

## Office of the President

### TO MEMBERS OF THE FINANCE AND CAPITAL STRATEGIES COMMITTEE:

#### ACTION ITEM

*For Meeting of May 12, 2021*

### FISCAL YEAR 2021-22 BUDGET FOR THE UNIVERSITY OF CALIFORNIA OFFICE OF THE PRESIDENT

#### EXECUTIVE SUMMARY

The University of California Office of the President (UCOP) is submitting a budget proposal for Fiscal Year 2021-22 (FY21-22) during a time that the State of California and the UC system are undergoing economic recovery from the COVID-19 pandemic. The proposed budget remains conservative in prioritizing and budgeting revenues and expenditures, but also reflects renewed optimism as the State has signaled it will restore \$43.2 million in three direct State appropriations. Because this proposed budget is developed based on FY19-20 State funding levels, the FY19-20 Pre-COVID-19 budget is also used in this item as a comparator.

The FY21-22 budget aims to satisfy several key objectives, including:

- Balance the budget by fund source type
- Implement savings targets on unrestricted funds to enable investments in new priorities
- Enhance valued services where aligned with the campuses
- Maximize output (revenues and expenditures) for restricted budgets including research programs which are passed through to campuses and other California researchers; and
- Restore some flexibility by increasing the Strategic Priorities Fund back to the \$30 million recommended level

The proposed budget for FY21-22 is \$960.6 million, an \$18.9 million (two percent) increase over FY19-20 and a \$98.6 million (11.4 percent) increase over FY20-21. Notably, the unrestricted budget in FY21-22 remains 5.1 percent lower than in FY19-20.

Compared to the FY20-21 budget, the year-over-year change is attributed to three main factors:

- Restoration of both designated and unrestricted State direction appropriations (\$43.2 million, or 44 percent of the \$98.6 million budget increase), supporting costs in UCOP, Agriculture and Natural Resources, and UCPath
- Net growth in Programs and Initiatives led by restricted State research grant funds in the State legislated Tobacco-related Disease Research Program (TRDRP) (\$34.9 million, or 35 percent of the \$98.6 million increase)

## COMMITTEE

May 12, 2021

- Increased activities on designated funds in Systemwide and Core Services including UC Health Collaborative, UC Legal, and UC Investments (\$18.8 million, or 19 percent of the \$98.6 million budget increase)

Of the total budget, \$652.1 million or 68 percent of the funds either pass through UCOP to recipients across the State or support Fee-for-Service activities aligned with the University's mission.

As per past budget items, details for UCOP's reserves and fund balances are included in the financial schedules accompanying this document.

### RECOMMENDATION

The President of the University recommends that the Finance and Capital Strategies Committee recommend that the Regents approve the Fiscal Year 2021-22 Budget for the University of California, Office of the President, as provided in Attachment 1.

### BACKGROUND

The economy and the UC system continue to recover from the COVID-19 pandemic, and many FY20-21 savings initiatives are continued into FY21-22, including targeted cuts on unrestricted funding, the hiring freeze, continued travel cuts, and a review of trade-off priorities for funding critical items.

Given the State's preliminary budget proposal in January, UCOP's FY21-22 budget assumes a full restoration of the \$43.2 million (12.7 percent) COVID-19-related State funding cuts made in FY20-21, bringing UCOP State direct appropriations back to FY19-20 levels in three separate direct appropriations: UCOP (\$215.2 million), Agriculture and Natural Resources (\$72.6 million), and UCPath (\$52.4 million) for a total of \$340.2 million. Confirmation of this assumption is not anticipated until mid-May with the release of the State of California FY21-22 budget, which occurs subsequent to the development of the UCOP budget.

While the proposed State funds restoration helps to shore up funding for key activities, unrestricted funding, which makes up 28 percent of UCOP's budget, remains a significant challenge since it has remained flat for five years (since FY17-18), including the State funding restoration.

The FY21-22 budget was again developed with extensive collaboration from the UC Executive Budget Committee (EBC); EBC recommendations were considered and adopted by the President.

[Attachment 1: Fiscal Year 2021-22 Budget for UC Office of the President](#)