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This memo provides formal instructions to finalize your divisional FY2017-18 budget submission.

Fiscal Context
Our primary objective with the FY2017-18 budget process is to continue our progress in securing a financially sustainable future for UC Berkeley to maintain and enhance our mission of access and excellence. To accomplish this, we've embarked on an iterative budget process, and I thank you for your flexibility and collaboration in our limited time period.

Through the course of our small group meetings, the budget retreat, and your emails, we have helped each other understand the fiscal landscape more fully and collectively recognized the implications of the divisional budget targets on our strategic plans. Together, we became more confident that our leadership team is ready to make the tough choices needed to sustain our academic excellence.

Because of our budget deficit and changes in public higher education more broadly, we must reimagine our financial model while always staying true to our public mission. UC Berkeley is poised to be a pioneer in meeting this challenge, as it has been in so much else. I will need your wisdom and imagination as we do this together; I hope I can rely on your advice, your candor, and your trust.

Our collective charge is to make a determined effort to direct the allocation of our resources toward our highest priorities while confronting the difficult trade-offs that will be required. This is a pivotal year as we begin to actively analyze and implement net revenue generating opportunities, as well as focus philanthropic dollars on core operations, assess and manage teaching loads, monitor staff headcount, and design financial reform that rationally shares costs for common activities and goods.

This letter provides you with additional critical information needed to complete your budget and formally submit it along with your division's strategic plans and revenue generation plans by early May. I will carefully consider our academic and administrative priorities as I make final budget decisions by mid-June.

1. Divisional Budget Improvement Target
It is important that our budget strategies lead to concrete and measurable progress as soon as possible. Therefore, continuing our mandate from last year, we ask that each division submit a budget that achieves the agreed-upon Budget Improvement Target (i.e., improvement in the FY2017-18 Net Operating Surplus/Deficit by the target amount). As was the standard set last year, we will continue to exercise increased scrutiny on the use of reserves. Please use this budget cycle to address structural imbalances by reducing expenses or growing revenue. Further, where possible, please delay large investments to a future fiscal year.

The specifics on how we will measure each division's target will be included with the FY2017-18 Budget Guidelines that will be distributed to the Divisional Financial Leaders under separate cover. In general, we will conduct regular checkpoints throughout the fiscal year to monitor progress and work with you to take corrective or alternative action where necessary.

Over the next few weeks, the Office of the CFO will partner with Divisional Finance Leaders of central units to assess their Revenue Generation Templates and finalize their Budget Improvement Targets.

2. Temporary Academic Support (TAS)
Despite these challenging fiscal times, we are making the instruction of our students a priority. To this end, we are spending an additional $5 million in TAS over the FY2016-17 amount, bringing the total to $37 million from centrally-funded sources. These additional funds will help address enrollment growth. The TAS Task Force has reviewed how to allocate funds for FY2017-18 and concluded, as discussed at the December 20, 2016 Council of Deans meeting, that an incremental approach relative to the recent past and reflective of emerging trends is the best approach. Task Force Chair and Vice Provost of Faculty Ben Hermalin sent allocation letters to divisions the weekend of March 18-19, 2017.

3. Campus Compensation Costs
While we are emphasizing net revenue generation, we still need to reduce our workforce to achieve our campus budget target. We ask that you work to find ways to minimize the impact on our core mission and purpose. All campus units, including central administration, will need to look for ways to de-prioritize activities and reduce the scope of what we are doing – and what we are asking of each other – not simply trying to continue to do more with less.

As a reminder, we will not be offering voluntary separation or retirement incentive programs in FY2017-18, and UCOP has decided to sunset the ERIT program at the end of the current fiscal year (June 2017).

For those of you considering either voluntary or involuntary separations (e.g. layoffs, dismissals, retirements, ending employment contracts) for any number of staff members, please contact HR's newly created Workforce Transition Team via avc-hr@berkeley.edu as soon as possible to coordinate your activities. The purpose of this team is to provide increased support for campus unit leaders in making and managing staff separation decisions. Our goal is to ensure that units make the right decisions – ensuring the dignity of staff, least disruption of work, and compliance with all laws and policies.

4. Staff Merit and Benefit Adjustments
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. Divisions fund these costs from within their existing budgets, therefore merit and benefit cost assumptions are pre-populated in CalPlanning for FY2017-18. Salary and benefit adjustments for ladder-ranked faculty supported by central funds will continue to receive central resources.

5. Philanthropy
Philanthropy is the most promising funding source for UC Berkeley in the years ahead, and we must employ proper stewardship of these funds to support the core budget of the university. Significant flexibility can be achieved if units use a percentage of incoming gifts and endowment payout for core operations. When planning your philanthropy programs, please ensure you adhere to the tenets of Fundraising 2.0 and, most importantly, its emphasis on collaboration among fundraisers to enhance the

donor experience and drive toward larger, donor-centered pledges and blended gifts. Michelle McClellan, AVC of Constituent Programs at UDAR (mcclellan@berkeley.edu), is a philanthropic planning resource to divisions and their fundraising leads.

6. Travel Curtailment

The restriction on non-essential administrative travel remains in effect. Over the last 12 months, only half the divisions were in compliance and reduced their non-essential travel costs. The divisions in compliance saved the university over $1 million; unfortunately, those not in compliance reduced that savings to just over $450,000. Therefore, we are extending the travel curtailment, effective July 1, 2016, through June 30, 2018. Exceptions include travel related to Contracts & Grants, research, faculty travel obligations, philanthropy, Intercollegiate Athletics, and student recruitment.

7. BEAR Grants

In FY2017-18, the Berkeley Excellence Accounts for Research (BEAR) Program – established to support UC Berkeley's ladder faculty as they advance their research, scholarship, and creative accomplishment – has come to the end of the pilot phase. The program's financial model was predicated on the assumption that higher ICR rates would increase revenues to central campus; however, the higher revenues have not materialized, leaving us only able to fund a highly reduced program. Based on input from the Council of Deans, our intention is to reduce the allocation for the BEAR Program by approximately half for FY2017-18; the particulars are to be determined in consultation with the Council of Deans over the next month.

8. Off-Cycle Funding Commitments

We will continue to review EVCP and Chancellor's funding commitments that may no longer be aligned with the most essential strategic campus priorities. Divisions will be notified by the end of this fiscal year if support for specific commitments in their area will be changing.

9. Administrative Service Reductions

Central units are doing their best to minimize campus impacts while also meeting their FY2017-18 budget targets. Where possible, plans will focus on reduction of nonessential services or extension of service turnaround times. It is clear from the small group discussion at the recent Council of Deans/Vice Chancellors/Academic Senate Budget Retreat and from meetings with the EVCP Operations group that some units are planning their own reductions by relying on services currently offered through our central units. With this in mind, we will communicate central service impacts to the campus in time for all to finalize budget decisions in the first part of May.

Conclusion

I look forward to continuing our partnership with you during the FY2017-18 budget process to help ensure the success and sustainability of our university for the 21st century and beyond.

Thank you,
Carol Christ
Interim Executive Vice Chancellor and Provost
Chancellor-Designate