



UNIVERSITY OF CALIFORNIA

Michael V. Drake, MD
President

October 16, 2024

Office of the President
1111 Franklin St.
Oakland, CA 94607

The Honorable Scott D. Wiener
Chair, Joint Legislative Budget Committee
1020 N Street, Room 553
Sacramento, California 95814

universityofcalifornia.edu

Dear Senator Wiener:

CAMPUSES

- Berkeley
- Davis
- Irvine
- UCLA
- Merced
- Riverside
- San Diego
- San Francisco
- Santa Barbara
- Santa Cruz

Pursuant to Item 6440-001-0001, Provision 17, of the Budget Act of 2024 (AB108, Chapter 35, Statutes of 2024), enclosed is the University of California’s annual report to the Legislature on UCPATH.

If you have any questions, Associate Vice President Cain Diaz would be pleased to speak with you. Cain can be reached by telephone at (510) 987-9350, or by email at Cain.Diaz@ucop.edu.

MEDICAL CENTERS

- Davis
- Irvine
- UCLA
- San Diego
- San Francisco

Sincerely,

Michael V. Drake, MD
President

NATIONAL LABORATORIES

- Lawrence Berkeley
- Lawrence Livermore
- Los Alamos

Enclosure

DIVISION OF AGRICULTURE AND NATURAL RESOURCES

- cc: Senate Budget and Fiscal Review
- The Honorable John Laird, Chair
- Senate Budget and Fiscal Review Subcommittee #1
- (Attn: Mr. Diego Lopez)
- (Attn: Mr. Kirk Feely)
- The Honorable David A. Alvarez, Chair
- Assembly Education Finance Subcommittee #3
- (Attn: Mr. Mark Martin)
- (Attn: Ms. Sarah Haynes)
- Mr. Hans Hemann, Joint Legislative Budget Committee
- Mr. Chris Ferguson, Department of Finance
- Ms. Gabriela Chavez, Department of Finance
- Mr. Gabriel Petek, Legislative Analyst Office
- Ms. Jennifer Pacella, Legislative Analyst
- Mr. Ian Klein, Legislative Analyst Office
- Provost and Executive Vice President Katherine S. Newman

Executive Vice President and Chief Operating Officer Rachael Nava
Executive Vice President and Chief Financial Officer Nathan Brostrom
Interim Senior Vice President Meredith Turner
Associate Vice President and Director Kathleen Fullerton
Associate Vice President Cain Diaz

UNIVERSITY OF CALIFORNIA

2024 UCPATH Legislative Report

AB107, Chapter 12, Budget Act of 2024, requires the University of California to provide the following report to the Legislature regarding UCPATH:

“By November 1 each year, the University of California shall report key information regarding UCPATH to the Department of Finance and the Joint Legislative Budget Committee. At a minimum, the report shall include UCPATH’s staffing levels, funding by source, and spending by function. The funding source data shall summarize fund sources used by campuses to cover any campus assessment. The report shall include actual data for the prior fiscal year, budgeted data for the current fiscal year, and projected data for the coming fiscal year. The report shall include any cost savings resulting from the UCPATH project at the campus level.”

Overview

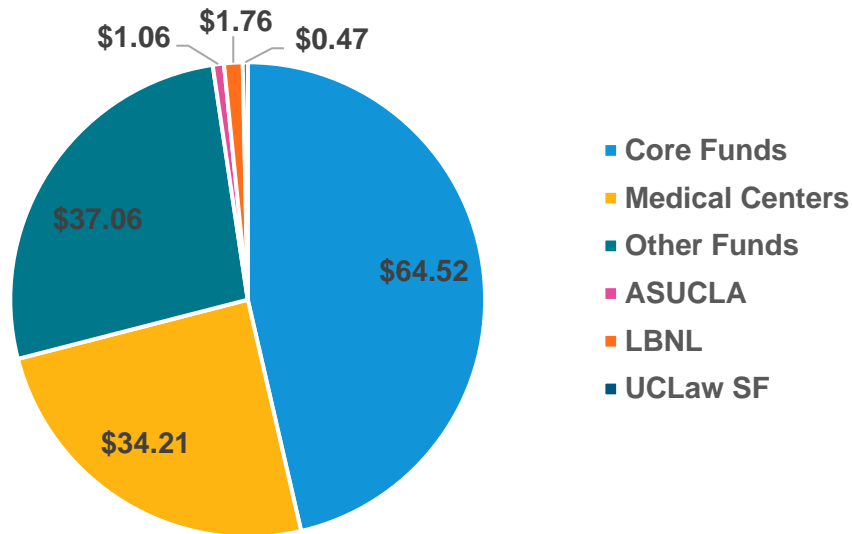
UC fully implemented UCPATH in July 2020 to meet the complex needs of its large workforce through a shared services technology platform, operations center and employee contact center. The term UCPATH contains an acronym of its core service components: **P**ayroll, **A**cademic personnel, **T**imekeeping and **H**uman resources.

UCPATH provides payroll, HR systems, and benefits administration services to more than 250,000 employees at all UC campuses, medical centers, UC Office of the President (UCOP), the Associated Students of UCLA (ASUCLA), UC Agriculture and Natural Resources (ANR), UC College of the Law, San Francisco and Lawrence Berkeley National Lab (LBNL). In 2023, UCPATH issued 5.1 million paychecks, totalling \$23.8 billion. In January 2024, UCPATH issued 340,000 W-2s.

UCPATH Funding and Operating Costs

Between FY 2017-18 and FY 2020-21, UCPATH was jointly funded from a direct appropriation of State General Funds and contributions from the campuses. Since then, UC locations fully fund UCPATH operations via fee-for-service assessments based on W-2 count. UC campus leaders approve the UCPATH budget annually. Approximately two-thirds of the UCPATH assessment comes from campus core funds and medical center sources, as shown below:

UCPath Sources of Campus Funds FY 2024-25
(Millions)



UCPath actual expenses for FY 2023-24, budgeted expenses for FY 2024-25 and forecast expenses for FY 2025-26 are shown in the table below:

UCPath Operating and Financing Costs: FY 2023-24 - FY2025-26
(\$ in millions)

	FY2023-24 Actual	FY2024-25 Budget	FY2025-26 Forecast¹
OPERATIONS			
UCPath Operations	\$108.1	\$122.0	\$130.6
PROJECT DEBT SERVICE			
Interest Payment	\$3.3	\$3.2	\$3.1
Principal Payment	\$13.8	\$13.8	\$13.9
Subtotal Debt Service	\$17.0	\$17.0	\$17.0
Total	\$125.1	\$139.1	\$147.7

¹ The forecast amounts are pre-decisional and do not reflect FY 2025-26 planning activities now underway.

UCPath recorded a positive variance of \$8.9 million on an operating budget of \$134.0 million in FY 2023-24. The variance is primarily driven by lower staff costs as hiring lagged projections and temp staff was utilized to backfill vacancies, and UCPath project and technology costs came in under budget due to UC Health acquisitions, schedule changes, contract delays and other savings. As a carry-forward, these savings will partially offset FY 2025-26 campus assessments.

The FY 2024-25 budget of \$139.1 million approved earlier this year includes provisions for:

- A planned headcount of 465 FTE, including temporary staff to backfill vacancies
- Fully loaded debt service effective in FY 2023-24, which will now remain flat
- Contractual and cost-of-living increases
- Decreased dependence on temporary surge staffing to support peak workload periods, such as fall hiring, end-of-year processing and open enrollment
- One-time project costs to automate manual processes, increase operational efficiency, improve customer service and improve technical infrastructure
- Summer student internship program

The proposed FY 2025-26 budget of \$147.7 million is preliminary and will not be finalized until May 2025 when the UC Regents consider the Office of the President budget. UCPath is currently planning system and operational projects for review and feedback by stakeholders through early 2025. Compared to FY 2024-25, this preliminary budget provides for:

- Level systems and operational project activity
- Increased staff costs as UCPath fills vacancies
- Operational processing optimization to increase efficiency and capacity
- A 3% general cost increase
- A 5% staff cost increase for contractual and cost-of-living adjustments

UCPath allocates operating and financing costs by service as follows:

UCPath Operating and Financing Costs by Service
(\$ in millions)

	FY 2023-24 Actual	FY 2024-25 Budget	FY 2025-26 Forecast
Customer Facing Services	\$81.7	\$92.2	\$98.7
HR Administration	\$13.1	\$14.8	\$15.8
Payroll Processing	\$13.1	\$14.8	\$15.8
Benefits Processing	\$13.1	\$14.8	\$15.8
Absence Management	\$11.7	\$13.2	\$14.1

Mass Update of Records	\$7.7	\$8.7	\$9.3
Customer Support	\$14.5	\$16.3	\$17.5
Records and Fulfillment	\$8.5	\$9.6	\$10.3
Delivery Support Costs	\$26.5	\$29.9	\$32.0
Subtotal Operating Costs	\$108.1	\$122.0	\$130.6
UCPath Debt Service	\$17.0	\$17.0	\$17.0
Total	\$125.1	\$139.1	\$147.7

UCPath Headcount

Budgeted headcount aligns with planned headcount for UCPath’s scope of services and the UC employee population. While employee retention has improved year over year, recruitment remains a challenge in the California current labor market. To mitigate the staff shortage, UCPath leverages contract and temporary staff to backfill vacancies and support peak workload periods.

