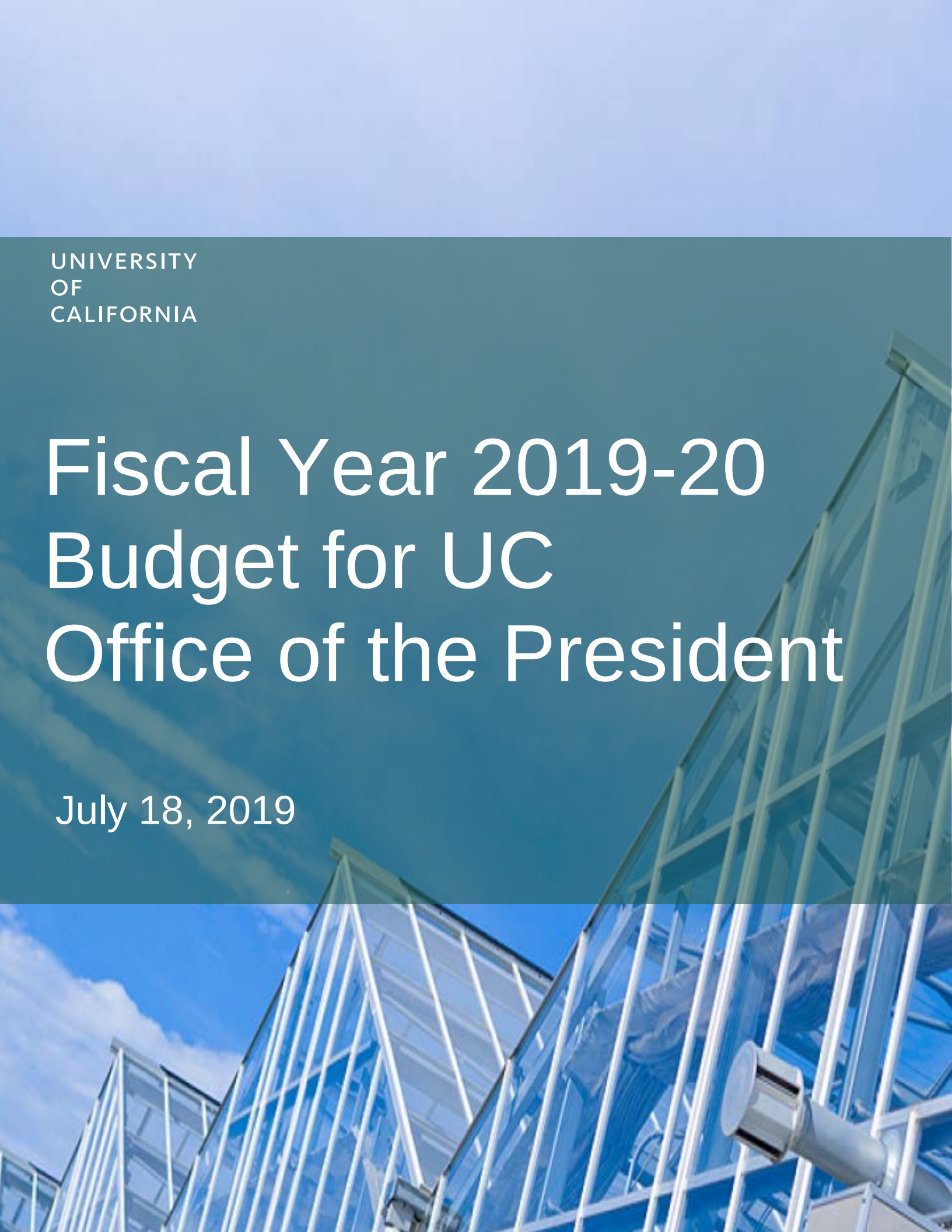


A low-angle photograph of a modern glass skyscraper, likely a University of California building, reaching towards a clear blue sky. The building's glass facade reflects the sky and surrounding environment. A white cylindrical object, possibly a light fixture or vent, is visible in the lower right foreground.

UNIVERSITY
OF
CALIFORNIA

Fiscal Year 2019-20 Budget for UC Office of the President

July 18, 2019

TO THE REGENTS OF THE UNIVERSITY OF CALIFORNIA:

FISCAL YEAR 2019-20 BUDGET FOR THE UNIVERSITY OF CALIFORNIA OFFICE OF THE PRESIDENT (UCOP)

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BACKGROUND

About the University of California

The University of California (UC) serves nearly 280,000 students, produces ground-breaking research, and is a powerful economic engine for the State of California, through its 10 campuses, 5 medical centers, and 3 national laboratories. The University of California provides unparalleled access to upward economic mobility, focuses on its core missions of teaching, research, and public service, and touches the life of every Californian.

UC is the largest university system in the nation. It is twice as large as the next largest system, the University of Texas, and the third largest in the country by enrollment, behind only CSU and SUNY. UC is committed to access, affordability, and excellence. UC leads the way in enrolling and graduating Pell Grant recipients and low-income undergraduate students, and five of the ten campuses have been designated Hispanic Serving Institutions (HSIs) for maintaining undergraduate Hispanic enrollment at or above 25% of their total population.

Figure 1: UC At-A-Glance

Founded in 1868, the University of California consists of:

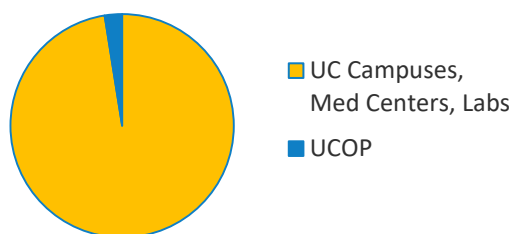
- 10 campuses serving an estimated 280,000 students in 818 instructional programs
- 5 academic medical centers providing approximately 4.7 million outpatient clinic visits each year
- A nearly \$5 billion research enterprise, seeking new knowledge and solutions to critical problems
- A network of libraries housing nearly 40 million print volumes, second only to the Library of Congress
- Approximately 228,000 employees, making UC California's third largest employer

UC receives roughly 10% of total federal research dollars awarded annually, totaling more than \$16 billion over the past five years. Six UC campuses are members of the prestigious Association of American Universities (AAU) – the only university system with more than two members. UC is one of only seven universities to manage a national laboratory, and the only university to manage more than two.

About UCOP

The UC Office of the President (UCOP) is the systemwide headquarters of the University of California. UCOP operates as the nexus between the 10 campuses, 5 medical centers, and 3 national laboratories, the Board of Regents, Academic Senate, state and federal governments, and the public. Together with the University's leadership, UCOP helps shape the vision for the University, managing activities that align with the UC mission and support the essential premise that UC is one University. In total, UCOP represents 2.6% of the UC budget. The divisions that make up UCOP are available in Appendix 2.

Figure 2: UCOP as a Percentage of UC



The UCOP budget represents 2.6% of the \$36.5 billion UC budget. **39% of the UCOP budget is not spent at UCOP but rather passes through UCOP to the campuses, California researchers, and the public through ~30 programs and initiatives.** 29% of the budget supports fee-for-service activities. Net of pass-through programs and fee-for-service activities, **UCOP represents 0.8% of the UC budget.**

Academic and Public Service Programs – UCOP manages almost 30 programs that support the teaching, research, and public service mission of the University. These programs provide thousands of students learning and research opportunities; fund researchers across the State through competitive grant programs, and promotes access and diversity through its outreach programs. Below are a few examples:

Research Programs

- ✓ Tobacco-Related Diseases
- ✓ Breast Cancer
- ✓ HIV/AIDs
- ✓ UC Observatories

Teaching Programs

- ✓ UC Washington Center
- ✓ UC Sacramento Center
- ✓ Innovative Learning and Technology

Outreach Programs

- ✓ Student Academic Preparation and Academic Partnerships (SAPEP)
- ✓ Historically-Black Colleges and Universities
- ✓ Post-Doctoral Fellowships

Other Programs

- ✓ Agriculture and Natural Resources (ANR)
- ✓ California Digital Library
- ✓ UC Press
- ✓ UC National Laboratories

Centralized Services – Several divisions manage systemwide services on behalf of the University. A few examples of these services are listed below:

- | | | |
|---------------------------------|-----------------------------|------------------------|
| ✓ Retirement Center | ✓ Employee benefit programs | ✓ Student Aid |
| ✓ UCPath Center | ✓ HR/Career Tracks | ✓ General Counsel |
| ✓ Risk services/insurance | ✓ Labor negotiations | ✓ Government relations |
| ✓ Capital financing and bonding | ✓ Information technology | ✓ Compliance and audit |
| ✓ Corporate accounting | ✓ Real estate & financing | ✓ Energy purchases |

UCOP employees make a significant impact on UC and the State of California. Figure 3 lists examples of these impacts, organized around three core functions that account for roughly 90% of UCOP's budget.

Figure 3: UCOP Impacts and Achievements

Academics & Programs	Operations	Financial Services
- Award nearly \$150 million in research grants - Engage over 20,000 volunteers and 1.4M participants in Agriculture & Natural Resources programming - Oversee SAPEP programs that annually serve over 186,000 K-12 students at nearly 1,500 schools in California and over 27,000 community college students at all 114 California Community Colleges - Educate hundreds of students at the Washington and Sacramento centers - Save over \$100 million annually by coordinating shared library collections - Publish over 180 books and 38 multi-issue journals annually and maintain 4,000 books in print	- Pay roughly \$3 billion in benefits to over 73,000 retirees and beneficiaries - Manage the ApplyUC system through which 220,000 high school students and transfers applied to UC last year - Purchase \$18 million in energy contracts annually - Oversee over 90 renewable energy projects including the development of a 660-acre solar energy farm - Support and pay more than 190,000 employees including 101,000 across 8 locations on the UCPath system supported by the UCPath Center - Administer the UC Learning Center, providing online training to 40,000 employees and students per month	- Manage a general revenue debt portfolio of \$23.7 billion - Contribute roughly \$300 million in financial benefits to the UC through central purchasing contracts, from new revenue, and reduced costs - Manage mortgage loans for qualified faculty and staff totaling \$3 billion - Leverage the Regents Captive insurance platforms to smooth premium rates for campuses. Launch new captives to seek savings in voluntary benefits programs - Manage nearly \$119 billion in total investments and assets at a cost of less than 0.03% in fees - Add billions of dollars in value for the retirement system through strategic borrowing and restructuring

UCOP Optimization Efforts

The Office of the President has undertaken significant efforts in the past two years to ensure services and programs are managed effectively and aligned with the University's mission, solicit and respond to stakeholder input, develop multi-year plans that clearly communicate objectives and goals, and apply industry best practices to budgeting and compensation practices. UCOP is committed to transparency and continuous improvement. The below activities contribute to the effective management of UCOP and where applicable are reflected in the budget.

Independent Reviews

Five independent reviews were completed over the past two years to satisfy a range of concerns regarding financial management, controls, organizational size, scope, duplication of effort, and the role of UCOP within the University. These independent assessments generally concluded that UCOP programs and services are valued by the University community and align with the University's mission.

- **PwC** audited UCOP FY16-17 statement of operating revenues and concluded data was presented in accordance with accounting principles.
- **Deloitte** reviewed the design and effectiveness of UCOP budgeting and reserve controls and concluded controls are operating effectively.
- **Huron** performed a UCOP-wide organizational review and proposed optimization and efficiency options to potentially reduce the size of UCOP by moving various programs and services to other locations. It also confirmed many practices are leading the higher ed industry.
- **Sjoberg Evashenk** conducted a 10-campus survey which identified areas for improved collaboration and communication and also confirmed many functions are appropriately scoped and not duplicative of campus efforts.
- **Sullivan Cotter** confirmed the UC career tracks compensation methodology aligns with industry best practices and accurately reflects public sector comparators, recommended a plan to narrow UCOP salary ranges, and validated market midpoint adjustments.

OP Optimization and Strategic Planning Efforts

UCOP engaged with over 700 stakeholders within and external to UC through the OP Optimization Effort project and strategic planning processes.

- The **UC Executive Budget Committee** comprised of campus, Academic Senate, and UCOP leadership, provides direct input to the President on the UCOP budget.
- **Eight UCOP divisions have restructured their organizations** in response to independent assessments. For example, President Napolitano commissioned two independent advisory committees to determine whether ANR and the UC Health Collaborative should be positioned separately from UCOP. Both committees advised these functions stay within UCOP and made other recommendations around growth models and governance.
- **UCOP is engaged in strategic planning**, and divisions comprising over 88% of the UCOP budget have completed plans that will advance the UC mission, develop policies and advocacy, strengthen financial stability, optimize operations, and develop their staff. This effort is foundational for the subsequent development of multi-year budgets and workforce plans.

UCOP Audit

In response to the 2017 CSA audit, which included budget and compensation-related recommendations, UCOP staff has dedicated over 18,000 hours responding to the 33 recommendations. As of April 25th, 12 have been recognized by the Auditor as complete, and 11 were recently submitted for review. The remaining recommendations will be completed by their due date in April 2020. Information about UCOP's progress is available at <http://www.ucop.edu/ucop-audit-implementation/index.html>.

EXECUTIVE SUMMARY

FY19-20 UCOP Budget

The proposed FY19-20 UCOP budget is **\$941.7M**. This budget retains significant reductions to the FY18-19 budget while recognizing new contract and grant revenues, funding mandatory cost increases, and making modest, strategic programmatic and risk mitigation investments.

The budget reflects stakeholder support for UCOP programs and services confirmed through the multiple external and internal assessments over the past two years and the continued involvement of the Executive Budget Committee (EBC), which includes campus, Academic Senate and UCOP leaders. Sjoberg Evashenk participated in every EBC meeting over the past year, and various aspects of the budget have been reviewed with members of the Regents, Council of Chancellors and external advisors. While consideration was given to moving certain functions out of UCOP, the overwhelming consensus has been to not only retain them within UCOP but to allow for modest increases.

UCOP continues to improve and tighten its budget processes, including quarterly forecasting, fund classification and reallocation, and clearly-defined reserve practices. Consistent with last year's revised best-practice budget presentation, the UCOP budget is organized according to three different categories as defined below.

Sources of Funds	Uses of Funds	Special Expense Classifications
- Unrestricted - Designated - Restricted	- Programs and Initiatives - Central and Administrative Services - UCPath Center - Strategic Priorities Fund	- Pass-through - Fee-for-Service

Figure 4: FY19-20 Budget Summary by Category

\$ millions

Sources of Funds	FY19-20 Budget	% of Total
Unrestricted	\$ 282.8	30.0%
Designated	\$ 430.9	45.8%
Restricted	\$ 228.0	24.2%
Total Sources	\$ 941.7	100.0%
Uses of Funds		
Programs and Initiatives	\$ 408.2	43.3%
Central/Admin Services	\$ 409.8	43.5%
UCPath Center	\$ 93.7	9.9%
Strategic Priorities Fund	\$ 30.0	3.2%
Total Uses	\$ 941.7	100.0%
Special Expense Classification		
Pass-Throughs	\$ 364.5	38.7%
Fee-For-Service	\$ 276.9	29.4%
Total Special Expense Classification	\$ 641.4	68.1%
Budget Net of Expense Classification	\$ 300.3	31.9%

70% of the sources of funds are designated for specific programs and services or restricted for use by a third party.

43% of the uses of funds are dedicated to ~30 programs managed by UCOP on behalf of the State, Federal Government, Regents and the UC system.

32% is the remaining UCOP budget net of dollars passed through UCOP to recipients across the State and fee-for-service activities.

FY18-19 to FY19-20 Budget Summary

Figure 5 summarizes and compares the proposed FY19-20 budget with the current budget, including fund balances and reserves. This figure is adapted from a California State Auditor recommendation.

Figure 5: FY18-19 to FY19-20 Budget Summary¹

\$ in millions

			Variance: Inc/(Dec)		Variance: Increase/(Decrease)	
	FY18-19 Budget	FY18-19 Forecast	FY18-19 Forecast vs FY18-19 Budget	FY19-20 Budget	FY18-19 Forecast vs FY19-20 Budget	FY18-19 Budget vs FY19-20 Budget
UCOP USES²						
Programs and Initiatives ³	\$ 388.1	\$ 393.5	\$ 5.4	\$ 408.2	\$ 14.7	\$ 20.1
Central and Administrative Services (excl UCPATH) ⁴	390.6	380.1	(10.4)	409.8	29.7	19.3
Strategic Priorities Fund ⁵	30.0	24.5	(5.5)	30.0	5.5	0.0
SUBTOTAL USES	\$ 808.6	\$ 798.1	\$ (10.5)	\$ 848.0	\$ 50.0	\$ 39.4
UCPATH Center Operations	67.8	76.0	8.2	93.7	17.7	25.9
TOTAL USES	\$ 876.4	\$ 874.1	\$ (2.4)	\$ 941.7	\$ 67.6	\$ 65.3
			% Spent: 99.7%		% Change: 7.4%	% Change Unrestricted: 1.6%
INCLUDED IN USES ABOVE						
Fee-For-Service ⁶	\$ 239.4	\$ 240.2	\$ 0.8	\$ 276.9	\$ 36.7	\$ 37.5
Pass-Throughs ⁷	335.2	331.6	(3.5)	364.5	32.8	29.3
Total Fee-For-Service and Pass-Throughs	\$ 574.6	\$ 571.9	\$ (2.7)	\$ 641.4	\$ 69.5	\$ 66.8
CENTRAL OPERATING RESERVE^{8,9}	\$ 15.0					
NON-OPERATING AND PROGRAM RESERVES⁸	\$ 88.9					
		6/30/19 Balance	Commitments	Remaining Balance		
FORECASTED FUND BALANCES NET OF RESERVES¹⁰						
Undesignated - UCOP	\$	31.8	\$ 20.0	\$ 11.8		
Undesignated - Systemwide		7.1	7.1	0.0		
Designated ¹¹		88.3	3.0	85.3		
Restricted ¹¹		13.0	0.0	13.0		
	\$	140.2	\$ 30.1	\$ 110.2		

¹ Figure 11 in *CSA Report 2016-130* issued April 25, 2017.

² Additional details in Schedule A and Schedule B.

³ Additional details in Schedule C.

⁴ Additional details in Schedule D.

⁵ Additional details in Schedule F.

⁶ Additional details on pg 16.

⁷ Additional details on pg 14.

⁸ Additional details in Schedule H.

⁹ Held in President's Endowment Fund.

¹⁰ Additional details in Schedule I.

¹¹ Designated and Restricted fund balances are intended for their original purpose.

FY18-19 to FY19-20 Budget Cause of Change

Over the past four years UCOP consistently minimized budgetary increases while absorbing rising costs in labor, goods, and services. In 2017, UCOP's primary source of unrestricted funds, the campus assessment, was replaced by a State General Funds appropriation. Last year, excluding UCPATH, the FY18-19 budget was reduced by \$33M, including \$8.5M of unrestricted funding redirected to student enrollment growth. This revenue source has declined from \$218M to \$215M over the past four years, a **compound annual growth rate of -0.4%**.

The proposed FY19-20 budget reflects a minimal **1.6% increase in unrestricted funds**. The remaining designated and restricted fund increases represent programs and services that either pass budget dollars through UCOP to other recipients (pass-through), or fund specific fee-for-service programs.

Figure 6: FY18-19 to FY19-20 Cause of Change Summary

\$ in millions

Cause of Change	Unrestricted	Designated	Restricted	Total
Revenue Growth	\$ -	\$ 2.3	\$ 16.1	\$ 18.4
UCPath Center	-	25.9	-	25.9
UC Health Collaborative	-	7.3	-	7.3
ANR	-	3.2	-	3.2
Contract / Risk Mitigation	3.4	6.3	0.4	10.0
Net Strategic Investments	1.2	(0.7)	-	0.5
Total Budget Change (\$)	\$ 4.6	\$ 44.2	\$ 16.5	\$ 65.3
Total Budget Change (%)	1.6%	11.4%	7.8%	7.4%

*Minimal **1.6%** increase in unrestricted funds*

The first four categories account for \$54.8M of the total increase

Four primary causes of change account for \$54.8M of the \$65.3M increase:

1. **Revenue Growth:** Primarily restricted revenue growth anticipated by ANR and the Research Grants Program from Federal and State research funds such as Prop 56.
2. **UCPath Center:** The expansion of the Center to onboard the remaining campuses.
3. **UC Health Collaborative:** The outcome of an OP Restructuring Advisory Committee to retain this function within UCOP; funded, within certain parameters, oversight and guidance, by the health centers in accordance with a shared strategic plan.
4. **ANR:** The outcome of an OP Restructuring Advisory Committee to retain this function within UCOP and grow under certain parameters with committee oversight and governance.

Primary causes of the remaining \$10.5M increase are attributable to:

5. **Contract/Risk Mitigation Increases:** Contractual increases including auditing, custodial, subscription and other services, leases, IT systems, labor, employee health care, and risk mitigation increases in legal, Title IX, investigations, which cannot be absorbed.
6. **Strategic Investments/Reductions/Adjustments:** Minimal increases to support faculty and student diversity, the UC digital library, national labs, multi-campus research, and high school transcript evaluation services, offset almost entirely by budget reductions and adjustments.

Prioritization decisions were made whereby more than \$30M in requested increases were rejected and other requests reduced or funded over multiple years. The January Governor's budget assumed flat State General Funds appropriations for UCPath, ANR, and the remainder of the UCOP budget, formerly funded through a campus assessment. However, all three components of the budget require additional funding. Three budget change proposals were submitted to the Department of Finance in April.

Reserves

In March 2019, UCOP reviewed reserve guidelines with the Regents which included target funding levels and controls for monitoring, reporting, and drawing on funds. UCOP projects a total reserve balance of \$103.9M, which is below the target maximum of \$115.8M.

Fund Balances

Total fund balances as of June 30, 2019 are forecasted to decrease by 37% compared to 2018 and includes FY18-19 commitments to fund campus housing priorities, the UC Riverside School of Medicine, and UCOP's strategic priorities fund. Unrestricted fund balances are forecasted to decrease by 81%.

Key Takeaways

1. **39% of the FY19-20 budget will not be spent at UCOP.**
2. The FY19-20 budget includes a minimal **1.6% increase to unrestricted funds.**
3. Unrestricted fund balances are forecasted to **decline by 81%** net of commitments.

FY19-20 UCOP BUDGET

UCOP's total proposed budget for FY19-20 is \$941.7M. The following section describes UCOP's approach to preparing the budget, challenges in developing the budget, and the major categories of funding sources and uses.

The preparation of the FY19-20 budget built on the strengths of last year's process and included:

- Significant stakeholder involvement to evaluate and prioritize UCOP programs and services
- Thoroughly evaluating and prioritizing ~\$60M in requested investments with stakeholders
- Leveraging current year actuals and forecasts to develop budgets
- Providing clear, transparent budgeting and financial reporting throughout the fiscal year and further implementing best practices

UCOP navigated several continuing and new challenges in preparing the budget including;

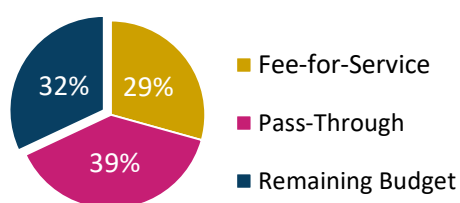
- Conflicting expectations to keep the budget flat but grow several programs and services while receiving more State funds to run research and public service programs
- Constraints on unrestricted funds, primarily the State General Funds appropriations
- Increased funding required for systemwide strategic programs and services (UC Health Collaborative, UCPATH, ANR) and demand for UCOP services that mitigate risk across the system (e.g., legal, Title IX, investigations, cybersecurity)
- Trade-off decisions and deferment or under-funding of requests for important, qualified items
- Unavoidable inflationary cost increases in operations including: rents, employee benefits, salaries, and contracts (e.g., audit fees, janitorial, security)

The budget is structured in categories that define where funds come from ("Sources") and how they are used by or passed through the UCOP budget ("Uses").

Sources of Funds	Uses of Funds	Special Expense Classifications
• Unrestricted • Designated • Restricted	• Programs and Initiatives • Central and Administrative Services • UCPATH Center • Strategic Priorities Fund	• Pass-through • Fee-for-Service

In addition to the Sources and Uses of Funds, UCOP created the *Pass-throughs* and *Fee-for-Service* expense classifications to clearly communicate how budgeted funds are used as displayed in Figure 7.

Figure 7: Special Expense Classifications



39% of funds pass through the UCOP budget to campuses, researchers, and the public. The largest pass-through programs are Agriculture and Natural Resources and the statewide Tobacco-Related Disease Research Program.

29% of funds are generated from fee-for-service activities provided by UCOP to campuses on a fee basis. The largest fee-for-service activities include UCPATH, legal services, and the management of investment assets and employee/retiree benefits. In total, these classifications account for 68% of the UCOP budget.

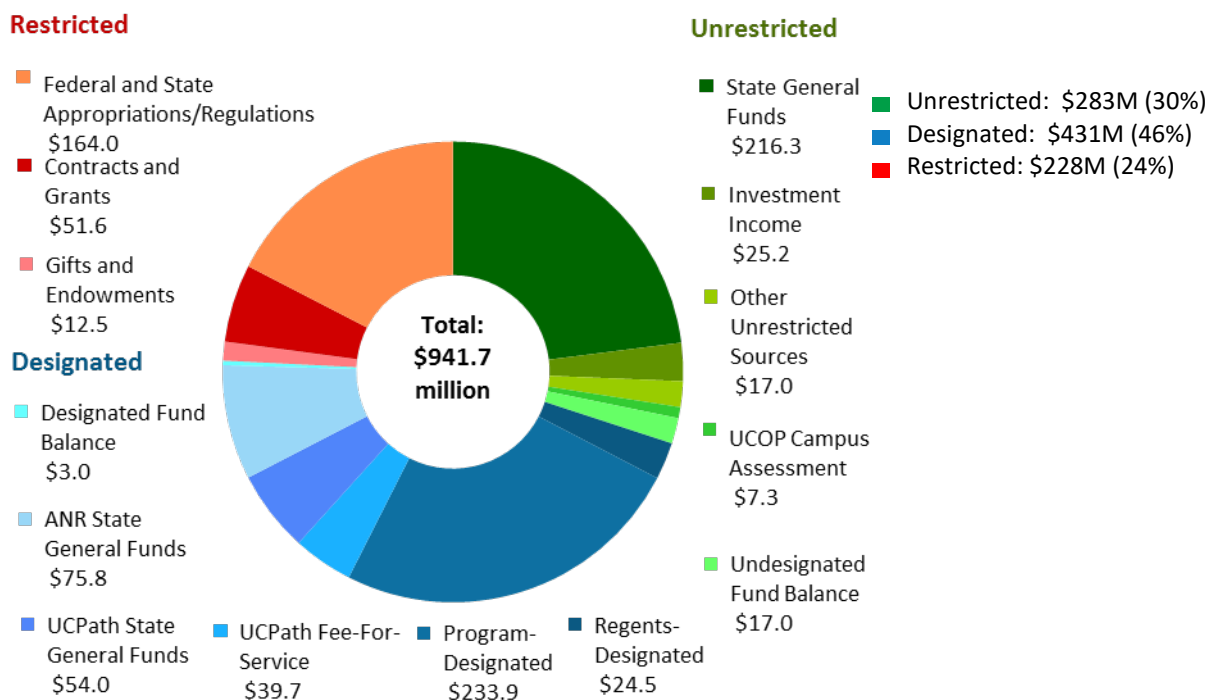
Sources of Funds

(See Schedule A)

In FY18-19, UCOP began budgeting sources as revenue whereas prior budgets only reflected uses of funds as expenditures. Planned sources for FY19-20 total \$941.7M, and are detailed in the attached **Schedule A**. As shown in Figure 8 below, **70% of fund sources are either restricted or designated**. Three State General Funds appropriations represent 37% of the UCOP budget.

Figure 8: Sources of Funds

\$ in millions



UCOP completed an extensive review of all its funds into defined categories, and presented them to the Regents in March 2018. **Three distinct types of funding sources** support the UCOP budget:

- **Unrestricted Funds** include the State General Funds appropriation for UCOP, investment income, campus assessment, unrestricted fund balances, and other sources.
- **Designated Funds**, sourced from Regents, program or service designations are typically funded via a fee-for-service methodology established for the designated purpose. UCPath and ANR are also funded in part from specific State General Funds appropriations.
- **Restricted Funds**, sourced through Federal and State appropriations, endowments, gifts, contracts, and grants are restricted for specific purposes in accordance with Generally Accepted Accounting Principles (GAAP).

Figure 9 below shows the difference between the FY18-19 and FY19-20 budgets by fund type.

Figure 9: Change in Sources of Funds

\$ millions

Fund Type	FY18-19 Budget	FY19-20 Budget	% Inc/(Decr)	% of Total	
Unrestricted	\$ 278.2	\$ 282.8	1.6%	7.0%	<i>Minimal unrestricted funds increase of 1.6%.</i>
Designated	\$ 386.7	\$ 430.9	11.4%	67.7%	
Restricted	\$ 211.5	\$ 228.0	7.8%	25.3%	<i>Growth in restricted funds largely from State/Federal programs.</i>
Total	\$ 876.4	\$ 941.7	7.4%	100.0%	

Budget Change Proposals (BCP)

The Governor's January budget proposed the continuation of State appropriations for three separate line items in the UCOP budget: ANR, UCPath, and the primary source of UCOP's unrestricted budget. The budget proposed each appropriation remain flat for FY19-20 with no additional assessments.

Over the past four year period between FY14-15 and FY18-19, UCOP's primary source of unrestricted funds declined from \$218.5M to \$215.2M, a compound annual growth rate -0.4 percent. Except for UCPath, overall annual budget increases were minimal and mostly absorbed into the existing budget.

In FY18-19, UCOP submitted a budget change proposal to the Department of Finance to supplement the UCPath appropriation with a fee-for-service model. This proposal was accepted. For FY19-20, UCOP submitted a budget change proposal for each line item, requesting an increase at roughly the cost of inflation for each, and requesting additional anticipated expenditures for UCPath be funded from the fee-for-service model, and the general UCOP budget from the campus assessment model. For the general unrestricted budget, this increase would equate to a five-year 0.3% compound annual growth rate.

Campus Assessment

Prior to FY17-18, the majority of the Office of the President's unrestricted funding came from a campus assessment methodology that a systemwide committee designed and adopted several years ago. In FY17-18, an appropriation of State General Funds replaced the assessment methodology.

In FY18-19, AB97 required a redirection of \$15M of UC's budget to enrollment growth. UC reduced the UCOP budget by \$8.5M, and other budgets by an additional \$6.5M. The UCOP reductions remain in effect. In FY19-20, UCOP is requesting a cost adjustment and the use of a hybrid model, similar to UCPath, with a supplemental campus assessment of \$7.3M to support cost increases and strategic investments in systemwide services such as the California Digital Library. This model was reviewed with and approved by campus stakeholders.

Key Takeaways

1. **Unrestricted funds** increase by a **minimal 1.6%** over last year's budget.
2. **UCPath, ANR, and the UC Health Collaborative** are growing as intended based on significant stakeholder input.
3. UCOP submitted three budget change proposals to the Department of Finance, including a request to utilize fee-for-service and campus assessment methodologies to address anticipated expenditures.

Uses of Funds

(See Schedule A)

The FY19-20 planned use of funds budget is \$941.7M. Programs and Initiatives and Central and Administrative Services together make up 87% of the budget. The UCPATH Center represents 10% of the budget, and the Strategic Priorities Fund comprises approximately 3% of the budget. Figure 10 provides an overview of UCOP uses by functional area.

Figure 10: Uses of Funds

\$ in millions

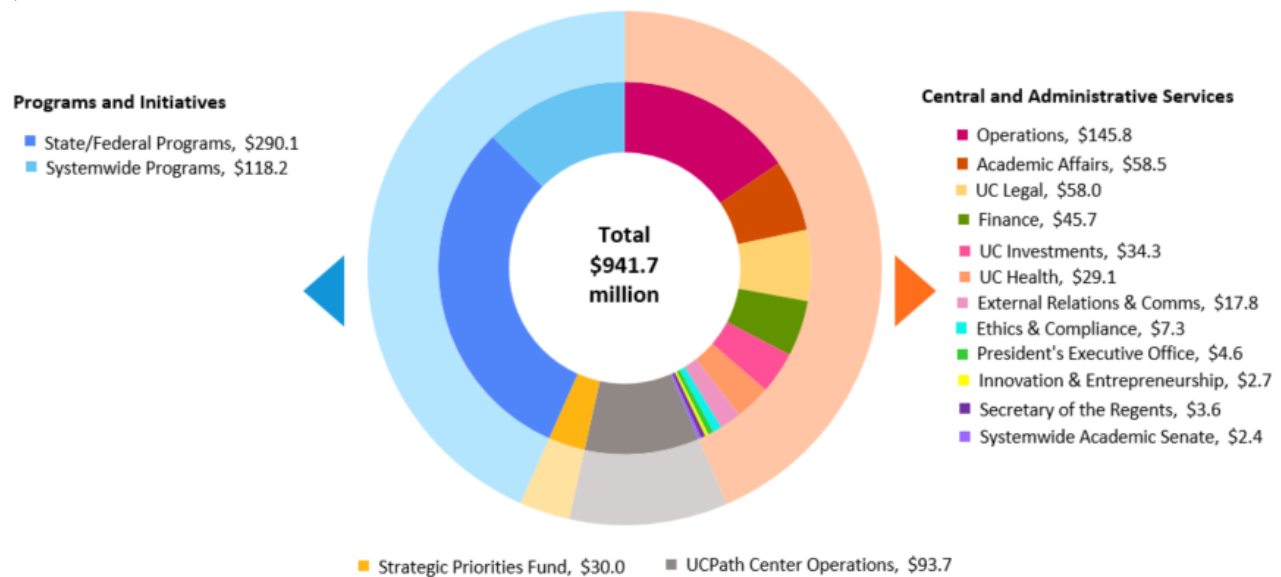


Figure 11 below outlines the changes in the budget by functional area. Additional detail on the Uses of Funds, including budgets, forecasts and variances are included in this section. Year-to-year budget changes are also detailed in **Schedule G**.

Figure 11: Change in Uses of Funds

\$ millions

Functional Area	FY18-19 Budget	FY19-20 Budget	\$ Incr/(Decr)	% Incr/(Decr)
Programs and Initiatives	\$ 388.1	\$ 408.2	\$ 20.1	5.2%
Central/Admin Services	390.6	409.8	19.3	4.9%
UCPATH Center	67.8	93.7	25.9	38.1%
Strategic Priorities Fund	30.0	30.0	0.0	0.0%
Total	\$ 876.4	\$ 941.7	\$ 65.3	7.4%
excl. UCPATH Center	\$ 808.6	\$ 848.0	\$ 39.4	4.9%

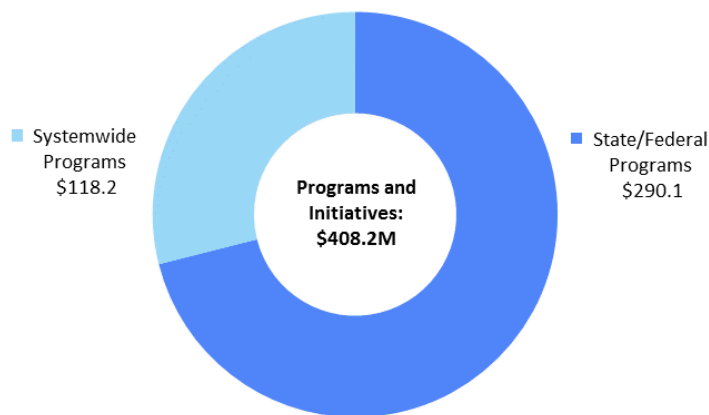
The UCPATH Center accounts for the largest \$ and % increase to the budget as the remaining campuses transition to UCPATH over the next year.

Programs and Initiatives

The proposed FY19-20 Programs and Initiatives budget is \$408.2M, or 43% of the uses of funds. Figure 12 below shows the distribution between ~30 State/Federal and systemwide programs. The complete list of programs, budgets, forecasts and comparisons, can be found in **Schedule C**.

Figure 12: Programs and Initiatives

\$ in millions



71% - State/Federal Programs are either required by legislation or operated by UC on behalf of the State or Federal government, e.g., ANR and the Tobacco-Related Disease Research program.

29% - Systemwide Programs benefit the UC campuses and many other statewide recipients, e.g., SAPEP, UC Press, UC research and astronomy programs.

Last year UCOP also created definitions for systemwide initiatives and campus programs. Outside of the Strategic Priorities Fund, the FY19-20 budget does not contain either of these.

Forecast and Budget Variances

UCOP forecasts quarterly, and the table below reflects the third quarter FY18-19 forecast which shows a small variance between the FY18-19 budget and forecast. Projected variances for the current year and a comparison to the FY19-20 budget are shown in Figure 13 below and on **Schedule C**.

Figure 13: Programs and Initiatives Budget Variances

(Summary of Schedule C)

\$ in millions

Uses	FY18-19			FY19-20		
	Budget	Forecast	Incr/(Decr) ³	Budget	Incr/(Decr) Forecast	Incr/(Decr) Budget ⁴
Campus Programs	\$ 0.9	\$ 0.9	\$ (0.0)	\$ -	\$ (0.9)	\$ (0.9)
State/Federal Programs ¹	\$ 269.2	\$ 281.5	\$ 12.3	\$ 290.1	\$ 8.6	\$ 20.9
Systemwide Programs ²	\$ 117.9	\$ 111.0	\$ (6.9)	\$ 118.2	\$ 7.1	\$ 0.2
Total Uses	\$ 388.1	\$ 393.5	\$ 5.4	\$ 408.2	\$ 14.7	\$ 20.1

¹ State / Federal Programs includes ANR and TRDRP (Tobacco Research) which make up 71% of the total.

² Systemwide Programs include UC Press, UC Astronomy, Laboratory Fees Research, CA HIV/Aids research and SAPEP programs.

³ The FY18-19 forecast to budget variances are due to:

- \$12.3M increase in revenues and funding for grants in ANR and Tobacco-Related Disease Research

- \$6.9M decrease in research awards for Laboratory Fees Research Programs and lower than budgeted expenses for UC Washington Center

⁴ The FY19-20 budget to FY18-19 budget differences are due to:

- \$18.9M increase in State/Federal revenue in ANR and Tobacco-Related Disease Research funding
- 0.9M decrease by moving Hayes Bautista and Drew Medical School funding to the systemwide budget

The majority (96%) of pass-through programs are contained within the Programs and Initiatives Budget. Figure 14 below compares FY18-19 to FY19-20. **39% of the UCOP budget is not spent at UCOP.**

Figure 14: Pass-through Funds Programs

\$ in millions

	FY18-19 Budget	FY19-20 Budget
Pass-Throughs		
Agriculture & Natural Resources	\$ 158.5	\$ 173.2
Research Grant Programs	88.0	93.2
UC Observatories	22.2	22.2
National Laboratory Programs	14.1	14.0
UC Libraries	8.5	11.8
Public Service Programs	12.8	11.6
UC Research Initiative	6.4	9.7
Public Service & Law Fellowship	4.0	5.2
Diversity Initiatives	3.0	5.0
Online Education Initiatives	5.1	4.0
Other Academic Pass-Throughs	3.8	2.5
Undocumented Students	0.9	2.2
UC Health Initiatives	1.9	1.9
All Others	6.1	8.1
Total Pass-Throughs	\$ 335.2	\$ 364.5
Year-Over-Year Increase \$	\$	29.3
Year-Over-Year Increase %		8.7%

The top three pass-through programs account for 79% of the total.

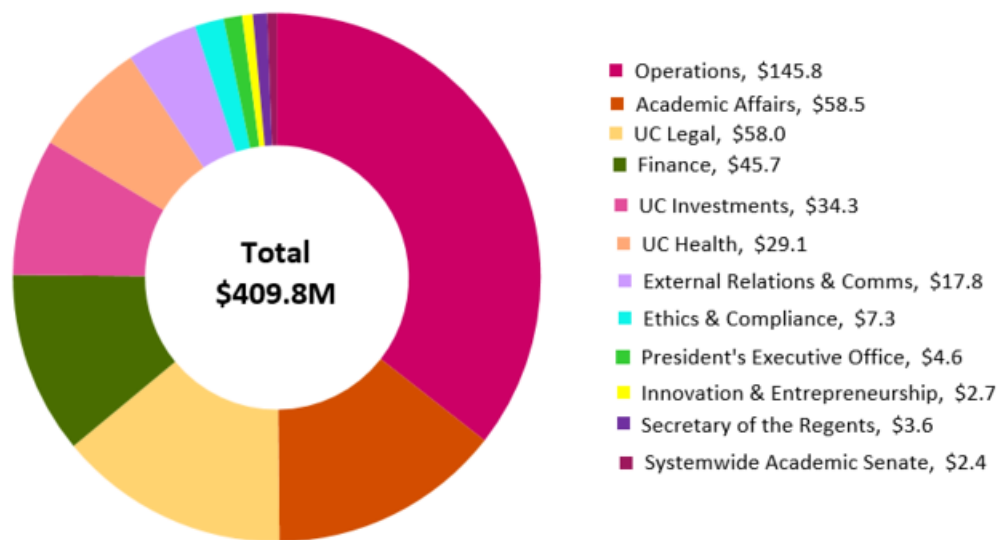
Key Takeaways

1. State and Federal Programs make up **71%** of the Programs & Initiatives budget.
2. **Growth in ANR and Prop 56 tax revenues** are reflected in the State and Federal Programs.
3. **96%** of pass-through funds are tied to the Programs and Initiatives budget.
4. **39% of the UCOP budget is not spent at UCOP.**

Central and Administrative Services

Central and Administrative Services make up \$409.8M, or 44% of the total budget. Figure 15 below and **Schedule D** provide an overview of the budget by division. The Central and Administrative Services budget supports critical systemwide campus services and UCOP internal operations. The Operations division, which makes up a third of the Central and Administrative Services budget, provides systemwide HR, benefits and retirement management, technology services, and energy programs, and oversees internal UCOP operations.

Figure 15: Central and Administrative Services
\$ in millions



Forecast and Budget Variances

The third quarter FY18-19 forecast projects UCOP will end the year \$10.4M or 2.7% below budget. In FY19-20, total Central and Administrative Services activities are projected to be \$19.3M above the FY18-19 budget. Variances are shown in Figure 16 below and in **Schedule D**.

Figure 16: Central and Administrative Services Budget Variances

\$ in millions

Uses	FY18-19			FY19-20		
	Budget	Forecast ¹	Incr/(Decr)	Budget	Incr/(Decr) Forecast	Incr/(Decr) Budget ²
Academic Affairs	\$ 55.7	\$ 53.2	\$ (2.5)	\$ 58.5	\$ 5.3	\$ 2.8
Ethics & Compliance	\$ 6.6	\$ 6.2	\$ (0.4)	\$ 7.3	\$ 1.1	\$ 0.7
External Relations & Communications	\$ 18.1	\$ 16.3	\$ (1.8)	\$ 17.8	\$ 1.5	\$ (0.3)
Finance	\$ 46.0	\$ 45.8	\$ (0.2)	\$ 45.7	\$ (0.0)	\$ (0.3)
Innovation & Entrepreneurship	\$ 4.0	\$ 1.7	\$ (2.3)	\$ 2.7	\$ 0.9	\$ (1.3)
Operations	\$ 139.9	\$ 136.9	\$ (3.0)	\$ 145.8	\$ 8.9	\$ 5.9
President's Executive Office	\$ 4.0	\$ 3.5	\$ (0.5)	\$ 4.6	\$ 1.1	\$ 0.6
Secretary of the Regents	\$ 3.1	\$ 2.9	\$ (0.2)	\$ 3.6	\$ 0.7	\$ 0.5
Systemwide Academic Senate	\$ 2.1	\$ 2.4	\$ 0.3	\$ 2.4	\$ 0.0	\$ 0.3
UC Legal	\$ 56.6	\$ 56.8	\$ 0.2	\$ 58.0	\$ 1.2	\$ 1.4
UC Health	\$ 21.1	\$ 22.6	\$ 1.6	\$ 29.1	\$ 6.5	\$ 8.0
UC Investments	\$ 33.3	\$ 31.8	\$ (1.6)	\$ 34.3	\$ 2.6	\$ 1.0
Total (excluding UC Path Center)	\$ 390.6	\$ 380.1	\$ (10.4)	\$ 409.8	\$ 29.7	\$ 19.3

¹ FY18-19 variances between the third quarter forecast and budget include:

- \$2.5M decrease in Academic Affairs due to movement of patent royalty income to systemwide revenues
- \$1.8M decrease in ER&C due to open positions during a FY18-19 reorganization. Positions will be filled in FY19-20
- \$2.3M decrease in I&E due to open positions pending strategic organizational review. Positions to be filled in FY19-20
- \$3.0M decrease in Operations due to timing differences in energy efficiency biogas programs
- \$1.6M increase in UC Health for expenses related to the new resident and fellows health plan
- \$1.6M decrease in UC investments due to savings from vacant positions

² FY19-20 budget differences to FY18-19 budget include:

- \$2.8M increase in Academic Affairs for investments in Faculty Diversity Programs and the California Digital Library
- \$5.9M increase Operations related to inflationary cost increases for rent, security and the new retirement administration system.
- \$1.4M increase to UC Legal due to the increasing costs of outside counsel, offset by increasing internal staffing and negotiating value-based pricing
- \$8M increase to the UC Health Collaborative funded by and in partnership with the UC health centers, and for self-funded health insurance program management such as the resident and fellows insurance plan

The majority of **UCOP Fee-for-Service activities**, shown in Figure 17 below, are contained within the Central and Administrative Services budget.

Figure 17: Fee-for-Service Activities

\$ in millions

	FY18-19 Budget	FY2018-19 Forecast	FY19-20 Budget
Fee-for-Service			
UCPath	\$ 67.8	\$ 73.1	\$ 93.7
Office of the General Counsel	44.5	42.6	45.4
Investments & Asset Management	36.2	34.8	37.6
UC Retirement System	27.2	25.7	29.4
Employee Benefits Administration	19.8	21.5	21.8
UC Health Collaborative	12.9	11.4	20.2
Risk Management	6.2	6.1	6.9
Information Technology Services	8.1	9.9	6.2
Health Insurance Programs	5.3	6.8	6.0
Bond Management	4.4	2.5	3.4
Patent Royalty Administration	3.5	2.3	2.7
UC Mortgage Origination Plan	2.1	2.1	2.1
Other Services	1.4	1.6	1.6
Total Fee-for-Service	\$ 239.4	\$ 240.2	\$ 276.9
	Year over Year Increase \$		37.5
	Year over Year Increase %		15.7%

The top five fee-for-service activities account for 82% of the total.

Key Takeaways

1. The **Central and Administrative Services (CAS) budget supports critical systemwide services** in finance, human resources, legal, investments, health, compliance and others.
2. Most **Fee-for-Service activities** are in the CAS budget and **make up 29%** of the total budget.
3. **Budgeted increases** in CAS are **due to increasing operating costs**, such as rent, contracts, and benefits **and strategic growth**, such as the UC Health Collaborative funded by the health centers.

UCPath Center

The UCPath Center, located in Riverside, is now providing HR and payroll services to eight UC locations and over 100,000 employees. In the next fiscal year, the ***UCPath Center is projected to grow from \$68M to \$94M as it prepares to bring all remaining locations and 125,000+ employees on-line.*** Currently, UC Davis and ANR will go live in October; UC Irvine and UC Santa Cruz in January; UC San Francisco, LBNL and UC Hastings in March; and UC San Diego in April.

The January 2019 Governor's budget kept the UCPath appropriation flat from two years ago at \$52.4M. However, in FY18-19 the Department of Finance permitted UCOP to use of a fee-for-service model for UCPath to fund the difference between the appropriation and the actual cost. In April 2019, UC submitted a request to the Department of Finance to increase the UCPath appropriation by 3% to \$54.0M, and again allow UCOP to use the fee-for-service model to fund the difference. In FY19-20, the budget total of \$93.7M assumes \$39.7M will be collected from the campuses via the fee-for-service model.

Key drivers of the FY19-20 budget growth for UCPath include:

- \$7.5M for data processing and storage due to more-than-doubling the employee base
- \$6.4M to bring the UCPath Center up to full 440 FTE staffing by November 2019
- \$5.1M for temporary labor to ensure successful transition of the remaining UC locations
- \$2.7M for ongoing support of the existing legacy system

Without full funding, the UCPath effort will not be able to support the additional 125,000+ UC employees transitioning to UCPath by May 2020. Looking ahead, UC will advocate restoring the fee-for-service model for the entire UCPath budget, as this model allocates the costs more appropriately across all funding sources. The current hybrid model, combining State General Funds and approved fee-for-service funding, is unnecessarily complex.

Strategic Priorities Fund (SPF)

Established in FY18-19, the Strategic Priorities Fund (SPF) replaced the past practice of using temporary, one-time, unrestricted fund balances with a line item in the operating budget of \$30M annually. The SPF funds short-term programmatic needs, administrative projects, emergent or urgent priorities, and the President's initiatives. The \$30M target in the FY19-20 budget is flat to FY18-19.

Schedule F details the projected FY18-19 forecast and FY19-20 known commitments of approximately \$17.5M. Committed funds include the presidential initiatives and several OP, campus and systemwide projects and initiatives. The remaining \$12.5M uncommitted balance will fund short-term projects or emergent or urgent priorities identified during the fiscal year. A detailed description of the presidential initiatives can be found in Appendix 3. For the second consecutive year UCOP proposes utilizing unspent SPF funds and additional unrestricted fund balances, for a total of \$17M, to fund the SPF.

Key Takeaways

1. The **UCPath Center budget will grow to accommodate all remaining campuses.** UCOP is requesting the fee-for-service model to fund the budget over the State appropriation.
2. The **FY19-20 SPF budget will remain at \$30M**, consistent with FY18-19.

RESERVES

UCOP reserves are funds intentionally allocated and accrued from fund sources for use in the event of revenue disruption, increased expenses, maintenance of assets including buildings and infrastructure, or in anticipation of a large expense, such as preparing an RFP response for the Department of Energy. UCOP completed a comprehensive review of best practices and peer benchmarking and established target funding levels for all reserves.

Reserves are not fund balances. While a reserve is intentionally accrued to manage risk, a fund balance is the net position, or the cumulative revenues (sources) received in excess of expenditures (uses) for a fund at any given time. Beginning in FY19-20, reserve funds will be maintained separately from operating funds in order to manage each more effectively and transparently.

Reserve Target Funding Levels

In March 2019, UCOP established and reviewed [guiding principles](#) for UCOP reserves with the Board of Regents. The guiding principles include target funding levels, and controls for monitoring, reporting, and drawing on funds. In January, 2018 the Regents adopted the [Policy on a Central Operating Reserve for the University of California Office of the President](#). The policy and presidential guidelines establish the size, funding source and circumstances for drawing on the Central Operating Reserve. This reserve target is set at \$15M or at least 3.5% of covered funds and expenses against the principle of the President's Endowment Fund. The \$15M target for the Central Operating Reserve is unchanged for FY19-20.

Forecasted Reserves

UCOP reports reserve balances and target funding levels to the Regents twice annually, during the presentation of the budget, and after fiscal year close. At the time the budget is presented, the fiscal year is not yet finalized, and therefore reserve balances are forecasted. Figure 18 projects a total reserve balance of \$103.9M as of June 30, 2019, which is within the established target funding range minimum of \$90.1M and maximum of \$115.8M. Details are in **Schedule H**.

Figure 18 – UCOP Reserve Balances

\$ in millions

	Reserve Target Minimum	Reserve Target Maximum	6/30/19 Forecasted Reserve	Variance: 6/30/19 Reserve Over Max / (Under Min)
UCOP RESERVES				
Building and Capital Assets Reserves	\$ 3.0	\$ 8.5	\$ 4.4	\$ -
Program Reserves	49.9	67.3	54.0	1.0
Other Required Reserves	20.0	25.0	30.5	5.5
Sub-Total Program and Non-Operating Reserves	\$ 72.9	\$ 100.8	\$ 88.9	\$ 6.5
Central Operating Reserve	15.0	15.0	15.0	-
TOTAL UCOP RESERVES	\$ 87.9	\$ 115.8	\$ 103.9	\$ 6.5

¹ See Schedule H for additional details. Total reserve balances are under the target maximum, however some reserves may be slightly over the target maximum.

Key Takeaways

1. **Guiding principles were published for all UCOP reserves**, establishing target funding levels and controls for funding, reporting, monitoring, and drawing from all UCOP reserves.
2. **Reserves are maintained separately from operating fund balances**, in order to manage each more effectively and transparently.
3. **UCOP projects a total reserve balance of \$103.9M**, below the maximum target of \$115.8M.

FUND BALANCES

Fund balances reflect the difference at a point in time between sources and uses, less any known encumbrances and commitments. Because fund balances are one-time non-recurring funding streams, they cannot be relied upon to fund recurring operations. **Schedule I, UCOP Fund Balances by Fund Type**, provides additional detail to the fund balances described below.

UCOP has taken several steps to improve the management and transparency of fund balances including development of:

- Clearer definitions and a decision tree used to revalidate the categorization of all funds
- Reports providing actual and forecasted fund balances and commitments at year-end (June 30)
- Repeatable processes to categorize funds, assess all potential needs or uses, and reallocate funds to the campuses, as available

Actual and Forecast Balances

To develop the FY19-20 budget, UCOP analyzed actual fund balances as of February 28, 2019 and then forecasted fund balances for June 30, 2019. UCOP also reviewed known commitments identified for next year. Restricted or designated fund balances are committed for their intended purpose.

In FY18-19, UCOP initiated the CSA recommendation to reallocate fund balances back to the campuses. Balances are forecasted to be much lower this year, so UCOP intends to review final year-end balances before identifying reallocation opportunities. Figure 19 shows a breakdown of fund balance by fund type, forecasted as of June 30, 2019. Overall, fund balances are projected to decrease by \$65.9 million or 37% compared to last year, the largest reduction of 81% taking place in the unrestricted fund.

Figure 19: UCOP Fund Balances

\$ millions

	6/30/19						
	6/30/18 Balance	Forecasted Balance	Commitments	Remaining Balance	Change in Fund Balance	% Change	
Unrestricted	\$ 62.5	\$ 38.9	\$ 27.1	\$ 11.8	\$ (50.7)	-81.1%	
Designated	99.9	88.3	3.0	85.3	(14.6)	-14.6%	
Restricted	13.6	13.0	-	13.0	(0.6)	-4.2%	
Total Fund Balance	\$ 176.0	\$ 140.2	\$ 30.1	\$ 110.2	\$ (65.9)	-37.4%	

Unrestricted Fund Balances afford the most flexibility for use. Unrestricted balances total \$11.8M or 11% of the total remaining fund balance. Historically, UCOP relied on these balances to address emergent priorities, but this practice was replaced last year with the establishment of the Strategic Priorities Fund. Some of the key causes of the change in unrestricted fund balances include:

- \$17.0M committed for the FY19-20 UCOP Strategic Priorities Fund
- \$7.1M committed to campus-specific seismic work using GO bond income balances
- \$12M of GO bond income for campus housing strategies paid in FY18-19
- \$6M investment income paid to the UC Riverside School of Medicine in FY18-19

Designated Funds Balances total \$85.3M or 77% of the forecasted remaining fund balance. A designated balance is considered committed by the Regents or Administration for an intended purpose. The largest balance, \$55.6M, is Regents-designated for the UC National Laboratories and the Lab Fees Research Program. The Office of National Labs provides a spending and reserves plan to the Labs Committee each July for approval.

Designated fund balances also include balances for self-funded programs such as the UC Washington Center. The causes of change are due to:

- \$15.3M reduction in Housing Loan Program funds reallocated to the campuses in FY19-20
- \$11.9M decrease in the Lab LLC program, offset by a \$7.8M increase in the Lab Fees Research program to fund additional research opportunities
- \$6.9M decrease in UC Health funds for two strategic initiatives (CHQI and LSFV)
- Other changes including a \$2.6M increase in iCAMP capital asset planning funding, \$1.7M increase in endowment cost recovery funds and a \$3M increase in Energy and Sustainability funds related to the biogas program.

Restricted Fund Balances by definition, cannot be reallocated for other purposes. Contracts and grants are funded on a reimbursement basis and thus carry no balances. Federal and special State appropriations are forecasted to be slightly lower based on disbursements to the campuses and laboratories. Restricted balances represent only 12% of the forecasted remaining fund balance.

At this time, given the uncertainty in State funding for the FY19-20 year, UCOP is not recommending a reallocation of unrestricted fund balances. Balances will be reviewed by UCOP in consultation with the Executive Budget Committee after the June 30, 2019 fiscal close and reported in the FY18-19 Budget-to-Actuals item to be presented at the November 2019 Regents Meeting.

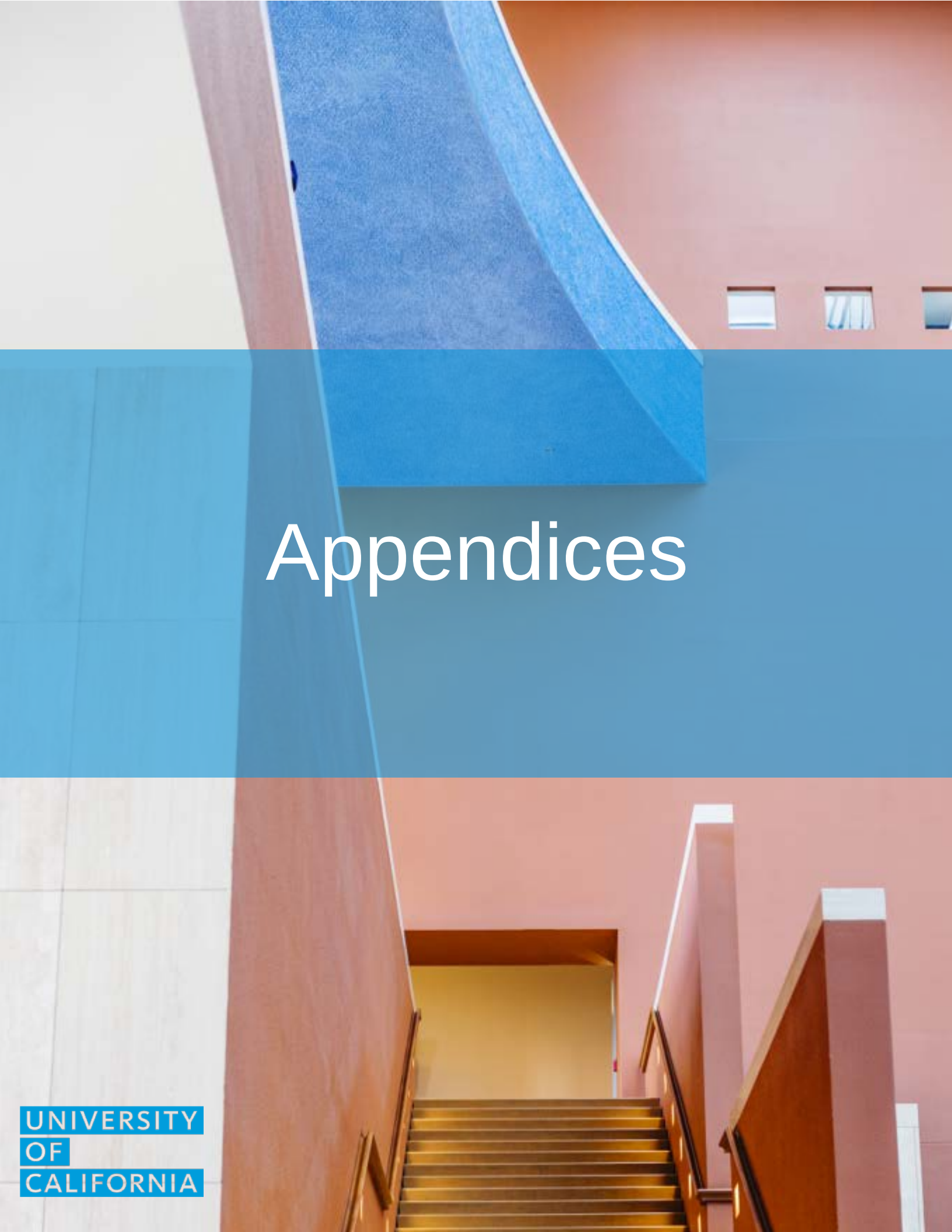
Key Takeaways

1. Unrestricted fund balances are forecasted to **decline by 81%**.
2. Overall, fund balances are forecasted to **decline by 37%**
3. Given the uncertainty of forecasted fund balances and UCOP's FY19-20 constraints, UCOP will **review fund balances and evaluate reallocation opportunities after fiscal year end.**

PRESIDENT’S RECOMMENDATION

The proposed budget is comprehensive, transparent and clearly demonstrates UCOP’s contributions to the University’s teaching, research, and public service mission. The UCOP budget was reviewed in its entirety by the Executive Budget Committee, which includes campus, Academic Senate and UCOP leaders. All of the Committee’s recommendations were accepted by the President.

Pursuant to Regents Policy 5101, the President of the University recommends approval of the UCOP FY19-20 budget by the Board of Regents.

The background image is a photograph of a modern building. The upper portion features a large, cantilevered blue structure against a light-colored wall. To the right, a red wall has three small, square windows. The lower portion shows a staircase with wooden steps and railings, leading up to a brightly lit area. A semi-transparent blue band across the middle contains the word 'Appendices' in white text.

Appendices

APPENDIX 1: UCOP SCHEDULES

Schedule A

Sources & Uses by Year

Overall UCOP

\$ in millions

\$ in millions

				Variance: Increase/(Decrease)		
	FY18-19 Budget ¹	FY18-19 Forecast	FY19-20 Budget	FY18-19 Forecast vs FY18-19 Budget	FY18-19 Forecast vs FY19-20 Budget	FY18-19 Budget vs FY19-20 Budget
SOURCES						
Unrestricted Sources						
Undesignated						
State General Funds ²	\$ 215.6	\$ 215.7	\$ 216.3	\$ 0.1	\$ 0.7	\$ 0.8
Investment Income	25.4	23.4	25.2	(2.0)	1.8	(0.2)
Other Unrestricted Sources	17.0	8.8	17.0	(8.2)	8.2	(0.0)
UCOP Campus Assessment	-	-	7.3	-	7.3	7.3
Undesignated Fund Balance	20.3	20.3	17.0	(0.0)	(3.3)	(3.3)
Subtotal - Undesignated	278.2	268.1	282.8	(10.1)	14.7	4.6
Designated						
Regents-Designated	24.6	19.6	24.5	(5.1)	4.9	(0.2)
Program-Designated	218.3	211.8	233.9	(6.4)	22.1	15.6
UCPath Fee-For-Service	18.8	23.7	39.7	4.9	16.0	20.9
UCPath State General Funds	52.4	52.3	54.0	(0.1)	1.7	1.6
UC ANR State General Funds	72.6	72.6	75.8	(0.0)	3.3	3.2
Designated Fund Balance	-	-	3.0	-	3.0	3.0
Subtotal - Designated	386.7	379.9	430.9	(6.8)	51.0	44.2
Subtotal - Unrestricted Sources	664.9	648.0	713.7	(16.9)	65.7	48.8
Restricted Sources						
Gifts and Endowments	10.6	12.9	12.5	2.2	(0.4)	1.8
Contracts and Grants	44.4	51.9	51.6	7.5	(0.3)	7.2
Federal and State Appropriations/Regulations	156.5	161.3	164.0	4.8	2.7	7.5
Subtotal - Restricted Sources	211.5	226.0	228.0	14.5	2.0	16.5
TOTAL SOURCES	\$ 876.4	\$ 874.1	\$ 941.7	\$ (2.4)	\$ 67.6	\$ 65.3
USES						
Programs and Initiatives						
Campus Program	\$ 0.9	\$ 0.9	\$ -	\$ (0.0)	\$ (0.9)	\$ (0.9)
State/Federal Programs	269.2	281.5	290.1	12.3	8.6	20.9
Systemwide Program	117.9	111.0	118.2	(6.9)	7.1	0.2
Subtotal - Programs and Initiatives	388.1	393.5	408.2	5.4	14.7	20.1
Central and Administrative Services						
Academic Affairs	55.7	53.2	58.5	(2.5)	5.3	2.8
Ethics & Compliance	6.6	6.2	7.3	(0.4)	1.1	0.7
External Relations & Communications	18.1	16.3	17.8	(1.8)	1.5	(0.3)
Finance	46.0	45.8	45.7	(0.2)	(0.0)	(0.3)
Innovation & Entrepreneurship	4.0	1.7	2.7	(2.3)	0.9	(1.3)
Operations	139.9	136.9	145.8	(3.0)	8.9	5.9
President's Executive Office	4.0	3.5	4.6	(0.5)	1.1	0.6
Secretary of the Regents	3.1	2.9	3.6	(0.2)	0.7	0.5
Systemwide Academic Senate	2.1	2.4	2.4	0.3	0.0	0.3
UC Health	21.1	22.6	29.1	1.6	6.5	8.0
UC Investments	33.3	31.8	34.3	(1.6)	2.6	1.0
UC Legal	56.6	56.8	58.0	0.2	1.2	1.4
Subtotal - Central and Administrative Services (excl UCPath Center Operations)	390.6	380.1	409.8	(10.4)	29.7	19.3
Strategic Priorities Fund	30.0	24.5	30.0	(5.5)	5.5	0.0
SUBTOTAL USES	\$ 808.6	\$ 798.1	\$ 848.0	\$ (10.5)	\$ 50.0	\$ 39.4
UCPath Center Operations	67.8	76.0	93.7	8.2	17.7	25.9
TOTAL USES	\$ 876.4	\$ 874.1	\$ 941.7	\$ (2.4)	\$ 67.6	\$ 65.3
NET MARGIN SURPLUS (DEFICIT)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Included in Sources and Uses Above						
Fee-For-Service	\$ 239.4	\$ 240.2	\$ 276.9	0.8	36.7	37.5
Pass-Throughs	335.2	331.6	364.5	(3.5)	32.8	29.3
Total Fee-For-Service and Pass-Throughs	\$ 574.6	\$ 571.9	\$ 641.4	\$ (2.7)	\$ 69.5	\$ 66.8

¹ The FY18-19 Budget includes an allocation of the UCOP Vacancy Factor at the Division Level for comparability purposes with FY19-20 but remains constant at \$876.4M.

² Excluded from the \$216.3M in State General Funds listed under Undesignated sources are \$5.8M in campus programs previously budgeted at UCOP, but administered on the campuses, that will be permanently budgeted on their home campuses beginning in FY19-20.

Schedule B

Expenditures by Fund

Overall UCOP

\$ in millions

	Unrestricted Funds		Restricted Funds	FY19-20 Budget
	Undesignated	Designated		
Programs and Initiatives				
Campus Program	\$ -	\$ -	\$ -	\$ -
State/Federal Programs	1.0	117.4	171.7	290.1
Systemwide Program	46.5	69.6	2.1	118.2
Total - Programs and Initiatives	47.5	187.0	173.7	408.2
Central and Administrative Services				
Academic Affairs	49.0	6.5	3.1	58.5
Ethics & Compliance	7.3	0.0	-	7.3
External Relations & Communications	12.3	4.7	0.8	17.8
Finance	25.3	18.0	2.5	45.7
Innovation & Entrepreneurship	2.6	0.0	0.0	2.7
Operations	87.3	11.6	46.8	145.8
President's Executive Office	4.2	0.3	0.1	4.6
Secretary of the Regents	3.6	0.0	-	3.6
Systemwide Academic Senate	2.3	0.0	0.1	2.4
UC Health	4.0	25.1	-	29.1
UC Investments	0.0	34.3	-	34.3
UC Legal	10.4	46.7	0.9	58.0
Subtotal - Central and Administrative Services (excl UCPATH Center Operations)	208.3	147.3	54.3	409.8
Strategic Priorities Fund	27.0	3.0	-	30.0
SUBTOTAL USES	\$ 282.8	\$ 337.2	\$ 228.0	\$ 848.0
UCPATH Center Operations	-	93.7	-	93.7
TOTAL USES	\$ 282.8	\$ 430.9	\$ 228.0	\$ 941.7
Included in Sources and Uses Above				
Fee-For-Service	\$ -	\$ 225.7	\$ 51.2	\$ 276.9
Pass-Throughs	61.9	139.3	163.2	364.5
Total Fee-For-Service and Pass-Throughs	\$ 61.9	\$ 365.1	\$ 214.4	\$ 641.4

¹ Schedule B includes the impact to fund designations resulting from further fund definition reviews undertaken in FY18-19.

Schedule C

Budget by Programs and Initiatives Programs and Initiatives

\$ in millions

	FY18-19 Budget ¹	FY18-19 Forecast	FY19-20 Budget	Variance: Increase/(Decrease)		
				FY18-19 Forecast vs FY18-19 Budget	FY18-19 Forecast vs FY19-20 Budget	FY18-19 Budget vs FY19-20 Budget
PROGRAMS AND INITIATIVES						
Campus Program	\$ 0.9	\$ 0.9	\$ -	\$ (0.0)	\$ (0.9)	\$ (0.9)
State/Federal Programs						
Agriculture and Natural Resources (ANR)	163.7	171.8	178.7	8.1	7.0	15.0
California Breast Cancer Research Program	11.9	8.6	12.8	(3.3)	4.2	1.0
California Subject Matter Project (CSMP)	8.6	9.5	8.6	0.8	(0.8)	(0.0)
Gaining Early Awareness and Readiness for Undergraduate Programs	3.5	3.4	3.5	(0.1)	0.1	(0.0)
Graduate Medical Education	-	-	2.0	-	2.0	2.0
Mathematics Diagnostic Testing Project (MDTP)	1.0	1.0	-	0.0	(1.0)	(1.0)
Office of the National Laboratories (UCNL)	4.8	4.4	5.4	(0.4)	0.9	0.6
Other State/Federal Programs	1.7	1.2	0.5	(0.5)	(0.7)	(1.2)
Tobacco-Related Disease Research Program (TRDRP)	71.7	79.2	76.2	7.5	(2.9)	4.5
UC Research Initiatives: Cancer Research Coordinating Committee (CRCC)	2.2	2.4	2.3	0.2	(0.2)	0.0
Subtotal - State/Federal Programs	269.2	281.5	290.1	12.3	8.6	20.9
Systemwide Program						
California HIV/AIDS Research Program (CHRP)	8.8	8.8	8.8	0.1	(0.1)	(0.0)
Eligibility in the Local Context (ELC)	1.0	1.0	1.0	(0.0)	0.0	0.0
Historically Black Colleges and Universities (HBCU) Fellowship Initiative	1.0	1.0	1.8	-	0.8	0.8
Historically Black Colleges and Universities (HBCU) Summer Research Initiative	1.0	1.0	1.8	-	0.8	0.8
Innovative Learning Technology Initiative (Online Education)	10.3	8.9	9.0	(1.5)	0.2	(1.3)
Natural Reserve System (NRS)	2.2	2.8	3.0	0.5	0.2	0.7
Other Systemwide Programs	4.2	4.2	2.4	(0.0)	(1.7)	(1.8)
San Joaquin Valley PRIME program	1.9	1.9	1.9	-	-	-
SAPEP	1.9	1.8	1.9	(0.1)	0.1	0.1
SAPEP - ASSIST	1.9	2.2	2.2	0.4	(0.1)	0.3
SAPEP - Mathematics, Engineering, Science Achievement (MESA)	4.3	4.0	4.3	(0.3)	0.4	0.0
UC Astronomy Programs: UC Observatories (UCO)	7.6	7.4	7.5	(0.2)	0.2	(0.1)
UC Astronomy Programs: W.M. Keck Observatory (Keck)	14.6	14.6	14.6	0.0	0.0	0.0
UC Institute for Mexico and the United States (UC MEXUS)	3.3	3.3	-	0.0	(3.3)	(3.3)
UC Press	23.7	22.5	23.9	(1.1)	1.4	0.3
UC Research Initiatives: Laboratory Fees Research Program (LFRP)	15.0	11.1	14.9	(4.0)	3.9	(0.1)
UC Research Initiatives: Multi-Campus Research Programs and Initiatives (MRPI)	7.4	8.4	8.0	1.0	(0.4)	0.6
UC Washington Center (UCDC)	7.9	6.3	8.2	(1.7)	1.9	0.3
Valley Fever Research	-	0.0	2.9	0.0	2.9	2.9
Subtotal - Systemwide Program	117.9	111.0	118.2	(6.9)	7.1	0.2
TOTAL USES	\$ 388.1	\$ 393.5	\$ 408.2	\$ 5.4	\$ 14.7	\$ 20.1

¹ The FY2018-19 Budget includes an allocation of the UCOP Vacancy Factor at the Division Level for comparability purposes with FY2019-20. The total FY2018-19 Regents Budget remains constant at \$876.4M.

Schedule D

Budget by Division and Sub-Division Central and Administrative Services

\$ in millions

in millions

				Variance: Increase/(Decrease)		
	FY18-19 Budget ¹	FY18-19 Forecast	FY19-20 Budget	FY18-19 Forecast vs FY18-19 Budget	FY18-19 Forecast vs FY19-20 Budget	FY18-19 Budget vs FY19-20 Budget
CENTRAL AND ADMINISTRATIVE SERVICES USES						
Academic Affairs						
Academic Personnel and Programs	\$ 25.2	\$ 26.7	\$ 29.4	\$ 1.5	\$ 2.8	\$ 4.2
Diversity and Engagement	1.1	1.1	0.8	0.1	(0.3)	(0.2)
Immediate Offices	6.8	6.4	6.5	(0.5)	0.2	(0.3)
Institutional Research and Academic Planning	4.1	4.0	4.1	(0.1)	0.2	0.1
Research and Graduate Studies	9.0	6.4	7.9	(2.6)	1.5	(1.1)
Student Affairs	9.6	8.7	9.7	(0.9)	1.0	0.0
Subtotal - Academic Affairs	55.7	53.2	58.5	(2.5)	5.3	2.8
Ethics & Compliance	6.6	6.2	7.3	(0.4)	1.1	0.7
External Relations & Communications						
Alumni and Constituent Affairs	1.0	0.8	0.7	(0.2)	(0.2)	(0.4)
Executive Communications & Engagement	0.9	0.7	0.8	(0.2)	0.1	(0.1)
Federal Government Relations	2.6	2.5	2.8	(0.2)	0.4	0.2
Immediate Office	1.5	1.6	0.6	0.1	(1.0)	(0.9)
Institutional Advancement	1.9	1.7	2.0	(0.2)	0.3	0.1
Legislative Analysis	0.8	0.7	0.8	(0.1)	0.1	0.0
Marketing and Communications	5.9	5.3	6.3	(0.6)	1.0	0.4
Media Relations	0.9	0.7	0.9	(0.2)	0.2	0.0
State Government Relations	2.5	2.2	2.9	(0.4)	0.7	0.3
Subtotal - External Relations & Communications	18.1	16.3	17.8	(1.8)	1.5	(0.3)
Finance						
Budget Analysis and Planning	2.5	2.0	2.3	(0.5)	0.4	(0.2)
Capital Asset Strategies & Finance	12.8	13.9	12.4	1.1	(1.4)	(0.4)
Financial Accounting	10.2	10.2	10.5	0.0	0.4	0.4
Immediate Office	1.4	1.1	1.3	(0.3)	0.1	(0.1)
Risk Services	7.8	7.7	8.3	(0.1)	0.6	0.5
Strategic Sourcing/Procurement	11.4	11.0	10.9	(0.4)	(0.1)	(0.5)
Subtotal - Finance	46.0	45.8	45.7	(0.2)	(0.0)	(0.3)
Innovation & Entrepreneurship	4.0	1.7	2.7	(2.3)	0.9	(1.3)
Operations						
Energy and Sustainability	4.7	2.9	4.4	(1.8)	1.6	(0.3)
Immediate Office	1.3	1.1	1.1	(0.2)	0.1	(0.2)
Information Technology Services	50.6	48.9	51.5	(1.7)	2.6	0.9
Operational Expenses	6.1	4.7	8.0	(1.4)	3.3	1.9
Strategic Program Management Office	2.0	1.9	1.8	(0.1)	(0.1)	(0.2)
Systemwide Human Resources	45.1	46.7	48.2	1.6	1.5	3.0
UCOP Operations	30.2	30.8	30.8	0.6	0.0	0.7
Subtotal - Operations	139.9	136.9	145.8	(3.0)	8.9	5.9
President's Executive Office	4.0	3.5	4.6	(0.5)	1.1	0.6
Secretary of the Regents	3.1	2.9	3.6	(0.2)	0.7	0.5
Systemwide Academic Senate	2.1	2.4	2.4	0.3	0.0	0.3
UC Health						
Self-Funded Health Plans	3.8	5.2	4.6	1.4	(0.6)	0.9
UC Health Core	4.4	5.9	4.3	1.6	(1.7)	(0.1)
UC Healthcare Collaborative	12.9	11.5	20.2	(1.4)	8.7	7.3
Subtotal - UC Health	21.1	22.6	29.1	1.6	6.5	8.0
UC Investments	33.3	31.8	34.3	(1.6)	2.6	1.0
UC Legal	56.6	56.8	58.0	0.2	1.2	1.4
SUBTOTAL USES	\$ 390.6	\$ 380.1	\$ 409.8	\$ (10.4)	\$ 29.7	\$ 19.3
UCPath Center Operations	67.8	76.0	93.7	8.2	17.7	25.9
TOTAL USES	\$ 458.4	\$ 456.1	\$ 503.5	\$ (2.2)	\$ 47.4	\$ 45.1

¹ The FY2018-19 Budget includes an allocation of the UCOP Vacancy Factor at the Division Level for comparability purposes with FY2019-20. The total FY2018-19 Regents Budget remains constant at \$876.4M.

Schedule E

UC ANR Budget within UCOP

Budget by Program and Unit - All Funds

\$ in millions

\$ in millions

	Variance: Increase/(Decrease)					
	FY18-19	FY18-19	FY19-20	FY18-19	FY18-19	FY18-19
	Budget	Forecast	Budget	Forecast vs FY18-19 Budget	Forecast vs FY19-20 Budget	Budget vs FY19-20 Budget
SOURCES						
UC ANR Budget within UCOP						
Federal AES	\$ 7.3	\$ 7.3	\$ 7.3	\$ 0.0	\$ (0.0)	\$ (0.0)
State UCCE	72.6	72.6	75.8	0.0	3.2	3.2
Federal UCCE	12.2	12.1	12.1	(0.1)	(0.0)	(0.1)
Endowment Payout	8.4	9.5	9.9	1.1	0.4	1.5
Extramural Funding	34.0	40.0	42.1	6.0	2.1	8.1
Other Sources	29.2	30.2	31.5	1.0	1.2	2.3
TOTAL UC ANR Budget within UCOP	\$ 163.7	\$ 171.8	\$ 178.7	\$ 8.1	\$ 7.0	\$ 15.0
USES						
UC ANR Budget within UCOP						
AES Campuses						
UC Berkeley	\$ 6.9	\$ 7.1	\$ 7.4	\$ 0.2	\$ 0.3	\$ 0.5
UC Davis	22.6	23.3	24.2	0.6	0.9	1.6
UC Riverside	6.5	6.5	6.7	0.0	0.2	0.2
Other Campus-Based Academics	0.1	0.2	0.2	0.0	0.0	0.0
Subtotal - AES Campuses	36.1	37.0	38.5	0.9	1.4	2.3
Statewide Programs & Institutes						
Agriculture Issues Center	0.3	0.3	0.3	0.0	0.0	0.0
California Institute for Water Resources	0.7	0.7	0.8	0.0	0.0	0.0
Elkus Ranch Youth Development Center	0.6	0.8	0.8	0.2	0.0	0.3
Informatics & Geographic Information Systems	0.7	0.7	0.7	0.0	0.0	0.1
Integrated Pest Management	4.0	4.5	4.5	0.4	0.1	0.5
Nutrition Policy Institute	7.8	9.4	9.2	1.6	(0.2)	1.4
Statewide Programs & Initiatives	3.5	3.9	4.1	0.5	0.2	0.7
Sustainable Agriculture Research & Education	0.8	0.8	0.8	0.0	0.0	0.0
Volunteer Based Programs (MFP, MG, Naturalist)	1.1	1.5	1.5	0.3	0.1	0.4
Youth, Family & Communities	7.0	4.1	4.0	(2.9)	(0.1)	(3.1)
Subtotal - Statewide Programs & Institutes	26.5	26.7	26.7	0.2	0.1	0.3
Research and Extension Centers (RECs)	20.8	15.4	16.1	(5.4)	0.7	(4.7)
County-Based Research and Extension	54.5	68.2	72.0	13.8	3.7	17.5
Administration						
General Administration	17.5	17.1	17.8	(0.4)	0.7	0.4
UCPath	1.5	1.5	1.6	0.1	0.1	0.1
Subtotal - Administration	19.0	18.6	19.4	(0.3)	0.8	0.5
Institutional Support	6.9	5.7	6.0	(1.1)	0.2	(0.9)
TOTAL UC ANR Budget within UCOP	\$ 163.7	\$ 171.8	\$ 178.7	\$ 8.1	\$ 7.0	\$ 15.0
NET MARGIN SURPLUS (DEFICIT)						
	\$ -	\$ 0.0	\$ 0.0	\$ 0.0	\$ -	\$ 0.0

¹ The UC ANR state fund allocation reflects an outstanding budget change proposal submitted to the State of California to request additional funding for cost increases. These funds are pending State approval and may not reflect final state funding.

Schedule F

Strategic Priorities Fund

Overall UCOP

\$ in millions

			Variance: Increase/(Decrease)		
FY18-19 Budget	FY18-19 Forecast	FY19-20 Budget	FY18-19 Forecast vs FY18-19 Budget	FY18-19 Forecast vs FY19-20 Budget	FY18-19 Budget vs FY19-20 Budget
COMMITMENTS					
Campus Program					
Alzheimer's Research	\$ -	\$ 2.0	\$ -	\$ 2.0	\$ (2.0)
Clean Energy Research Center - Energy & Water	-	0.2	-	0.2	-
Subtotal - Campus Program	-	2.2	0.2	2.2	(2.0)
Central & Administrative					
Audit Response - Finance Resource	-	0.2	0.3	0.2	0.0
Audit Response - Oversight	0.3	0.1	-	(0.2)	(0.1)
Audit Response - Salary Workstream	-	0.3	-	0.3	(0.3)
Audit Response - Workforce Plan	-	0.1	0.3	0.1	0.2
College Signing Day	-	0.3	-	0.3	(0.3)
Corporate Financial System Replacement	3.0	0.3	0.6	(2.7)	0.3
eBilling SW Implementation	-	0.2	0.1	0.2	(0.1)
Financial Info System (FIS) Project	-	0.9	2.1	0.9	1.2
Intellectual Property Asset Management System	0.3	0.2	-	(0.1)	(0.2)
OP Restructuring Effort	-	1.1	-	1.1	(1.1)
PPS Maintenance	-	2.7	-	2.7	(2.7)
Procurement Legal Support	0.4	0.3	0.4	(0.0)	0.0
Supply Chain 500	-	0.2	0.3	0.2	0.1
SW Compliance/Audit Symposium	-	0.0	0.1	0.0	0.1
Transfer Guarantee Implementation	-	0.1	0.3	0.1	0.2
UCLA Chancellor's Residence Renovation	-	0.2	-	0.2	(0.2)
UCOP Budget Development System (BDS) Improvement Project	-	0.2	-	0.2	(0.2)
UCPath Guided Onboarding	-	0.3	-	0.3	(0.3)
UCSC Chancellor Search	-	0.2	-	0.2	(0.2)
Windows10/Off2016 Hardware Refresh Project	0.4	0.4	-	0.0	(0.4)
Subtotal - Central & Administrative	4.2	8.4	4.4	4.2	(4.0)
Presidential Initiatives					
Carbon Neutrality Initiative (CNI)	0.9	0.9	1.4	(0.0)	0.5
Global Food Initiative (GFI)	0.3	0.3	0.5	0.0	0.2
Presidential Public Service Fellowship	0.1	0.1	0.2	(0.0)	0.1
Public Service Law Fellowship	3.9	3.9	5.1	-	1.2
UC National Center for Free Speech	1.0	1.0	0.6	-	(0.4)
UC-Mexico Initiative	0.8	0.8	-	-	(0.8)
Undocumented Students Initiative	0.9	0.9	-	-	(0.9)
Subtotal - Presidential Initiatives	7.8	7.8	7.7	(0.0)	(0.1)
Systemwide Initiative					
Diversity Pipeline Initiative	-	0.7	0.7	0.7	0.0
Subtotal - Systemwide Initiative	-	0.7	0.7	0.7	0.0
Systemwide Program					
ASSIST Program	-	0.5	0.6	0.5	0.1
CDL UC Open Access Policy Support	-	0.2	0.2	0.2	(0.0)
Faculty Diversity (HBCU)	-	0.6	-	0.6	(0.6)
MRPI Critical Mission Studies @ CA Crossroads	-	0.3	0.5	0.3	0.3
President's Postdoctoral Fellowship Program	0.3	0.6	0.3	0.3	(0.3)
Research Catalyst Awards	-	0.8	-	0.8	(0.8)
UC-Mexico Program	-	-	0.8	-	0.8
Undocumented Students - Campus Student Svcs & Financial Aid	-	2.5	2.2	2.5	(0.3)
Subtotal - Systemwide Program	0.3	5.4	4.6	5.1	(0.8)
Committed SPF Funds	12.3	24.5	17.5	12.2	(7.0)
Uncommitted SPF Funds ¹	17.7	5.5	12.5	(12.2)	7.0
Total Strategic Priorities Fund	\$ 30.0	\$ 30.0	\$ 30.0	\$ -	\$ 0.0

¹ The FY18-19 Forecast includes commitments of \$24.5M to be funded from the Strategic Priorities Fund. The Uncommitted amount of \$5.5M preserves the residual fund balance to be applied towards the FY19-20 SPF.

Schedule G

FY19-20 BUDGET Cause of Change - Sources

Overall UCOP

\$ in millions

FY18-19 Budget	\$	876.4	
	FY19-20	% of Total	
Changes to Sources of Funds	Incr / (Decr)	Incr / (Decr)	Comments:
I. Unrestricted Fund Increase			
1 State General Funds			
Increase from State of CA	6.5	9.9%	Pending BCP approval of 3% increase over \$215M State General Funds (SGF) base
Campus Programs	(2.5)	-3.8%	Funding for campus programs Drew, Hayes-Bautista, PFPF, UCCS transferred to SGF Set-Asides
UC Mexus	(3.3)	-5.0%	Per optimization review, transfer UC Mexico fundig to UC Riverside via SGF Set-Asides
Investment Income / Other	0.1	0.1%	
Sub-total State General Funds	0.8	1.2%	
2 Undesignated Fund Balance	(3.3)	-5.0%	Reduce dependence of SPF on fund balances from \$20.3M in FY18-19 to \$17.0M in FY19-20
3 Campus Assessment	7.3	11.2%	Pending BCP approval, UCOP to utilize a campus assessment for investments approved by the EBC
4 Investments, Other	(0.2)	-0.3%	
Sub-Total Unrestricted Funds	\$ 4.6	7.0%	
II. Designated Fund Increase			
5 UCPath Fee-For-Service	20.9	32.0%	Supports onboarding new campuses and employees to UCPath
6 UCPath State General Funds	1.5	2.3%	Pending BCP approval of 3% over \$52.4M SGF base
7 Program Designated			
ANR	2.0	3.1%	Sales and service revenues generated by the ANR Division
UC Health Collaborative	7.2	11.0%	Strategy approved by the campuses and funded by the UC health centers
Diversity	2.3	3.4%	Investment in HSI - Doctoral Diversity, HBCU Summer Research Initiative and HBCU Fellowship Initiative
UC National Laboratories	0.8	1.1%	Lab management growth strategy
Other	3.6	5.5%	Offset to FY18-19 Path vacancy factor
Sub-Total Program Designated	15.8	24.2%	
7 ANR State General Funds	3.2	4.9%	Pending BCP approval of \$3.2M over \$72.6M in SGF base per corridor model
8 Designated Fund Balance	3.0	4.6%	Use of fund balance for iCamp operations
9 Regents Designated	(0.2)	-0.2%	
Sub-Total Increase in Designated Funds	\$ 44.2	67.7%	
III. Restricted Fund Increase			
10 Federal and State Appropriations/Regulations			
RGPO: Tobacco-Related Disease Research	5.0	7.6%	Tobacco-Related Disease Research from State Prop 56 funds of \$4.5M
UC Health - Graduate Med Education	2.0	3.1%	Graduate Medical Education funded by State Prop 56 funds
California Digital Library	0.7	1.0%	Growth in CDL grant awards
Other	(0.1)	-0.2%	
Sub-Total Fed/State Appropriations/Regulations	7.5	11.5%	
11 Contracts and Grants			
ANR	8.1	12.5%	Federal / State grant award revenue growth
AA - Diversity & Engagement	(1.0)	-1.5%	Math Diagnostic Testing Program (MDTP) funding moved to UCSD
Sub-Total Contracts and Grants	7.2	11.0%	
12 Gifts and Endowments	1.8	2.8%	Increased ANR revenues of \$1.5M
Sub-Total Restricted Funds	\$ 16.5	25.3%	
Total FY19-20 BUDGET INCREASE TO FUND SOURCES	65.3	100.0%	
Total FY19-20 BUDGET SOURCES	\$ 941.7		

Schedule G

FY19-20 BUDGET Cause of Change - Uses

Overall UCOP

\$ in millions

FY18-19 Budget	\$ 876.4		
	FY19-20	% of Total	
Changes to Uses of Funds	Incr / (Decr)	Incr / (Decr)	Comments:
I. Programs and Initiatives:			
1 Campus Programs	(0.9)	-1.4%	Funding for campus programs Drew, Hayes-Bautista, PPFP, UCCS transferred to SGF Set-Asides
2 State / Federal Programs			
ANR	15.0	23.0%	Federal / State grant award revenue growth
Tobacco-Related Disease Research	4.5	6.9%	Increased Tobacco-Related Disease Research grants
Breast Cancer Research	1.0	1.5%	
UCNL	0.6	0.9%	Lab management growth strategy
Other	(0.2)	-0.4%	Math Diagnostic Testing Program (MDTP) funding moved to UCSD, \$1.2M other
Sub-Total State / Federal Programs	20.9	32.0%	
3 Systemwide Programs			
Valley Fever Research	2.9	4.5%	UCOP administration of State-funded Valley Fever grants program
Diversity (HBCU - Fellowship, Summer Research)	1.5	2.3%	Increased investment in faculty pipeline diversity programs
Natural Reserve System	0.7	1.1%	Increase due to additional grant and gift income
Multi-Campus Research Program	0.6	1.0%	Increase of \$500K for additional research grants to the campuses
SAPEP	0.4	0.6%	Public service program to improve college preparedness
UC Washington Program (UCDC)	0.3	0.4%	Increased building occupancy costs
Other	0.1	0.2%	
ILTI	(1.3)	-2.0%	Reduction to ILTI at UCOP funds increase to MRPI
Other Systemwide Programs	(1.8)	-2.7%	Funding for campus programs Drew, Hayes-Bautista, PPFP, UCCS transferred to SGF Set-Asides
UC Mexus	(3.3)	-5.0%	Per optimization review, transfer UC Mexico fundig to UC Riverside via SGF Set-Asides
Sub-Total Systemwide Programs	0.2	0.3%	
SUB-TOTAL PROGRAMS AND INITIATIVES	\$ 20.1	30.9%	
II. Central and Administrative Services			
8 Academic Affairs			
California Digital Library	3.7	5.6%	\$2.5M for new/existing subscriptions; \$1.3M restricted funds for shared print membership coalition
Research & Graduate Studies	(1.1)	-1.6%	Patent royalties transferred to systemwide revenue
Other	0.1	0.2%	
Sub-Total Academic Affairs	2.8	4.2%	
9 Ethics & Compliance	0.7	1.1%	Increased volume of systemwide investigations
10 External Relations & Communications	(0.3)	-0.4%	SGR rent, offset by savings from org changes
11 Finance	(0.3)	-0.4%	
12 Innovation & Entrepreneurship	(1.3)	-2.0%	
13 Operations			
Systemwide Human Resources	3.0	4.6%	Increased Retirement Administration System (Redwood) operational support
Information Technology Systems & Infrastructure	0.9	1.3%	Change is primarily attributed to UCOP transition to UCLA mainframe
Building / Occupancy Costs	0.9	1.4%	Cost increases related to Rent, Janitorial, and Security
Other Operations	1.4	2.2%	Other Operating cost increases including net impact of vacancy factor
Energy & Sustainability, Immediate Office	(0.4)	-0.6%	
Sub-Total Operations	5.9	9.0%	
14 President's Executive Office	0.6	0.9%	Increased investment in Title IX office
15 Secretary of the Regents	0.5	0.8%	Increased number of off-cycle meetings and campus visits travel
16 Systemwide Academic Senate	0.3	0.4%	
17 UC Health	8.0	12.3%	UC Health Collaborative strategy approved by the campuses and funded by the UC health centers
18 UC Investments	1.0	1.5%	
19 UC Legal	1.4	2.1%	Offset rising outside council expense with internal resources
TOTAL CENTRAL AND ADMINISTRATIVE EXCL. UCPath	\$ 19.3	29.5%	
20 UCPath Center Operations	25.9	39.6%	Supports onboarding new campuses and employees to UCPath
TOTAL CENTRAL AND ADMINISTRATIVE INCL UCPath	\$ 45.1	69.1%	
TOTAL FY19-20 BUDGET INCREASE TO FUND USES	65.3	100.0%	
TOTAL FY19-20 BUDGET USES	\$ 941.7		

Schedule H

UCOP Reserves

\$ in millions

					Variance:							
					6/30/18	6/30/19	6/30/19					
					Actual vs	Forecasted	Reserve					
					6/30/19	Reserve	Target					
					Forecast		Over Max /					
							(Under Min)					
UCOP RESERVES												
Building and Capital Assets Reserves												
Capital Maintenance and Renewal	\$	2.6	\$	7.9	\$	6.2	\$	4.0	\$	(2.2)	\$	-
UCOP IT Infrastructure		0.4		0.6		0.4		0.4		-		-
Sub-Total Building and Capital Assets Reserves	\$	3.0	\$	8.5	\$	6.6	\$	4.4	\$	(2.2)	\$	-
Program Reserves												
UC National Laboratories												
LANS and LLNS-LLC Post Contract Contingency ¹		23.0		23.0		14.0		17.2		3.2		-
LANS and LLNS-LLC Fee Contingency ¹		7.0		7.0		7.9		7.8		(0.1)		0.8
LBNL Post Contract Contingency ²		4.0		4.0		2.7		3.3		0.6		-
LBNL Building Commitment ²		10.0		23.0		14.2		16.2		2.0		-
LBNL Guest House Renewal & Replacement ²		1.5		2.5		1.4		1.5		0.1		-
UC Press		1.5		1.5		1.5		1.5		-		-
UC Washington Center (UCDC) ³		2.9		6.3		6.3		6.6		0.3		0.3
Sub-Total Program Reserves	\$	49.9	\$	67.3	\$	48.0	\$	54.0	\$	6.0	\$	1.0
Other Required Reserves												
Housing Loan Program ⁴		20.0		25.0		39.4		30.5		(8.9)		5.5
Sub-Total Other Required Reserves	\$	20.0	\$	25.0	\$	39.4	\$	30.5	\$	(8.9)	\$	5.5
SUB TOTAL NON-OPERATING AND PROGRAM RESERVES ⁵	\$	72.9	\$	100.8	\$	94.0	\$	88.9	\$	(5.1)	\$	6.5
Central Operating Reserve ⁶		15.0		15.0		15.0		15.0		-		-
TOTAL UCOP RESERVES	\$	87.9	\$	115.8	\$	109.0	\$	103.9	\$	(5.1)	\$	6.5

¹ UCNL LANS and LLNS-LLC reserves and reserve targets are established by the UC Regents.

² LBNL reserves targets are established by LBNL and UCNL management.

³ UCDC reserve includes \$1M in reserves and \$5.5M in TRIP.

⁴ \$14.5M of reserve balance was redistributed to campuses during FY18-19.

⁵ Pursuant to this guidance, UCOP will not maintain a systemwide benefits reserve for fully-insured health benefit plans.

⁶ Central Operating Reserve is held in the President's Endowment Fund. Per the established Presidential guidelines, the Central Operating Reserve may be supplemented with up to an additional \$100M or three months of covered funds from a variety of sources.

Schedule I

UCOP Fund Balances by Fund Type ^{1, 2, 3}

\$ in millions

	6/30/18		6/30/19							
	Balance		Forecasted Balance		Commitments ⁴	Remaining Balance	Change in Fund Balance			
UNRESTRICTED										
Undesignated - UCOP										
Investment Income	\$	20.4	\$	6.7	\$	3.0	\$	3.7	\$	(16.7)
UC General Funds		12.6		20.9		17.0		3.9		(8.7)
Legal Settlements		6.3		4.0		-		4.0		(2.3)
Department Deficits		(3.3)		-		-		-		3.3
Other		-		0.2		-		0.2		0.2
Sub-Total Undesignated - UCOP	\$	36.0	\$	31.8	\$	20.0	\$	11.8	\$	(24.1)
Undesignated - Systemwide										
General Obligation Bond Income	\$	26.5	\$	7.1	\$	7.1	\$	-	\$	(26.5)
Sub-Total Undesignated - Systemwide	\$	26.5	\$	7.1	\$	7.1	\$	-	\$	(26.5)
Sub-Total Undesignated	\$	62.5	\$	38.9	\$	27.1	\$	11.8	\$	(50.7)
DESIGNATED										
Regents Designated										
DOE Laboratories ⁵										
LLC	\$	14.4	\$	2.5	\$	-	\$	2.5	\$	(11.9)
LBNL		11.0		14.0		-		14.0		3.0
Lab Fees Research		31.4		39.2		-		39.2		7.8
Housing Loan Programs		15.3		-		-		-		(15.3)
Programs and Initiatives										
UC Healthcare Collaborative	\$	10.2	\$	3.4	\$	-	\$	3.4	\$	(6.9)
California Digital Library		2.4		2.7		-		2.7		0.3
ICAMP		-		5.6		3.0		2.6		2.6
UC Washington Center		2.1		2.1		-		2.1		0.0
Procurement Initiatives		0.9		1.7		-		1.7		0.9
Writing Placement Exam		1.3		0.8		-		0.8		(0.5)
Other		(0.3)		1.4		-		1.4		1.6
Central Services Designated										
Endowment cost recovery		6.8		8.5		-		8.5		1.7
Energy and sustainability		2.5		5.5		-		5.5		3.0
UC Path		0.1		0.0		-		0.0		(0.1)
Other		1.9		1.0		-		1.0		(0.9)
Sub-Total Designated	\$	99.9	\$	88.3	\$	3.0	\$	85.3	\$	(14.6)
RESTRICTED										
Federal and Special State Appropriations/Regu	\$	10.0	\$	9.4	\$	-	\$	9.4	\$	(0.6)
Gifts and Endowments		3.6		3.6		-		3.6		(0.0)
Sub-Total Restricted	\$	13.6	\$	13.0	\$	-	\$	13.0	\$	(0.6)
TOTAL BALANCES	\$	176.0	\$	140.2	\$	30.1	\$	110.2	\$	(65.9)

¹ Fund balances are exclusive of Reserve amounts

² Systemwide and pass-through fund balances are excluded, such as health and welfare benefits balances, wholesale power program funds, systemwide procurement incentives and patent royalty income

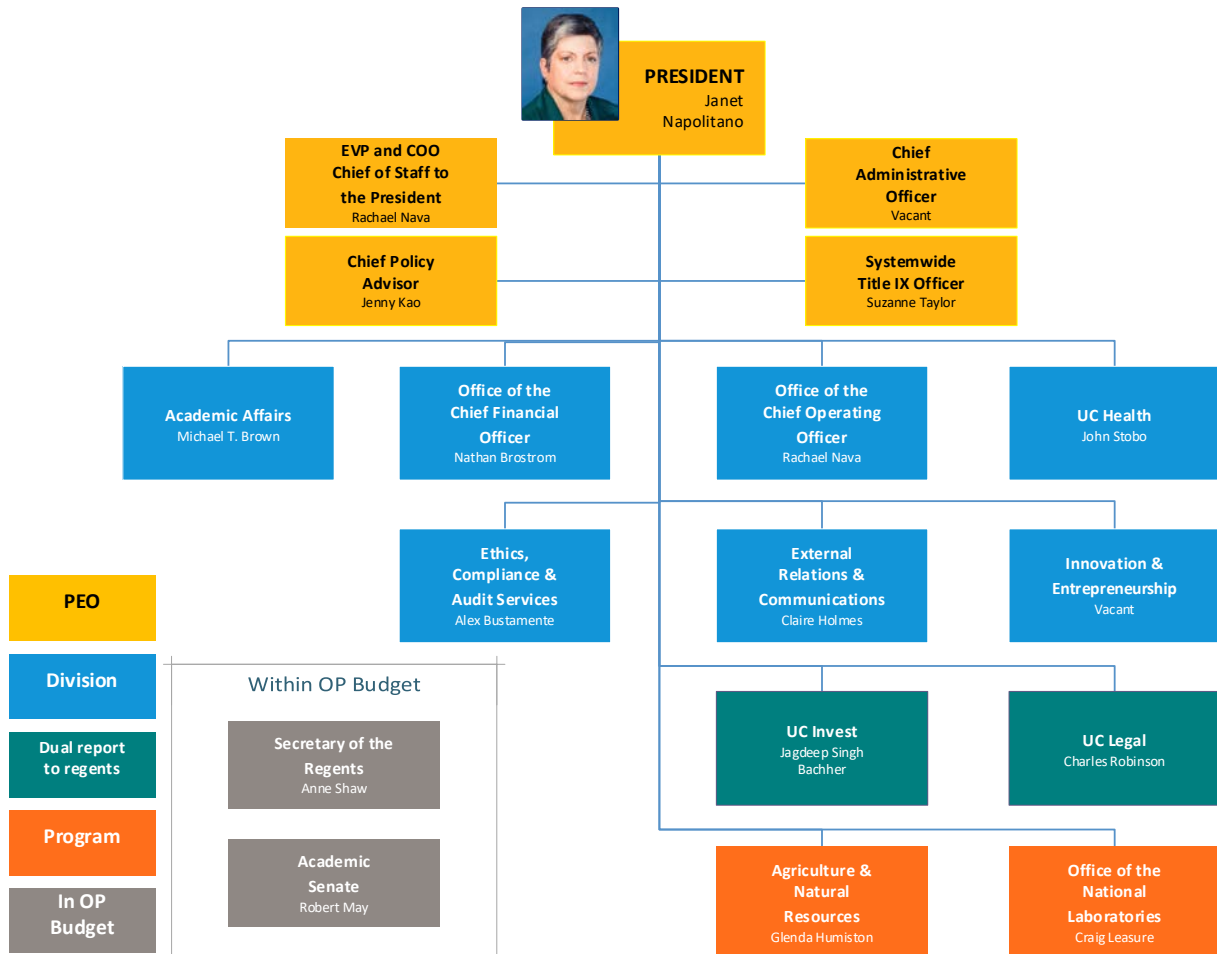
³ Through additional reviews of fund designations, certain funds have shifted from Undesignated to Designated and from Designated to Restricted, such as health benefit and retirement funds which are restricted due to IRS oversight.

⁴ Commitments include \$3M in year-end accruals, \$17M for the FY19-20 SPF, \$7.1M for campus seismic work and interest expense and \$3M for ICAMP.

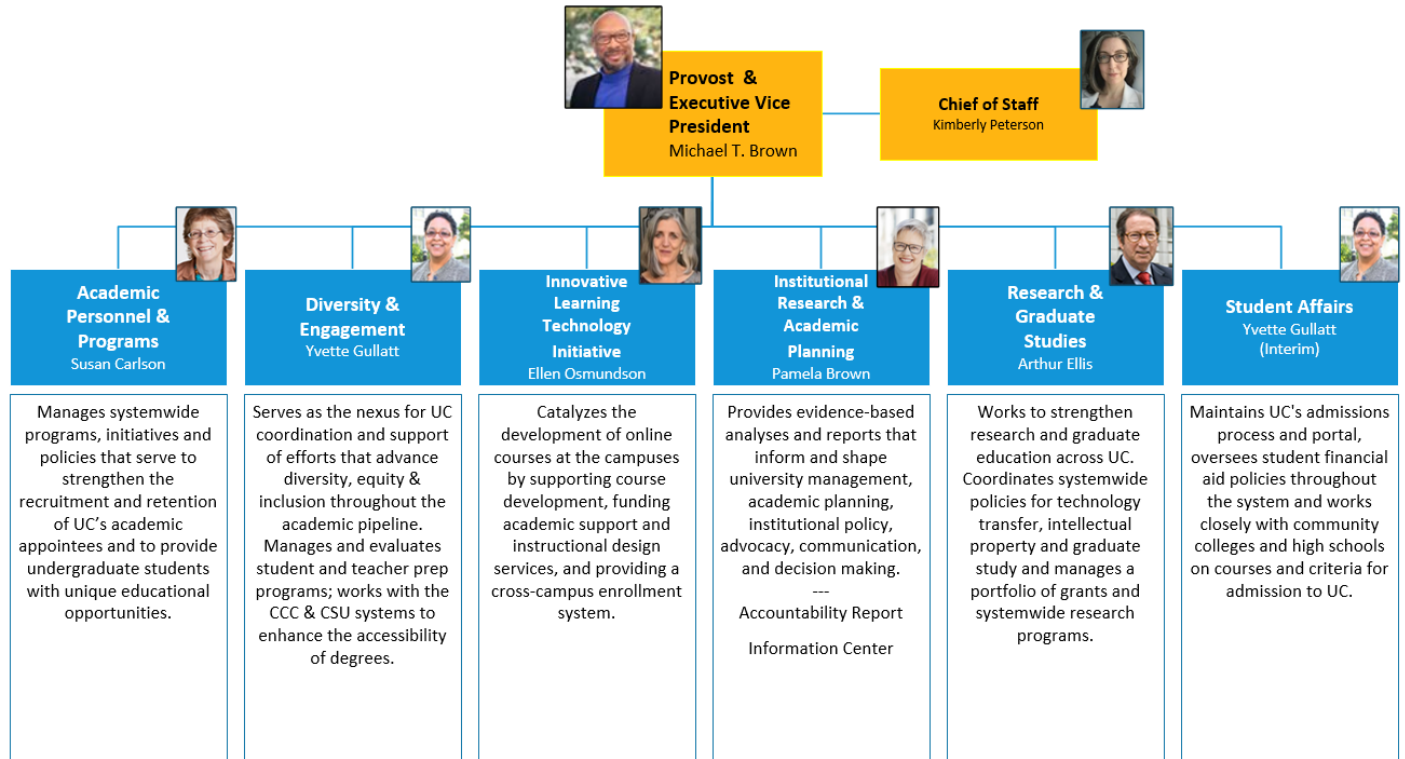
⁵ DOE Laboratories fund balances include DOE fee income from the three UC-run national labs, for lab oversight and building operations.

APPENDIX 2: UCOP ORGANIZATION CHARTS

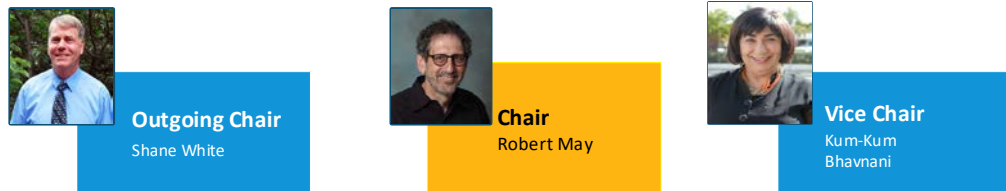
UC Office of the President



Academic Affairs

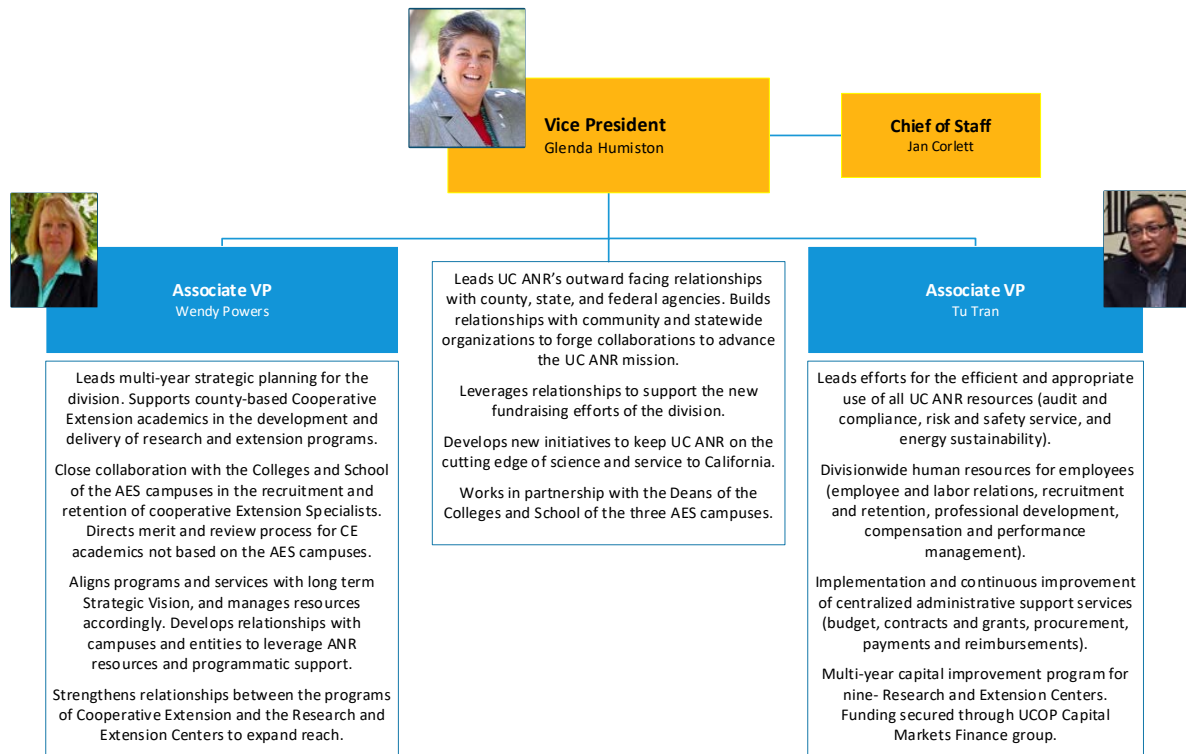


Academic Senate Leadership

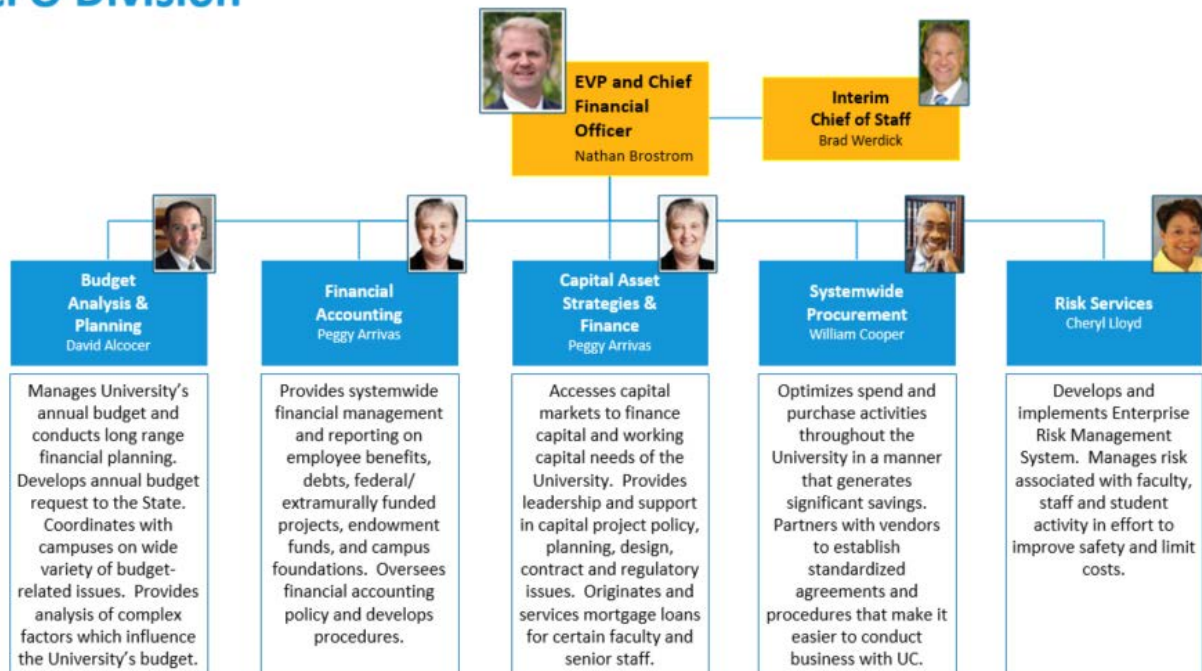


The Systemwide Academic Senate and the ten Divisional Senates provide the organizational framework that enables the faculty to exercise its right to participate in the University's governance. The faculty voice is formed through a deliberative process that includes the Standing Committees of the Senate, the Academic Council, the Assembly of the Academic Senate, and their Divisional counterparts. Consultation with the senior administration occurs in a parallel structure: at the systemwide level between the Academic Council Chair and the President; and on the campus level between the Divisional Senate Chairs and the Chancellors.

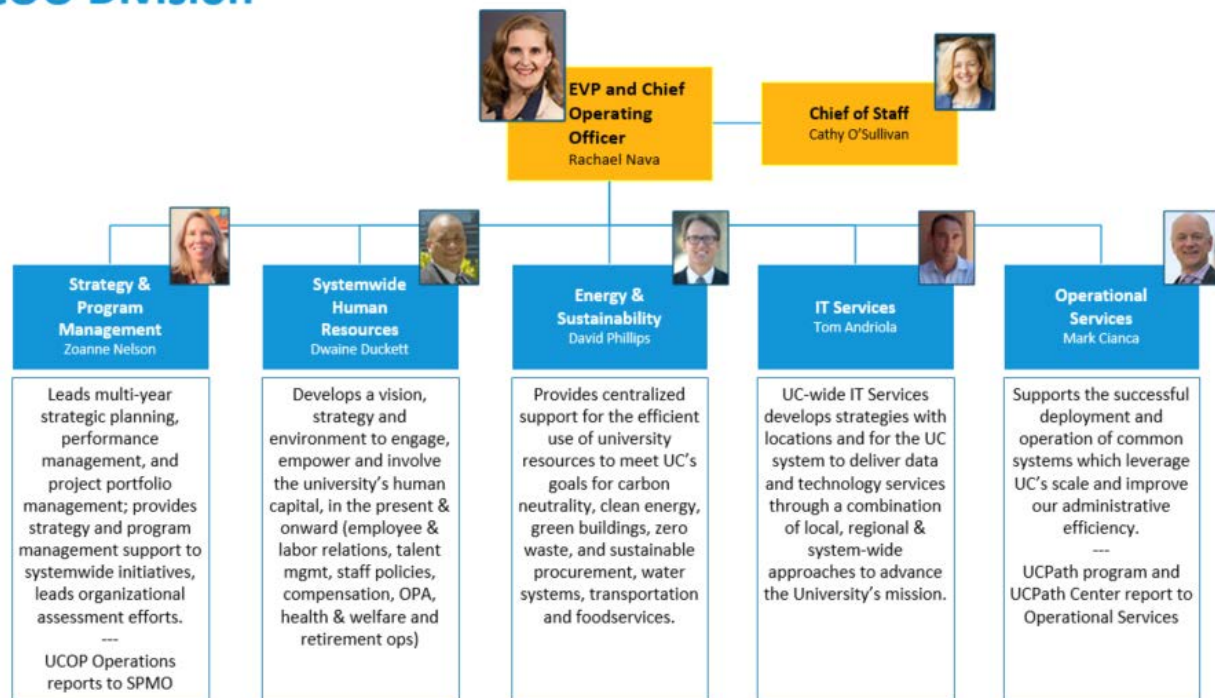
Agriculture and Natural Resources



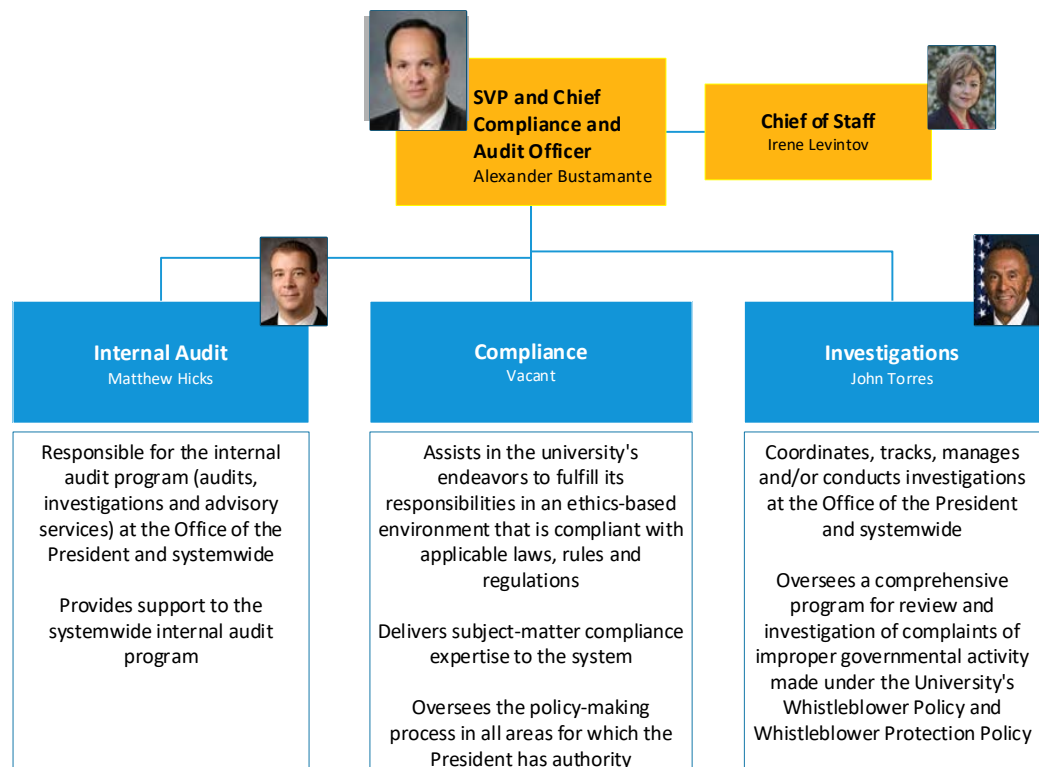
CFO Division



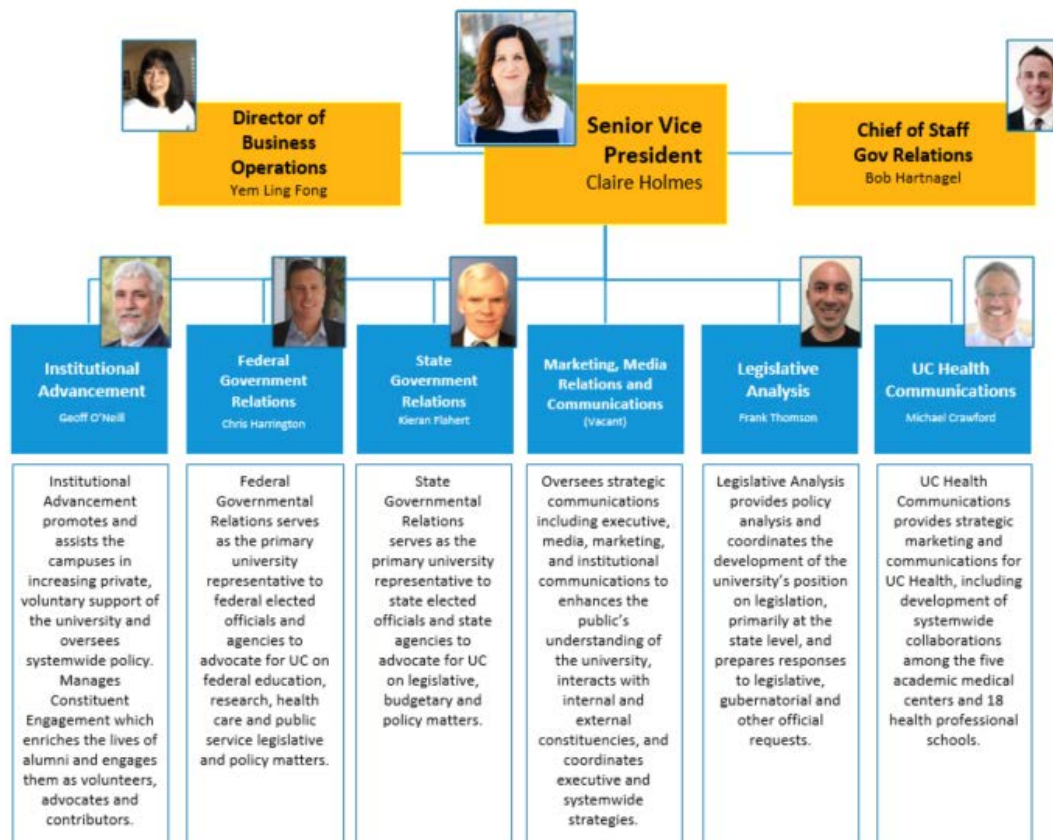
COO Division



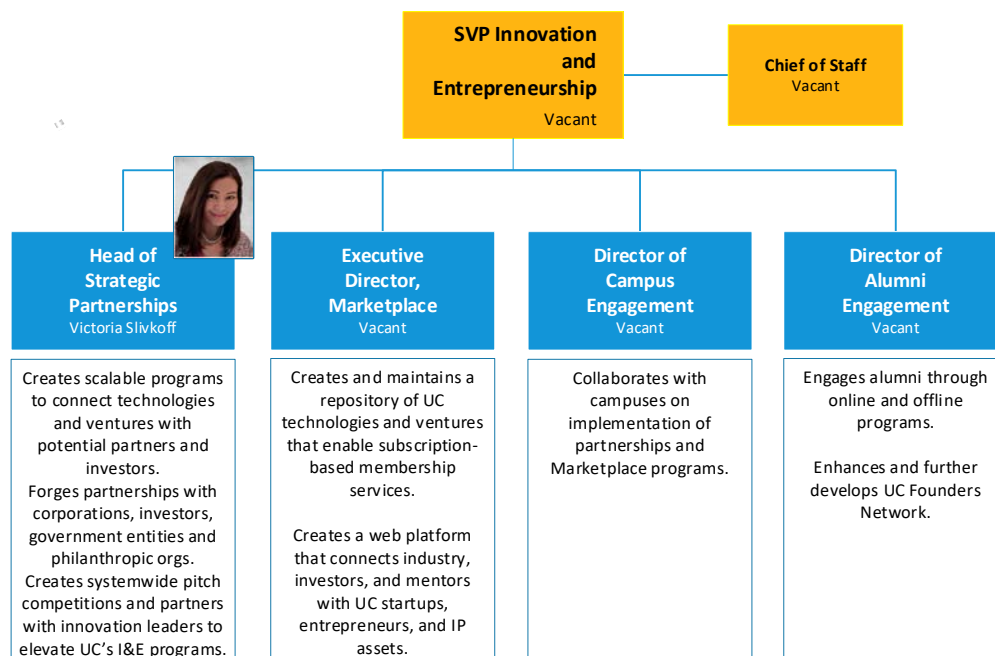
Ethics, Compliance and Audit



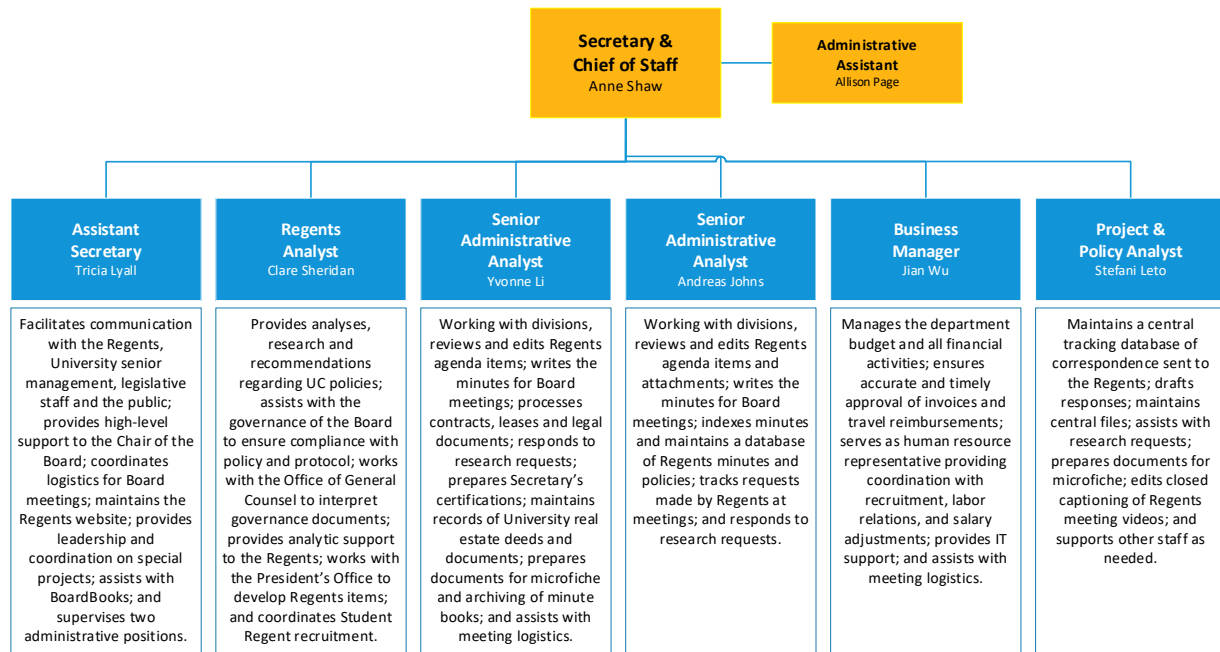
External Relations and Communications



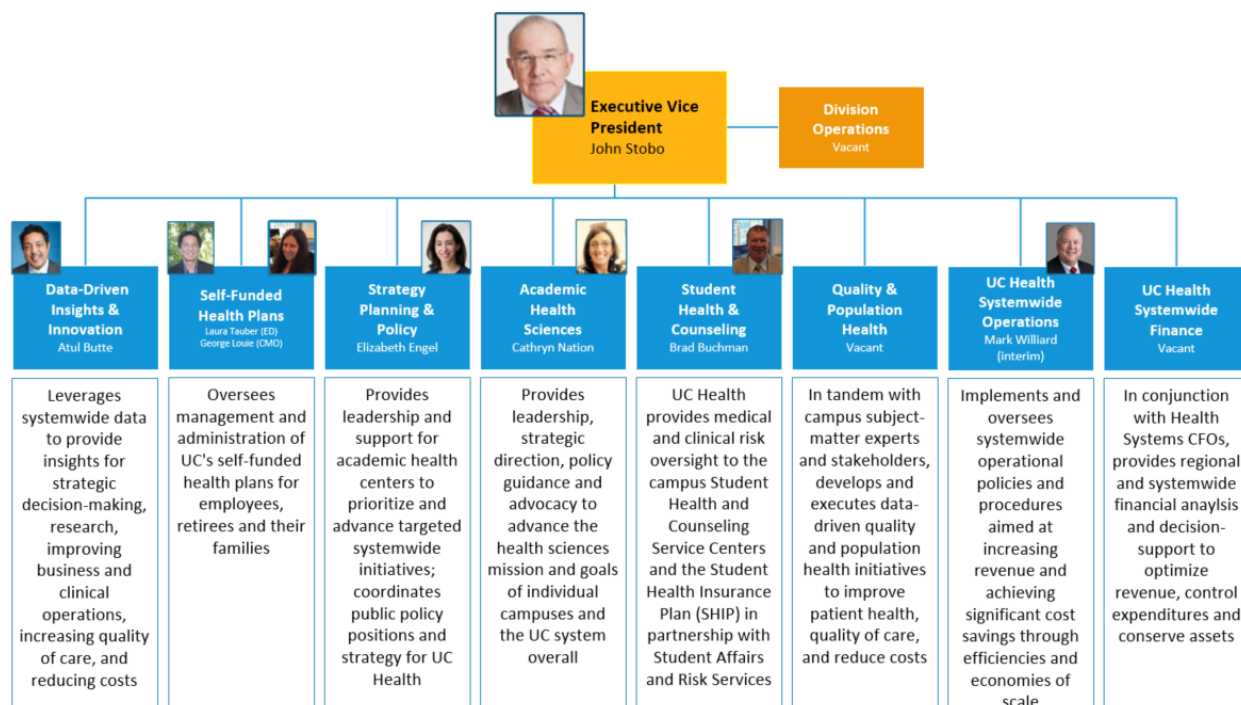
Innovation and Entrepreneurship



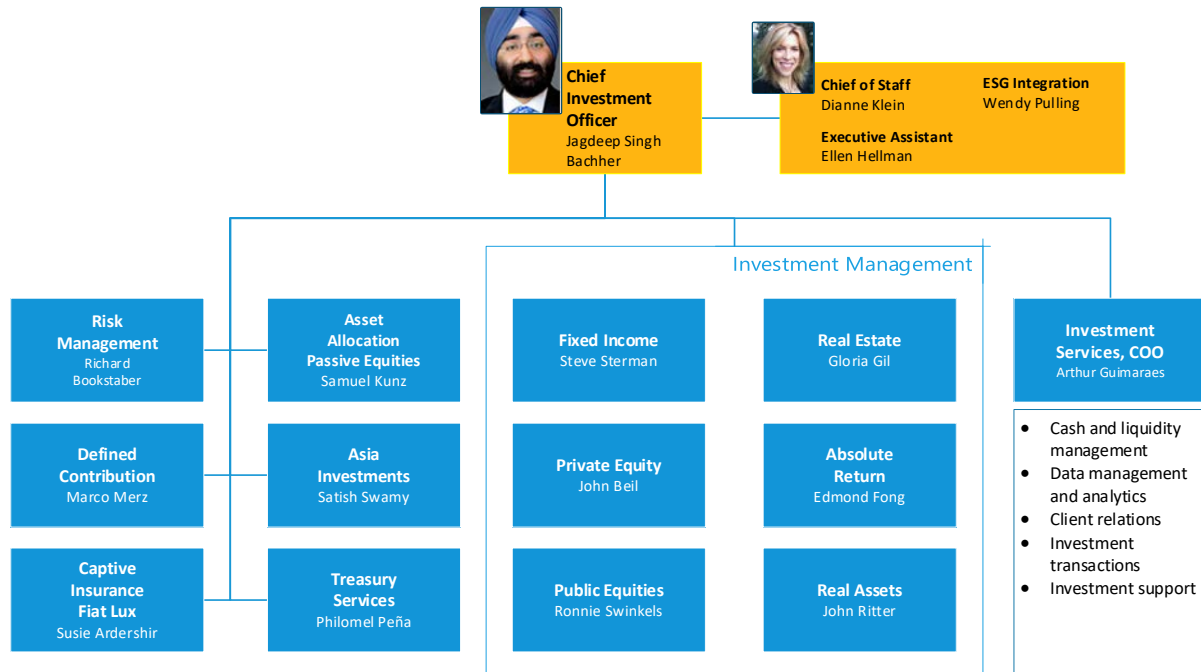
Secretary and Chief of Staff to the Regents



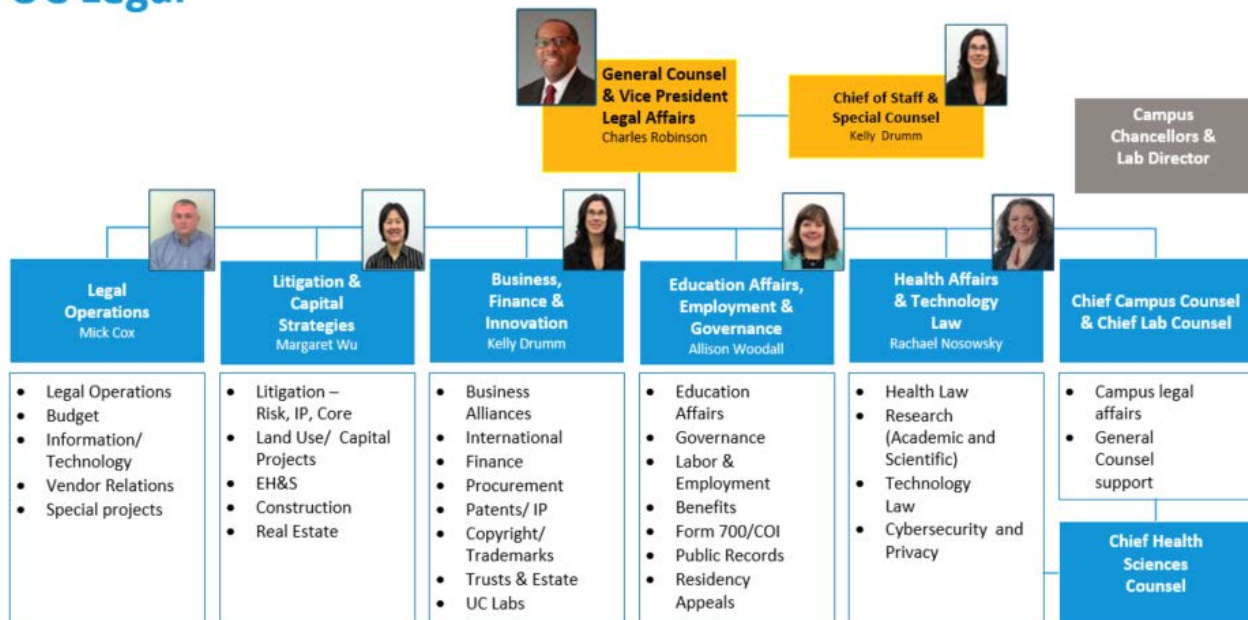
UC Health



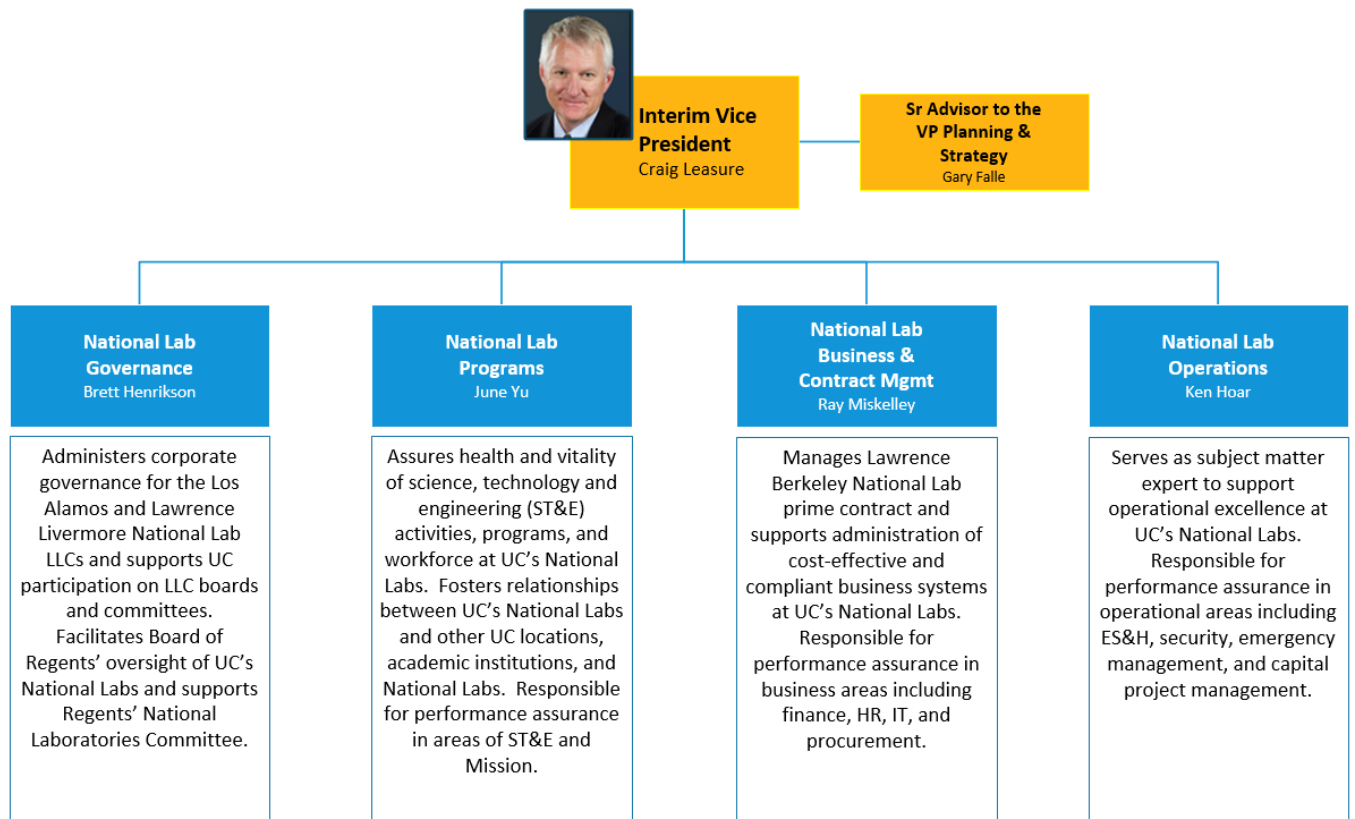
UC Investments



UC Legal



UC National Laboratories



APPENDIX 3: FY19-20 PRESIDENTIAL INITIATIVES

The following provides a description of each UC Presidential Initiative including how it furthers the mission of the University.

#	Presidential Initiative	FY18-19 Budget	FY19-20 Budget	Increase/ (Decrease)
1	Carbon Neutrality Initiative (CNI)	\$ 900,000	\$ 1,380,383	\$ 480,383
2	Global Food Initiative (GFI)	250,000	496,000	246,000
3	Presidential Public Service Fellowship	82,000	168,142	86,142
4	Public Service Law Fellowships	3,920,000	5,080,000	1,160,000
5	UC-Mexico Initiative	770,000	0	(770,000)
6	UC National Center for Free Speech and Civic Engagement	1,000,000	565,000	(435,000)
7	Undocumented Students Initiative – UCIMM ¹	900,000	0	(900,000)
Sub-Total Presidential Initiatives		\$ 7,822,000	\$ 7,689,525	
Remaining Balance		-	132,475	132,475
Total Budget Presidential Initiatives		\$ 7,822,000	\$ 7,822,000	\$ 0

¹ In FY19-20, the State will directly fund the UCIMM at \$1.3 million per year and UCOP support for the UCIMM and Campus Student Services and Financial Aid will be combined into the Undocumented Students Campus Program.

1. Carbon Neutrality Initiative (CNI)

The Carbon Neutrality Initiative (CNI) launched in 2013, committing UC to emit net zero greenhouse gases from its buildings and vehicle fleet by 2025 – something no other major university system has done. This initiative advances the **public service** component of the University’s mission by helping both California and the world to curb the forces that are driving global warming. This initiative also furthers the University’s mission to provide **instruction** by giving undergraduate and graduate students the opportunity to study issues and fund student-generated projects that support the UC system’s carbon neutrality goal through its Carbon Neutrality Student Fellowship Program. By bringing together a Global Climate Leadership Council to advance both teaching and research about climate change and sustainable business practices, this initiative also furthers the **instruction** and **research** components of the University’s mission.

2. Global Food Initiative (GFI)

The Global Food Initiative (GFI) was launched in 2014 to address how to sustainably and nutritiously feed a world population expected to reach 8 billion by 2025. By working to increase food access and security among communities across the ten UC campuses, this initiative furthers the **public service** component of the University’s mission. This initiative also furthers the University’s mission to provide **instruction** by giving undergraduate and graduate students the opportunity to study issues such as food security and food waste through the GFI Fellowship Program. Additionally, by conducting systemwide studies about UC student food access and security through the Healthy Campus Network, and by providing development-oriented graduate students from multiple UC campuses the opportunity to engage in planning and implementing projects related to international food systems and agriculture, this initiative furthers the **research** component of UC’s mission.

3. **Presidential Public Service Fellowship**

The Presidential Public Service Fellowship launched in FY15-16. This need-based fellowship catalyzes student interest in public service careers and encourage more undergraduate students to apply for public service internships in D.C. and Sacramento. By providing educational opportunities to UC students and encouraging students to become agents of change in the public arena, this initiative advances UC's **instruction** and **public service** mission components.

4. **Public Service Law Fellowships**

The Public Service Law Fellowship launched in FY16-17 to support approximately 425 summer and 60 post-graduate fellowships annually at all four UC law schools for students pursuing opportunities in public service. Post-graduate fellowships provide up to \$45,000 for graduates entering public service plus an additional \$2,500 to help defray bar-related costs. Summer fellowships provide approximately \$4,000 to subsidize summer public interest law jobs. The second UC National Public Service Law Conference was held in March 2019 to showcase important legal scholarship and practice and contribute to the national conversation on public interest law. By making post-graduate work and summer positions accessible for students who want to pursue public service legal careers, this initiative advances UC's **instruction** and **public service** missions.

5. **UC-Mexico Initiative**

The UC-Mexico Initiative launched in FY13-14 to enhance UC's relationships with academia, government, and the private sector in Mexico and create the ability for UC to respond quickly to emerging issues. By supporting academic and student exchanges and collaborating with Mexican universities, governmental agencies, and foundations on projects pertaining to arts and culture, education, energy, the environment, and public health, this initiative furthers the **instruction** and **research** components of UC's mission. Going forward, the Initiative is broadening into a systemwide program encompassing UC-Mexico, UC Mexus and Casa de California, and will no longer be classified as a Presidential Initiative.

6. **UC National Center for Free Speech and Civic Engagement**

The UC National Center for Free Speech and Civic Engagement launched in FY17-18 to explore how the fundamental democratic principles of free speech and civic engagement must adapt to the challenges and opportunities of modern society. By bringing together people of various academic and experiential background from across the country to inform free speech and civic engagement policies on college campuses, in State legislatures, and in Washington, D.C., this initiative furthers the **public service** mission of the University. Through this initiative, the UC National Center for Free Speech and Civic Engagement supports a fellowship program wherein fellows research First Amendment issues and present their findings at a national conference. The output of this Center also furthers the **research** component of the University's mission.

7. **Undocumented Students Initiative**

Launched in FY16-17, this purpose of this initiative is to strengthen programs and services aimed at improving access and success for undocumented students at the University through support for the UCIMM at UC Davis, support for Campus Student Services and Financial Aid, and the DREAM Loan Program. This initiative furthers the **instruction** component of UC's mission by lowering barriers to entry into the UC system for undocumented students. By enabling every campus to provide support services for undocumented students, this initiative also advances the **public service** component of UC's mission. Beginning in FY19-20, the State will directly fund the UCIMM at \$1.3 million per year and UCOP support for the UCIMM and Campus Student Services and Financial Aid will be combined into the Undocumented Students Campus Program.

APPENDIX 4: KEY TO ACRONYMS

Acronym	Description
AAU	Association of American Universities
ANR	Agriculture and Natural Resources
BCP	Budget Change Proposal
CAS	Central and Administrative Services
COO	Chief Operating Officer
CSA	California State Auditor
CSU	California State University
EBC	Executive Budget Committee
FY	Fiscal Year
GAAP	Generally Accepted Accounting Principles
GFOA	Government Finance Officers Association
GO Bond	General Obligation Bond
HSI	Hispanic Serving Institutions
HR	Human Resources
Incr/(Decr)	Increase/(Decrease)
IT	Information Technology
LANL	Los Alamos National Laboratory
LBL	Lawrence Berkeley National Laboratory
LLNL	Lawrence Livermore National Laboratory
NACUBO	National Association of College and University Business Officers
SAPEP	Student Academic Preparation and Academic Partnerships
SPF	Strategic Priorities Fund
SUNY	State University of New York
TRDRP	Tobacco-Related Disease Research Program
UC	University of California
UCDC	University of California Washington Center
UCNL	University of California National Laboratories
UCOP	University of California Office of the President

