

B1

Office of the President

TO MEMBERS OF THE BOARD OF REGENTS:

ACTION ITEM

For Meeting of May 24, 2018

FISCAL YEAR 2018-19 BUDGET FOR THE OFFICE OF THE PRESIDENT

RECOMMENDATION

The President of the University recommends that the Regents approve the Fiscal Year 2018-19 Budget for the University of California Office of the President as shown in Attachment 1.

BACKGROUND

Per Regents Policy 5101, Policy Regarding Approval of Annual Budget for the Office of the President, the proposed budget for fiscal year 2018-19 for the Office of the President is presented annually for approval by the Board. The budget reflects the recommendations of the State Auditor.

Attachment:

Fiscal Year 2018-19 Budget for the University of California Office of the President

Office of the President

TO THE REGENTS OF THE UNIVERSITY OF CALIFORNIA:

ACTION ITEM

For the Meeting of May 24, 2018

FISCAL YEAR 2018-19 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 over 270,000 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, and focuses on its core missions of teaching, research, and public service.

UC is the largest university system in the nation based on \$34 billion in FY16-17 systemwide expenses. 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 the CSU and SUNY. 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 Economic Impact

ECONOMIC IMPACT	
CA jobs supported by UC operations	430,000 (1 in 46)
Economic impact of UC activities	\$46.3 B
Contributions to gross state product	\$32.8 B

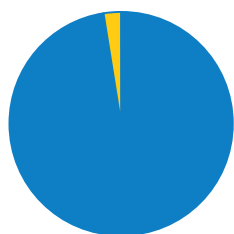
UC research in nanotechnology, clean energy, neuroscience, genomics and medicine is helping drive the next wave of California economic growth.

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

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, the State and Federal governments, and the public. Together with the university’s executive leadership, UCOP helps give shape to a vision for the university, managing the activities that are central to UC’s public mission and essential to the idea of one university.

Figure 2: University of California System



- UC Campuses, Med Centers, Labs
- UCOP

UCOP employees manage academic programs and business operations with a clear focus on supporting the academic mission and strengthening the financial health of the whole system. The UCOP budget represents 2.5% of the total \$34 billion UC budget.

37% of the UCOP budget flows through UCOP to the campuses, California researchers and public through the 50+ programs and initiatives it manages.

Academic Programs – The Academic Affairs division manages over 30 programs that support the teaching, research, and public service mission of the University. These programs give thousands of students learning opportunities in the Washington D.C. and Sacramento Centers; gives researchers from across the State the opportunity to compete for grant funds, 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

Outreach Programs

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

Teaching Programs

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

Other Programs

- ✓ California Digital Library
- ✓ UC Press

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 accounting for roughly 90% of UCOP’s budget.

Figure 3: Examples of UCOP Impacts and Achievements for UC and State of CA

Academics & Programs	Operations	Financial Services
50% of UCOP’s Budget	30% of UCOP’s Budget	10% of UCOP’s Budget
<ul style="list-style-type: none"> • Educate hundreds of students at the Washington and Sacramento centers • Publish over 170 books and 30 multi-issue journals annually and maintain 4,000 books in print • Save over \$100 million annually by coordinating shared library collections • Oversee SAPEP programs that serve over 186,000 K-12 students annually at nearly 1,500 schools in California • Award nearly \$120 million in grants for research, from water security to smoking prevention to cybersecurity • Engage over 20,000 volunteers and 1.4 million participants in Agriculture & Natural Resources programming 	<ul style="list-style-type: none"> • 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 through the new UCPath and 35-year-old legacy payroll systems • Administer the UC Learning Center, providing online training to 40,000 employees and students per month 	<ul style="list-style-type: none"> • Manage a general revenue debt portfolio of \$19 billion • Add roughly \$300 million in benefits through central purchasing contracts from new revenue and reduced costs • Manage mortgage loans for qualified faculty and staff totaling \$3 billion • Realize \$25 million in benefits annually through Fiat Lux Insurance from new revenue and reduced costs • Manage nearly \$115 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

EXECUTIVE SUMMARY

Per Regents Policy 5101, the proposed UCOP budget for FY18-19 is presented for approval by the Board. UCOP has developed a budget that is comprehensive and clearly demonstrates the role of the Office of the President and its associated costs.

The FY18-19 UCOP Budget

The FY18-19 proposed budget is \$876.4M. Figure 4 below summarizes the budget by functional area. As in prior year budgets, UCOP divides its activities into Programs and Initiatives and Central and Administrative Services. The UCPath Center continues to be called out as a separate line item to better show its growth trajectory as more campuses come on-line. The Strategic Priorities Fund, a new line item this year, replaces the temporary unrestricted budget with a dedicated allocation for programmatic and administrative short-term initiatives or emerging/urgent needs.

Figure 4: UCOP Budget by Functional Area
\$ millions

Functional Area	Proposed Budget	% of Total
Programs and Initiatives	\$ 396	45%
Central/Admin Services	\$ 379	43%
UCPath Center	\$ 71	8%
Strategic Priorities Fund	\$ 30	3%
Total	\$ 876	100%

Of the total budget, **45% goes to Programs and Initiatives**, supporting teaching, research, and public service. This includes state and federal programs administered by UC such as Agriculture and Natural Resources and Tobacco-related diseases research which combined are 59% of the program budget.

At the recommendation of the California State Auditor (CSA), *Special Expense Classifications* have been added which include pass through funds and fee-for-service activities. Pass through funding clearly illustrates the funds that flow through UCOP to the campuses, California researchers, and the public. **For FY18-19, pass-through funding represents 37% of the UCOP budget.** The remaining \$552M budget reflects the true cost of UCOP, and represents less than 2% of the University's \$34 billion budget.

Figure 5: FY18-19 to FY17-18 Budget by Functional Area
\$ millions

Functional Area			\$	%
	FY17-18	FY18-19	Incr/(Decr)	Incr/(Decr)
Programs and Initiatives	\$ 406	\$ 396	\$ (10)	(3%)
Central/Admin Services	384	380	(4)	(1%)
UCPath Center	52	71	19	36%
Strategic Priorities Fund	49	30	(19)	(38%)
Total	\$ 891	\$ 876	\$ (14)	(2%)
excl. UCPath Center	\$ 838	\$ 805	\$ (33)	(4%)

Figure 5 shows a reduction to the FY18-19 budget of \$14M from FY17-18. The UCPath Center, with an increase of \$19M in FY18-19, will continue to grow for the next two years as the remaining seven campuses come on-line. Excluding UCPath, **the FY18-19 budget is \$33M (4%) less than the FY17-18 budget.** This reduction included absorbing cost increases, indicating a significant effort to reduce operating expenditures while also redirecting \$8.5M in State General Funds to support undergraduate enrollment growth.

Fund Balances and Reserves

Part 2 of the budget presentation reflects the establishment of an operating reserve policy that was presented to the Regents in January and the fund restrictions review presented to the Regents in March. It includes forecasted balances by fund category for FY18-19, reserves held to manage risk, known commitments against undesignated funds, and projected remaining balances. UCOP recommends the Regents commit unrestricted funds to support the UC Riverside School of Medicine, support campus housing strategies, eliminate historical deficits, and fund the first year of the Strategic Priorities Fund.

In year two of the CSA report, the expectation is that UCOP will “***publish the results of its review of fund restrictions and fund commitments and any funds it anticipates reallocating to campuses***” (***Recommendation 20***). UCOP intends to meet this timeline over the coming year, in collaboration with UC leadership and the Executive Budget Committee.

Budgetary Impacts and Changes

Over the past year UCOP implemented significant operational, accounting, and reporting changes intended to improve the budget presentation. The changes made address the requirements stipulated by the CSA in the April 2017 report, and initiate a process for continuous improvement and implementation of best-practices. While the process and presentation will continue to iterate over the next two years, the most significant changes are occurring this year. Improvements undertaken this year were to:

- Produce one comprehensive budget, including fund sources and uses, from the budget system
- Represent the CSA recommended budget presentation in the attached Schedule A
- Report UCOP fund balances and reserves, and develop a central operating reserve
- Clearly define and present Programs and Initiatives, including Presidential Initiatives
- Revise Fund Restrictions definitions and application
- Identify budget Pass-Through funds and Fee-For-Service activities
- Broaden input and review from key stakeholders, including the Executive Budget Committee of campus representatives, Academic Senate members, and UCOP leaders
- Document the process and presentation in a budget manual

Throughout the past year, UCOP presented new budget policies, presidential budget guidance, and budget prototypes to the Regents’ Finance and Capital Strategies Committee to solicit feedback and modify accordingly (Attachment 2 lists the items). UCOP also worked closely with the Executive Budget Committee throughout the year. The Committee reviewed and supported the budget information presented.

Key Takeaways

1. The proposed FY18-19 budget is **\$876.4M**
2. **37%** of the budget passes through UCOP to campuses, California researchers, and the public
3. Excluding UCPath, the budget will decrease by **\$33M** (4%)
4. **\$8.5M** was permanently redirected towards increased undergraduate enrollment, per AB97
5. UCOP met all budget-related 2018 **CSA requirements** and adopted CSA Figure 11 in **Schedule A**
6. UCOP proposes the Regents approve the additional commitment of **unrestricted funds**
7. This year includes major accounting, operational, and reporting changes to increase budget **transparency and consistency** and align with budgeting best practices

PART 1: UCOP FY18-19 BUDGET

UCOP’s total proposed budget for FY18-19 is \$876.4M. The following section describes major categories of funding sources and uses.

Overview of Budget Structure and Definitions

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
<ul style="list-style-type: none"> • Unrestricted <ul style="list-style-type: none"> ○ Undesignated ○ Designated • Restricted 	<ul style="list-style-type: none"> • Programs and Initiatives <ul style="list-style-type: none"> ○ State/Federal Programs ○ Systemwide Programs ○ Systemwide Initiatives ○ Campus Programs (one to two campuses only) • Central and Administrative Services <ul style="list-style-type: none"> ○ By UCOP division • UCPath Center • Strategic Priorities Fund <ul style="list-style-type: none"> ○ Presidential Initiatives ○ Emerging priorities

In addition to the Use of Funds categories listed above, per the CSA’s recommendation, UCOP has created two special expenses classifications – *Pass-Throughs* and *Fee-for-Service* - to more clearly identify how funds are used. ***Together pass-through funds and fee-for-service activities (including UCPath) make up 67% of UCOP’s budget.***

- **Pass-Through** funds do not stay at UCOP. They flow through various programs in the OP budget to campuses, researchers and the public. ***96% of pass-through funds are in the Programs and Initiatives category.*** The total planned pass-throughs for FY18-19 are approximately 37% of the UCOP budget, and primarily support research and public service programs. Examples include:
 - UCOP administers the statewide, state-funded Tobacco-Related Disease Research Program which grants awards to researchers throughout California; and
 - SAPEP, a public service programs that promote access and college preparedness
- **Fee-for-Service** activities are specific services UCOP provides to the campuses on a fee basis – if the services go away, the fees go away. ***96% of the fee-for-service activities are in the Central and Administrative Services budget.*** Almost 30% of the UCOP budget includes administrative support provided to campuses on a fee-for-service basis (UCPath 8%, other services 21%).

Key Takeaways

1. UCOP’s budgets for both **Sources and Uses**
2. **67%** of the budget is made up of pass-through funds or fee-for-service activities
3. **Pass-through** funds are distributed to campuses and external entities

The following sections describe the Sources and Uses of Funds, and each of the Uses categories (Programs and Initiatives, Central and Administrative, UCPath Center and Strategic Priorities Fund).

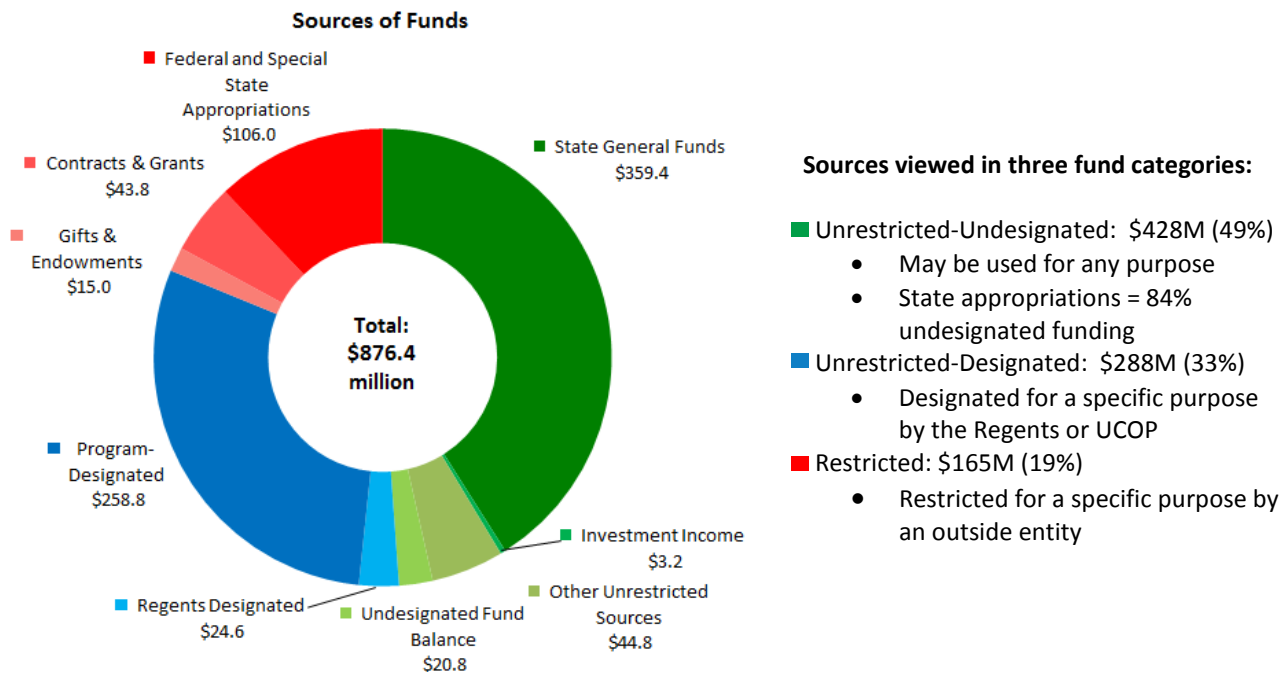
Sources of Funds

(See Schedule A)

Beginning in FY18-19, UCOP is budgeting funding sources as revenue whereas prior year budgets reflected only uses of funds. This will allow UCOP to report variances to planned revenue in addition to expense variances. Included in FY18-19 funding, UCOP proposes using \$20.3M in one-time undesignated funds as bridge funding. The planned sources for FY18-19 total \$876.4M, and are detailed in attached **Schedule A**. Since this is the first year budgeting Sources, there is no information in the budget system to compare FY18-19 to FY17-18 but there will be a comparison in future years.

Figure 6: FY18-19 Funding Sources

\$ in millions



Sources viewed in three fund categories:

- Unrestricted-Undesignated: \$428M (49%)
 - May be used for any purpose
 - State appropriations = 84% undesignated funding
- Unrestricted-Designated: \$288M (33%)
 - Designated for a specific purpose by the Regents or UCOP
- Restricted: \$165M (19%)
 - Restricted for a specific purpose by an outside entity

¹ In FY18-19 approximately \$25M of investment income is reported in "other unrestricted sources" due to the fund classifications work. This classification will be reviewed again in FY18-19.

² Use of Undesignated Fund Balance: UCOP has created the new Strategic Priorities Fund (SPF) to address strategic and emerging issues. UCOP budget proposes using \$20.3M from unrestricted fund balances as one-time bridge funding to help fund the SPF.

Key Takeaways

1. FY18-19 is the first year UCOP is budgeting **Sources** of funds (revenue)
2. UCOP will begin **comparing Sources** year over year in FY19-20
3. UCOP proposes **\$20.3M in bridge-funding** to establish the Strategic Priorities Fund

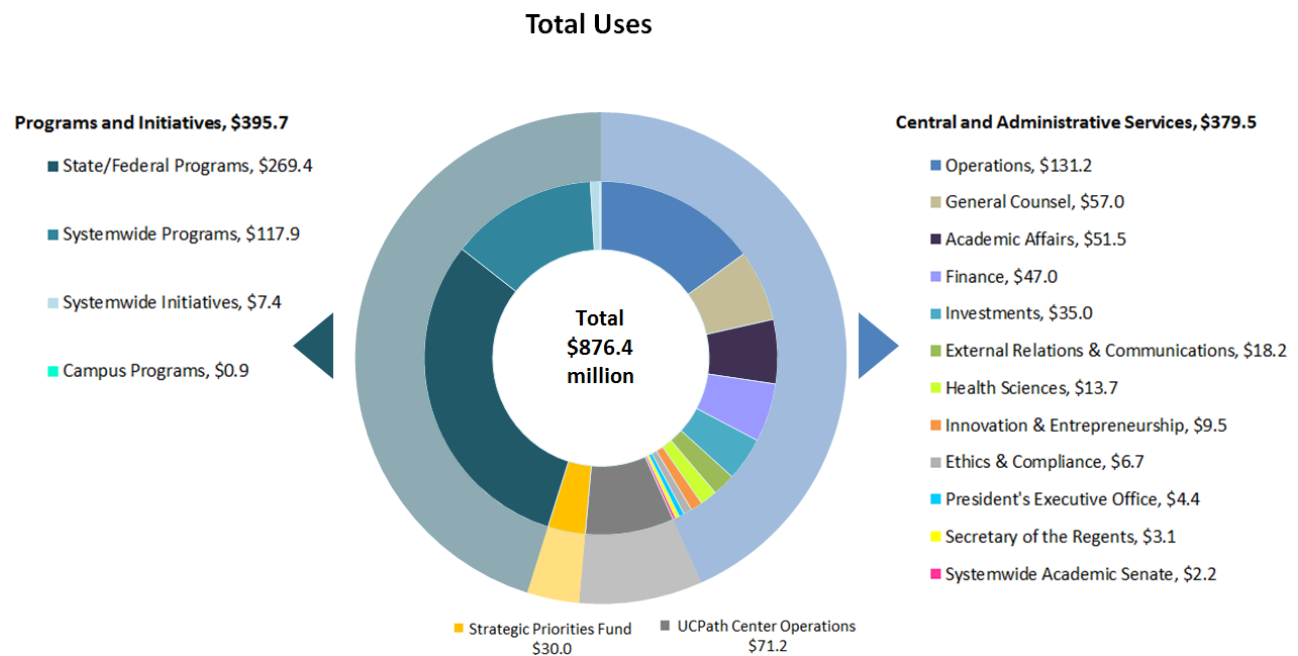
Uses of Funds

(See Schedule A)

The FY18-19 planned use of funds budget is \$876.4M. Programs and Initiatives and Central and Administrative Services each make up approximately 45% of the budget and together total approximately 89% of the budget. The UCPath Center makes up 8% of UCOP’s budget as services expand to additional campuses. UCOP is adding a budget item, the Strategic Priorities Fund, for emergent strategic issues to replace use of temporary one-time funds for these types of expenditures.

Additional detail on these areas and information about differences between FY18-19 and FY17-18 budgets are also included in this section. Year-to-year budget changes and FY17-18 variances are also detailed in **Schedules F(1) and F(2)**.

Figure 7: FY18-19 Uses of Funds by Functional Area
\$ millions



Key Takeaways

1. **45%** of UCOP’s budget directly supports Programs & Initiatives
2. UCOP replaced the temporary budget with a **reduced, \$30M** line item for Strategic Priorities
3. The **UCPath Center** will grow to accommodate **190,000 employees** by FY19/20

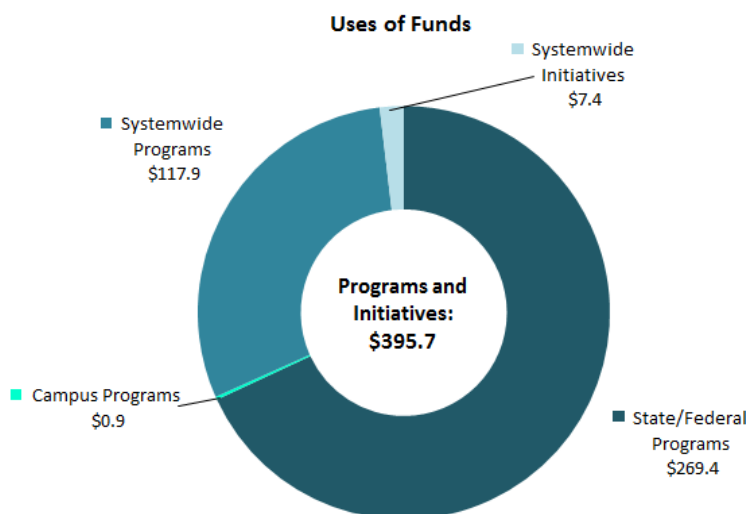
Programs and Initiatives

(See Schedule C)

The proposed FY18-19 Programs and Initiatives budget is \$395.7M, or 45% of the uses of funds. The definitions and categorizations have been updated per the presentation to the Regents in March 2018. Figure 8 below shows four of the five Programs and Initiatives categories. The complete list can be found in **Schedule C**. The fifth category, Presidential Initiatives, is included in the Strategic Priorities Fund budget with details on Schedule E and Attachment 3.

Figure 8: Programs and Initiatives Uses of Funds

\$ millions



Systemwide Programs: \$118M (14%) supports functions that benefit the State, multiple campuses, or entire system, and are assumed to be funded annually although the amount may change. Examples include UC Press and Laboratory Fees Research Program.

Systemwide Initiatives: \$7M (.8%) are funded solely with time-bound or single-occasion funding commitments. The one initiative in this category is for UC Health's CHQI initiative.

State/Federal Programs: \$269M (30% of the budget) supports functions that are either required by current legislation or that UC operates on behalf of the State or Federal government. Examples include Agriculture and Natural Resources and the Tobacco-Related Disease Research program.

Campus Programs: \$0.9M (.1%) supports functions that exist solely at one or two campuses and are not systemwide in reach or impact.

Figure 9 – Pass-Through Funds Programs

\$ in millions

Pass-Throughs	Proposed Budget
Agriculture & Natural Resources	\$ 158.5
Research Grant Programs	\$ 88.4
UC Observatories	\$ 22.2
Public Service Programs	\$ 12.8
National Laboratory Programs	\$ 8.7
UC Libraries	\$ 8.5
UC Research Initiative	\$ 7.4
Online Education Initiatives	\$ 4.1
Mexico Programs	\$ 3.3
Diversity Initiatives	\$ 3.0
Other Pass-Throughs	\$ 7.2
Total Pass-Throughs	\$ 324.1

In Figure 9, pass-through funds total \$324.1M and account for 37% of the FY18-19 budget. 96% of pass-through funds are in the Programs & Initiatives budget. The top three pass-through programs account for 82% of the total.

In consolidating operating and one-time budgets and improving budgeting of contracts and grants, UCOP made material accounting and reporting changes to the Programs & Initiatives budget. These changes and cost reduction efforts resulted in a net decrease of \$10M (3%) from the \$410M FY17-18 budget and an increase of \$64M from the FY17-18 forecast. Projected variances for the current year and a comparison of the current year projections to the FY18-19 budget are shown in Figure 10 below and on **Schedule C**.

Figure 10: Programs and Initiatives – Budget Variances and Changes (Summary of Schedule C)

\$ in millions

Uses	FY2017-18			FY2018-19		
	Budget	Forecast	Incr/(Decr)	Proposed Budget	Incr/(Decr) Forecast ¹	Incr/(Decr) Budget ¹
Campus Programs	\$ 1.3	\$ 1.3	\$ 0.0	\$ 0.9	\$ (0.3)	\$ (0.3)
State/Federal Programs ²	\$ 227.1	\$ 161.6	\$ (65.4)	\$ 269.4	\$ 107.8	\$ 42.4
Systemwide Initiatives ³	\$ 1.5	\$ 1.0	\$ (0.5)	\$ 7.4	\$ 6.4	\$ 6.0
Systemwide Programs ⁴	\$ 176.3	\$ 167.7	\$ (8.6)	\$ 117.9	\$ (49.8)	\$ (58.4)
Total Uses	\$ 406.1	\$ 331.6	\$ (74.5)	\$ 395.7	\$ 64.1	\$ (10.5)

¹ Shows the increase or decrease (in parentheses) between the FY18-19 budget and either the FY17-18 forecast or the FY17-18 budget.

² UCOP anticipates a large variance between the budget and forecast in FY17-18 (\$65.4M) largely due to a reduction in the projected expenditures for the Tobacco-Related Disease Research Program (TDRP) because of the lead time required to award these grants. The budget for FY18-19 is expected to increase over the FY17-18 budget by \$42.4M largely due a slight decrease in the expenses for TDRP that is offset by the addition of one-time, restricted contracts and grants and other external funds for the Division of Agriculture and Natural Resources (ANR). ANR has historically received these funds every year, but included them in its temporary budget, therefore they were not included in UCOP's annual budget. To meet best budget practices, UCOP needs to add these contracts and grants to the operating budget.

³ The increase in the FY18-19 budget of roughly \$6M is largely due to the addition of expenses for the Center for Health Quality and Innovation (CHQI) within UC Health Division to adhere with best budgeting practices. Previously, these expenses were funded by one-time, restricted funds, and were not included in UCOP's budget.

⁴ The significant decrease in the FY18-19 budget compared to the FY17-18 budget and forecast is largely due to the transition of the operations and budget for the UC Education Abroad Program (UCEAP) from UCOP to UC Santa Barbara. UCOP decided to transition UCEAP since it currently operates within a few miles from the campus and can more easily leverage the administrative support structure from UC Santa Barbara than from UCOP.

Key Takeaways

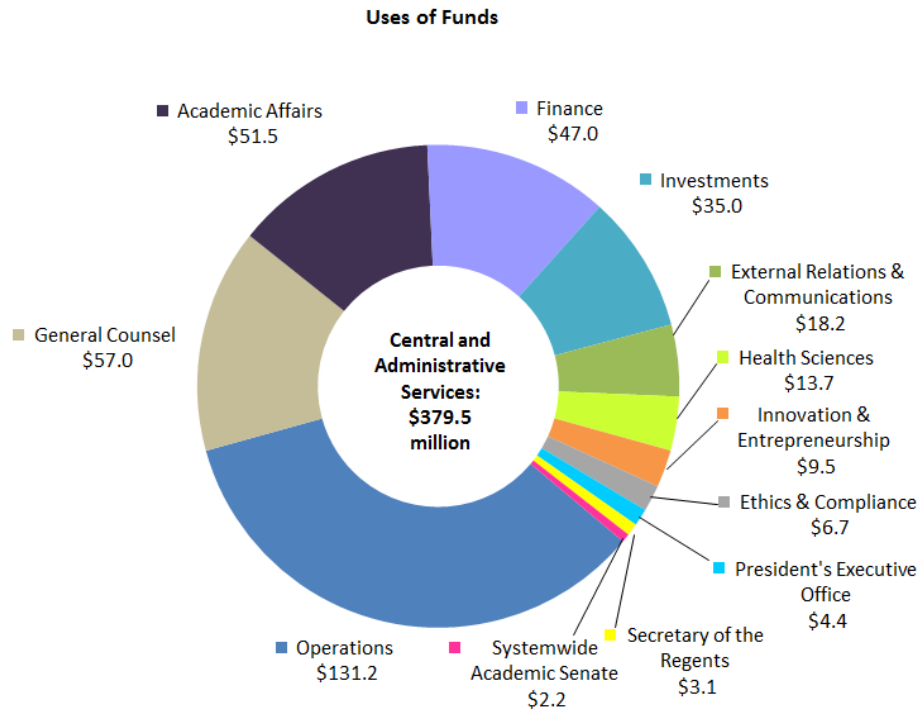
1. State and Federal Programs make up **30%** of the Programs & Initiatives budget
2. **96%** of pass-through funds are tied to the Programs and Initiatives budget
3. UCOP made **significant accounting and reporting changes** to the Programs and Initiatives budget

Central and Administrative Services

(See Schedule D)

The proposed FY18-19 Central and Administrative budget is \$379M, or 43% of the budget. Figure 11 below and **Schedule D** provide an overview of the Central and Administrative budget by division.

Figure 11: Central and Administrative Services Uses of Funds
\$ millions



The Central and Administrative Services budget supports critical systemwide services to campuses and UCOP internal operations. The division with the highest Central and Administrative Services budget is Operations, which provides systemwide benefits and retirement management, systemwide technology services, energy programs, and provides internal operations support for UCOP.

Figure 12: UCOP Fee for Service Activities
\$ in millions

Fee-for-Service	Proposed Budget
General Counsel	\$ 44.5
Investments & Asset Management	\$ 39.1
UC Retirement System	\$ 29.5
Employee Benefits Administration	\$ 21.0
UC Health Initiatives	\$ 12.9
Information Technology Initiatives	\$ 8.1
Risk Management	\$ 6.2
Patent Royalty Administration	\$ 5.5
Health Insurance Programs	\$ 5.3
Bond Management	\$ 4.4
Other Fee-for-Service Activities	\$ 3.2
Total Fee-For-Service	\$ 179.7

Most fee-for-service activities are in the Central and Administrative Services budget to support critical systemwide services and activities as listed in Figure 12. The top four fee-for-service activities account for 75% of the total fees-for-service.

UCOP has made material accounting and reporting changes to the Central and Administrative Services budget. In addition, UCOP implemented stricter budgeting practices and cut costs in travel and meetings, contingencies, discretionary administrative costs and other operating expenses and increased the vacancy factor to capture more vacancy savings in the year that they occur. These changes and reductions resulted in a \$4.3M or 1% decrease to prior year budget. Projected variances are shown in Figure 13 below and in **Schedule D**.

Figure 13: Central and Administrative Services - Budget Variances
(Summary of Schedule D)

\$ in millions

Uses	FY2017-18			FY2018-19		
	Budget	Forecast	Incr/(Decr)	Proposed Budget	Incr/(Decr) Forecast ¹	Incr/(Decr) Budget ¹
Academic Affairs ²	\$ 56.7	\$ 56.0	\$ (0.7)	\$ 51.5	\$ (4.6)	\$ (5.2)
Ethics & Compliance	\$ 6.8	\$ 6.0	\$ (0.8)	\$ 6.7	\$ 0.8	\$ (0.1)
External Relations & Communications ³	\$ 21.2	\$ 16.3	\$ (4.9)	\$ 18.2	\$ 2.0	\$ (2.9)
Finance ⁴	\$ 43.0	\$ 38.9	\$ (4.1)	\$ 47.0	\$ 8.1	\$ 4.0
General Counsel ⁵	\$ 15.1	\$ 14.5	\$ (0.6)	\$ 57.0	\$ 42.5	\$ 41.9
Health Sciences	\$ 12.7	\$ 11.6	\$ (1.0)	\$ 13.7	\$ 2.1	\$ 1.1
Innovation & Entrepreneurship ⁶	\$ 62.0	\$ 60.7	\$ (1.3)	\$ 9.5	\$ (51.2)	\$ (52.5)
Investments ⁷	\$ 35.3	\$ 30.6	\$ (4.7)	\$ 35.0	\$ 4.4	\$ (0.4)
Operations ⁸	\$ 122.4	\$ 128.2	\$ 5.8	\$ 131.2	\$ 3.0	\$ 8.9
President's Executive Office	\$ 3.5	\$ 3.5	\$ 0.0	\$ 4.4	\$ 0.8	\$ 0.9
Secretary of the Regents	\$ 3.1	\$ 4.4	\$ 1.3	\$ 3.1	\$ (1.3)	\$ 0.0
Systemwide Academic Senate	\$ 2.1	\$ 2.1	\$ 0.0	\$ 2.2	\$ 0.1	\$ 0.1
Total (excluding UC Path Center)	\$ 383.7	\$ 372.8	\$ (10.9)	\$ 379.5	\$ 6.7	\$ (4.3)

¹ Shows the increase or decrease (in parentheses) between the FY18-19 budget and either the FY17-18 forecast or the FY17-18 budget.

² The roughly \$5M decrease between FY18-19 and FY17-18 for Academic Affairs is due to the consolidation of IT expenses into IT within Operations.

³ The decrease within FY17-18 for External Relations is due to a delay in hiring for certain positions. The decrease in budget for FY18-19 is largely due to position eliminations from the restructuring of the division.

⁴ The budget increase is due to the addition of roughly \$8M for systemwide risk management function and a transition of roughly \$4M in IT expenses to Operations. Previously, the cost of risk netted against fees resulting in a net-zero budget. This change aligns with best practices.

⁵ The significant increase for FY18-19 is due to the addition of roughly \$40M for fee-for-service legal services. Previously, these expenses were netted out of the budget because they were funded by fees paid by the campuses. This change aligns with best practices.

⁶ The significant decrease is due to the elimination of patent royalty payments from the budget since they are a distribution of revenues to the campuses and inventors. This change aligns with best budgeting practices, and is consistent with the treatment of other systemwide revenue distributions that flow through UCOP.

⁷ The roughly \$4M to \$5M variances for Investments between FY18-19 and FY17-18 are due to a delay in hiring for several positions; these positions were budgeted for in FY17-18, but due to management decisions will not be hired until FY18-19.

⁸ The budget increases in Operations are largely due to accounting changes which consolidate previously distributed IT costs from all divisions into Operations. Other divisions show relative decreases corresponding to this change.

Key Takeaways

1. The Central and Administrative Services (CAS) budget supports **critical systemwide services**
2. Most **fee-for-service activities** are in the CAS budget and make up **21%** of the budget
3. UCOP implemented stricter budgeting practices, absorbed increases and **cut costs by \$4.3M**
4. UCOP made **significant accounting and reporting** changes to the CAS budget

UCPath Center

(See Schedule A)

In the next fiscal year the **UCPath Center budget is projected to grow from \$58M to \$71M as it continues preparing to bring 120,000+ employees on-line** from UC Santa Barbara and UCLA in September, and UC Berkeley, UC Davis, UC Irvine and ANR in March 2019. The budget will grow to reflect 113 new staff, a full year of IT costs moving from the capital to operating budget and the first full year of debt service repayment.

Earlier this year UC made a request to transition the State General Funds appropriation for the Center back to the fee-for-service model, as this model allocates the costs more appropriately across all funding sources. Without full funding the entire UCPath effort will be severely compromised.

Key Takeaways

1. The UCPath Center is **projected to grow** from \$58M to \$71M
2. The UCPath Center should revert back to a **fee-for-service model**
3. The UCPath implementation **will be compromised** without full funding

Strategic Priorities Fund

(See Schedule E)

As presented in the January Regents meeting, the Strategic Priorities Fund is intended to replace the temporary unrestricted budget with a permanent line item that allocates \$30M annually to fund short-term programmatic needs, administrative projects, emergent or urgent priorities, and the President's initiatives. The \$30M target represents a decrease of 8.8M from the FY17-18 temporary budget.

Schedule E details known commitments against the SPF for FY18-19. The budget goal was to commit no more than half the funds at the beginning of the year to accommodate other projects or emerging issues that will arise during the year. FY18-19 commitments include \$7.8M for Presidential initiatives (reduced by \$2M from prior years due to enrollment growth redirection). A detailed list of the Presidential initiatives can be found in Attachment 3. **Including these initiatives into the SPF effectively reduces the UCOP strategic priorities budget from \$48.6M in FY17-18 to \$30M in FY18-19, a decrease of 38%.**

Net of the President's Initiative Funds, the establishment of this fund increases the UCOP budget by \$22.8M. UCOP absorbed significant mandatory cost increases and the AB 97 redirection of \$8.5M. To fund the Strategic Priorities Fund in FY18-19, the budget assumes utilizing \$20.3M in unrestricted fund balances.

Key Takeaways

1. To improve transparency, UCOP eliminated the temporary unrestricted budget and created the **Strategic Priorities Fund (SPF)**
2. The FY18-19 budget represents a **38% decrease** in UCOP's budget to address short-term projects and priorities.

PART 2: FUND BALANCES AND RESERVES

Unlike an operating budget that assumes recurring funding streams, ***fund balances and reserves are one-time funds and therefore cannot be redirected to permanently fund recurring operations or expenses.*** Over the past year UCOP has taken action to:

- Clarify the difference between fund reserves and fund balances
- Create and fund a UCOP Central Operating Reserve
- Identify program-specific reserves
- Define restricted/unrestricted fund types and review the classification of 466 funds
- Forecast June 30, 2018 fund balances and commitments

During the review process, UCOP clarified the differentiation between fund reserves and fund balances:

- **Fund balances** result from either savings relative to the budget or timing of multi-year funding and expenses across fiscal years
- **Reserves** are funds intentionally accrued from the operating budget over a period of time or specifically designated or restricted for a purpose such as maintaining assets in good working order, managing risk, or in anticipation of periodic large expenses such as preparing an RFP response for the Department of Energy.

Central Operating Reserve

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 and funding source of the reserve, and the circumstances for drawing on those funds. This reserve is not funded from, and therefore does not appear in, UCOP fund balances; rather it is funded by designating \$15M or at least 3.5% of covered funds and expenses in the President's Endowment Fund, whichever is greater. The amount designated for the Central Operating Reserve for FY2018-19 is \$15M. There is no plan to draw on the reserve unless UCOP experiences a significant revenue interruption.

Program-specific Reserves

UCOP will continue reviewing other program-specific reserves and will confirm that reserve practices are appropriate and that balances are maintained at the appropriate levels. UCOP reserve balances are typically included in and may be a subset of UCOP fund balances. Program-specific reserves include:

- Housing Loan Program
- Employee Benefits Program
- DOE Laboratories
- UCOP Building and Parking
- UC Press
- UC Washington Center
- IT Infrastructure

Restricted/Unrestricted Funds Analysis

In this past year, UCOP completed an extensive review of 466 funds within its budget and classified the funds into newly-defined categories which were presented to the Regents in [March](#). Also included were the funds committed as part of the FY17-18 budget.

- **Restricted:** Restricted by external entities for specific purposes
- **Unrestricted Designated:** Designated by UC for specific purposes
- **Unrestricted Undesignated:** Funds not restricted or designated for a particular purpose

Forecasts, Commitments, Reserves and Balances

Subsequent to the above analyses, UCOP reviewed fund balances at March 31st and forecasted June 30th balances. A formal forecasting process was introduced in the past year, and UCOP expects to continue refining its capabilities. Unrestricted reserves and undesignated commitments were also identified, and remaining balances calculated. ***Per the fund definitions, remaining fund balances for restricted and designated funds are considered committed to their intended purpose.***

Per the CSA report, the process of reallocating undesignated funds to the campuses should take place over three years, whereby UCOP should:

- By April 2018, “Document and review the restrictions on its funds and fund commitments”
- By April 2019, “Publish the results of its review of fund restrictions and fund commitments and any funds it anticipates reallocating to campuses,” and
- By April 2020, “Reallocate to the campuses funds that it identified during its review of fund restrictions and fund commitments.

UCOP intends to meet if not exceed this timeline. For example, this year funds were allocated from the housing loan program to campuses to support their campus housing strategies, and a UCPATH balance was reallocated back to the campuses. Funds have also been committed to the campuses to support seismic building and facilities assessments.

Restricted Funds

By definition, restricted fund balances, as shown in Figure 14 below, 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 lower based on disbursements to the campuses and labs.

Figure 14: Restricted Forecasted Fund Balances

\$ in millions

RESTRICTED	6/30/18			
	6/30/17 Balance	6/30/18 Forecast	Reserves	Remaining Restricted Balance
Contracts and grants	\$ -	\$ -	\$ -	\$ -
Gifts and endowments	\$ 3.0	3.3		\$ 3.3
Federal and special state appropriations	\$ 40.0	2.7		\$ 2.7
Total	\$ 43.0	\$ 6.0	\$ -	\$ 6.0

Unrestricted Designated Funds

Unrestricted designated fund balances are considered committed to their intended purpose. Programs that are self-funded and must manage profit and loss risks should and often do maintain reserves. Other programs typically plan for commitments against their balances even if they are not specifically reserved. These programs, shown in Figure 15, serve the entire UC system, and are not maintained for UCOP-specific purposes.

This year excess housing loan program balances were used to allocate \$3M per campus for the purpose of advancing campus housing strategies. UCOP proposes that an additional \$3M per campus be allocated in FY18-19 for this purpose: \$14.5M from the remaining housing loan program balance (Figure 15), and \$15.5M from the General Obligation (GO) Bond Investment Income (Figure 16B).

Figure 15: Designated Forecasted Fund Balances and Reserves

\$ in millions

DESIGNATED	6/30/18			Remaining Designated Balance
	6/30/17 Balance	6/30/18 Forecast	Reserves	
Regents designated				
Housing loan programs*	\$ 75.8	\$ 54.0	\$ 39.4	\$ 14.5
DOE laboratories	89.5	79.2	38.7	\$ 40.5
Programs and initiatives				
UC Press	\$ 8.4	\$ 8.4	\$ 8.4	\$ -
UC Washington Center	8.3	8.3	6.5	1.8
UC Health CHQI/LSFV Initiative	9.1	4.9	-	4.9
California Digital Library	2.2	2.2	-	2.2
Writing placement exams	1.5	1.5	-	1.5
Other	11.1	11.1	-	11.1
Central services designated				
Endowment cost recovery	5.6	7.9	-	7.9
Energy and sustainability	11.7	12.0	-	12.0
UC Path	4.9	0.5	-	0.5
Other	0.9	0.9	0.4	0.5
Passthrough	(5.7)	(5.7)	-	(5.7)
Total	\$ 223.3	\$ 185.2	\$ 93.4	\$ 91.7
* Proposed Campus Allocation for Campus Housing Strategies				\$ 14.5
Adjusted Remaining Designated Balance				\$ 77.2

Unrestricted Undesignated Funds

While in the past fund balances have grown from year due to budget variances or investment returns, UCOP has tightened its budget to an extent over the past two years that **these balances are unlikely to grow in future years**. The funds have historically been used for specific purposes such as emergent priorities or management of investment income fluctuation risk. Figure 16a below details fund balances, projections, commitments, and reserves for funds that have historically been available for UCOP's use.

Figure 16a: Undesignated Forecasted Fund Balances and Reserves historically for UCOP Use

\$ in millions

UNRESTRICTED - UCOP	6/30/17 Balance	6/30/18				Remaining Balance
		6/30/18 Forecast	Commitments	Reserves		
General funds (one-time savings, etc.)	\$ 31.6	\$ 34.7	\$ 34.7	-	\$ -	
Investment income	31.7	33.4	10.0	-	23.4	
Legal settlements	5.9	5.2	-	-	5.2	
UCOP Building and parking reserves	7.1	6.2	-	6.2	-	
Department deficits	(16.4)	(14.4)	(14.4)	-	-	
Small balances	1.2	1.2	-	-	1.2	
Total Funds historically available to UCOP	\$ 61.6	\$ 66.8	\$ 30.3	\$ 6.2	\$ 30.3	

Figure 16b details fund balances that support systemwide programs:

- General Obligation (GO) Bond Income is intended for capital-related one-time projects; \$13.1M is committed in FY18-19 to systemwide campus seismic and facilities assessments.
- Benefits reserve and remaining balances support the \$2B+ systemwide employee benefits programs and should be used for benefits-related purposes.

Figure 16b: Undesignated Forecasted Fund Balances and Reserves for Systemwide Use

\$ in millions

UNRESTRICTED - SYTEMWIDE	6/30/17 Balance	6/30/18				Remaining Balance
		6/30/18 Forecast	Commitments	Reserves		
General Obligation Bond Income	\$ 28.4	\$ 28.4	\$ 28.4	-	\$ -	
Benefits Reserves	48.5	48.5	-	22.7	25.8	
Total Funds available for Systemwide purposes	\$ 76.9	\$ 76.9	\$ 28.4	\$ 22.7	\$ 25.8	

Regarding the remaining undesignated fund balances, UCOP recommends the following commitments:

- \$10M to honor UCOP's remaining commitment to the UC Riverside School of Medicine from the Investment Income balance
- \$15.5M from the GO Bond Investment Income to address campus housing strategies
- \$20.3M from General Funds to establish the Strategic Priorities Fund as budgeted line item, and
- \$14.4 from General Funds to eliminate historical department deficits

All other undesignated, uncommitted balances should be reviewed by UCOP in consultation with the campuses after the FY17-18 balances have been finalized and a plan developed for consideration no later than the March 2019 Regents Meeting.

Key Takeaways

1. Fund balances are **one-time funds** that cannot be redirected to fund recurring operations.
2. Restricted fund balances **cannot be reallocated for other purposes**
3. Designated program reserves and balances **should not be reallocated for other purposes**
4. UCOP recommends committing certain unrestricted funds to support the **UC Riverside School of Medicine, support campus housing strategies, eliminate historical deficits, and fund the Strategic Priorities Fund**
5. UCOP will review fund balances and consult with UC leaders to determine whether undesignated funds **may be reallocated** to the campuses per the CSA agreed-upon timeline

PART 3: BUDGETARY IMPACTS AND CHANGES

The FY18-19 UCOP budget has undergone significant accounting and reporting, operational, and presentation changes. To improve the budget presentation, best practices were assessed and stakeholders, such as the UC Executive Budget Committee, were consulted to gather critical input.

Changes to the FY18-19 budget were required due to several factors, including:

- Six of the ten **CSA audit recommendations** due April 2018 were budget-related. These items were all addressed at meetings with the Regents' Finance and Capital Strategies and Audit and Compliance subcommittees over the past year:
 - Employee benefit reductions
 - Fund restrictions
 - Operating reserve policy
 - Programs and initiatives
 - Executive Budget Committee
 - Budget presentation
- **California Assembly Bill 97 (AB97)** required UC to redirect \$15M in FY18-19 State General Funds towards increased undergraduate enrollment; UCOP proposed \$8.5M of the \$15M as direct reductions to the UCOP budget (see **Attachment 4** for details)
- **Cost escalations**, which include systemwide employee compensation and benefits increases, contract escalations, and other unavoidable increases that impact the UCOP cost structure
- The **proposed flat State appropriation** for the UCOP budget will be the third consecutive year at a flat or reduced level of unrestricted funding
- Over the last two fiscal years, UCOP **absorbed cost increases** on unrestricted funds by cutting costs and carefully minimizing strategic investments. In preparing the FY18-19 budget, UCOP undertook a rigorous review of all programmatic and administrative expenses and cut costs through significant collaboration and trade-off decisions made by UCOP leadership and vetted with the Chancellors and the Executive Budget Committee, who were aligned with the proposed changes.
- Launched in January 2018, the first phase of UCOP's **restructuring effort** led to further operational, accounting, and budgeting changes

Accounting and reporting changes, operational changes, and budget presentation changes are described below. Details of these changes are presented in **Schedule F (1)** and **Schedule F (2)** which reconcile the changes from the FY17-18 budget to the FY18-19 budget and detail variances to the FY17-18 forecast.

Accounting and Reporting Changes

Accounting and reporting changes include changes to UCOP accounting treatment and practices to improve transparency and consistency across activities in the UCOP budget. In April 2018 as part of the [UCOP Budget Manual](#), UCOP issued new definitions consistent with generally accepted accounting principles and budget best-practices to initiate these accounting improvements. The impact of these accounting and reporting changes (resulting in a net reduction of \$10M between FY17-18 and FY18-19) are presented in detail in **Schedule F (1)** and include:

- Consolidating restricted and unrestricted one-time budgets into the operating budget (e.g. Strategic Priorities Fund, Agriculture and Natural Resources)

- Reporting the total cost of internal and external legal services provided to campuses in General Counsel expense
- Reporting the cost of managing systemwide services (e.g. Risk Management in the Finance function)
- Removing campus funds from the UCOP budget (e.g. revenue and expense for patent royalties that flow to the campuses; UCOP will only report the cost of patent royalty administration)

Operational Changes

Operational changes include changes to operating expenses that impact the overall amount of the UCOP budget. UCOP implemented significant operational changes in response to constraints on unrestricted funding, rising costs, and internal restructuring efforts. Despite cost increases of \$19M, UCOP achieved a net operating reduction of \$23M between FY17-18 and FY18-19. Operational changes are presented in detail in **Schedule F (1)** and include:

- AB97 related non-salary reductions
- Establishment of the Strategic Priorities Fund
- Systemwide compensation, benefits program and contractual increases
- Vacancy and position eliminations, to reduce the overall budgeted salary expense
- Movement of items on “temporary” one-time funds into the consolidated operating budget

Budget Presentation Changes

Reporting changes include clarification of or changes to budget definitions and terminology and inclusion of additional budget elements. Many of these changes align with CSA recommendations and are part of UCOP’s plan to implement budgeting best-practices. The major changes are detailed in **Attachment 5**, and listed below:

- **Implemented fund categories and definitions:** As of March 2018, funds are now categorized and reflected in the UCOP budget as restricted, unrestricted-designated, or unrestricted-undesignated.
- **Added special expense classifications:** UCOP now differentiates Fee-for-Service and Pass-Through activities from the budget given that a significant percentage of the budget passes through UCOP to campuses and/or other entities or reflects fee-based services.
- **Established budget terminology and definitions:** Formal definitions have been established for budget components and are used consistently in all budgeting and related reporting.
- **Improved reporting of UCOP-affiliated programs and initiatives:** Programs are presented by categories which delineate their purpose including programs that UCOP manages and supports on behalf of the UC system and the State of California.
- **Reported fund balances:** For unrestricted sources, fund balances will be projected through June 30, 2018 while actual fund balances as of March 31, 2018, for restricted sources are provided.
- **Budgeted sources of funds:** All sources of funds are now reflected in the budget presentation (historically budgets only reflected expenses).
- **Included a Central Operating Reserve:** The annual budget presentation now includes reporting on the UCOP Central Operating Reserve.

Budget Process Improvements and Opportunities

In addition to accounting, reporting, operational, and presentation changes, UCOP implemented budget process improvements. Process improvements focused on the accuracy of the budget and budget variance reductions, and included:

- **Contracts and Grants Budgeting:** Significant variances occur in the UCOP budget due to timing of funding and expenses for contracts and grants. For FY18-19, UCOP modified the budget process to better reflect revenues and expenses in the year when research activities occur, rather than budgeting the full awarded amount in the first fiscal year.
- **Salary Budgeting:** Significant variances occur due to turnover and hiring lags. In FY16-17, UCOP began budgeting a vacancy factor to reduce budget variances. UCOP increased the vacancy factor again in FY17-18 and FY18-19 after further prior-year analyses and projected salary savings. As a result, salary savings variances will continue to decline in FY18-19. UCOP also carefully reviewed budgeted salary actions and reduced those budgets.
- **Non-Salary Expense Budgeting:** For FY18-19, UCOP implemented zero-based budgeting for key non-salary expenses such as travel & meetings, outside professional fees, and supplies to identify possible reductions. Savings targets were implemented to fulfill the AB97 commitment.

Key Takeaways

1. The FY18-19 budget is a **comprehensive, transparent, and consistent** presentation based on best practices
2. UCOP faced significant **budget pressures and cut costs**
3. UCOP implemented significant accounting, reporting, operational, and presentation changes.
4. UCOP is on a **path for continuous improvement** and will continue to work with stakeholders and the regents to improve the budget process in future years

PRESIDENT'S RECOMMENDATION

The President of the University recommends that the Regents approve the University of California Office of the President Fiscal Year 18-19 budget. The President also recommends the Regents approve the following plan regarding the use of forecasted fund balances:

- \$10M to honor UCOP's outstanding commitment to the UC Riverside School of Medicine from the Investment Income balance
- \$3M per campus (\$30M total) to address their housing strategies - \$14.5M from the Housing Loan Program, and \$15.5M from the GO Bond Investment Income
- \$20.3M from General Funds to establish the UCOP Strategic Priorities Fund as a line item in the UCOP budget
- \$14.4 from General Funds to eliminate historical department deficits
- All remaining restricted and designated balances should be considered committed
- The benefits reserve balance should be committed to systemwide employee benefits programs
- All other unrestricted uncommitted balances should be reviewed by UCOP in consultation with the campuses after the FY17-18 balances have been finalized and a plan developed for consideration no later than the March 2019 Regents Meeting

Key to Acronyms

AAU	Association of American Universities
AB97	Assembly Bill 97 – Budget Act of 2017
ANR	UC Division of Agriculture and Natural Resources
CHQI	Center for Health Quality and Innovation
CAS	Central and Administrative Services
Cal ISI	California Institutes for Science and Innovation
CSA	CA State Auditor
CY	Current Year
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
Incr/(Decr)	Increase/(Decrease)
NACUBO	National Association of College and University Business Officers
PY	Prior Year
SPF	Strategic Priorities Fund
TIO	Thirty Meter Telescope International Observatory
UC	University of California
UCEAP	UC Education Abroad Program
UCOP	University of California Office of the President

Attachments

Attachment 1: Schedules

Attachment 2: Links to UCOP Budget Items and Supporting Documentation Related to CA State Audit

Attachment 3: Presidential Initiatives Detail FY17-18 and FY18-19

Attachment 4: Summary of AB97 Reductions

Attachment 5: Summary of Accounting and Reporting Changes to FY18-19 Budget

Schedule A

Sources & Uses by Year

Overall UCOP

\$ in millions

	FY2017-18 Budget	FY2017-18 Forecast	Proposed FY2018-19 Budget	Variance: Increase/(Decrease)		
				FY2017-18 Forecast vs FY2017-18 Budget	FY2017-18 Forecast vs FY2018-19 Budget	FY2017-18 Budget vs FY2018-19 Budget
SOURCES						
Unrestricted Sources						
Undesignated						
State General Funds			\$ 359.4			
Investment Income ¹			3.2			
Other Unrestricted Sources ²			44.4			
Undesignated Fund Balance			20.3			
Designated						
Regents-Designated			24.6			
Program-Designated			259.8			
Subtotal - Unrestricted Sources			711.7			
Restricted Sources						
Gifts and endowments			15.0			
Contracts and grants			43.8			
Federal and special state appropriations			106.0			
Subtotal - Restricted Sources			164.8			
TOTAL SOURCES	\$ 890.8	\$ 771.5	\$ 876.4	\$ (119.4)	\$ 105.0	\$ (14.4)
USES						
Programs and Initiatives						
Campus Programs	\$ 1.3	\$ 1.3	\$ 0.9	\$ 0.0	\$ (0.3)	\$ (0.3)
State/Federal Programs	227.1	161.6	269.4	(65.4)	107.8	42.4
Systemwide Initiatives	1.5	1.0	7.4	(0.5)	6.4	6.0
Systemwide Programs	176.3	167.7	117.9	(8.6)	(49.8)	(58.4)
Total - Programs and Initiatives	406.1	331.6	395.7	(74.5)	64.1	(10.4)
Central and Administrative Services						
Academic Affairs	56.7	56.0	51.5	(0.7)	(4.6)	(5.2)
Ethics & Compliance	6.8	6.0	6.7	(0.8)	0.8	(0.1)
External Relations & Communications	21.2	16.3	18.2	(4.9)	2.0	(2.9)
Finance	43.0	38.9	47.0	(4.1)	8.1	4.0
General Counsel	15.1	14.5	57.0	(0.6)	42.5	41.9
Health Sciences	12.7	11.6	13.7	(1.0)	2.1	1.1
Innovation & Entrepreneurship	62.0	60.7	9.5	(1.3)	(51.2)	(52.5)
Investments	35.3	30.6	35.0	(4.7)	4.4	(0.4)
Operations	122.4	128.2	131.2	5.8	3.0	8.9
President's Executive Office	3.5	3.5	4.4	0.0	0.8	0.9
Secretary of the Regents	3.1	4.4	3.1	1.3	(1.3)	0.0
Systemwide Academic Senate	2.1	2.1	2.2	0.0	0.1	0.1
Subtotal - Central and Administrative Services (excl UCPath Center Operations)	383.7	372.8	379.5	(10.9)	6.7	(4.3)
Strategic Priorities Fund ³	48.6	14.6	30.0	(33.9)	15.4	(18.6)
SUBTOTAL USES	\$ 838.5	\$ 719.1	\$ 805.2	\$ (119.4)	\$ 86.1	\$ (33.2)
UCPath Center Operations	52.4	52.4	71.2	-	18.8	18.8
TOTAL USES	\$ 890.8	\$ 771.5	\$ 876.4	\$ (119.4)	\$ 105.0	\$ (14.4)
NET MARGIN SURPLUS (DEFICIT)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Included in Sources and Uses Above						
Fee-For-Service			\$ 179.7			
Pass-Throughs			324.1			
Total Fee-For-Service and Pass-Throughs	\$ -	\$ -	\$ 503.8	\$ -	\$ 503.8	\$ 503.8

¹ Investment Income comes from interest earned through the short and long-term investment pools.

² Other Unrestricted Sources include Investment Income of \$25M which comes from Searles Fund income \$8M, President's Endowment Fund income \$14M, and Ops Management Fund income \$3M.

³ In FY2017-18 Forecast, expenditures from One-Time Temp Budget are included in specific Programs & Initiatives and Central and Administrative Services and are not reflected on the Strategic Priorities Fund line due to accounting system changes that could not be made retroactively.

Schedule B

Expenditures by Fund

Overall UCOP

\$ in millions

	Unrestricted Funds		Restricted Funds	Proposed FY2018-19 Budget
	Undesignated	Designated		
Programs and Initiatives				
Campus Programs	\$ 0.9	\$ -	\$ -	\$ 0.9
State/Federal Programs	77.1	31.6	160.7	269.4
Systemwide Initiatives	-	7.4	-	7.4
Systemwide Programs	52.4	64.3	1.3	117.9
Total - Programs and Initiatives	130.4	103.3	162.0	395.7
Central and Administrative Services				
Academic Affairs	46.1	2.7	2.7	51.5
Ethics & Compliance	6.7	0.0	-	6.7
External Relations & Communications	12.3	6.0	-	18.2
Finance	25.6	21.4	(0.0)	47.0
General Counsel	10.8	46.2	-	57.0
Health Sciences	4.1	9.7	-	13.7
Innovation & Entrepreneurship	4.0	5.5	0.0	9.5
Investments	-	35.0	-	35.0
Operations	77.0	54.2	-	131.2
President's Executive Office	4.0	0.4	-	4.4
Secretary of the Regents	3.1	0.0	-	3.1
Systemwide Academic Senate	2.1	0.1	0.0	2.2
Subtotal - Central and Administrative Services (excl UCPath Center Operations)	195.6	181.1	2.8	379.5
Strategic Priorities Fund	30.0	-	-	30.0
SUBTOTAL USES	\$ 356.0	\$ 284.4	\$ 164.8	\$ 805.2
UCPath Center Operations	71.2	-	-	71.2
TOTAL USES	\$ 427.2	\$ 284.4	\$ 164.8	\$ 876.4
Included in Sources and Uses Above				
Fee-For-Service	\$ -	\$ 179.7	\$ -	\$ 179.7
Pass-Throughs	125.2	46.5	152.4	324.1
Total Fee-For-Service and Pass-Throughs	\$ 125.2	\$ 226.2	\$ 152.4	\$ 503.8

Schedule C

Budget by Program and Initiative

Programs and Initiatives

\$ in millions

	FY2017-18 Budget	FY2017-18 Forecast	Proposed FY2018-19 Budget	Variance: Increase/(Decrease)		
				FY2017-18 Forecast vs FY2017-18 Budget	FY2017-18 Forecast vs FY2018-19 Budget	FY2017-18 Budget vs FY2018-19 Budget
PROGRAMS AND INITIATIVES						
Campus Programs ¹	\$ 1.3	\$ 1.3	\$ 0.9	\$ 0.0	\$ (0.3)	\$ (0.3)
State/Federal Programs						
Agriculture and Natural Resources (ANR)	102.3	93.5	163.7	(8.8)	70.2	61.4
California Breast Cancer Research Program	7.4	8.5	12.0	1.0	3.5	4.6
California Health Benefits Review Program (CHBRP)	2.0	2.0	-	0.0	(2.0)	(2.0)
California Subject Matter Project (CSMP)	8.2	6.3	8.6	(1.9)	2.3	0.4
Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP)	6.8	2.3	3.5	(4.5)	1.2	(3.2)
Mathematics Diagnostic Testing Project (MDTP)	1.2	0.2	1.0	(1.0)	0.8	(0.2)
Office of the National Laboratories (UCNL)	3.4	7.9	4.8	4.5	(3.1)	1.4
Other State/Federal Programs ²	1.5	0.7	1.8	(0.7)	1.1	0.4
Tobacco-Related Disease Research Program (TRDRP)	92.1	38.0	71.7	(54.2)	33.7	(20.4)
UC Research Initiatives: Cancer Research Coordinating Committee (CRCC)	2.2	2.2	2.2	0.1	(0.0)	0.1
Subtotal - State/Federal Programs	227.1	161.6	269.4	(65.4)	107.8	42.4
Systemwide Initiatives ³						
Center for Health Quality and Innovation (CHQI)	1.5	1.0	7.4	(0.5)	6.4	6.0
Subtotal - Systemwide Initiatives	1.5	1.0	7.4	(0.5)	6.4	6.0
Systemwide Programs						
California HIV/AIDS Research Program (CHRP)	8.8	9.6	8.8	0.9	(0.8)	0.0
California Institutes for Science & Innovation (CalISI)	4.8	4.8	-	(0.0)	(4.8)	(4.8)
Eligibility in the Local Context (ELC)	1.0	1.1	1.0	0.1	(0.1)	(0.0)
Historically Black Colleges and Universities (HBCU) Fellowship Initiative	1.0	1.6	1.0	0.6	(0.6)	(0.0)
Historically Black Colleges and Universities (HBCU) Summer Research Initiative	1.0	1.2	1.0	0.2	(0.2)	0.0
Innovative Learning Technology Initiative (Online Education)	10.4	10.8	10.3	0.4	(0.5)	(0.0)
Natural Reserve System (NRS)	4.7	2.3	2.2	(2.3)	(0.1)	(2.4)
Other Systemwide Programs ²	5.5	5.3	4.2	(0.2)	(1.1)	(1.3)
San Joaquin Valley PRIME program	1.9	-	1.9	(1.9)	1.9	-
SAPEP	1.9	2.8	1.9	0.9	(0.9)	0.0
SAPEP - ASSIST	2.4	1.8	1.9	(0.6)	0.1	(0.5)
SAPEP - Mathematics, Engineering, Science Achievement (MESA)	4.4	5.8	4.3	1.4	(1.5)	(0.1)
UC Astronomy Programs: Thirty Meter Telescope International Observatory (TIO)	10.0	-	-	(10.0)	-	(10.0)
UC Astronomy Programs: UC Observatories (UCO)	6.8	6.8	7.6	-	0.8	0.8
UC Astronomy Programs: W.M. Keck Observatory (Keck)	14.6	16.5	14.6	1.9	(1.9)	-
UC Education Abroad Program (EAP)	39.5	39.5	-	(0.0)	(39.5)	(39.5)
UC Institute for Mexico and the United States (UC MEXUS)	3.3	3.6	3.3	0.3	(0.3)	-
UC Press	23.7	21.1	23.7	(2.6)	2.5	(0.1)
UC Research Initiatives: Laboratory Fees Research Program (LFRP)	13.6	13.5	15.0	(0.0)	1.5	1.5
UC Research Initiatives: Multi-Campus Research Programs and Initiatives (MRPI)	10.2	13.6	7.4	3.4	(6.2)	(2.8)
UC Washington Center (UCDC)	7.1	6.1	7.9	(1.0)	1.8	0.8
Subtotal - Systemwide Programs	176.3	167.7	117.9	(8.6)	(49.8)	(58.4)
TOTAL USES	\$ 406.1	\$ 331.6	\$ 395.7	\$ (74.5)	\$ 64.1	\$ (10.4)

¹ Campus programs are defined as a function that exists solely at one or two campuses, and is not systemwide in reach or impact. They include Drew University funds, Hayes-Bautista and Wilkie-Double Taxation research at UCLA and the Graduate Fellows program at UCB.

² Other State/Federal Programs and Other Systemwide Programs include Programs that are less than \$1M. They include State/Federal Programs such as Diabetes Research, California State Summer School for Mathematics and Science (COSMOS) and UC Curriculum Integration (UCCI) and Systemwide Programs such as the President's PostDoctoral Fellowship, UC Center Sacramento and the UC-CSU Doctoral Diversity programs.

³ Presidential Initiatives (7 in total) are included in the Strategic Priorities budget, detailed in Schedule E, and Attachment 3.

Schedule D

Budget by Division and Sub-Division

Central and Administrative Services

\$ in millions

	FY2017-18 Budget	FY2017-18 Forecast	Proposed FY2018-19 Budget	Variance: Increase/(Decrease)		
				FY2017-18 Forecast vs FY2017-18 Budget	FY2017-18 Forecast vs FY2018-19 Budget	FY2017-18 Budget vs FY2018-19 Budget
CENTRAL AND ADMINISTRATIVE SERVICES USES						
Academic Affairs						
Academic Personnel and Programs	\$ 26.6	\$ 26.6	\$ 25.7	\$ 0.1	\$ (0.9)	\$ (0.8)
Diversity and Engagement	1.5	1.3	1.2	(0.2)	(0.1)	(0.2)
Immediate Offices	5.9	4.9	5.9	(1.0)	1.0	0.0
Institutional Research and Academic Planning	6.9	7.7	4.3	0.8	(3.3)	(2.6)
Research and Graduate Studies	4.3	4.0	4.4	(0.3)	0.3	0.1
Student Affairs	11.6	11.6	10.0	(0.1)	(1.6)	(1.7)
Subtotal - Academic Affairs	56.7	56.0	51.5	(0.7)	(4.6)	(5.2)
Ethics & Compliance	6.8	6.0	6.7	(0.8)	0.8	(0.1)
External Relations & Communications						
Alumni and Constituent Affairs	1.0	0.9	1.0	(0.1)	0.1	(0.0)
Executive Communications & Engagement	1.5	1.1	0.9	(0.3)	(0.2)	(0.6)
Federal Government Relations	2.6	2.2	2.6	(0.4)	0.5	0.0
Immediate Office	3.1	1.7	1.6	(1.4)	(0.1)	(1.4)
Institutional Advancement	2.5	1.3	1.9	(1.2)	0.6	(0.6)
Legislative Analysis	0.9	0.7	0.8	(0.2)	0.0	(0.1)
Marketing and Communications	6.0	5.1	5.9	(0.9)	0.8	(0.1)
Media Relations	1.1	1.0	0.9	(0.1)	(0.0)	(0.2)
State Government Relations	2.5	2.2	2.5	(0.2)	0.3	0.1
Subtotal - External Relations & Communications	21.2	16.3	18.2	(4.9)	2.0	(2.9)
Finance						
Budget Analysis and Planning	2.6	1.9	2.5	(0.7)	0.6	(0.0)
Capital Asset Strategies & Finance	11.1	8.6	13.4	(2.4)	4.7	2.3
Financial Accounting	15.8	15.8	10.4	0.1	(5.4)	(5.3)
Immediate Office	2.1	1.3	1.5	(0.8)	0.2	(0.6)
Risk Services ¹	0.0	(1.5)	7.8	(1.5)	9.3	7.8
Strategic Sourcing/Procurement	11.5	12.7	11.5	1.2	(1.3)	(0.0)
Subtotal - Finance	43.0	38.9	47.0	(4.1)	8.1	4.0
General Counsel	15.1	14.5	57.0	(0.6)	42.5	41.9
Health Sciences	12.7	11.6	13.7	(1.0)	2.1	1.1
Innovation & Entrepreneurship	62.0	60.7	9.5	(1.3)	(51.2)	(52.5)
Investments	35.3	30.6	35.0	(4.7)	4.4	(0.4)
Operations						
Energy and Sustainability ²	9.7	2.2	4.8	(7.5)	2.6	(4.9)
Facilities & Operational Expenses ³	4.8	5.1	(6.9)	0.3	(12.0)	(11.7)
Immediate Office ³	(0.7)	2.1	(0.5)	2.8	(2.6)	0.2
Information Technology Services ⁴	28.5	33.1	52.6	4.6	19.5	24.1
Program Management	1.9	5.8	2.0	4.0	(3.8)	0.1
Systemwide Human Resources	48.9	48.3	48.2	(0.6)	(0.0)	(0.7)
UCOP Operations	29.3	31.6	31.0	2.3	(0.6)	1.7
Subtotal - Operations	122.4	128.2	131.2	5.8	3.0	8.9
President's Executive Office ⁵	3.5	3.5	4.4	0.0	0.8	0.9
Secretary of the Regents	3.1	4.4	3.1	1.3	(1.3)	0.0
Systemwide Academic Senate	2.1	2.1	2.2	0.0	0.1	0.1
SUBTOTAL USES	\$ 383.7	\$ 372.8	\$ 379.5	\$ (10.9)	\$ 6.7	\$ (4.3)
UCPath Center Operations	52.4	52.4	71.2	(0.0)	18.8	18.8
TOTAL USES	\$ 436.1	\$ 425.2	\$ 450.7	\$ (10.9)	\$ 25.5	\$ 14.6

¹ Forecast includes incoming funds for the student health plan, to be offset with future years' expenses; FY18-19 budget increase reflects the inclusion expenses for managing the insurance programs, paid under a fee-for-service model by the campuses. Previously, these expenses were netted to zero with payments from campuses offsetting expenses in UCOP's budget.

² Forecast includes savings due to timing of the biogas facility operations; FY18-19 budget decrease is due to removal of flow through charges for the Wholesale Power Program.

³ Vacancy Factor in FY17-18 is allocated to divisions, and the COO division vacancy factor was budgeted entirely in the Immediate Office resulting in a deficit budget for that sub-division. The Vacancy Factor in FY18-19 increased by \$10.7M and has not yet been allocated to all divisions; it is budgeted in the COO Division.

⁴ Information Technology Services budget increase for FY18-19 is due to a consolidation of budgeting for internal and external recharged activities.

⁵ The FY18-19 increase to the President's Immediate Office budget reflects an organizational shift of two departments from Ethics and Compliance and External Relations into the President's Immediate Office.

Schedule E

Strategic Priorities Fund

Overall UCOP

\$ in millions

	Projected Commitments FY2018-19	% of Total Proposed FY2018-19 Budget
Commitments		
Carbon Neutrality Initiative (CNI)	\$ 0.9	0.1%
Global Food Initiative (GFI)	0.3	0.0%
Presidential Public Service Fellowship	0.1	0.0%
Public Law Service Fellowship	3.9	0.4%
UC Mexico Initiative	0.8	0.1%
UC National Center for Free Speech & Civic Engagement	1.0	0.1%
Undocumented Students Initiative	0.9	0.1%
Subtotal - Presidential Initiatives	7.8	0.9%
Procurement - 2 year contract position (legal, year 2 of 2)	0.4	0.0%
Corporate Financial System Replacement Project: Phase 2	3.0	0.3%
Windows 10/Office 2016/Hardware Refresh Project	0.4	0.0%
Audit Response Expenses	0.3	0.0%
I&E Concierge System Pilot	0.3	0.0%
Subtotal - Central & Administrative	4.2	0.5%
Presidential Postdoc Fellowship Program	0.3	0.0%
Subtotal - Systemwide Program	0.3	0.0%
Committed SPF Funds	12.3	1.4%
Uncommitted SPF Funds	17.7	2.0%
Total Strategic Priorities Fund	\$ 30.0	3.4%

Schedule F (1)

Cause of Change: FY2017-18 Budget to FY2018-19 Budget

Overall UCOP

\$ in millions

	Programs and Initiatives	Central and Administrative Services	Strategic Priorities Fund	Total UCOP
FY2017-18 BUDGET	\$ 406.1	\$ 436.1	\$ 48.6	\$ 890.8
Accounting & Reporting Changes:				
Agriculture & Natural Resources (Temp Budget) ¹	61.4	-	-	61.4
Office of the General Counsel (outside legal services) ²	-	41.9	-	41.9
Risk Services (Management Office) ³	-	7.8	-	7.8
UCHealth Program Funds - CHQI ⁴	6.0	-	-	6.0
California Institutes for Science & Innovation ⁵	(4.8)	-	-	(4.8)
Moore Foundation - 30 Meter Telescope ⁶	(10.0)	-	-	(10.0)
Tobacco Related Disease Research ⁷	(20.4)	-	-	(20.4)
Education Abroad Program ⁸	(39.5)	-	-	(39.5)
Patent Royalties (Innovation & Entrepreneurship) ⁹	-	(52.5)	-	(52.5)
Total Accounting & Reporting Changes	(7.3)	(2.8)	-	(10.1)
Operational Changes:				
Establish the Strategic Priority Fund (SPF) ¹⁰	-	-	30.0	30.0
Merit Expense ¹¹	-	7.5	-	7.5
Miscellaneous Federal/State Research Funds	1.4	-	-	1.4
Increased Benefit Rates ¹²	-	2.8	-	2.8
Increase to Perm Budget from Temp (OGC, OMP)	-	2.5	-	2.5
FireEye Contract (Systemwide cybersecurity contract)	-	2.1	-	2.1
Laboratory Fees Research Program (LFRP) ¹³	1.5	-	-	1.5
Strategic Investments - California Digital Library	-	1.0	-	1.0
Miscellaneous Operating Expenses	-	(0.1)	-	(0.1)
Campus Programs	(0.3)	-	-	(0.3)
Miscellaneous Systemwide Programs	(0.4)	-	-	(0.4)
External Relations Re-Organization ¹⁴	-	(1.2)	-	(1.2)
Natural Reserve System (NRS) ¹⁵	(2.4)	-	-	(2.4)
Elimination of Operations Building Fund	-	(2.7)	-	(2.7)
Multiple Research Programs and Initiatives (MRPI) ¹⁶	(2.8)	-	-	(2.8)
Vacancy & Eliminations ¹⁷	-	(6.7)	-	(6.7)
Consolidate Remaining Pres. Initiative Fund into SPF ¹⁰	-	-	(7.8)	(7.8)
Funding For Enrollment Growth (AB97) ¹⁸	-	(6.5)	(2.0)	(8.5)
Eliminate Use of One-Time / Temporary Budgets (Unrestricted) ¹⁰	-	-	(38.8)	(38.8)
Total Operational Changes	(3.1)	(1.4)	(18.6)	(23.1)
Total Cause of Change FY17-18 Budget to FY18-19 Budget (excl. UC Path)	(10.4)	(4.3)	(18.6)	(33.2)
PROPOSED FY2018-19 BUDGET (excl. UC Path)	\$ 395.7	\$ 431.9	\$ 30.0	\$ 857.6
UCPath Center	-	18.8	-	\$ 18.8
TOTAL YEAR-OVER-YEAR CHANGE	\$ (10.4)	\$ 14.6	\$ (18.6)	\$ (14.4)
PROPOSED FY2018-19 BUDGET (incl. UC Path)	\$ 395.7	\$ 450.7	\$ 30.0	\$ 876.4

Schedule F (1)

Cause of Change: FY2017-18 Budget to FY2018-19 Budget

Overall UCOP

\$ in millions

Footnotes on Schedule F (1):

- ¹ UCOP is adding the one-time, restricted contracts and grants and other external funds for the Division of Agriculture and Natural Resources (ANR). ANR has historically received these contracts and grants every year, but included them in its temporary budget, therefore UCOP did not previously include the contracts and grants in its annual operating budget. To meet best budget practices, UCOP needs to add these contracts and grants to the operating budget.
- ² UCOP is adding the fee-for-service external and internal legal services managed by the Office of the General Counsel (OGC) to adhere with best budgeting practices. Previously, these expenses were netted out of the budget because payments from campuses were recorded as an offset to expenses at UCOP.
- ³ UCOP is adding the expenses for managing the insurance programs through the Risk Services department to adhere with best budgeting practices. These expenses are funded through a fee-for-service model paid by the campuses. Previously, these expenses were showing as a net in UCOP's budget with campus payments offsetting UCOP expenses.
- ⁴ UCOP is adding the expenses for the Center for Health Quality and Innovation (CHQI) within UC Health Division to adhere with best budgeting practices. Previously, these expenses were funded by one-time, restricted funds, and were not included in UCOP's budget.
- ⁵ California Institutes for Science & Innovation are no longer included in the UCOP budget based on criteria established in Programs and Initiatives definitions. This program continues to be funded at the same level with funds going direct to campuses.
- ⁶ UCOP is eliminating the pass-through funds annually donated by the Moore Foundation for the Thirty Meter Telescope International Observatory (TIO), which UCOP previously accepted and sent to the TIO on behalf of the Moore Foundation.
- ⁷ UCOP is reducing the amount budgeted for Tobacco-Related Disease Research Program (TDRP) grants given the historical trends for grant-making, timing in processing the grants, and based on estimates provided by the Research Grants Program Office. Since these grants are provided by the state on a reimbursement basis, UCOP should only budget for the amount that it plans to dispense for these grants, which may be less than the total funds available from the state.
- ⁸ UCOP is transitioning the operations and budget for the UC Education Abroad Program (UCEAP) from UCOP to UC Santa Barbara given that UCEAP currently operates within a few miles from the campus and can more easily leverage the administrative support structure from the campus than from UCOP.
- ⁹ UCOP is removing the patent royalty payments from the budget since they are a distribution of revenues to the campuses and inventors which UCOP does not control. This change aligns with best budgeting practices, and is consistent with the treatment of other systemwide revenue distributions that flow through UCOP.
- ¹⁰ UCOP is ending the prior practice of using the President's Initiative Fund and one-time, temporary budgets during the fiscal year to account for unanticipated expenses, and is instead budgeting for unanticipated expenses as a part of the Strategic Priorities Fund.
- ¹¹ UCOP must increase its expenses for employee benefits given a systemwide requirement to increase the benefits rate to address higher costs of benefits for all UC employees. This change impacted all of the campuses as well, and required UCOP to increase expenses for all existing employees and newly budgeted positions.
- ¹² Includes \$0.9M which is a shift of operations expense from the MRPI line item.
- ¹³ As a part of the UCOP Restructuring Effort, UCOP is establishing the External Relations and Communications Division (ERC) from the previous Public Affairs Division, Government Relations Division, and other departments across UCOP. This change allowed UCOP to consolidate several positions, and reduce the salary and benefits expenses for the new Division.
- ¹⁴ UCOP is increasing the overall budget to account for proposed merit increases in FY18-19, across UCOP.
- ¹⁵ NRS budget change is related to the elimination of one-time, grant funding.
- ¹⁶ UCOP reduced the amount of funding available for multi-campus research projects by \$2M voluntarily to help address the budgetary pressures; \$0.9M in operations expenses shifted to Laboratory Fees Research Program line.
- ¹⁷ UCOP spent a significant amount of effort meeting with leadership from the 13 divisions and dozens of the individual departments within those divisions to eliminate vacant positions that were no longer necessary or required to reduce the overall salary and benefits expenses in the budget. UCOP also increased the budgeted vacancy factor to better capture salary savings in the year that they occur.
- ¹⁸ California Assembly Bill 97 (AB97) required that UC redirect \$15M in FY18-19 State General Funds towards increased undergraduate enrollment, for which UCOP identified \$8.5M in non-salary budget reductions.

Schedule F (2)

Cause of Change: FY2017-18 Budget to Forecast

Overall UCOP

\$ in millions

	Programs and Initiatives	Central Admin. Services + Strategic Priorities Fund	Total UCOP
FY2017-18 BUDGET	\$ 406.1	\$ 484.7	\$ 890.8
Timing of Programs and Initiatives			
Tobacco Related Disease Research ¹	(54.2)	-	(54.2)
Agriculture & Natural Resources ²	(8.8)	-	(8.8)
Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP) ³	(4.5)	-	(4.5)
CA Subject Matter Project ⁴	(1.9)	-	(1.9)
Mathematics Diagnostic Testing Project (MDTP) ⁵	(1.0)	-	(1.0)
UC National Laboratories ⁶	4.5	-	4.5
Other	0.4	-	0.4
Subtotal - State / Federal Programs	(65.4)	-	(65.4)
UCHealth Program Funds - CHQI ⁷	(0.5)	-	(0.5)
Moore Foundation ⁸	(10.0)	-	(10.0)
UC Press ⁹	(2.6)	-	(2.6)
Natural Reserve System ¹⁰	(2.3)	-	(2.3)
Historically Black Colleges & Universities ¹¹	0.7	-	0.7
SAPEP ¹²	1.7	-	1.7
UC Research Initiatives (MRPI) ¹³	3.4	-	3.4
Other	0.5	-	0.5
Subtotal - Systemwide Initiatives and Programs	(9.1)	-	(9.1)
Total Programs and Initiatives	(74.5)	-	(74.5)
Timing of UCOP Projects			
UCOP Financial System Replacement (G/L) ¹⁴	-	(5.0)	(5.0)
UCOP Budget System Replacement ¹⁵	-	(2.7)	(2.7)
SC500 Procurement Project ¹⁶	-	(0.5)	(0.5)
Fire Eye/Cyber Security Costs ¹⁷	-	(2.1)	(2.1)
PPS Payroll System ¹⁸	-	(2.3)	(2.3)
I&E Concierge System Pilot ¹⁹	-	(0.7)	(0.7)
Energy & Sustainability ²⁰	-	(3.7)	(3.7)
Other	-	(1.4)	(1.4)
Total Timing of UCOP Projects	-	(18.4)	(18.4)
Other Operating Expense Savings:			
Balance of uncommitted SPF ²¹	-	(6.0)	(6.0)
Salary + Benefits ²²	-	(15.7)	(15.7)
Fidelity Agreement ²³	-	(3.2)	(3.2)
Risk Services IT ²⁴	-	(1.0)	(1.0)
Liberty Mutual Cost Savings ²⁵	-	(1.2)	(1.2)
Legal Fees ²⁶	-	0.5	0.5
Other Operating Expenses	-	0.2	0.2
Total Other Operating Expense Savings	-	(26.5)	(26.5)
Total Cause of Change FY17-18 Budget to FY17-18 Forecast	(74.5)	(44.9)	(119.4)
FY2017-18 FORECAST	\$ 331.6	\$ 439.8	\$ 771.5

Schedule F (2)

Cause of Change: FY2017-18 Budget to Forecast

Overall UCOP

\$ in millions

Footnotes on Schedule F (2):

-
- ¹ UCOP forecast is lower than budget for Tobacco-Related Disease Research Program (TDRP) funds to reflect lower grant awards versus budget assumptions. Actual grants are lower based on time to ramp up in FY17-18, and funds are received on a reimbursement basis with no impact to fund balances.
- ² UCOP forecast is lower than budget for ANR which has a Federal Appropriation that spans multiple years, and will not be fully utilized in the current fiscal year.
- ³ UCOP forecast is lower than budget reflecting the actual timing of when awards will be given to the campuses which varies from the initial budget assumptions for FY17-18.
- ⁴ UCOP forecast is lower than budget as a result of funding distribution timing.
- ⁵ UCOP forecast is lower than budget for this program related to timing of the flow-through funding which goes to the campuses.
- ⁶ UCOP forecast is higher than budget to reflect higher costs associated with the bid for a new management contract, those funds come from prior years' fund balance.
- ⁷ UCOP forecast is lower than budget due to salary savings associated with vacant positions.
- ⁸ UCOP forecast is lower than budget for the Moore Foundation project which is delayed, and the funds will not be received this year as planned. In FY2018-19, these funds (\$5M) will be excluded from the UCOP budget due to Accounting & Reporting changes.
- ⁹ UCOP forecast is lower than budget based on current trend of expenses being recognized this year which is lower than the original assumptions.
- ¹⁰ NRS change shown in the forecast is related to the addition of one-time, grant funding in FY17-18.
- ¹¹ UCOP forecast is higher than budget this year for HBCU because a portion of prior years' budgeted funds were not sent out to the campuses until the current year.
- ¹² UCOP forecast for SAPEP is higher than budget to include additional, one-time funding.
- ¹³ UCOP forecast for MRPI is higher than budget to reflect timing differences in the budget.
- ¹⁴ UCOP forecast is lower than budget because the project related to replacement of financial system (G/L) has been delayed.
- ¹⁵ UCOP forecast is lower than budget because the project related to replacement of Budget Development System (BDS) was delayed to complete the current year budget and revise process prior to investing in new systems.
- ¹⁶ UCOP forecast is lower than budget due to timing; savings generated from project timing will be spent in FY18-19.
- ¹⁷ UCOP forecast is lower than budget due to contract expense initially set up to be covered by 1-time funding in FY17-18, to be covered with current year savings. This expense is now budgeted in the permanent, UCOP operating budget.
- ¹⁸ UCOP forecast is lower than budget because UCOP is able to absorb the cost of the phase out of the legacy payroll system in the operating budget, given the implementation of UC Path this year.
- ¹⁹ UCOP forecast is lower than budget because the funding, initially targeted for FY17-18, was delayed pending completion of an I&E business plan expected to be completed in Q4.
- ²⁰ UCOP forecast is low to budget due to the timing of the Bio-gas facility project; the project incurred delays and is not expected to generate bio-gas in this fiscal year.
- ²¹ Balance of uncommitted Strategic Priority Funds.
- ²² UCOP forecast is lower than budget due to salary savings from higher vacancy rates than projected.
- ²³ UCOP forecast is lower than budget due to the Fidelity contract savings, related to termination of services to be covered separately.
- ²⁴ UCOP forecast is lower than budget resulting from a change in the MOU terms between Risk Services and ITS from 1 year expenses to spreading over 3 years.
- ²⁵ UCOP forecast is lower than budget due to Liberty Mutual costs savings stemming from a decrease in actual claims volume.
- ²⁶ UCOP forecast is higher than budget given current expense trends partially impacted by work related to CSA recommendations.

Schedule G

FY2017-18 Regents and Temp Budget

Overall UCOP

\$ in millions

	FY2017-18 Budget (Regents)	FY2017-18 Budget (Temp)	FY2017-18 Budget
SOURCES			
Unrestricted Sources			
Undesignated			
State General Funds			
Investment Income			
Other Unrestricted Sources			
Undesignated Fund Balance			
Designated			
Regents-Designated			
Program-Designated			
Subtotal - Unrestricted Sources			
Restricted Sources			
Gifts and endowments			
Contracts and grants			
Federal and special state appropriations			
Subtotal - Restricted Sources			
TOTAL SOURCES	\$ 797.5	\$ 93.3	\$ 890.8
USES			
Programs and Initiatives			
Campus Programs	\$ 1.3	\$ -	\$ 1.3
State/Federal Programs	213.7	13.4	227.1
Systemwide Initiatives	-	1.5	1.5
Systemwide Programs	159.9	16.5	176.3
Total - Programs and Initiatives	374.8	31.3	406.1
Central and Administrative Services			
Academic Affairs	52.1	4.6	56.7
Ethics & Compliance	6.7	0.1	6.8
External Relations & Communications	19.6	1.6	21.2
Finance	40.8	2.1	43.0
General Counsel	12.5	2.7	15.1
Health Sciences	4.2	8.5	12.7
Innovation & Entrepreneurship	61.9	0.0	62.0
Investments	35.3	-	35.3
Operations	118.6	3.7	122.4
President's Executive Office	3.5	-	3.5
Secretary of the Regents	3.1	-	3.1
Systemwide Academic Senate	2.1	-	2.1
Subtotal - Central and Administrative Services (excl UCPath Center Operations)	360.5	23.2	383.7
Strategic Priorities Fund	9.8	38.8	48.6
SUBTOTAL USES	\$ 745.1	\$ 93.3	\$ 838.5
UCPath Center Operations	52.4	-	52.4
TOTAL USES	\$ 797.5	\$ 93.3	\$ 890.8
NET MARGIN SURPLUS (DEFICIT)	\$ -	\$ -	\$ -

Attachment 2
Links to UCOP Budget Items and Supporting Documentation Related to the CA State Audit

Subject Area	Links to Documents
UCOP Budget	<ol style="list-style-type: none"> 1. UCOP Budget Manual 2. November 2017 Regents Item: Report of Budget to Actual Expenditures for Fiscal Year 2016-17 for the Office of the President 3. January 2018 Regents Item: University of California Office of the President Fiscal Year 2018-19 Budget Process 4. March 2018 Regents Item: University of California Office of the President Fiscal Year 2018-19 Budget Process and Budget Presentation Prototype 5. March 2018 Regents Item: Report of Budget to Actual Expenditures for First and Second Quarters Fiscal Year 2017-18 for the Office of the President
Fund Restrictions	<ol style="list-style-type: none"> 6. March 2018 Regents Item: University of California Office of the President Fund Restrictions
Programs and Initiatives	<ol style="list-style-type: none"> 7. March 2018 Regents Item: Budget Categories and Definitions: Systemwide Programs and Presidential Initiatives
UCOP Reserve Policy	<ol style="list-style-type: none"> 6. January 2018 Regents Item: Adoption of Regents Policy on a Central Operating Reserve for the University of California Office of the President and Discussion of Guidelines Governing the Central Operating Reserve 7. Regents Policy 5401: Policy on a Central Operating Reserve for the University of California Office of the President 8. Presidential Guidelines Governing the UCOP Central Operating Reserve 9. Presidential Guidelines Governing the UCOP Strategic Priorities Fund
Employee Expense Reimbursement	<ol style="list-style-type: none"> 10. March 2018 Regents Item: Amendment and Rescission of Certain Regents' and Other Policies Pertaining to Senior Management Group Compensation 11. October 23, 2017 memo announcing reissuance of UCOP procedures for PPSM-30 12. PPSM-30 UCOP Revised Local Procedures 13. UCOP Local Guidelines for the Staff Appreciation and Recognition (STAR) Plan 14. UCOP Guidelines on Fund Restrictions 15. April 19, 2018 Letter Announcing Change to Daily Maximum on Business Meals Involving Only UCOP Employees 16. New Daily Maximum Limit of Business Meals for UCOP-only Meetings FAQs

Attachment 3

Presidential Initiatives Detail FY17-18 and FY18-19

The following provides an overview of funding for Presidential Initiative, the redirection of \$2M for enrollment growth and description of each initiative.

Presidential Initiative	FY17-18 Funding	FY18-19 Funding	Increase/ (Decrease)
Carbon Neutrality Initiative (CNI)	\$ 1,500,000	\$ 900,000	\$ (600,000)
Cuba Faculty Matching Funds	20,000	0	(20,000)
Global Food Initiative (GFI)	1,250,000	250,000	(1,000,000)
Presidential Public Service Fellowship	82,500	82,000	(500)
Public Service Law Fellowships	4,500,000	3,920,000	(580,000)
Smoke and Tobacco-Free Fellowships	173,850	0	(173,850)
UC-Mexico Initiative	980,000	770,000	(210,000)
UC National Center for Free Speech and Civic Engagement	435,000	1,000,000	565,000
Undocumented Students Initiative	900,000	900,000	0
Total	\$ 9,841,350	\$ 7,822,000	\$ (2,019,350)

Carbon Neutrality Initiative (CNI): Launched in FY13-14, CNI has received \$5,102,480 to date and is anticipated to run through 2025. CNI commits UC to a net zero emission of 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. 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.

Global Food Initiative (GFI): Launched in FY14-15, GFI has received \$13,117,571 to date, with extensions determined on an annual basis. GFI addresses 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. A community garden project also enables this initiative to provide instruction to elementary school students about ecology and nutrition. 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. FY18-19 funding decreased as sustainability planning is underway for Food Security and Healthy Campus Network programs.

Presidential Public Service Fellowship: Launched in FY15-16, this initiative is anticipated to run through FY18-19, making this the final year of funding. This need-based fellowship aims to catalyze 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.

Public Service Law Fellowships: Launched in FY16-17, this initiative is anticipated to run through FY19-20. This funding supports 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 UC National Public Service Law Conference was held in fall 2017 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 furthers the **instruction** and **public service** components of UC's mission.

UC-Mexico Initiative: Launched in FY13-14, this initiative's funding is determined on an annual basis. UC-Mexico aims 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. FY18-19 funding decreased due to change in programs and expiration of matching commitments of earlier years. In addition, the Initiative is working on re-envisioning planning for systemwide Mexico-related programs including UC-Mexico, UC Mexus and Casa de California with a proposal anticipated in December 2018.

UC National Center for Free Speech and Civic Engagement: Launched in FY17-18, this initiative is anticipated to run through 2020 with a budget of \$1M per year. The Center explores 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** piece of the University's mission. 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. FY18-19 funding is set at \$1M per 12-month year, which exceeds FY17-18 due to that being a shortened year of operations.

Undocumented Students Initiative: Launched in FY16-17, this initiative is anticipated to run through FY18-19, making this the final year of funding. The purpose of this funding is to strengthen programs and services aimed at improving access and success for undocumented students at the University. This funding specifically supports the UC Immigrant Legal Services Center. Additional funds are provided to campuses to deliver student loans and to support student services and financial aid for undocumented students. 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.

**Attachment 4
Summary of AB97 Reductions**

I. Reduce UCOP Budget on Administrative Expenditures

OP Operations Budget	December Report	May Budget
Operations Contingency	\$ 1,500	\$ 2,827
Professional Services	\$ 2,074	\$ 572
Merit Savings	\$ 500	\$ 500
Travel & Meetings (T&M)	\$ 400	\$ 507
Administrative Funds (Chancellors)	\$ 442	\$ 442
Administrative Funds (UCOP)	\$ 90	\$ 90
Chancellor's House Maintenance	\$ 510	\$ 510
Savings from Star Award Policy Change	\$ 250	\$ 300
Outreach/Memberships	\$ 234	\$ 200
Computer/Office Equipmetn/Other Misc		\$ 66
Total UCOP Opex Savings	\$ 6,000	\$ 6,014

II. Presidential Initiatives Fund	\$ 2,000	\$ 2,000
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III. Programmatic Reductions

Program	December Report	May Budget
Graduate Fellows Program (GFP)	\$ 54	\$ 54
Health Initiatives of the Americas (HIA)	\$ 310	\$ 310
Social Security / Double Taxation (Wilkie)	\$ 187	\$ 187
Total	\$ 551	\$ 551

TOTAL UCOP AB 97 BUDGET REDUCTION	\$ 8,551	\$ 8,565
California Program on Access to Care (CPAC)*	\$ 935	\$ 935

To reduce the UCOP FY18-19 operations budget, UCOP used a zero-based budgeting approach and analyzed prior year trends to set targets. Due to contractual obligations, UCOP was unable to meet the Professional Services goal, and instead eliminated the operations contingency funds.

*The AB 97 savings of \$8.5M is net of the reduction to the California Program on Access to Care (CPAC) program. The CPAC reduction does not directly reduce the UCOP budget as funding was deducted by the State last year when the FY17-18 campus assessment was replaced by the State General Funds appropriation.

Attachment 5
Accounting and Reporting Changes to FY18-19 Budget

As part of the budget development process for FY18-19, UCOP created new budget schedules to provide the Regents and other stakeholders with a clear, robust, and forward-looking perspective on UCOP's operating budget. These new schedules replace, in part, the appendices that accompanied previous budget proposals, in several important ways:

- UCOP's total expenditures are **consolidated** in Schedule A and delineated in greater detail in additional schedules. Previously, *Systemwide Academic and Public Service Programs* were presented separately from *Central and Administrative Services* with differing levels of detail. A single, consolidated schedule illustrating the whole operating budget provides greater clarity.
- **Sources**, which were previously divided broadly into unrestricted and restricted funds, are more clearly delineated by undesignated, designated, and restricted funds. Each of these categories is in turn more clearly divided into sub-categories for greater transparency as well.
- **Uses**, which were previously categorized by function, have been more explicitly delineated by *Programs and Initiatives* (which have new sub-categories), *Central and Administrative Services* (which are organized by Division), with special carve-outs for the *UCPath Center* as well as the *Strategic Priorities Fund*.
- **Special Classifications**, like fee-for-service and pass-through expenses, have also been explicitly defined and quantified for stakeholder insight.

Sources

Sources illustrate where the funds are coming from to cover UCOP's expenses in the next fiscal year, organized primarily around fund group. Major changes to the presentation of sources for FY18-19 are:

- **Recognition of Designated and Undesignated Sources:** A key change in the budget presentation is the distinction between "unrestricted designated" and "unrestricted undesignated" sources of funds. Designated sources are those for which UCOP or the Regents have established constraints on how the funds may be spent, while undesignated sources do not carry these constraints. These definitions provide greater visibility into the flexibility of UCOP's funds than in the past, when UCOP only distinguished between unrestricted and restricted sources.
- **Explicit Recognition of Investment Income:** Investment Income is explicitly recognized as a type of unrestricted undesignated income. In the past, this was included within "Other Unrestricted" funding. This change will provide greater visibility into the impact of investment income.
- **Restructuring of Restricted Sources:** Restricted Sources are now delineated into three categories: gifts and endowments, contracts and grants, and federal and special state appropriations. These distinctions illustrate the source of the restricted funds.

Uses

Uses illustrate how UCOP's funding will be spent across the organization, organized primarily by the types of programs and administrative services provided. To provide greater insight into UCOP's expenses, the following changes to the Schedules have been put in place:

- **Clarified Programs and Initiatives:** *Programs and Initiatives* have been separately defined, apart from *Central and Administrative Services*, to provide insight into the programmatic and administrative footprints of UCOP. *Programs and Initiatives* directly serve UC's mission and are

funded and/or operated by UCOP on behalf of various stakeholders. They are organized into five categories that were presented to the Regents during the March 2018 meeting. UCOP categorized all programs and initiatives in the past few months according to these new definitions and ensured the expenses are classified appropriately for the new Schedules.

- **Division-Level Insight into Administrative Expenses:** *Central and Administrative Services* are delineated by Division, providing visibility into changes to administrative expenses within each Division over time. Schedule D further provides sub-division-level budgets for the largest divisions.
- **Separation of UCPath Operations:** The *UCPath Center* is included separately from *Central and Administrative Services* to highlight the fact that the Center has been on a growth trajectory from 0 to 400 employees as the replacement payroll and HR system is rolled out the campuses. Because the Center is a significant addition to UCOP, its growth tends to mask other activities when it is combined with the Central and Administrative Services budget. It has until this year been funded as a fee-for-service activity.
- **Creation of Strategic Priorities Fund:** The *Strategic Priorities Fund*, a \$30M central account within the Office of the President, has been created to support one-time and limited-term strategic priorities and projects and urgent, emerging issues, including Presidential Initiatives (which were separately delineated in prior years' schedules). This has been recognized as a separate use of funds, distinct from both *Central and Administrative Services* and *Programs and Initiatives* given that the funds can be spent on any activity approved by the President. The Fund includes the presidential initiatives, one of the five *Programs and Initiatives* categories identified above.

Other Changes

Several other revisions to the budget presentation have also been made to provide for greater transparency in FY18-19 and beyond. In Schedule A, these changes include:

- **Delineation of Special Expense Categories:** The Schedules explicitly highlight a separate section, "Included in Sources and Uses," to show the effect of *Fee-for-Service* and *Pass-Through* expenses on UCOP's budget. *Fee-for-Service* refers to activities performed or purchases made on behalf of the University, for which UCOP assesses a special fee or tax to recover costs from the campuses or other entities. *Pass-throughs* primarily entail funds flowing from UCOP to the campuses or other entities that are spent by those campuses and entities.
- **Changes in Fund Balances:** The Schedules now also clearly illustrate forecasted changes in fund balances. These line items will illustrate the impact of UCOP operating surpluses and deficits on fund balances, as well as plans for spending down, reallocating to campuses, or augmenting these funds over time.
- **Changes in Fund Balances:** The Schedules now also clearly illustrate the changes in fund balances. These line items will help the Regents and other stakeholders to better understand the impact of operating surpluses and deficits on University reserves, as well as plans for spending down on or augmenting these funds over time.
- **Reordering of Columns:** The columns in the Schedules have been reordered to provide for more straightforward chronological analysis, and show the progression from the current year's forecast/budget to the proposed budget for next year, as well as relevant variances between the proposed budget and the forecast/budget for the current fiscal year

Table 1: Sources and Uses: summarizes the changes to the Sources and Uses from FY17-18 to FY18-19.

Category	Prior Schedule Format	Current Schedule Format	Description of Changes
Sources	<p>Unrestricted</p> <ul style="list-style-type: none"> • General Campus Assessment • Other Unrestricted Sources <p>Restricted</p> <ul style="list-style-type: none"> • State Funds • External Revenues • Federal Funds • Other Sources 	<p>Unrestricted</p> <p>Undesignated</p> <ul style="list-style-type: none"> • State General Funds • Investment Income • Other Unrestricted Sources <p>Designated</p> <ul style="list-style-type: none"> • Regents Designated • Program-Designated <p>Restricted</p> <ul style="list-style-type: none"> • Gifts and endowments • Contracts and grants • Federal and special state app 	<p>UCOP developed new definitions and categories of fund sources in FY2017-18 and reviewed all sources to ensure they were appropriately aligned with the new definitions. This resulted in the creation of several new categories (e.g., Designated, Undesignated) and transitioned several fund sources across categories (e.g., some funds moved from restricted to designated). The amounts for the fund source categories will be different between the FY2017-18 and the FY18-19 schedules given these definitions and reclassifications.</p>
Uses (Programs and Initiatives)	<p>Systemwide Academic and Public Service Programs</p> <ul style="list-style-type: none"> • Research • ANR • Instruction • Academic Support • Public Service • Presidential Initiatives • National Laboratories 	<p>Programs and Initiatives</p> <ul style="list-style-type: none"> • State/Federal Programs • Campus Programs • Systemwide Programs • Systemwide Initiatives 	<p>UCOP developed new definitions and categories of fund uses in FY2017-18, specifically focusing on how to label and frame the Programs and Initiatives (formerly Systemwide Academic and Public Service Programs). UCOP reviewed all expenses to determine which met the criteria for Programs and Initiatives and to ensure they were appropriately aligned with the categories.</p>
Uses (Central and Administrative Services)	<p>Central and Administrative Services</p> <ul style="list-style-type: none"> • Central & Administrative Services • Regents Officers 	<p>Central and Administrative Services</p> <ul style="list-style-type: none"> • Academic Affairs • Ethics & Compliance • Finance • General Counsel • Government Relations • Health Sciences • Innovation & Entrepreneurship • Investments • Operations • President’s Executive Office • Public Affairs • Secretary of the Regents • Systemwide Academic Senate 	<p>UCOP developed new definitions and categories of fund uses in FY2017-18, specifically focusing on how to label and frame the Central and Administrative Services. UCOP decided to break out these services by Division within UCOP, to provide more granular detail into how the budgeted expenses would be used.</p>

Category	Prior Schedule Format	Current Schedule Format	Description of Changes
Uses (Strategic Priorities Fund)	<i>No previous categorization</i>	Strategic Priorities Fund	UCOP developed a separate uses category for the Strategic Priorities Fund to contain one-time or limited term funding commitments to activities across the UC system that are funded by UCOP.
Uses (UCPath)	UCPath Expenditures	UCPath Center Operations	UCOP will continue highlighting the expenditures for the UCPath Center in its operating budget by separating it from the other uses categories.
Comparative Analysis	<ul style="list-style-type: none"> • Proposed Budget • CY Forecast • CY Budget • CY Budget to CY Forecast • Proposed Budget to CY Forecast • % More (Less) Budget vs Forecast • % More (Less) to CY Budget 	<ul style="list-style-type: none"> • CY Budget • CY Forecast • Proposed Budget • CY Forecast Inc/Dec to CY Budget • Proposed Budget Inc/Dec to CY Forecast in dollars • Proposed Budget Inc/Dec to CY Forecast in percentages 	UCOP has reordered and slightly restructured the comparative analyses used to illustrate changes to its operating budget based on best practices and requests from stakeholders.