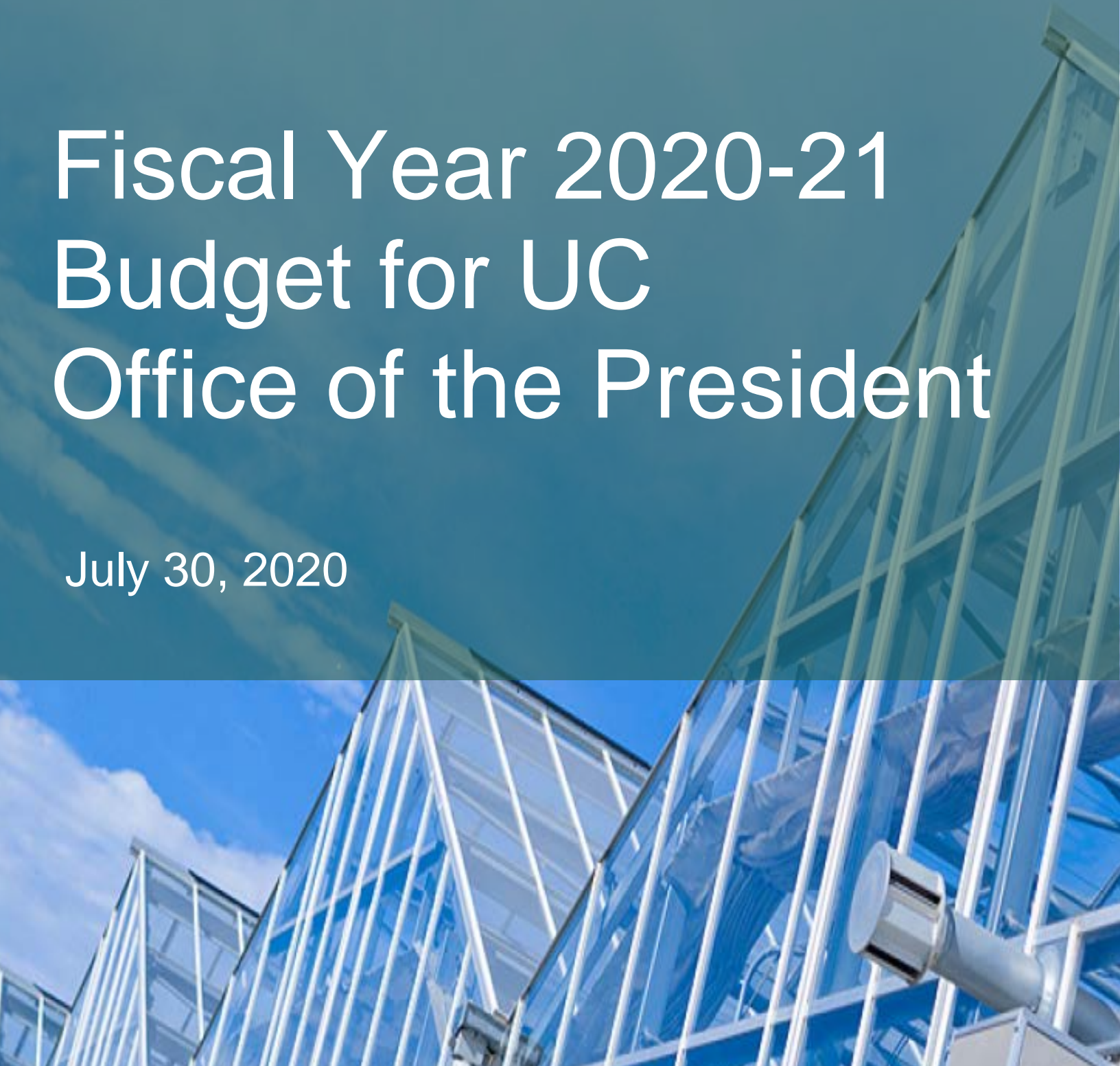


UNIVERSITY
OF
CALIFORNIA

Fiscal Year 2020-21 Budget for UC Office of the President

July 30, 2020



TO THE REGENTS OF THE UNIVERSITY OF CALIFORNIA:

FISCAL YEAR 2020-21 BUDGET FOR THE UNIVERSITY OF CALIFORNIA OFFICE OF THE PRESIDENT (UCOP)

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FY20-21 SITUATION ASSESSMENT

The FY20-21 University of California Office of the President (UCOP) budget reflects an annual operating plan developed during an extended period of economic uncertainty. The COVID-19 pandemic was not well understood when planning for the FY20-21 budget kicked off, and the full impact still remains unknown.

The budget presented in this item reflects contributions from the Executive Budget Committee (EBC) which is comprised of senior academic and financial leaders from all the campuses as well as leadership from the Academic Senate and UCOP. The EBC collaborates with UCOP leadership to deploy resources in ways that best serve the mission and the campuses. Throughout the UC system, UCOP and campuses are concerned about revenue, operational disruption, and impacts to teaching, research and public service.

UCOP has prepared a fiscally conservative, balanced FY 20-21 budget based on the anticipated 12.7% reduction in State direct appropriation communicated in the June State of California budget. Overall, UCOP's proposed budget is reduced by 8.5% compared to FY19-20, while continuing critical support for valued programs and services, absorbing unavoidable annual cost increases, and advancing important projects that show return on investment, or long-term savings to the system.

EXECUTIVE SUMMARY

UCOP started the FY20-21 budget cycle in December 2019 at a time of economic growth and stability. Through March 2020, the budget process proceeded normally with UCOP divisions identifying priorities for the coming fiscal year, but with the assumption that the State's direct appropriation would continue to be held flat for the fourth consecutive year with no campus assessment to augment unrestricted funding permitted. Having redirected \$166.3M in unrestricted funds from UCOP to the campuses over the past three years, this budget planning cycle began with the goal of closing the unrestricted funding gap created by the transition from an assessment to direct appropriations.

On March 19, 2020 Governor Newsom issued a shelter-in-place order, and an unprecedented level of uncertainty was introduced for the University, California, and the nation. The COVID-19 pandemic has and will continue to have profound consequences, and conservative, disciplined financial planning is required now more than ever. UCOP originally prepared a budget for the May meeting that would close the unrestricted funding gap and reduce the UCOP budget overall by 5%. Just prior to the meeting, the Governor's May revised budget was published with a 10% reduction to UCOP's appropriation. The UCOP budget was appropriately withdrawn and replaced with a continuing resolution.

The June State budget agreement states that, in the absence of federal funding, the UCOP appropriation will be reduced from FY19-20 by \$43.2M to \$297.0M, or 12.7%. To achieve this goal in the short time available, UCOP substantially slowed the rate of expenditures through a hiring freeze, travel restrictions, limited funding for the President to respond to emergent priorities, contract renegotiations and delayed investments. Many of these reductions are not repeatable or sustainable in future years, and some are not without consequence to the campuses. In response to the University's rapidly-changing circumstances, the proposed July budget, reduced 8.5% in total from FY19-20, satisfies three objectives:

- **Reduce the budget** by 8.5% in total, including a 12.7% reduction from State appropriations
- **Balance the budget** by fund type and align to available financial resources
- **Mitigate the financial impact to campuses** from budget changes in FY20-21

The FY20-21 UCOP Budget

UCOP organizes its budget according to three different categories defined below.

Sources of Funds	Uses of Funds	Special Expense Classifications
<ul style="list-style-type: none"> Unrestricted Designated Restricted 	<ul style="list-style-type: none"> Programs and Initiatives Central and Administrative Services UCPath Strategic Priorities Funds <ul style="list-style-type: none"> Unrestricted Designated/Restricted 	<ul style="list-style-type: none"> Pass-through Fee-for-Service

In addition to the Sources and Uses of Funds, UCOP shows **pass-through** dollars which flow through the UCOP budget to campuses, researchers, and the public for systemwide programs. The largest programs are Agriculture and Natural Resources, and the statewide Tobacco-Related Disease Research Program, managed by Academic Affairs. Systemwide **fee-for-service** activities are provided by UCOP to campuses on a fee basis. The largest fee-for-service activities include UCPath, legal services, and management of investment assets and employee/retiree benefits. The three budget categories are displayed in Figure 1.

Figure 1: FY20-21 Budget Summary by Category

\$ millions

Sources of Funds	FY20-21 Budget	% of Total
Unrestricted	\$ 238.6	27.5%
Designated	\$ 421.5	48.5%
Restricted	\$ 208.5	24.0%
Total Sources	\$ 868.6	100.0%
Uses of Funds		
Programs and Initiatives	\$ 357.1	41.4%
Central/Admin Services	\$ 381.3	44.2%
UCPath	\$ 90.1	10.5%
Strategic Priorities Fund, Unrestricted	\$ 20.0	2.3%
Strategic Priorities Fund, Desig. & Restricted	\$ 13.5	1.6%
Total Uses	\$ 862.0	100.0%
Special Expense Classification		
Pass-Throughs	\$ 310.9	36.1%
Fee-For-Service	\$ 281.0	32.6%
Total Special Expense Classification	\$ 591.9	68.7%
Budget Net of Expense Classification	\$ 270.1	31.3%

73% of the sources of funds are designated for specific programs and services or restricted for use by a third party.

41% of the uses of funds are dedicated to ~30 programs managed by UCOP on behalf of the State, Federal Government, Regents and the UC system.

31% is the remaining UCOP budget net of dollars passed through UCOP to recipients across the State and fee-for-service activities.

Key Budget Drivers

The proposed FY20-21 budget reflects a total reduction of \$79.7M or 8.5% from FY19-20. Reductions come primarily from cuts to unrestricted expenditures and reduced revenues from restricted revenue programs. Designated funds show a slight reduction with lower expenditures for UCPath and other fee-for-service and administrative programs.

UCOP implemented significant cost reduction measures in light of the current environment. The budget includes \$114M in reductions offsetting \$34M in strategic investments for a net reduction of \$80M. UCOP has:

- Directed divisions to identify 9% in operating expense reductions on unrestricted funds
- Eliminated the annual merit program for non-represented staff
- Implemented a hiring freeze for the full fiscal year
- Eliminated travel budgets through December 2020
- Reduced the unrestricted Strategic Priorities Fund by 33%, from \$30M to \$20M
- Adjusted revenue projections for tobacco-related diseases research
- Retained revenues from UC applications to support the ApplyUC system; and
- Redirected CENIC (a systemwide high-capacity computing internet service) and UCOP's contribution to systemwide library content purchases to campus fee-based services. To mitigate the FY20-21 campus impact of these and ApplyUC, UCOP will take a one-time distribution from the President's Endowment Fund of \$19.6M.

Each year, UCOP typically faces inflationary cost increases, including compensation and benefit changes, escalations to service contracts such as audit fees, technology licenses, and other costs primarily associated with the critical administrative services UCOP manages. For FY20-21, UCOP included only critical and essential budgeted increase including:

- Business development opportunities for the national labs, approved by the Regents committee
- Prior commitments to faculty diversity, California Digital Library (CDL) and research programs
- Required improvements to the retirement benefits administration system
- Required UCPath efforts to update general ledger integrations and transition to a new hosting service which will generate future savings
- Required transition to Oracle finance and budget systems and contractual increases to multiple systemwide technology licenses
- Support for Title IX administration
- Risk mitigation areas that prevent potential exposures

The initial review of the UCOP-wide and divisional augmentation needs, many of which came from divisional strategic plan goals, resulted in several requests being denied or reduced. To achieve the final proposed budget, most proposed augmentations were denied, for example:

- Expanded academic programs, library collections, and academic personnel management
- Increased funding for outside legal fees on campus matters per trend analysis; and several in-house positions to offset outside counsel expenses
- Delayed support for new UC Health collaborative initiatives to preserve medical center funding
- Enhanced global investments compliance and development of a real estate management practice
- Expanded systemwide sourcing capabilities and funding for campus building assessments
- Additional systems vulnerability testing
- An annual review of SMG market reference zones
- Building and marketing the UC brand

These items reflected both service delivery opportunities and enhanced risk mitigation strategies. While the President, Executive Budget Committee, and division leaders acknowledge the potential of many of these investments to maintain effectiveness and/or serve the mission, the final budget eliminated them.

Budget Risks

The proposed UCOP budget carries greater risk than in a typical year. Systemwide decisions and other impacts related to COVID-19 may yet further impact the UCOP budget. The hiring freeze will place additional workload on the existing workforce which, exacerbated by the eliminated merit program, could increase workforce disruption and year-end retirements. Some FY20-21 projects will be deferred, and service levels may need to be adjusted. Eliminating travel for the first half of the year could become an issue if COVID-19 restrictions subside sooner than anticipated. Perhaps most significant, the unrestricted Strategic Priorities Fund, reduced to \$20M, will have little funding to respond to COVID-19 or other urgent/emergent issues that arise during the year, or priorities the incoming president may set.

FY19-20 to FY20-21 Budget Summary

Figure 2 summarizes and compares the proposed FY20-21 budget with the current budget, including fund balances and reserves. This format is adapted from a California State Auditor recommendation.

Figure 2: FY19-20 to FY20-21 Budget Summary¹

UCOP Proposed Budget Summary (Adapted from CSA Figure 11¹)

Overall UCOP

\$ in millions

			Variance: Incl/(Dec)	Variance: Increase/(Decrease)		
	FY19-20 Budget	FY19-20 Forecast	FY19-20 Forecast vs FY19-20 Budget	FY20-21 Budget	FY19-20 Forecast vs FY20-21 Budget	FY19-20 Budget vs FY2021 Budget
UCOP USES²						
Programs and Initiatives ³	\$ 408.2	\$ 406.5	(\$1.7)	\$ 357.1	(\$49.4)	(\$51.1)
Central and Administrative Services (excl UCPath) ⁴	409.8	408.9	(0.9)	381.3	(27.6)	(28.5)
Strategic Priorities Fund ⁵ Unrestricted	30.0	27.3	(2.7)	20.0	(7.3)	(10.0)
Strategic Priorities Fund ⁶ Desig. & Restricted	-	-	-	13.5	13.5	13.5
SUBTOTAL USES	\$ 848.0	\$ 842.8	(\$5.3)	\$ 771.9	(\$70.8)	(\$76.1)
UCPath	93.7	91.8	(1.9)	90.1	(1.7)	(3.6)
TOTAL USES	\$ 941.7	\$ 934.6	(\$7.2)	\$ 862.0	(\$72.5)	(\$79.7)
			% Spent: 99.2%		% Change:	-8.5%
					% Change Unrestricted:	-16.6%
INCLUDED IN USES ABOVE						
Fee-For-Service ⁶	\$ 276.9	\$ 274.7	(\$2.2)	\$ 281.0	\$ 6.3	\$ 4.1
Pass-Throughs ⁷	364.5	372.7	8.2	310.9	(61.8)	(53.6)
Total Fee-For-Service and Pass-Throughs	\$ 641.4	\$ 647.4	\$ 6.0	\$ 591.9	\$ (55.5)	\$ (49.5)
CENTRAL OPERATING RESERVE^{8,9}		\$ 15.0				
NON-OPERATING AND PROGRAM RESERVES⁸		\$ 97.9				
		6/30/20 Balance	Commitments	Remaining Balance		
FORECASTED FUND BALANCES NET OF RESERVES¹⁰						
Undesignated - UCOP		\$ 2.6	\$ 1.5	\$ 1.1		
Undesignated - Systemwide		5.4	5.4	-		
Designated ¹¹		92.6	22.4	70.2		
Restricted ¹¹		3.6	-	3.6		
Total Forecasted Fund Balances Net of Reserves		\$ 104.1	\$ 29.3	\$ 74.8		

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

² Additional details in Schedule A and Schedule B.

³ Additional details in Schedule C.

⁴ Additional details in Schedule D⁷ Additional details on pg 11.

⁵ Additional details in Schedule F¹¹ Additional details in Schedule G.

⁶ Additional details on pg 12.

⁹ Held in President's Endowment Fund.

¹⁰ Additional details in Schedule H.

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

FY20-21 Budget: Key Takeaways

Budget Summary

1. The UCOP proposed **\$862M** budget is an **\$80M (8.5%) reduction** compared to FY19-20.
2. Net of pass-through and fee-for-service activities, the budget is **\$270M (10%)** lower than FY19-20.
3. UCOP **took aggressive measures to lower costs** across programs and initiatives, central and administrative services, UCPATH operations, and the Strategic Priorities Fund.
4. Significant cuts do not come without **notable risks** including limited funding for COVID-19 related costs or other urgent needs related to the many academic and administrative programs UCOP manages.
5. To **mitigate the campus impact** for CENIC, ApplyUC and systemwide library purchases in FY20-21, UCOP will take a one-time, \$19.6M distribution from the President's Endowment Fund for the campuses.
6. UCOP and the EBC will continue to monitor the UCOP budget throughout FY20-21, including managing the impact of systemwide and other COVID-19-related decisions.

Programs and Initiatives (P&I) (Schedule C)

7. The FY20-21 budget for Programs and Initiatives is **\$357M (41%)** of the UCOP total budget.
8. State and federal programs make up **\$256M** of the P&I budget; Agriculture and Natural Resources (ANR) and the Tobacco-related Disease Research Program (TRDRP) comprise **\$220M** of that total.
9. Expense projections are **\$51M (12%)** lower due to less revenues for TRDRP, UC National Laboratories research funds, and a refinanced loan for the UC Observatories.
10. **Pass-through** funding makes up **\$311M (36%)** of the total budget; these funds are distributed to campuses, and researchers, K-12 programs, and other recipients throughout California in support of the University's teaching, research and public service mission.

Central and Administrative Services (CAS) and UCPATH (Schedule D)

11. The FY20-21 budget for Central and Administrative Services is **\$381M (44%)** of the UCOP total budget.
12. The CAS budget supports critical **systemwide services** in finance, human resources, compliance, legal, health, communications, government relations and others.
13. The CAS budget is **\$29M (7%)** lower than FY19-20; reductions are driven primarily by hiring and travel freezes, targeted cuts to unrestricted division budgets, and the transition of CENIC and systemwide library collections to campus fee-based service models (supported in FY20-21 by a one-time PEF distribution).
14. The **UCPATH operations budget** of \$90.1M is down from \$93.7M in FY19-20 or 3.8% despite significant service growth now that all campuses are live with UCPATH.
15. **Fee-for-Service** activities, primarily in the CAS budget, make up **\$281M (33%)** of the total budget

Strategic Priorities Funds (SPF) (Schedules F1 and F2)

16. The Unrestricted Strategic Priorities Fund is reduced from **\$30M to \$20M**, a **33%** cut. The fund is almost entirely committed at the time of this budget proposal.
17. A new **Designated/Restricted Strategic Priorities Fund** is included to recognize that other major projects and one-time needs have designated or restricted funds to support them and should not be part of a department's operating budget.

Fund Balances and Reserves (Schedules G, H)

18. Unrestricted fund balances are forecasted to be **\$1.1M**, a **97%** reduction from the current year.
19. Designated fund balances are primarily held by UCNL from lab fees collected from the management of multi-billion-dollar federal lab contracts. Fund balances are reviewed by the Regents Labs Committee each July. **UCNL balances are 76% of total fund balances.**
20. Total reserve balances are \$112.9M, forecasted as of June 30, 2020. The majority of the reserves support multi-billion-dollar systemwide national lab contracts and the housing loan programs.

BACKGROUND

About the University of California (UC)

As the largest university system in the nation, UC serves more than 285,000 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, UC provides unparalleled access to upward economic mobility, focuses on its core missions of teaching, research, and public service, and touches the life of every Californian. UC is committed to access, affordability, and excellence with five of the ten campuses designated as Hispanic Serving Institutions (HSIs) for maintaining undergraduate Hispanic enrollment at or above 25%.

UC is a \$5 billion research enterprise that receives roughly 10% of total federal research dollars awarded annually. A network of libraries house nearly 40 million print volumes, second only to the Library of Congress. Seven UC campuses are members of the prestigious Association of American Universities (AAU), and UC is the only university to manage more than two national laboratories. Approximately 4.7 million outpatient visits take place across the UC health centers each year.

About the University of California Office of the President (UCOP)

UCOP is the systemwide headquarters of the University of California. UCOP employees manage academic programs and business operations supporting the university's research, teaching and public service mission. UCOP's FY20-21 budget of \$862.0M is approximately 2.2% of total UC expenditures (over \$40 billion per the FY2019 financial statement). The budget primarily supports two areas described below:

1. **Academic and Public Service Programs** – UCOP manages almost 30 programs that support the teaching, research, and public service mission of the University. These programs provide thousands of students learning and research opportunities; fund researchers across the State through competitive grant programs, and promote access and diversity through its outreach programs. Approximately 36% of the UCOP budget passes through these UCOP programs. Examples include:

Research Programs

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

Teaching Programs

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

Outreach Programs

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

Other Programs

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

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

- | | | |
|---------------------------------|-----------------------------|--------------------------|
| ✓ UCPATH | ✓ Employee benefit programs | ✓ UG/Transfer Admissions |
| ✓ Retirement Center | ✓ HR/Career Tracks | ✓ General Counsel |
| ✓ Risk services/insurance | ✓ Labor negotiations | ✓ Government Relations |
| ✓ Capital financing and bonding | ✓ Information technology | ✓ Compliance and audit |
| ✓ Corporate accounting | ✓ Student Aid | ✓ Energy purchases |

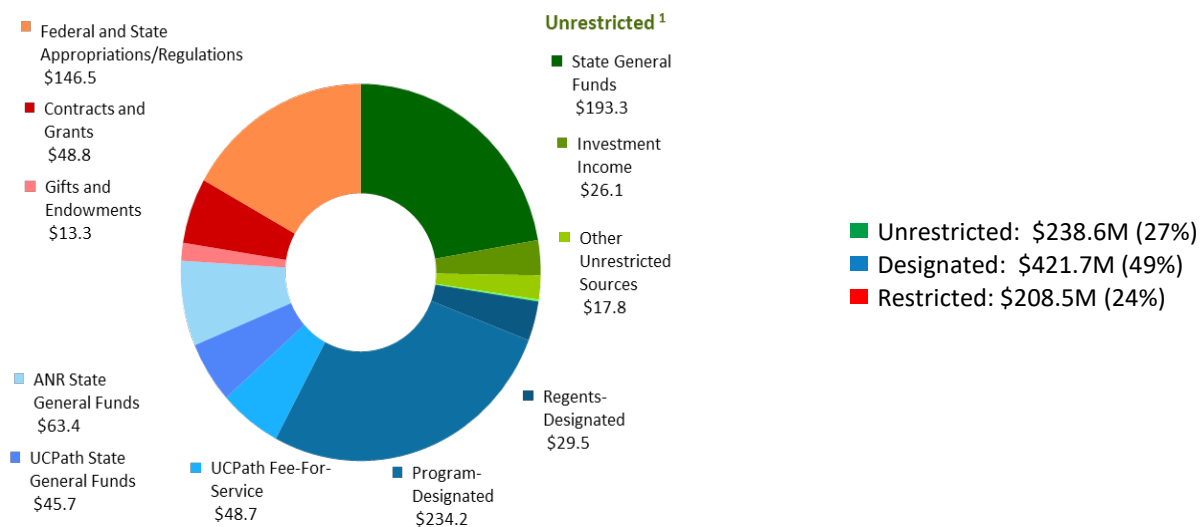
FY20-21 UCOP BUDGET

UCOP’s total proposed budget for FY20-21 is \$862.0M. UCOP budgets sources and uses of funds. The following sections describe the sources and uses, which are also detailed in **Schedules A-E**.

Sources of Funds

In FY20-21, UCOP’s budget provides sources totaling \$868.8M which are detailed in the attached **Schedule A**. As shown in Figure 3 below, **73% of fund sources are either restricted or designated**. The June State budget agreement states that, in the absence of federal funding, the three UCOP appropriations (for UCOP, UCPath, and ANR) will be reduced from FY19-20 by \$43.2M to \$297.0M, or 12.7%. For UCPath, the State budget appropriation reduces State funds by 12.7%, but allows for an increase in the fee-for-service to a level of not to exceed the FY19-20 budget. The three State General Funds appropriations comprise 34% of UCOP budgeted sources of funds.

Figure 3: Sources of Funds
\$ in millions



¹ Unrestricted State General funds include \$187.9M in direct appropriation, as well as State funds appropriated for faculty diversity and UC’s capital program. \$1.5M in Undesignated fund balances are also included in the Unrestricted sources.

Due to timing of sources and uses, the net margin reflects a surplus of \$6.7M in designated and restricted funds for FY20-21. Surplus funds, primarily from UCNL and the mortgage program, will be used in subsequent years and/or added to the fund balances for future expenditures. The implementation of a new UCOP budgeting system in FY19-20 enabled the capability of separately budgeting sources and uses and reporting net margin. Additional information can be found in Schedule B. Figure 4 below shows the source changes between FY19-20 and FY20-21 by fund type.

Figure 4: Change in Sources of Funds

\$ millions

Fund Type	FY19-20	FY20-21	\$	%
	Budget	Budget	Incr/(Decr)	Incr/(Decr)
Unrestricted	\$ 286.0	\$ 238.6	(\$47.4)	(16.6%)
Designated	\$ 427.7	\$ 421.5	(6.2)	(1.4%)
Restricted	\$ 228.0	\$ 208.5	(19.5)	(8.6%)
Total	\$ 941.7	\$ 868.6	(\$73.1)	-7.8%

- Significant reduction on Unrestricted funds to balance the budget and reflect the reduced State appropriation
- Reduction on Designated funds driven by ANR and UCPATH State appropriation reductions
- Restricted funds reduction primarily from State tobacco revenues

Uses of Funds

The FY20-21 budgeted use of funds budget is \$862.0M. Programs and Initiatives and Central and Administrative Services combined make up 86% of the budget. UCPATH represents 10.5% of the budget, and the Strategic Priorities Funds comprise approximately 4% of the budget. Figure 5 provides an overview of UCOP uses by functional area.

Figure 5: Uses of Funds

\$ in millions

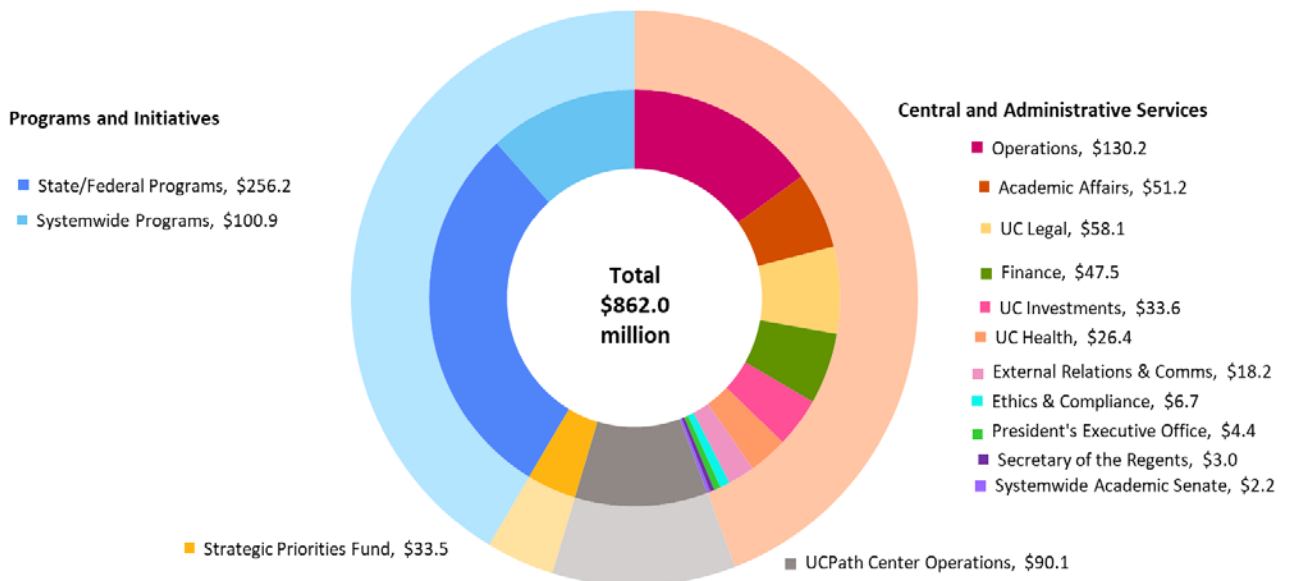


Figure 6 below outlines the changes in the budget by functional area. Additional detail on the Uses of Funds, including budgets, forecasts and variances are included in the section below and **Schedules A-E**.

Figure 6: Change in Uses of Funds

\$ millions

Functional Area	FY19-20 Budget	FY20-21 Budget	\$ Incr/(Decr)	% Incr/(Decr)
Programs and Initiatives	\$ 408.2	\$ 357.1	(\$51.1)	(12.5%)
Central/Admin Services	409.8	381.3	(28.5)	(7.0%)
UCPath	93.7	90.1	(3.6)	(3.8%)
Strategic Priorities Fund, Unrestricted	30.0	20.0	(10.0)	(33.3%)
Strategic Priorities Fund, Desig. & Restricted	-	13.5	13.5	0.0%
Total	\$ 941.7	\$ 862.0	(\$79.7)	(8.5%)
	excl. UCPath \$ 848.0	\$ 771.9	(\$76.1)	(9.0%)

The total budget has decreased by 8.5% , or 9% excluding UCPath

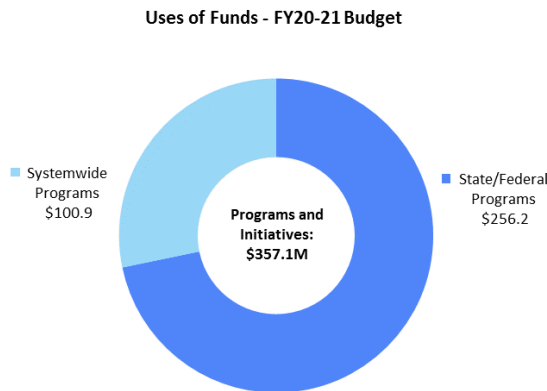
The unrestricted Strategic Priorities Fund has been cut by 33%, from \$30M to \$20M

Programs and Initiatives

The proposed FY20-21 Programs and Initiatives budget is \$357.1M, or 41.4% of the uses of funds. Figure 7 below shows the distribution between approximately 30 State/Federal and systemwide programs. Most programs are managed by Academic Affairs as part of the research and public service the university provides on behalf of the state and federal governments such as oversight of the Tobacco-Related Disease Research Program (TRDRP). The majority of these dollars are pass-throughs to campuses and other research groups where the money is spent. The complete list of programs, budgets, forecasts and comparisons, can be found in **Schedule C**.

Figure 7: Programs and Initiatives

\$ in millions



72% - State/Federal Programs are either required by legislation or operated by UC on behalf of the State or Federal government, e.g., ANR and the Tobacco-Related Disease Research program.

28% - Systemwide Programs benefit the UC campuses and many other statewide recipients, e.g., SAPEP, UCPress, UC research and astronomy programs.

UCOP forecasts quarterly, and reviews variances accordingly. The Q3 Programs and Initiatives forecast totals \$406.3M or \$1.9M (-0.5%) lower than budget. Lower forecasted spend for TRDRP and the California Breast Cancer Research programs are offset by increases to UC Mexico and the Lab Funds Research programs. Variances for the current year and comparison to the FY20-21 budget are in **Schedule C**.

Pass-through funds flow through the UCOP budget directly to campuses or other California institutions, individuals or researchers. The largest pass-through program is Agriculture and Natural Resources (ANR) which UC operates as the land-grant University for the State of California (see **Schedule E**). The majority of pass-through funds are distributed by the Academic Affairs division for research, diversity programs, online learning initiatives, undocumented students and more.

Figure 8: Pass-through Funds Programs

\$ in millions

	FY19-20 Budget	FY19-20 Forecast	FY20-21 Budget
Pass-Throughs			
Agriculture & Natural Resources	\$ 173.2	\$ 172.4	\$ 162.3
Research Grant Programs	\$ 93.2	\$ 86.3	\$ 70.6
UC Observatories	\$ 22.2	\$ 21.8	\$ 16.1
Public Service Programs	\$ 11.6	\$ 10.9	\$ 9.3
National Laboratory Programs	\$ 14.0	\$ 20.7	\$ 9.8
UC Research Initiative	\$ 9.7	\$ 8.9	\$ 7.4
Diversity Initiatives	\$ 5.0	\$ 8.2	\$ 6.2
Online Education Initiatives	\$ 4.0	\$ 4.6	\$ 4.3
Public Service & Law Fellowship	\$ 5.2	\$ 5.3	\$ 4.2
iCAMP	\$ -	\$ 2.2	\$ 3.5
Other Academic Pass-Throughs	\$ 2.5	\$ 3.8	\$ 4.2
UC Health Initiatives	\$ 1.9	\$ 1.9	\$ 2.0
UC-Mexico Programs	\$ -	\$ 5.0	\$ 2.0
Undocumented Students	\$ 2.2	\$ 2.2	\$ 2.2
UC Libraries	\$ 11.8	\$ 11.7	\$ 0.3
All Others	\$ 8.1	\$ 7.0	\$ 6.7
Total Pass-Throughs	\$ 364.5	\$ 372.7	\$ 310.9
	Year-Over-Year Decrease \$		\$ (53.6)
	Year-Over-Year Decrease %		-14.7%

- The top three pass-through programs account for **80%** of the total
- ANR decrease is driven by a 12.7% lower appropriation of State funds
- Research Grant Programs are lower due to timing of available grant funds compared to prior year

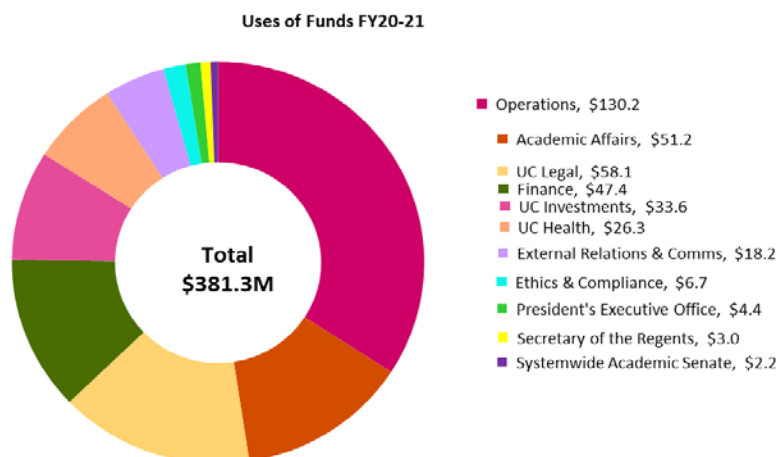
For FY20-21, the pass-through funds decreased \$53.6M, or 14.7%. Of the total, \$23M is a reduction in projected revenues for the Tobacco Disease research program due to timing of tax receipts. Approximately \$11M is due to the reduction in the State appropriation for the Agriculture and Natural Resources program, and \$6M is related to restructuring an internal loan for the UC Observatories. Systemwide library collection funds are primarily funded by campus transfers directly to UCSD for purchasing on behalf of all the campuses. After FY20-21, the portion that UCOP used to fund will also be transferred by the campuses directly to UCSD rather than passing through the UCOP budget.

Central and Administrative Services

Central and Administrative Services make up \$381.3M or 44.2% of the total budget. Figure 9 below and **Schedule D** provide a budget overview by division. The Central and Administrative Services budget supports critical systemwide services and UCOP internal operations. The Operations division, which makes up a third of this budget, provides systemwide HR, benefits and retirement management, technology services, energy programs, strategic planning, and internal UCOP operations.

Figure 9: Central and Administrative Services

\$ in millions



UCOP forecasts quarterly and reviews variances accordingly. The Q3 forecast for Central and Administrative Services totals \$408.9M or \$0.9M (-0.2%) lower than the budget. Primary drivers include lower spend for the UC Health collaborative and CFO (procurement, capital assets), offset by higher costs in UC Legal, COO, UC Investments and Academic Personnel and Programs. Projected variances for the current year and a comparison to the FY20-21 budget are shown on **Schedule D**. The majority of UCOP Fee-for-Service activities, shown in Figure 10 below, are contained within the CAS budget.

Figure 10: Fee-for-Service Activities

\$ in millions

	FY19-20 Budget	FY19-20 Forecast	FY20-21 Budget
Fee-for-Service			
UCPath Operations	\$ 93.7	\$ 91.8	\$ 90.1
Office of the General Counsel	45.4	51.5	44.7
Investments & Asset Management	37.6	39.7	39.7
UC Retirement System	29.4	25.4	34.9
Employee Benefits Administration	27.7	28.3	27.2
UC Health Collaborative	20.2	14.4	17.8
Risk Management	6.9	6.1	6.7
Information Technology Services	6.2	7.3	4.6
UCPath Projects	-	-	4.4
Bond Management	3.4	2.8	3.0
Patent Royalty Administration	2.7	2.6	2.4
UC Mortgage Origination Plan	2.1	2.0	2.2
Other Services	1.6	2.7	3.3
Total Fee-for-Service	\$ 276.9	\$ 274.7	\$ 281.0
	<i>Year over Year Increase \$</i>		<i>4.1</i>
	<i>Year over Year Increase %</i>		<i>1.5%</i>

- The top five fee-for-service activities account for **84% of the total**.
- The overall increase in Fee-for-Service activities is driven mainly by work on the pension administration system

Fee-for-Service activities are centrally performed functions that UCOP operates on behalf of the UC system to avoid redundancy on campuses and to save costs. UCPath is the single largest fee-for-service operation. UC Legal fees fund third-party legal costs that UC Legal coordinates on behalf of the campuses. Centrally UCOP manages investment, systemwide retirement and employee benefit programs.

UCPath

UCPath provides HR and payroll services to all UC locations and over 230,000 employees. The final campus deployments at UC San Diego and UC San Francisco were recently completed. Lawrence Berkeley National Laboratory with just over 3,600 employees, is scheduled to go live in August 2020.

For FY20-21, the UCPath operating budget is \$90.1M, down 3.8% from \$93.7M in FY19-20. The budget includes \$45.7M in direct State appropriations, which reflects a 12.7% reduction from the State's previous \$52.4M level. Consistent with past practice, UCPath will fund \$46.9M from a W-2 fee-for-service campus allocation model and \$1.8M fee-for-service for LBNL. Reductions in the UC Path budget will put a strain on the center's ability to meet its service level commitments to the locations.

Two critical one-time projects, shown in the Designated SPF (see **Schedule F-2**) include:

- A \$1.9M project to migrate system hosting to Amazon Web Services, yielding significant cost savings beginning in FY21-22
- A \$1.8M project on behalf of the UC National Laboratories to bring LBNL onto the platform

UCPath has a rigorous governance process in place to oversee the budget, expenditures, and service levels. UCOP and the campuses will continue to advocate restoring the fee-for-service model for the entire UCPath budget, as this model allocates the costs appropriately across all locations. The current hybrid funding model is complex.

Unrestricted Strategic Priorities Fund (SPF)

The SPF was created in FY17-18 to fund short-term programmatic needs, administrative projects, emergent or urgent priorities, and presidential initiatives. While some funds would be committed by the time of the budget presentation, there would also be an uncommitted allocation, recognizing that the president needs some funding available throughout the year to fund urgent project and priorities. The unrestricted SPF allows for more stability in planning divisional budgets as they no longer need to increase or decrease their budgets for one-time projects.

To achieve the budget reduction target this year, SPF funding has been reduced from \$30M to \$20M, or 33%. **Schedule F-1** details the projected FY19-20 forecast and FY20-21 known commitments of approximately \$19.9M, which include:

- On-going support for undocumented students
- Programs that support the academic mission, students, and researchers
- Several IT projects to improve technology and software systems (HR, finance, and others)
- Searches, audit responses, and legal fees
- Presidential initiatives, described in further detail in Appendix 2

Notably, the FY20-21 SPF has low uncommitted availability. Historically, events do occur during the year such as this year's COVID-19 pandemic that are unforeseen and require resources. In FY20-21, the budget will have few funds immediately available to support emergent needs or internal priorities.

Designated and Restricted Strategic Priorities Fund (SPF)

In addition to the unrestricted SPF, a new SPF for one-time designated and restricted projects has been added. This Designated and Restricted SPF provides the transparency of short-term projects funded on designated or restricted funds so they may be accounted for separately from annual departmental operating budgets.

Schedule F-2 shows the planned projects to be funded by this SPF. These projects appropriately utilize designated and restricted funds and although they increase the overall size of the UCOP budget, they do not have the same flexibility as unrestricted funds. This year, major projects include improving the retirement administration system and processes, completing a high ROI project to move UCPath hosting to Amazon Web Services and configuring the UCPath system to meet the needs of LBNL. All requests were reviewed by the Executive Budget Committee, UCOP leadership, and the President; only critical projects are budgeted.

RESERVES

UCOP reserves are funds intentionally allocated and accrued from fund sources for use in the event of revenue disruption, maintenance of assets including buildings and infrastructure, or in anticipation of a large expense. UCOP completed a comprehensive review of best practices and peer benchmarking and established target funding levels for all reserves. The largest UCOP reserves, for the National Labs and UC Housing Loan programs, are reserves against **multi-billion-dollar portfolios** that are managed by UCOP and overseen by the Regents.

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

Reserve Target Funding Levels

In March 2019, UCOP established and reviewed guiding principles for UCOP reserves with the Board of Regents. The guiding principles include target funding levels, and controls for monitoring, reporting, and drawing on funds. In January, 2018 the Regents adopted the [Policy on a Central Operating Reserve for the University of California Office of the President](#). The policy and presidential guidelines establish the size, funding source and circumstances for drawing on the Central Operating Reserve. This reserve target is set at \$15M or at least 3.5% of covered funds and expenses against the principle of the President's Endowment Fund. The \$15M target for the Central Operating Reserve is unchanged for FY20-21.

Forecasted Reserves

UCOP reports reserve balances and target funding levels to the Regents twice annually, during the presentation of the budget, and after fiscal year close. At the time the budget is presented, the fiscal year is not yet finalized, and therefore reserve balances are forecasted. Figure 11 **below** projects a total reserve balance of \$112.9M as of June 30, 2020. Details are in **Schedule G**.

Figure 11 – UCOP Reserve Balances

\$ in millions

UCOP RESERVES	Reserve Target		6/30/20 Forecasted Reserve	Variance:
	Minimum	Maximum		6/30/20 Reserve Over Max / (Under Min)
Building and Capital Assets Reserves	\$ 3.0	\$ 8.5	\$ 3.2	\$ -
Program Reserves ¹	65.9	83.3	56.8	(9.1)
Other Required Reserves	27.3	37.6	38.0	0.4
Sub-Total Program and Non-Operating Reserves	\$ 96.2	\$ 129.4	\$ 97.9	
Central Operating Reserve	15.0	15.0	15.0	-
TOTAL UCOP RESERVES²	\$ 111.2	\$ 144.4	\$ 112.9	

¹ Program Reserves are currently under the minimum due to two new UCNL reserves, increasing over the next 3 to 10 years to the target amount. FY19-20 approved spend plan here: <https://regents.universityofcalifornia.edu/regmeet/july19/n1.pdf>

² See Schedule G for additional details. Total reserve balances are under the target maximum, however some reserves may be slightly over the target maximum.

Total reserves of \$112.9M are within the established target funding range minimum of \$111.2M and maximum of \$144.4M. New reserves are being established for new contracts in the Office of National Labs. The Housing Loan program reserve was identified as having a forecasted \$.4M balances in excess

of its maximum target, and was therefore reviewed. This reserve requirement has been increased due to growth in the overall size of the loan portfolio from \$1.58 to \$1.65 billion, and an increase in UC-owned loans. The Regents determined in [January 2012](#) that the program is required to maintain a 3.5% maximum reserve target. Given the current financial crisis, and need to accommodate requests for loan forbearance, the Office of Loan Programs recommended to management increasing the maximum target to 4.5%, with a resulting target maximum of to \$37.6M. The forecasted reserve is \$.4M greater than the maximum.

FUND BALANCES

Fund balances reflect the difference at a point in time between sources and uses, less any known encumbrances and commitments. Because fund balances are one-time non-recurring funding streams, they must not be relied upon to fund recurring operations. **Schedule H, UCOP Fund Balances by Fund Type**, provides additional detail to the fund balances described below. UCOP has taken several steps to improve the management and transparency of fund balances including development of:

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

Actual and Forecasted Balances

To develop the FY20-21 budget, UCOP analyzed actual fund balances as of March 31, 2020 and then forecasted fund balances for June 30, 2020. UCOP also reviewed known commitments identified for next year. Restricted or designated fund balances are used for their intended purpose.

Per the California State Auditor (CSA) recommendation to reallocate fund balances to the campuses, UCOP has undertaken an extensive review of its balances over the last three years, and has reallocated \$166.3M to the campuses, of which \$148.4M was from fund balances. The details of this reallocation were covered [here](#), in the November 2019 budget report to the Regents. Similar to last year, and because balances are forecasted to be much lower this year, UCOP will review final year-end balances before identifying any further reallocation opportunities. Figure 12 shows a breakdown of fund balance by fund type, forecasted as of June 30, 2020. Overall, fund balances are projected to decrease by \$74.4M or 50% compared to last year, the largest reduction (97%) taking place in the unrestricted funds.

Figure 12: UCOP Fund Balances

			6/30/20			
	6/30/19 Balance	Forecasted Balance	Commitments	Remaining Balance	Change in Fund Balance % Change	
Unrestricted	\$ 40.5	\$ 8.0	\$ 6.9	\$ 1.1	\$ (39.4)	-97.4%
Designated	90.4	92.6	22.4	70.2	(20.2)	-22.3%
Restricted	18.4	3.6	-	3.6	(14.8)	-80.6%
Total Fund Balance	\$ 149.3	\$ 104.1	\$ 29.3	\$ 74.8	\$ (74.4)	-49.9%

\$ millions

Unrestricted Fund Balances afford the most flexibility for use. Unrestricted balances total \$1.1M or 1.5% of the total remaining fund balance. Historically, UCOP relied on these balances to address emergent priorities, but this practice was replaced in FY18-19 with the establishment of the Strategic Priorities Fund. Some of the key causes of the change in unrestricted fund balances include:

- \$27.3M committed for the FY19-20 UCOP Strategic Priorities Fund
- \$10.2M committed to campus-specific seismic work, interest on commercial loans and systems replacements

At this time, given that only \$1.1M remains in the forecasted balance, and the uncertain State funding for the FY20-21 year, UCOP is not recommending a reallocation of this fund balance. Balances will be reviewed by UCOP after the June 30, 2020 fiscal close and reported in the FY19-20 Budget-to-Actuals item presented at the November 2020 Regents Meeting.

Designated Funds Balances total \$70.2M or 94% of the forecasted remaining fund balance. A designated balance is considered committed by the regents or administration for an intended purpose. The largest balance, \$58.3M, or 78% of total fund balances, is regents-designated for the management of the UC National Laboratories and the Lab Fees Research Program. The Office of National Labs provides a spending and reserves plan to the Regents' Labs Committee each July for approval.

Designated fund balances also include balances for self-funded programs. The causes of change are due to:

- \$13.4M increase in the Lab LLC program due to timing of receipt of fee income
- \$17.6M decrease in the Lab Fees Research program to fund campus research opportunities
- \$7.7M decrease in UC Health funds for the health collaborative strategic initiatives
- \$6.6M decrease in endowment cost recovery funds planned for campus development work
- \$5.6M decrease in iCAMP capital asset planning funding for work to be done through FY20-21

Restricted Fund Balances by definition, cannot be reallocated for other purposes. Contracts and grants are funded on a reimbursement basis and thus carry no balances. Federal and special State appropriations are forecasted to be slightly lower based on disbursements to the campuses and laboratories. Restricted balances represent only 5% of the forecasted remaining fund balance.

EXECUTIVE BUDGET COMMITTEE RECOMMENDATIONS

The Executive Budget Committee (EBC) issued its annual budget letter to President Napolitano in mid-April. Despite the pandemic crisis and many competing priorities, the EBC actively engaged with UCOP throughout the budget development process and provided thoughtful guidance. The EBC recommended that UCOP plan the FY20-21 year with caution and slow spending growth given today's very uncertain environment. The Committee's feedback, recommendations and guiding principles include support for:

- A return to the campus assessment funding model to enable more integrated planning between UCOP, the campuses and the system
- UCOP's 5% savings target on all unrestricted funds (the president subsequently increased the target to 9% for the July budget proposal)
- Modest and managed growth on designated funds that (1) show return on investment, or (2) provide net new revenue or savings

- Implementing campus fee-based-service models for services such as the University's high-speed internet connectivity (CENIC) and cybersecurity (FireEye), the California Digital Library (CDL) content purchases, and the ApplyUC student application support, and phasing them in
- Funds to stabilize and enhance the UCPATH system, however at a reduced level than requested
- Deferring the FY20-21 UCOP budget presentation to allow more time to better understand the current financial uncertainty facing the university

The president considered the Committee's recommendations and made adjustments to the budget proposal accordingly. Specifically, the president:

- Directed divisions to identify a 9% reduction target of \$25.7M on all unrestricted funds
- Managed and limited growth and investment in key areas such that in total the UCOP budget was balanced, incorporated State budget appropriation reductions, reduced the unrestricted budget by 16.6%, and the total UCOP budget by 8.5%
- Reduced funding for UCPATH operations and enhancement projects
- Implemented campus fee-based service models for CENIC, CDL and ApplyUC, which in total represent \$19.6M. Recognizing the challenging financial circumstances facing the campuses, the president is phasing these in over the next year by providing a one-time distribution of \$19.6M from the President's Endowment Fund and allowing time for UCOP and the campuses to review the level of service in future years.
- Deferred the May budget item until July after the Governor's May revised budget was published.

PRESIDENT'S RECOMMENDATION

UCOP has developed a conservative plan for FY20-21 that delivers a substantial expenditure reduction, complies with available State fund allocations and allows time to assess longer-range objectives during the coming year. The proposed budget is comprehensive, transparent and demonstrates UCOP's contributions to the University's teaching, research, and public service mission.

Pursuant to Regents Policy 5101, the President of the University recommends approval of the UCOP FY20-21 Budget by the Board of Regents.

The image shows a modern architectural interior. A large, cantilevered blue concrete overhang dominates the upper half of the frame. Below it, a staircase with wooden treads and railings leads down. The walls are a mix of light-colored wood paneling and a warm, terracotta-colored wall. In the background, three small, square windows are visible on the upper level.

Appendices

APPENDIX 1: UCOP SCHEDULES

Schedule A
Sources and Uses by Year
Overall UCOP

\$ in millions

	Budget FY19-20	Forecast FY19-20	Budget FY20-21	Variance Increase/(Decrease)		
				FY19-20 Forecast vs FY19-20 Budget	FY20-21 Budget vs FY19-20 Forecast	FY20-21 Budget vs FY19-20 Budget
SOURCES						
Unrestricted Sources						
Undesignated						
State General Funds	209.8	218.0	193.3	8.2	(24.7)	(16.5)
Investment Income	25.2	38.2	26.1	13.0	(12.1)	0.9
Other Unrestricted Sources	17.0	29.5	17.8	12.5	(11.7)	0.8
Undesignated Fund Balance	34.1	2.2	1.5	(31.9)	(0.7)	(32.6)
Subtotal - Undesignated	\$286.0	\$287.9	\$238.6	\$1.9	(\$49.3)	(\$47.4)
Designated						
Regents-Designated	24.5	30.5	29.5	6.0	(1.0)	5.0
Program-Designated	236.9	236.9	234.2	0.0	(2.7)	(2.7)
UCPath Fee-For-Service	41.3	39.4	48.7	(1.9)	9.3	7.4
UCPath State General Funds	52.4	52.4	45.7	0.0	(6.7)	(6.7)
UC ANR State General Funds	72.6	71.8	63.4	(0.8)	(8.4)	(9.2)
Subtotal - Designated	\$427.7	\$431.0	\$421.5	\$3.3	(\$9.5)	(\$6.2)
Subtotal - Unrestricted	\$713.7	\$718.9	\$660.2	\$5.2	(\$58.7)	(\$53.5)
Restricted Sources						
Gifts and Endowments	12.5	12.7	13.3	0.2	0.6	0.8
Contracts and Grants	51.6	50.8	48.8	(0.8)	(2.0)	(2.8)
Federal and State Appropriations/Regulations	164.0	152.0	146.5	(12.0)	(5.5)	(17.5)
Subtotal - Restricted	\$228.0	\$215.5	\$208.5	(\$12.5)	(\$7.0)	(\$19.5)
Total Sources	\$941.7	\$934.4	\$868.7	(\$7.3)	(\$65.7)	(\$73.0)
Programs and Initiatives						
Campus Programs	0.0	0.9	0.0	0.9	(0.9)	0.0
State/Federal Programs	290.1	281.1	256.2	(9.0)	(24.9)	(33.9)
Systemwide Programs	118.2	124.6	100.9	6.4	(23.7)	(17.3)
Subtotal - Programs and Initiatives	\$408.2	\$406.5	\$357.1	(\$1.7)	(\$49.4)	(\$51.1)
Central and Administrative Services						
Academic Affairs	61.2	61.6	51.2	0.4	(10.4)	(10.0)
Ethics & Compliance	7.3	6.4	6.7	(0.9)	0.3	(0.6)
External Relations & Communications	17.8	16.9	18.2	(0.9)	1.3	0.4
Finance	45.7	39.7	47.4	(6.0)	7.7	1.7
Operations	145.8	150.3	130.2	4.5	(20.1)	(15.6)
President's Executive Office	4.6	4.1	4.4	(0.5)	0.3	(0.2)
Secretary of the Regents	3.6	3.7	3.0	0.1	(0.7)	(0.6)
Systemwide Academic Senate	2.4	2.2	2.2	(0.2)	0.0	(0.2)
UC Health	29.1	23.4	26.3	(5.7)	2.9	(2.8)
UC Investments	34.3	36.6	33.6	2.3	(3.0)	(0.7)
UC Legal	58.0	64.0	58.1	6.0	(5.9)	0.1
Subtotal - Cent / Admin Svcs	\$409.8	\$408.9	\$381.3	(\$0.9)	(\$27.6)	(\$28.5)
Strategic Priorities Fund - Unrestricted	30.0	27.3	20.0	(2.7)	(7.3)	(10.0)
Strategic Priorities Fund - Designated / Restricted	0.0	0.0	13.5	0.0	13.5	13.5
UCPath Center Operations	93.7	91.8	90.1	(1.9)	(1.7)	(3.6)
TOTAL USES	\$941.7	\$934.6	\$862.0	(\$7.2)	(\$72.5)	(\$79.7)
NET MARGIN SURPLUS (DEFICIT)	0.0	0.0	6.7	0.0	6.7	6.7
Included in Sources and Uses Above						
Pass-Throughs	364.5	372.7	310.9	8.2	(61.8)	(53.6)
Fee-For-Service	276.9	274.7	281.0	(2.2)	6.3	4.1
Total Fee-For-Service and Pass-Throughs	\$641.4	\$647.4	\$591.9	\$6.0	(\$55.5)	(\$49.5)

Notes to Schedule A:

Sources

Unrestricted Sources

1. State General Funds: \$193.3M per the State budget appropriation.
2. Investment Income: \$26.1M estimate based on historical returns; approximately flat to FY19-20.
3. Other Unrestricted: \$17.8M estimate based on historical returns; approximately flat to FY19-20.
4. Undesignated Fund Balance: \$1.5M estimate based on Q3 Forecast.

Designated Sources

5. Regents Designated: \$29.5M increased by \$5.0M (20.4%) for UCNL for expansion opportunities.
6. Program-Designated: \$234.2M decreased by \$2.7M (-1.1%) primarily in the UC Health Collaborative based on slower growth projections.
7. UCPath Fee-For-Service: \$48.7M increased by \$7.4M (17.9%), offsetting the reduction in state funds (as approved by the State).
8. UCPath State General Funds: \$45.7M per the State budget appropriation; decreased by \$6.7M (-12.7%).
9. UC ANR State General Funds: \$63.4M per the State budget appropriation; reduced by \$9.2M (-12.7%).

Restricted Sources

10. Gifts and Endowments: \$13.3M increased by \$0.8M (6.4%) due to greater anticipated endowment payout and program fundraising.
11. Contracts and Grants: \$48.8M decreased by \$2.8M (-5.4%) driven by reductions to ANR's extramural funding.
12. Federal and State Appropriations: \$146.5M decreased by \$17.5M (-10.7%) due to the timing of Prop 56 funds for tobacco disease research.

Notes regarding Uses are appended to Schedules, C, D and F

Schedule B

Expenditure by Fund

Overall UCOP

\$ in millions

	Undesignated	Designated	Restricted	FY20-21 Budget
TOTAL SOURCES	238.6	421.5	208.5	868.7
USES				
Programs and Initiatives				
State/Federal Programs	0.9	107.2	148.1	256.2
Systemwide Programs	39.0	60.4	1.5	100.9
Subtotal - Programs and Initiatives	\$40.0	\$167.6	\$149.6	\$357.1
Central and Administrative Services				
Academic Affairs	39.5	10.7	1.0	51.2
Ethics & Compliance	6.7	0.0	0.0	6.7
External Relations & Communications	11.8	5.5	0.9	18.2
Finance	23.7	21.4	2.4	47.4
Operations	74.1	10.5	45.6	130.2
President's Executive Office	4.0	0.3	0.1	4.4
Secretary of the Regents	3.0	0.0	0.0	3.0
Systemwide Academic Senate	2.1	0.0	0.1	2.2
UC Health	3.4	21.6	1.4	26.3
UC Investments	0.0	33.6	0.0	33.6
UC Legal	10.4	46.8	0.9	58.1
Subtotal - Central and Admin. Services (excl UCPath)	\$178.6	\$150.3	\$52.3	\$381.3
Strategic Priorities Funds	20.0	7.2	6.3	33.5
SUBTOTAL USES	\$238.6	\$325.1	\$208.2	\$771.9
UCPath Operations	0.0	90.1	0.0	90.1
TOTAL USES	\$238.6	\$415.2	\$208.2	\$862.0
NET MARGIN: SURPLUS (DEFICIT)¹	\$0.0	\$6.3	\$0.3	\$6.7

¹Due to timing of sources and uses, the net margin reflects a surplus for FY20-21. Surplus funds will be used in subsequent years and/or added to the fund balances for future expenditures. The implementation of a new UCOP budgeting system in FY19-20 enabled the capability of separately budgeting sources and uses. Unrestricted funds are budgeted centrally by UCOP's budget team. UCOP divisions budget designated and restricted sources based on anticipated revenues such as UC Office of National Laboratories' (UCNL) lab management fees or restricted revenues as in the case for Tobacco-related Disease Research (Proposition 56) funds. Revenues and expenses may differ due to timing differences. Of the \$6.5M budget surplus, \$6.2M is from designated funds, mainly attributed to anticipated UCNL fee income (\$4.3M) which will be allocated through the annual spend plan approved by the Regents, and the mortgage origination program fees (\$1.7M).

Schedule C
Budget by Programs and Initiatives
Programs and Initiatives
\$ in millions

	Budget FY19-20	Forecast FY19-20	Budget FY20-21	Variance Increase/(Decrease)		
				FY19-20 Forecast vs FY19-20 Budget	FY20-21 Budget vs FY19-20 Forecast	FY20-21 Budget vs FY19-20 Budget
PROGRAMS AND INITIATIVES						
Campus Programs	0.0	0.9	0.0	0.9	(0.9)	0.0
State/Federal Programs						
Agriculture and Natural Resources (ANR)	178.7	177.7	167.2	(1.0)	(10.5)	(11.5)
California Breast Cancer Research Program	12.8	8.1	12.9	(4.7)	4.8	0.1
California Subject Matter Project (CSMP)	8.6	7.7	8.1	(0.9)	0.4	(0.5)
Gaining Early Awareness and Readiness for Undergraduate Programs	3.5	4.2	3.2	0.7	(1.0)	(0.3)
Graduate Medical Education	2.0	2.1	2.1	0.1	0.0	0.1
Office of the National Laboratories (UCNL)	5.4	5.4	6.8	0.0	1.4	1.4
Other State/Federal Programs	0.5	0.8	0.4	0.3	(0.4)	(0.1)
Tobacco-Related Disease Research Program (TRDRP)	76.2	72.6	53.0	(3.6)	(19.6)	(23.2)
UC Research Initiatives: Cancer Research Coordinating Committee (CRCC)	2.3	2.3	2.4	0.0	0.1	0.1
Subtotal - State/Federal Programs	\$290.1	\$280.9	\$256.2	(\$9.2)	(\$24.7)	(\$33.9)
Systemwide Programs						
California HIV/AIDS Research Program (CHRP)	8.8	8.7	8.6	(0.1)	(0.1)	(0.2)
Eligibility in the Local Context (ELC)	1.0	0.8	0.9	(0.2)	0.1	(0.1)
Historically Black Colleges and Universities (HBCU) Fellowship Initiative	1.8	2.0	1.7	0.2	(0.3)	(0.1)
Historically Black Colleges and Universities (HBCU) Summer Research Initiative	1.8	2.0	1.9	0.2	(0.1)	0.1
Innovative Learning Technology Initiative (Online Education)	9.0	9.0	8.1	0.0	(0.9)	(0.9)
Natural Reserve System (NRS)	3.0	2.2	2.5	(0.8)	0.3	(0.5)
Other Systemwide Programs	2.4	3.4	2.3	1.0	(1.1)	(0.1)
President's Postdoctoral Fellowship Program (PPFP)	0.0	0.8	0.0	0.8	(0.8)	0.0
San Joaquin Valley PRIME program	1.9	1.9	1.9	0.0	0.0	0.0
SAPEP	8.4	8.5	6.6	0.1	(1.9)	(1.8)
UC Astronomy Programs: University of California Observatories (UCO)	7.5	7.5	7.5	0.0	0.0	0.0
University of California Astronomy Programs: W.M. Keck Observatory (Keck)	14.6	14.6	8.8	0.0	(5.8)	(5.8)
University of California Institute for Mexico and the United States (UC MEXUS)	0.0	3.0	0.0	3.0	(3.0)	0.0
University of California Press	23.9	22.6	23.4	(1.3)	0.8	(0.5)
UC Research Initiatives: Laboratory Fees Research Program (LFRP)	14.9	21.2	10.6	6.3	(10.6)	(4.3)
UC Research Initiatives: Multi-Campus Research Programs and Initiatives (MRPI)	8.0	7.6	8.6	(0.4)	1.0	0.6
University of California Washington Center (UCDC)	8.2	6.6	7.4	(1.6)	0.8	(0.8)
Valley Fever Research	2.9	2.0	0.0	(0.9)	(2.0)	(2.9)
Subtotal - Systemwide Programs	\$118.2	\$124.6	\$100.9	\$6.4	(\$23.7)	(\$17.3)
TOTAL USES	\$408.2	\$406.3	\$357.1	(\$1.9)	(\$49.2)	(\$51.1)

Notes to Schedule C: Budget by Programs and Initiatives
FY20-21 Budget Increased/Decreased Compared to FY19-20 Budget > \$.5M

State / Federal Programs

1. Agriculture and Natural Resources (ANR): \$167.2M decreased by \$11.5M (-6.4%) due to State general and extramural funds reductions.
2. California Subject Matter Project (CSMP): \$8.1M decreased by \$0.5M (-5.8%) due to timing of fund transfers.
3. Office of the National Laboratories (UCNL): \$6.8M increased by \$1.4M (25.9%) due to business development and the SoCal Hub project, offset by hiring/travel freeze.
4. Tobacco-Related Disease Research Program (TRDRP): \$53.0M decreased by \$23.2M (-30.4%) due to the timing of Prop 56 tax revenues.

Systemwide Programs

5. Innovative Learning Technology Initiative (Online Education): \$8.1M decreased by \$0.9M (-10.0%) due to the anticipated reduction in the State's UC appropriation.
6. Natural Reserve System (NRS): \$2.5M decreased by \$0.5M (-16.7%) due to reduction in grant expenses.
7. SAPEP: \$6.6M decreased by \$1.8M due to a redirection of funds directly to campuses; total funding will remain unchanged.
8. University of California Astronomy Programs: W.M. Keck Observatory (Keck): \$8.8M decreased by \$5.8M (-39.7%) due to the restructuring of an internal loan to a longer term; no operational impact.
9. UC Press: \$23.4M decreased by \$0.5M (-2.1%) from hiring/travel freeze.
10. UC Research Initiatives: Laboratory Fees Research Program (LFRP): \$10.6M decrease of \$4.3M (-28.9%) due to a one-time, timing decrease in grant awards for the UCNL Fees Research Program.
11. UC Research Initiatives: Multi-Campus Research Programs and Initiatives (MRPI): \$8.6M increased \$0.6M (7.5%) due to a strategic augmentation to provide grant funds for campuses.
12. University of California Washington Center (UCDC): \$7.4M decreased \$0.8M (-9.8%) due to reduced utility expenses and hiring/travel freeze.
13. Valley Fever Research: \$0.0M; this was a one-time \$2.9M State appropriation in FY19-20.

Schedule C-1

Programs and Initiatives by Fund

\$ in millions

	Unrestricted		Restricted Funds	FY20-21
	Undesignated	Designated		Budget
PROGRAMS AND INITIATIVES				
State/Federal Programs				
Agriculture and Natural Resources (ANR)	0.2	96.0	71.0	167.2
California Breast Cancer Research Program	0.0	0.0	12.9	12.9
California Subject Matter Project (CSMP)	0.2	4.5	3.4	8.1
Gaining Early Awareness and Readiness for Undergraduate Programs	0.0	0.0	3.2	3.2
Graduate Medical Education	0.0	0.0	2.1	2.1
Office of the National Laboratories (UCNL)	0.0	6.8	0.0	6.8
Other State/Federal Programs	0.5	(0.1)	0.0	0.4
Tobacco-Related Disease Research Program (TRDRP)	0.0	0.0	53.0	53
UC Research: Cancer Research Coordinating Committee (CRCC)	0.0	0.0	2.4	2.4
Subtotal - State/Federal Programs	0.9	107.2	148.1	256.2
Systemwide Program				
California HIV/AIDS Research Program (CHRP)	0.0	8.6	0.0	8.6
Eligibility in the Local Context (ELC)	0.9	0.0	0.0	0.9
Historically Black Colleges and Universities (HBCU) Fellowship Initiative	1.7	0.0	0.0	1.7
Historically Black Colleges and Universities (HBCU) Summer Research Initiative	1.9	0.0	0.0	1.9
Innovative Learning Technology Initiative (Online Education)	0.0	8.1	0.0	8.1
Natural Reserve System (NRS)	1.8	0.0	0.7	2.5
Other Systemwide Programs	2.2	0.1	0.1	2.3
San Joaquin Valley PRIME program	0.0	1.9	0.0	1.9
SAPEP	4.9	1.0	0.7	2.0
UC Astronomy: University of California Observatories (UCO)	7.5	0.0	0.0	7.5
UC Astronomy: W.M. Keck Observatory (Keck)	8.8	0.0	0.0	8.8
University of California Press	1.0	22.4	0.0	23.4
UC Research: Laboratory Fees Research Program (LFRP)	0.0	10.6	0.0	10.6
UC Research: Multi-Campus Research Programs and Initiatives (MRPI)	6.8	1.9	0.0	8.6
University of California Washington Center (UCDC)	1.5	5.9	0.0	7.4
Subtotal - Systemwide Programs	39.0	60.4	1.5	100.9
TOTAL USES	\$40.0	\$167.6	\$149.6	\$357.1

Schedule D

Budget by Division and Sub-Division

Central and Administrative Services

\$ in millions

	FY19-20 Budget	FY19-20 Forecast	FY20-21 Budget	Variance Increase/(Decrease)		
				FY19-20 Forecast vs FY19-20 Budget	FY20-21 Budget vs FY19-20 Forecast	FY20-21 Budget vs FY19-20 Budget
CENTRAL AND ADMINISTRATIVE SERVICES USES						
Academic Affairs						
Academic Personnel and Programs	29.4	31.7	19.2	2.3	(12.5)	(10.2)
Diversity and Engagement	0.8	1.9	1.1	1.1	(0.8)	0.3
Immediate Office	6.5	5.6	6.2	(0.9)	0.6	(0.3)
Institutional Research and Academic Planning	4.1	4.8	5.1	0.7	0.3	1.0
Research and Innovation	10.6	7.9	8.7	(2.7)	0.8	(1.9)
Student Affairs	9.7	9.8	10.8	0.1	1.0	1.1
Subtotal - Academic Affairs	61.2	61.6	51.2	\$0.4	(\$10.4)	(\$10.0)
Ethics & Compliance	7.3	6.4	6.7	(\$0.9)	\$0.3	(\$0.6)
External Relations & Communications						
Alumni and Constituent Affairs	0.7	0.6	0.5	(0.1)	(0.1)	(0.2)
Executive Communications & Engagement	0.8	0.7	0.8	(0.1)	0.1	0.0
Federal Government Relations	2.8	2.7	2.9	(0.1)	0.2	0.1
Institutional Advancement	2.0	1.9	2.3	(0.1)	0.4	0.3
Legislative Analysis	0.8	0.8	0.8	0.0	0.0	0.0
Marketing and Communications	6.3	4.9	5.4	(1.4)	0.5	(0.9)
Media Relations	0.9	0.8	0.8	(0.1)	0.0	(0.1)
State Government Relations	2.9	2.8	2.8	(0.1)	0.0	(0.1)
Immediate Office	0.6	1.7	1.9	1.1	0.2	1.3
Subtotal - ER&C	17.8	16.9	18.2	(\$0.9)	\$1.3	\$0.4
Finance						
Budget Analysis and Planning	2.3	1.9	2.0	(0.4)	0.1	(0.3)
Capital Asset Strategies & Finance	12.4	10.0	13.3	(2.4)	3.3	0.9
Financial Accounting	10.5	9.7	11.1	(0.8)	1.4	0.6
Risk Services	8.3	7.6	8.0	(0.7)	0.4	(0.3)
Strategic Sourcing/Procurement	10.9	9.9	11.8	(1.0)	1.9	0.9
Immediate Office	1.3	0.5	1.2	(0.8)	0.7	(0.1)
Subtotal - Finance	45.7	39.7	47.4	(\$6.0)	\$7.7	\$1.7
Operations						
Energy and Sustainability	4.4	5.0	4.4	0.6	(0.6)	0.0
Information Technology Services	51.5	51.5	44.3	0.0	(7.2)	(7.2)
Operational Expenses	8.0	7.5	1.8	(0.5)	(5.7)	(6.2)
Strategic Program Management Office	1.8	1.5	1.7	(0.3)	0.2	(0.1)
Systemwide Human Resources	48.2	45.8	46.3	(2.4)	0.5	(1.9)
UCOP Operations	30.8	38.0	30.3	7.2	(7.7)	(0.5)
Immediate Office	1.1	1.1	1.3	0.0	0.2	0.2
Subtotal - Operations	145.8	150.3	130.2	\$4.5	(\$20.1)	(\$15.6)
President's Executive Office	4.6	4.1	4.4	(\$0.5)	\$0.3	(\$0.2)
Secretary of the Regents	3.6	3.7	3.0	\$0.1	(\$0.7)	(\$0.6)
Systemwide Academic Senate	2.4	2.2	2.2	(\$0.2)	\$0.0	(\$0.2)
UC Health						
Self-Funded Health Plans	4.6	4.9	4.8	0.3	(0.1)	0.2
UC Health Core	4.3	4.1	3.8	(0.2)	(0.3)	(0.5)
UC Healthcare Collaborative	20.2	14.4	17.8	(5.8)	3.4	(2.4)
Subtotal - UC Health	29.1	23.4	26.3	(\$5.7)	\$2.9	(\$2.8)
UC Investments	34.3	36.6	33.6	\$2.3	(\$3.0)	(\$0.7)
UC Legal	58.0	64.0	58.1	\$6.0	(\$5.9)	\$0.1
SUBTOTAL USES	\$409.8	\$408.9	\$381.3	(\$0.9)	(\$27.6)	(\$28.5)
UCPath Center Operations	93.7	91.8	90.1	(\$1.9)	(\$1.7)	(\$3.6)
TOTAL USES	\$503.5	\$500.7	\$471.5	(\$2.8)	(\$29.2)	(\$32.0)

**Notes to Schedule D: Central and Administrative Services
FY20-21 Budget Increased/Decreased Compared to FY19-20 Budget > \$.5M**

Academic Affairs

1. Academic Personnel and Programs: \$19.2M decreased by \$10.2M (-34.7%) due to a net \$9.6M transition to direct campus funding of library content purchases managed at UCSD, 10.4% set-aside program budget reductions, hiring/travel reductions, plus other departmental budget reductions.
2. Institutional Research and Academic Planning: \$5.1M increased by \$1M (24.4%) due to staff transition from ITS.
3. Research and Innovation: \$8.7M decreased by \$1.9M (-17.9%) due to reduced positions, hiring/travel freeze.
4. Student Affairs: \$10.8M decreased by \$1.1M due to reduction to UC's systemwide appropriation and hiring/travel freeze.

External Relations & Communications

5. Institutional Advancement: \$2.3M increased by \$0.3M (15%) due to additional fundraising work for the LBNL Foundation.
6. Marketing and Communications: \$5.4M decreased by \$0.9M (-14.3%) due to reduced salary costs on FTEs.
7. Immediate Office: \$1.9M increased by \$1.3M (216.7%) due to the vacancy factor in the FY19-20 budget which was budgeted in the immediate office whereas the hiring freeze was budgeted within each department.

Finance

5. Capital Asset Strategies & Finance: \$13.3M increased by \$0.9M (7.3%) due to the transition of the Treasury group from OCIO, offset by hiring/travel freeze.
6. Financial Accounting: \$11.1M increased by \$0.6M (5.7%) due to licenses for the new financial system (Oracle Cloud ERP).
7. Strategic Sourcing/Procurement: \$11.8M increased by \$0.9M (8.3%) due to software licensing and professional services.

Operations

8. Information Technology Services: \$44.3M decreased by \$7.2M (-14.0%) due to headcount reductions, hiring/travel freeze, and transition to one-time PEF distribution for CENIC (campus high-speed internet) services.
9. Operational Expenses: \$1.8M decreased by \$6.2M (-77.5%) due to salary savings and other cost reduction programs.
10. Systemwide Human Resources: \$46.3M decreased by \$1.9M (-3.9%) due to hiring/travel freeze and professional services.
11. UCOP Operations: \$30.3M decreased by \$0.5M (-1.6%) due to the hiring/travel freeze.

UC Health

12. UC Health Core: \$3.8M decreased by \$0.5M (-11.6%) due to the hiring/travel freeze.
13. UC Healthcare Collaborative: \$17.8M decreased by \$2.4M (-11.9%) due to slower-than anticipated growth; alignment to forecast.

Other Divisions

14. Ethics & Compliance: \$6.7M decreased by \$0.6M (-8.2%) in professional services, training, hiring/travel freeze.
15. Secretary of the Regents: \$3.0M decreased by \$0.6M (-16.7%) due to remote meetings including facilities and security.
16. UC Investments: \$33.6M decreased by \$0.7M (-2.0%) due to Treasury group transition, hiring/travel freeze, offset by contract increases/targeted investments.
17. UCPath Center Operations: \$90.1M decreased by \$3.6M (-3.8%) by adjusting staffing/service levels and hiring/travel freeze.

Schedule D-1

Central and Administrative Services by Fund

\$ in millions

	Unrestricted			FY20-21 Budget
	Undesignated	Designated	Restricted	
CENTRAL AND ADMINISTRATIVE SERVICES USES				
Academic Affairs				
Academic Personnel and Programs	16.7	1.8	0.7	19.2
Diversity and Engagement	0.9	0.0	0.2	1.1
Immediate Office	6.2	0.1	0.0	6.2
Institutional Research and Academic Planning	5.1	0.0	0.0	5.1
Research and Innovation	6.2	2.4	0.0	8.7
Student Affairs	4.5	6.4	0.0	10.8
Subtotal - Academic Affairs	39.6	10.7	1.0	51.2
Ethics & Compliance	6.7	0.0	0.0	6.7
External Relations & Communications				
Alumni and Constituent Affairs	0.1	0.5	0.0	0.5
Executive Communications & Engagement	0.8	0.0	0.0	0.8
Federal Government Relations	2.2	0.7	0.0	2.9
Institutional Advancement	0.0	2.3	0.0	2.3
Legislative Analysis	0.8	0.0	0.0	0.8
Marketing and Communications	3.0	1.7	0.8	5.4
Media Relations	0.7	0.0	0.1	0.8
State Government Relations	2.8	0.0	0.0	2.8
Immediate Office	1.4	0.5	0.0	1.9
Subtotal - ER&C	11.8	5.5	0.9	18.2
Finance				
Budget Analysis and Planning	2.0	0.0	0.0	2.0
Capital Asset Strategies & Finance	4.4	8.9	0.0	13.3
Financial Accounting	6.6	2.4	2.2	11.1
Risk Services	0.0	8.0	0.0	8.0
Strategic Sourcing/Procurement	10.2	1.6	0.0	11.8
Immediate Office	0.4	0.5	0.2	1.2
Subtotal - Finance	23.7	21.4	2.4	47.4
Operations				
Energy and Sustainability	3.3	1.1	0.0	4.4
Information Technology Services	33.3	7.7	3.4	44.3
Operational Expenses	1.8	0.0	0.0	1.8
Strategic Program Management Office	1.7	0.0	0.0	1.7
Systemwide Human Resources	6.5	0.0	39.8	46.3
UCOP Operations	26.7	1.7	2.0	30.3
Immediate Office	0.9	0.0	0.5	1.3
Subtotal - Operations	74.1	10.5	45.6	130.2
President's Executive Office	4.0	0.3	0.1	4.4
Secretary of the Regents	3.0	0.0	0.0	3.0
Systemwide Academic Senate	2.1	0.0	0.1	2.2
UC Health				
Self-Funded Health Plans	0.0	3.5	1.3	4.8
UC Health Core	3.4	0.3	0.1	3.8
UC Healthcare Collaborative	0.0	17.8	0.0	17.8
Subtotal - UC Health	3.4	21.6	1.4	26.3
UC Investments	0.0	33.6	0.0	33.6
UC Legal	10.4	46.8	0.9	58.1
SUBTOTAL USES	178.7	150.4	52.3	381.3
UCPath Center Operations	0.0	90.1	0.0	90.1
TOTAL USES	\$178.7	\$240.5	\$52.3	\$471.5

Schedule F-1
Strategic Priorities Fund
Unrestricted Funds
Overall UCOP

\$ in millions

			Variances: Increase/(Decrease)			
	FY 2019-20 Budget	FY 2019-20 Forecast	FY 2020-21 Budget	FY19-20 Forecast vs FY19-20 Budget	FY20-21 Budget vs FY19-20 Forecast	FY20-21 Budget vs FY19-20 Budget
UNRESTRICTED-UNDESIGNATED FUNDS						
Campus Program						
1	0.2	0.2	-	-	(0.2)	(0.2)
Subtotal - Campus Program		0.2	0.2	-	\$0.0	(\$0.2)
Central & Administrative Services						
2	0.6	2.6	1.6	2.0	(0.9)	1.1
3	2.1	-	-	(2.1)	-	(2.1)
4	-	0.2	0.2	0.2	(0.0)	0.2
5	-	0.2	2.3	0.2	2.1	2.3
6	0.3	0.0	-	(0.2)	(0.0)	(0.3)
7	0.1	0.2	-	0.1	(0.2)	(0.1)
8	-	0.4	0.3	0.4	(0.0)	0.3
9	-	0.8	-	0.8	(0.8)	-
10	0.3	0.2	0.2	(0.1)	(0.0)	(0.1)
11	0.3	0.3	0.1	(0.0)	(0.1)	(0.1)
12	-	0.3	0.0	0.3	(0.2)	0.0
13	-	0.2	0.2	0.2	(0.0)	0.2
14	-	0.0	0.2	0.0	0.1	0.2
15	0.4	0.4	-	-	(0.4)	(0.4)
16	-	0.5	0.0	0.5	(0.5)	0.0
17	-	0.2	0.0	0.2	(0.2)	0.0
18	-	0.3	0.6	0.3	0.3	0.6
19	-	0.3	0.0	0.3	(0.2)	0.0
20	0.1	0.1	-	-	(0.1)	(0.1)
21	0.3	0.3	0.3	-	(0.1)	(0.1)
22	-	0.3	-	0.3	(0.3)	-
23	-	0.3	0.1	0.3	(0.1)	0.1
24	-	0.2	0.1	0.2	(0.1)	0.1
25	-	0.2	0.1	0.2	(0.1)	0.1
26	-	1.3	0.1	1.3	(1.2)	0.1
27	-	0.3	0.1	0.3	(0.2)	0.1
28	3.0	2.2	-	(0.8)	(2.2)	(3.0)
Subtotal - Central & Administrative		7.4	12.1	6.6	\$4.7	(\$5.5)
Presidential Initiatives						
29	1.4	1.4	1.3	-	(0.1)	(0.1)
30	5.1	5.1	4.1	-	(1.0)	(1.0)
31	0.5	0.5	0.4	-	(0.1)	(0.1)
32	0.2	0.2	0.1	-	(0.0)	(0.0)
33	0.6	0.6	1.0	-	0.4	0.4
Subtotal - Presidential Initiatives		7.7	7.7	6.9	\$0.0	(\$0.8)
Systemwide Programs						
34	2.2	2.2	2.2	-	0.0	0.0
35	0.2	0.2	-	-	(0.2)	(0.2)
36	0.5	0.5	-	-	(0.5)	(0.5)
37	0.8	0.8	0.8	-	-	-
38	0.3	0.3	0.2	-	(0.1)	(0.1)
39	0.6	0.6	1.3	-	0.7	0.7
40	-	1.2	1.2	1.2	-	1.2
Subtotal - Systemwide Programs		4.6	5.8	5.7	\$1.2	(\$0.1)
Systemwide Initiatives						
41	0.7	0.7	-	-	(0.7)	(0.7)
42	-	0.5	0.6	0.5	0.2	0.6
Subtotal - Systemwide Initiatives		0.7	1.2	0.6	\$0.5	(\$0.5)
Committed Funds		20.5	26.8	19.8	\$6.3	(\$7.1)
Uncommitted Funds		9.5	0.5	0.2	(\$9.0)	(\$0.3)
Total Strategic Priorities Fund		\$30.0	\$27.3	\$20.0	(\$2.7)	(\$7.3)

**Notes to Schedule F-1: Unrestricted Strategic Priorities Fund
FY20-21 Budget Increased/Decreased Compared to FY19-20 Budget**

Campus Programs

1. Clean Energy Research Center on Energy and Water: A five year commitment to this campus program ended in FY19-20.

Central & Administrative Services

2. Corporate Financial System Replacement Project: Phase 2: \$1.6M increased \$1.0M to complete the project in June 2021.
3. FIS Accounting System Project: \$0.0M; UCOP successfully implemented the Oracle Cloud ERP system effective July 1.
4. Mainframe Services Migration: \$0.2M required to complete migration of UC applications from UCSD to UCLA.
5. Mainframe Services Retirement: \$2.3M to migrate UC applications from mainframe to cloud solutions which will generate future savings and reduce dependence on outdated hardware investments.
6. Supply Chain 500, Phase 1: \$0.0M; Phase 1 completed.
7. eBilling Matters Management Software Implementation: \$0.0M; implementation successfully completed.
8. Lease Accounting System - GASB 87: \$0.3M to implement a system required by GASB regulations.
9. UCPath Hosting Co-Location (AWS): Launched with SPF funding; transitioned to the Designated SPF. See Schedule F-2.
10. Audit Response - Workforce Planning: \$0.2M to complete workforce plan implementation.
11. Audit Response - Finance Resources: \$0.1M to complete budget implementation.
12. UCM Chancellor Search: \$0.0; this search was successfully completed.
13. UCOP Presidential Search: \$0.2M; final invoicing for this search which has been successfully completed.
14. President Transition: \$0.2M to support the president's transition occurring in FY20-21.
15. Procurement Attorney -2 year contract position: \$0.0M; funding has moved to the UC Legal operating budget.
16. OP Operations Change Management Resources: \$0.6M to support several complex UCOP Operations projects.
17. Systemwide Compliance & Audit Symposium: \$0.0M; symposium was completed in FY19-20.
18. Transfer Guarantee Implementation Project: \$0.3M which compares to \$0.3M in FY19-20; this program remains flat.
19. Case Management System for UC Title IX Offices: \$0.1M to implement a systemwide system for Title IX case management.
20. DACA Program Communications Support: \$0.1M to support communications related to DACA.
21. Cybersecurity Audit: \$0.1M to complete a cybersecurity audit and risk assessment.
22. Litigation Cost & Whistle Blower Allegations: \$0.1M to complete one-time litigation matters.
23. COVID-19 Communications: \$0.1M for resources to support systemwide COVID-19 related communications.
24. iCAMP: Transitioned to the Designated SPF in FY20-21. See Schedule F-2.

Presidential Initiatives (See Appendix 2 for details)

25. Carbon Neutrality Initiative (CNI): \$1.3M decreased by \$0.1M (-7.1%).
26. Public Law Service Fellowship: \$4.1M decreased by \$1.0M (-19.6%).
27. Global Food Initiative (GFI): \$0.4M decreased by \$0.1M (-20%).
28. Presidential Public Service Fellowship: \$0.1M decreased by \$0.1M (-50%).
29. UC National Center for Free Speech & Civic Engagement: \$1.0M increased by \$0.4M (66.7%); original commitment was \$1M/year but less funding was needed in FY19-20 due to a carryforward from FY18-19.

Systemwide Programs

30. Undocumented Students - Campus Services & Financial Aid: \$2.2M to maintain funding levels for campuses and Center support.
31. CDL - UC Open Access Policy Support: Transferred funding to the CDL operating budget; no reduction from FY19-20.
32. MRPI Critical Mission Studies @ CA Crossroads: Transferred to the MRPI operating budget; no reduction from FY19-20.
33. UC-Mexico Program: \$0.8M to maintain funding commitment.
34. Presidential Postdoc Fellowship Program - Supplemental Funding: \$0.2M a planned decrease from targeted savings.
35. ASSIST Project: \$1.3M increased \$0.7M (116.7%); strategic augmentation for a project that supports transfer students.
36. UC Mexico Program Consolidation: \$1.2M; supports bridging a structural deficit for two years while the program implements changes to eliminate the deficit.

Systemwide Initiatives

37. Diversity Pipeline Initiative: \$0.0M; Student Affairs plans to institutionalize key components by integrating them into the program activities of the EAOP program on the campuses.
38. Systemwide Integrated Library System Initiative: \$0.6M to implement this software solution

Schedule F-2

Strategic Priorities Fund

Designated/Restricted Funds

Overall UCOP

\$ in millions

	Designated	Restricted	FY 2020-21 Budget
Central & Administrative Services			
1 Redwood Stabilization	-	6.2	6.2
2 RASC Customer Service Support and Reader Boards	-	0.1	0.1
3 UCPATH AWS Implementation	1.9	-	1.9
4 UCPATH Deployment for LBNL	1.8	-	1.8
5 iCamp	3.5	-	3.5
Subtotal - Central & Administrative	7.2	6.3	13.5
Total Strategic Priorities Fund	\$7.2	\$6.3	\$13.5

Notes to Schedule F-2: Designated and Restricted Strategic Priorities Fund FY20-21 Budget Increased/Decreased Compared to FY19-20 Budget

1. Redwood Stabilization: \$6.2M funded from restricted retirement investment funding for required system stabilization and enhancements.
2. RASC Customer Service Support and Reader Boards: \$0.1M to augment customer support for UC retirees pending system improvements in item 1 above.
3. UCPATH AWS Implementation: \$1.9M to migrate UCPATH from Oracle (OMCS) to Amazon Web Services (AWS) which will significantly lower annual costs. Funded from UCPATH designated fee-for-service funds.
4. UCPATH Deployment for LBNL: \$1.8M to bring LBNL's 3,500 UC employees onto UCPATH using LBNL-designated funds.
5. iCAMP: \$3.5M to support systemwide assessments of campus infrastructure managed by the CFO division using designated funds.

Schedule G

UCOP Reserves

\$ in millions

	Reserve Target Minimum	Reserve Target Maximum	6/30/19 Actual Reserve	6/30/20 Forecasted Reserve	Variance:	
					6/30/19 Actual vs 6/30/20 Forecast	6/30/20 Reserve Target Over Max / (Under Min)
UCOP RESERVES						
Building and Capital Assets Reserves						
Capital Maintenance and Renewal	\$ 2.6	\$ 7.9	\$ 3.1	\$ 2.6	\$ (0.5)	\$ -
UCOP IT Infrastructure	0.4	0.6	0.6	0.6	-	-
Sub-Total Building and Capital Assets Reserves	\$ 3.0	\$ 8.5	\$ 3.7	\$ 3.2	\$ (0.5)	
Program Reserves						
UC National Laboratories						
LANS and LLNS-LLC Post Contract Contingency ¹	19.0	19.0	17.1	18.0	0.9	(1.0)
LANS and LLNS-LLC Fee Contingency ¹	7.0	7.0	7.8	7.0	(0.8)	-
TRIAD Reserve Fund ¹	10.0	10.0	-	2.2	2.2	(7.9)
Capital and Campus Opportunity Fund ¹	10.0	10.0	-	3.3	3.3	(6.7)
LBNL Post Contract Contingency ²	4.0	4.0	3.0	4.7	1.7	0.7
LBNL Building Commitment ²	10.0	23.0	11.1	12.6	1.5	-
LBNL Guest House Renewal & Replacement ²	1.5	2.5	1.3	1.5	0.2	-
UC National Laboratories SubTotal	61.5	75.5	40.3	49.3	9.0	
UC Press	1.5	1.5	1.5	1.5	-	-
UC Washington Center (UCDC) ³	2.9	6.3	6.3	6.0	(0.3)	-
Sub-Total Program Reserves	\$ 65.9	\$ 83.3	\$ 48.1	\$ 56.8	\$ 8.7	
Other Required Reserves						
Housing Loan Program ⁴	27.3	37.6	31.4	38.0	6.6	0.4
Sub-Total Other Required Reserves	\$ 27.3	\$ 37.6	\$ 31.4	\$ 38.0	\$ 6.6	\$ 0.4
SUB TOTAL NON-OPERATING AND PROGRAM RESERVES	\$ 96.2	\$ 129.4	\$ 83.2	\$ 97.9	\$ 14.7	
Central Operating Reserve⁵	15.0	15.0	15.0	15.0	-	-
TOTAL UCOP RESERVES	\$ 111.2	\$ 144.4	\$ 98.2	\$ 112.9	\$ 14.7	

¹ UCNL TRIAD (LANL) and LLNS-LLC reserves and reserve targets are established by the UC Regents.

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

³ UCDC reserve includes \$0.7M in reserves and \$5.3M in TRIP.

⁴ \$6.3M of reserve balance is set aside for campus supplemental home loans.

⁵ Central Operating Reserve is held in the President's Endowment Fund. Per the established Presidential guidelines, the Central Operating Reserve may be supplemented with up to an additional \$100M or three months of covered funds from a variety of sources.

Schedule H

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

\$ in millions

	6/30/19 Balance	6/30/20		Remaining Balance	Change in Fund Balance
		Forecasted Balance	Commitments ³		
UNRESTRICTED					
Undesignated - UCOP					
Investment Income	\$ 15.0	\$ 1.1	\$ 1.1	\$ 0.0	\$ (15.0)
UC General Funds	10.0	0.0	-	0.0	(10.0)
Legal Settlements	5.2	0.9	-	0.9	(4.4)
Other	-	0.6	0.4	0.2	0.2
Sub-Total Undesignated - UCOP	\$ 30.3	\$ 2.6	\$ 1.5	\$ 1.1	\$ (29.2)
Undesignated - Systemwide					
General Obligation Bond Income	\$ 10.2	\$ 5.4	\$ 5.4	\$ -	\$ (10.2)
Sub-Total Undesignated - Systemwide	\$ 10.2	\$ 5.4	\$ 5.4	\$ -	\$ (10.2)
Sub-Total Undesignated	\$ 40.5	\$ 8.0	\$ 6.9	\$ 1.1	\$ (39.4)
DESIGNATED					
Regents Designated					
DOE Laboratories ⁴					
LLC	\$ 14.2	\$ 28.0	\$ -	\$ 28.0	\$ 13.8
LBNL	14.9	8.9	-	8.9	(6.0)
Triad	-	5.6	-	5.6	5.6
Lab Fees Research	33.4	23.5	7.7	15.8	(17.6)
Programs and Initiatives					
UC Healthcare Collaborative	\$ 7.9	\$ 0.2	\$ -	\$ 0.2	\$ (7.7)
California Digital Library	2.7	2.2	0.9	1.3	(1.4)
ICAMP	5.6	3.4	3.4	0.0	(5.6)
UC Washington Center	2.5	4.8	-	4.8	2.3
Procurement Initiatives	2.0	3.1	2.1	1.0	(1.0)
Writing Placement Exam	1.1	(0.1)	-	(0.1)	(1.2)
Other	(1.0)	1.5	-	1.5	2.5
Central Services Designated					
Endowment cost recovery	7.9	\$ 9.4	8.0	1.4	(6.6)
Energy and sustainability	2.0	\$ 1.1	0.3	0.8	(1.2)
Other	(2.9)	\$ 1.0	-	1.0	3.9
Sub-Total Designated	\$ 90.4	\$ 92.6	\$ 22.4	\$ 70.2	\$ (20.2)
RESTRICTED					
Federal and Special State Appropriations/Regulations	\$ 14.8	\$ 0.5	\$ -	\$ 0.5	\$ (14.3)
Gifts and Endowments	3.6	\$ 3.1	-	3.1	(0.5)
Sub-Total Restricted	\$ 18.4	\$ 3.6	\$ -	\$ 3.6	\$ (14.8)
TOTAL BALANCES - before building proceeds	\$ 149.3	\$ 104.1	\$ 29.3	\$ 74.8	\$ (74.4)
Capital Projects	\$ 35.0	\$ 20.8	\$ 20.8	-	(35.0)
TOTAL BALANCES	\$ 184.3	\$ 124.9	\$ 50.0	\$ 74.8	\$ (109.4)

¹ Fund balances are exclusive of Reserve amounts

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

³ Commitments include \$5.4M for campus seismic work and interest expense; \$7.7M for lab fees research grant awards; \$3.4M for ICAMP; \$2.1M for procurement licensing fees and \$8M for campus development efforts.

⁴ DOE Laboratories fund balances include DOE fee income from the three UC-run national labs, for lab oversight and building operations.

APPENDIX 2: FY20-21 PRESIDENTIAL INITIATIVES

Presidential Initiatives Detail FY19-20 and FY20-21

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

#	Presidential Initiative	FY19-20 Budget	FY20-21 Budget	Increase/ (Decrease)
1	Carbon Neutrality Initiative (CNI)	\$ 1,380,383	\$ 1,330,000	\$ (50,383)
2	Global Food Initiative (GFI)	496,000	421,200	(74,800)
3	Presidential Public Service Fellowship	168,142	145,928	(22,214)
4	Public Service Law Fellowships	5,080,000	4,050,000	(1,030,000)
5	UC National Center for Free Speech and Civic Engagement	565,000	950,000	385,000
	Total	\$ 7,689,525	\$ 6,897,128	\$ (792,397)

1. **Carbon Neutrality Initiative (CNI)**

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

2. **Global Food Initiative (GFI)**

The Global Food Initiative (GFI) was launched in 2014 to address how to sustainably and nutritiously feed a world population expected to reach 8 billion by 2025. By working to increase food access and security among communities across the ten UC campuses, this initiative furthers the **public service** component of the University’s mission. This initiative also furthers the University’s mission to provide **instruction** by giving undergraduate and graduate students the opportunity to study issues such as food security and food waste through the GFI Fellowship Program. 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.

3. **Presidential Public Service Fellowship**

The Presidential Public Service Fellowship launched in FY15-16. This need-based fellowship catalyzes student interest in public service careers and encourage more undergraduate students to apply for public

service internships in D.C. and Sacramento. By providing educational opportunities to UC students and encouraging students to become agents of change in the public arena, this initiative advances UC's **instruction** and **public service** mission components.

4. **Public Service Law Fellowships**

The Public Service Law Fellowship launched in FY16-17 to support approximately 425 summer and 60 post-graduate fellowships annually at all four UC law schools for students pursuing opportunities in public service. Post-graduate fellowships provide up to \$45,000 for graduates entering public service plus an additional \$2,500 to help defray bar-related costs. Summer fellowships provide approximately \$4,000 to subsidize summer public interest law jobs. Annual UC National Public Service Law Conferences are held 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.

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

The UC National Center for Free Speech and Civic Engagement launched in FY17-18 to explore how the fundamental democratic principles of free speech and civic engagement must adapt to the challenges and opportunities of modern society. By bringing together people of various academic and experiential background from across the country to inform free speech and civic engagement policies on college campuses, in state legislatures, and in Washington, D.C., this initiative furthers the **public service** mission of the University. Through this initiative, the UC National Center for Free Speech and Civic Engagement supports a fellowship program wherein fellows research First Amendment issues and present their findings at a national conference. The output of this Center also furthers the **research** component of the University's mission. The budget for the Center was established at \$1M per year for three years. Because the Center, managed by UC Irvine, had funds remaining after the end of the first year, the level of funding in FY19-20 was reduced. The proposed budget for FY19-20 is 5% less than the original commitment.

APPENDIX 3: KEY TO ACRONYMS

Acronym	Description
ANR	Agriculture and Natural Resources
CAS	Central and Administrative Services
CDL	California Digital Library
CFO	Chief Financial Officer
COO	Chief Operating Officer
CSA	California State Auditor
CSU	California State University
EBC	Executive Budget Committee
FY	Fiscal Year
GAAP	Generally Accepted Accounting Principles
GO Bond	General Obligation Bond
HIS	Hispanic Serving Institutions
HR	Human Resources
Incr/(Decr)	Increase/(Decrease)
IT	Information Technology
LANL	Los Alamos National Laboratory
LBNL	Lawrence Berkeley National Laboratory
LLNL	Lawrence Livermore National Laboratory
SAPEP	Student Academic Preparation and Academic Partnerships
SPF	Strategic Priorities Fund
TRDRP	Tobacco-Related Disease Research Program
UC	University of California
UCDC	University of California Washington Center
UCNL	University of California National Laboratories
UCOP	University of California Office of the President

