Berkeley
UNIVERSITY OF CALIFORNIA

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Chancellor's Cabinet
Council of Deans

This memo provides formal instructions to develop your divisional fiscal year (FY) 2018-19 budget submission.

Financial Overview
Our primary objective with the FY2018-19 budget process is to continue the progress we have made over the last two years to balance the UC Berkeley budget by 2020. In the current fiscal year, we are poised to reduce the budget deficit to $57 million by July 2018. For FY2018-19, we must reduce our deficit to $20 million if we are to remain on track to achieve a balanced budget by the end of FY2019-20. Our challenge is to do this while maintaining and enhancing our mission of access and excellence, and positioning the campus for the exciting opportunities developing through our strategic planning process.

As with last year, the budget decisions will be iterative with your budget submission informing a follow-on discussion so that we can understand the trade-offs before making final decisions. Our flexibility to adjust will be somewhat limited this year compared to last, because of the uncertainty in tuition rates and the reduced contribution of the State as compared to the budget framework.

In FY2018-19 we must continue to look to the future and academic growth opportunities that are also net revenue-generating. Philanthropy that honors our donor community interests and helps support our core activities are vital. Our hope is that budget growth can make up as much as two-thirds of the shortfall this year. At the same time we expect to hear how you assess and manage teaching loads, ensure the right staffing levels (headcount), and develop administrative efficiencies.

This letter provides you with the information needed to complete your budget proposal and to submit it formally, along with your division's narratives and revenue generation plans, by mid-April. As noted, we will carefully consider our academic and administrative priorities as we make the final budget decisions.

Divisional Budget Improvement Targets
Each division should submit a budget that achieves the agreed-upon Budget Improvement Target (i.e., improvement in the FY2018-19 Net Operating Surplus/Deficit by the target

amount). Please use this budget cycle to address structural imbalances by reducing expenses and/or growing net revenue.

The targets shared with you in recent fora are the starting point for budget decisions but, as was the case last year, final budget decisions will vary depending on an assessment of relative needs and the impact of these decisions on our mission. The specifics as to how we will measure each division's target will be included in the FY2018-19 Budget Guidelines that the Office of VC Finance will distribute to the Divisional Financial Leaders (DFLs) under separate cover. In general, we will check in throughout the fiscal year to monitor progress and work with you to take corrective or alternative action where necessary.

Ending Balances for Revenue Generation and Capital Projects
In keeping with our practice from last year, in FY2018-19 divisions are encouraged to use ending balances to fund new net-revenue-generating opportunities. We will continue to ask units to submit revenue generation templates to New Academic Ventures at Berkeley (NAV-B). Additionally, in FY2018-19 we are adding the capitalization of assets to the list of permitted uses for ending balances. Like last year, all projects using ending balances must be approved by the Vice Chancellor of Finance. The specifics on how to document these requests will be included with the FY2018-19 Budget Guidelines that the Office of VC Finance will distribute to the DFLs under separate cover.

Temporary Academic Support (TAS)
Despite these challenging financial times, the instruction of our students remains a central priority we will continue to support. To this end, we are spending an additional $5.8 million in TAS over the FY2017-18 amount, bringing the total to $45 million from centrally-funded sources. These additional funds can only partially address the academic impacts of enrollment growth that has come without State support. The methodology used to arrive at this allocation was outlined and discussed with the Council of Deans, and continues the approach used for this academic year (2017-18). Vice Provost of Faculty Ben Hermalin sent allocation letters to divisions on February 21, 2018, and shortly will deliver a separate announcement regarding the portion of TAS for funding the Common Good Curriculum (CGC).

Benefit Adjustments
The UC Office of the President (UCOP) and UC Berkeley are committed to offering equitable pay. As such, an unfunded 3% merit/equity increase pool for non-represented staff is required by UCOP for all UC campuses, including UC Berkeley and all of its units. As has been the practice for several years, central funding will not be available for these mandated salary (and associated benefits) increases for campus support units.

Schools, colleges, other academic units, and research field stations and museums — because they have the potential to generate revenue for our core academic mission — will receive an increase in their proportioned central funding to offset non-represented staff salary increases. Salary and benefit adjustments for ladder-ranked faculty supported by central funds will also receive central resources. The Office of VC Finance will enter funding plans directly into CalPlanning.

In addition, this year the Central HR Compensation Team will provide average salary data by job title to DFLs in March, so divisions can plan and budget for their compensation costs most effectively. Although divisions must allocate a 3% salary pool for both merit and equity adjustments, we know that across campus our average compensation is between 4% and 9% below market for non-represented staff jobs. Central HR is hoping that by providing these data in advance of setting budgets, divisions will have a better ability to allocate funds in order to bring key staff closer to market. Note the objective of this information sharing is not to mandate salary increases, but to assist units in addressing existing equity gaps. Central HR understands that for many divisions this means making hard decisions across priorities.

Non-Academic Unit Service and Compensation Reductions
Vice Chancellor of Administration Marc Fisher has convened the leaders of non-academic divisions to identify service reductions that they may implement in order to meet their budget targets. We are inserting this step into the budget process early on so that the financial implications of these reductions can inform your planning. Where possible, actions will focus on reduction of non-essential services, standardization, or extension of service turnaround times. We are asking non-academic units to try to minimize the consequences of these reductions on our core mission and purpose.

It is clear that some units are planning their own reductions by relying on services currently offered through our central units. With this in mind, my office aims to communicate key FY2018-19 central service adjustments by Spring Recess to allow the campus time to finalize budget submissions by mid-April. Note that these service reductions will not impact your budget improvement target or the budget process timeline. We will also continue to monitor how service reductions are affecting our core educational and research missions and make necessary adjustments whenever possible.

Additionally, we will not be offering voluntary separation or retirement incentive programs in FY2018-19. For those non-academic units considering either voluntary or involuntary separations (e.g., layoffs, dismissals, retirements, ending employment contracts) please contact your CSS HR Partner as soon as possible to coordinate your activities. Our goal is to ensure that units make the right decisions — ensuring the dignity of staff, minimizing disruption of operations, and being in compliance with all laws and policies.

Philanthropy
Revenue from philanthropic gifts is a growing source of funding for UC Berkeley, and we have made important strides in adopting the Fundraising 2.0 protocols this past year. Now we will need to become more coordinated and more integrated in our approach as we align our

priorities across the institution, and also deepen our cooperation with donors. Doing so will enable us to achieve our full potential in the new campaign. More information and guidance on this important topic will be coming soon from the Chancellor. In the meantime, Michelle McClellan, AVC of Constituent Programs at University Development and Alumni Relations (mcclellan@berkeley.edu), can be a resource to divisions for their philanthropic planning and in managing their fundraising leads.

Travel Curtailment
The restriction on non-essential administrative travel, established on July 1, 2016, remains in effect through June 30, 2019. The divisions in compliance again saved the university over $1 million. Exceptions include travel related to Contracts & Grants, research, faculty travel obligations, philanthropy, Intercollegiate Athletics, and student recruitment.

BEAR Grants
Based on input from the Council of Deans, we will maintain the allocation for the Berkeley Excellence Accounts for Research (BEAR) Program as we established in FY2017-18.

Off-Cycle Funding Commitments
We will continue to review the EVCP and Chancellor funding commitments that may no longer be aligned with the most essential strategic campus priorities.

Conclusion
I look forward to continuing our partnership with you during the FY2018-19 budget process to help ensure the success and sustainability of our university.

A. Paul Alivisatos
Executive Vice Chancellor and Provost

cc: Chancellor's Cabinet Chiefs of Staff
Chief Administrative Officers
Divisional Finance Leaders