

UC Office of the President
FY24-25 Budget Call
December 12, 2023

As we prepare to kick-off the FY24-25 UC Office of the President (UCOP) budget in January, we are sharing this Budget Call guidance. The information below provides:

[Section 1: Introduction to FY24-25 Budget](#) – budget background and financial outlook.

[Section 2: FY24-25 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

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

1. UCOP is required to **be conservative**, particularly on unrestricted funds due to financial pressures on our campuses, ongoing inflation, reduced investment income, increases in pension contribution costs, and a systemwide salary program. With new financial requirements across programs, systems, compliance and more, you may expect budget targets in January.
2. Campus budgets also face pressures on the academic and administrative side. **Growth in unrestricted and campus-funded fee-for-service designated funding must be limited.**
3. The **overall size of UCOP, both budget and personnel, continues to be a focus** as are resource optimization, transparency, and achievement of UCOP's priorities. 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 funding.

Divisions should clearly state and rank priorities, where possible, for funding and staffing needs, and provide a sufficiently detailed justification. This prioritization will help lead to better outcomes. Thank you in advance for your considerable time commitment to the annual budgeting process.

Section 1: Introduction to FY24-25 Budget

Background

The UCOP Budget proposal will be presented to the UC Regents in May 2024. This budget must align UCOP resources to support the UC mission of teaching, research, and public service, as well as the President's and campus priorities for the coming year. Budgets are delineated by fund type and must include both revenues and expenditures. This year, we will continue to focus on aligning revenues and expenses by month and quarter.

To assume new priorities, UCOP will need to find efficiencies allowing us to "do less, with less" or even more challenging "do more, with less." A goal of the process will be to find operating improvements as well as to make trade-off decisions, which can transparently show potential impacts on the system. We will collaborate with the Executive Budget Committee (EBC) throughout the development timeline.

FY24-25 Outlook

This year's budgeting will leverage work completed in the UCOP Multi-Year Plan (MYP). The MYP planning process previewed upcoming priorities and needs. It also informed us where funding challenges are most likely to occur.

UCOP has made recent investments in critical areas to strategically support programs, campus safety, compliance, cybersecurity, DEI and more. Additionally, inflation continues to put upward cost pressures on salaries, goods, and services. This year, the UC system will implement another Systemwide Salary Program for retention of our critical UC workforce. Finally, we anticipate receiving progressively reduced investment income at UCOP as we continue to make needed investments across the system from the President's Endowment Fund (PEF).

While the state continues to honor its commitment of a 5 percent annual increase to UC's state general funds, campuses are impacted by higher costs for teaching and instruction; therefore, UCOP's rising costs cannot be passed on to our campuses, and divisions will need cost containment strategies for FY24-25. The state budget outlook is quite poor for the coming year which puts further pressure on state general funds.

Timeline

The Planning and Budgeting System (PBS) will be open **between January 29 and February 21, 2024**, for divisions to complete their input. 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. We thank everyone in advance for strictly adhering to the budget guidelines and timeline.

Section 2: FY24-25 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 be balanced; no deficit budgets will be allowed.
- ii. **All budget increase requests will be scrutinized:** Critical, contractual / mandated, and unavoidable cost increases and limited strategic investments will be given highest priority but should be absorbed into department budgets wherever possible. Given the economic outlook referenced above, budget increases will be very limited and highly strategic.
- iii. **UCOP Budget impacts on the campuses:** Efforts to find savings at UCOP cannot shift costs to the campuses.

- iv. **Building and operations recharges:** Building recharges, reviewed last year, will continue and year 2 of any glide path agreements will be implemented. BFD will meet with impacted groups individually to confirm requirements.
- v. **Commitment to targets and budgets:** Budgets, once approved by the Regents, will be a financial commitment and divisions and departments will be accountable to achieve their goals within budget. Targets will be communicated when the PBS system opens (Jan. '24) and will be included in the system.

b. **Budget assumptions:**

i. **Unrestricted:**

Sources:

- Unrestricted funding remains extremely constrained. Any adjustment to campus assessment funding is subject to review by President Drake, and the EBC.
- Core UCOP unrestricted funding will 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 on unrestricted funding will be needed for the systemwide salary program (across-the-board increase on July 1, 2024) 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 during the PBS window ending February 21st.
- All approved SFRs (legacy MPIs) must be submitted, and the amounts will be the incremental/decremental dollars from the prior year's approved Regent's Budget.
- We urge departments and divisions to scrub budgets and reevaluate current commitments to reallocate funding to new priorities wherever possible.
- Headcount increases will be scrutinized, and you are encouraged to use or repurpose open positions from FY23-24 in your division.
- On-going operating expenses:
 - Departments and divisions should plan to hold unrestricted budgets flat.
 - 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 must be included in the budget so expect to find trade-off decisions or funding reallocations.

- Decision Packages should be submitted for projects; however, submissions should not specify SPF Funds which are NOT allowed to be requested during the budget process.

ii. **Designated:**

- While designated funding in some areas may require increases (ex. UC Investments), increases impacting 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, these are not constrained.
- Augmentation requests must be submitted in a Decision Package.

The remaining sections detail budget process and timing information for those responsible for budget data input

Section 3: Process Information

a. Sources of funds:

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:

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

ii. Designated Funds:

- **UCPath:** UCPath will continue to use a W-2 fee-for-service campus assessment and will budget their designated funds including timing of assessment receipts.
- **ANR:** ANR division will continue to receive a designated, state direct appropriation.
- **All other designated funding:** Divisions using designated fund sources should budget in a manner consistent with FY23-24, and any augmentations must be documented in Decision Packages.

b. Expenditures – salaries & headcount:

- i. The PBS workforce plan (or budgeted positions) will be populated with filled and approved vacant position data from UCPath as of mid-January 2024.
- ii. For positions approved by the department and HR, but not reflected in UCPath or PBS (due to timing differences between UCPath and PBS)—the department may enter the position in the ‘New Hire Planning’ module. You must reference the position control ServiceNow ticket number in the note field.
- iii. Requests for other new, incremental positions must be submitted through a Decision Package and cannot be included in the ‘New Hire Planning’ module.
- iv. BFD will reconcile new position/headcount increases with HR reports indicating recruiting/hiring approval metrics and status.
- v. 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.
- vi. For staffing and headcount scenarios outside the scope of these guidelines or if further clarification is needed, budget coordinators should be consulted.
- vii. Departments should budget all headcount and salaries including part-time and limited appointments (excluding student interns).
- viii. To qualify as an approved position in the budget, positions must have both an FTE and a budgeted salary.
- ix. FY24-25 headcount / FTE increases will be limited. Submit only critical positions regardless of fund source.

- x. Funding for new positions:
- Unrestricted funding for new positions is not available, therefore departments should first review vacant positions and opportunities for repurposing positions before requesting any new positions.
 - The same process should be applied to positions funded on designated funds, particularly when funded by the campuses (e.g., fee-for-services).
 - For restricted funds, a department should add new headcount via Decision Package, on restricted funds to support new programs or program income.
 - Vacant positions:
 - Salaries for vacant positions will be zeroed out in PBS when PBS opens.
 - Salaries for any new hires (to fill known vacancies) must be entered to start in the month the position is expected to be filled, not July 1st.
 - Explanatory notes must be included to support salary entries.
- 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.
- d. **Salary program:** The approved systemwide salary program (4.2% across-the-board) will be automatically included on filled positions.
- 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 are approved until UCOP Human Resources completes its annual process.
- f. **Benefits:** Benefit rates will be updated and budgeted centrally by the BFD.
- g. **Expenditures – non-salary**
- i. **Non-salary budget controls:** BFD will review funding in January and targets will be communicated, as needed.
 - **Travel and meetings:** Targets for travel will be included in January. Divisions must manage their travel budgets within targets. Travel expenses must comply with UCOP’s travel policy for remote and hybrid workers.
 - 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 SFRs 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. Apart from *previously approved* SPF funding requests, all new requests for SPF funding must be submitted through Supplemental Funding Requests (SFR). SPF requests should not occur in the first quarter of FY24-25 (unless for urgent or emergent priorities).
 - iii. **During the March 2024 SFR cycle** there will be no approvals for future year's budget unless it is mandatory to incur expenses in the current fiscal year (FY23-24). The following scenarios will be reviewed in upcoming COP meetings:
 - i. **Scenario 1:** SFR submitted in March cycle requesting **Designated/Restricted Funds for FY24-25 and beyond.**
ACTION: Submit as Decision Package ONLY
 - ii. **Scenario 2:** SFR submitted in March cycle **requesting funding (NOT SPF)** for FY23-24 and beyond.
ACTION: If approved BFD will submit a Decision Package.
 - iii. **Scenario 3:** SFR submitted in March cycle **requesting SPF funding** for FY23-24 and beyond.
ACTION: If approved BFD will include in budget and NO decision package.

Section 4: Department Budget Planning

Budget Entry Parameters

- a. **Forecasts:** Departments will prepare 2nd Quarter (Q2) FY23-24 forecasts in PBS which will be used to generate the initial opening FY24-25 budgets.
- b. **Initial budgets:** Opening FY24-25 budgets in PBS will include data from the Q2 FY23-24 forecasts. "Opening" budgets serve as the starting point for developing the FY24-25 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 Variance Notes:** Material variances at the department level must be explained with notes in PBS.

Budget Development and Submission Timeline:

- **Budget process begins the week of December 11th:** The FY24-25 budget process will begin in December, with a focus on developing an accurate FY23-24 Q2 forecast by mid-January.

- **PBS opens for budget entry January 29th:** Budget Liaisons will enter directly into PBS between January 29 and February 21, 2024. 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 21, 2024**, including variance notes. There will be no extensions provided as the system will be closed.

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.