Prior to opening the system, BFD may supply more information relevant to budget preparation on organizational updates, recharges, administrative assessments, etc.
- **Budget entry:** Budgets will be final in PBS at the end of the day, **February 16, 2023.**
- **Budget Narrative is due February 24th:** Submit to BFD at: OBUD-OPBUDGET-SA@ucop.edu.

The BFD will support the budget process throughout, and the accompanying timeline will include training and office hours. In the meantime, please contact your [Budget and Finance Budget Coordinator](#), [Dave Baltaxe](#), or [Eva Goode](#) with further questions.