



April 3, 2023

Deans
Vice Chancellors
Vice Provosts
University Librarian
Academic Senate Chair
Athletics Director
Cal Performances Director
BAM/PFA Director
Associate Chancellor
Assistant Executive Vice Chancellor

RE: Fiscal Year 2023-24 Budget Call Letter

Financial Overview and Assumptions

Over the past decade, UC Berkeley has faced a series of serious financial challenges: a \$150 million structural budget deficit, which was resolved in 2018; the COVID-19 pandemic, now thankfully mostly behind us; and an enrollment crisis last year that would have severely limited access to a Berkeley education for thousands of students had it not been resolved. As it has done throughout its history, the campus rose to meet these challenges, emerging ever more resilient and resourceful. This year, the entire University of California has faced a reckoning over the need to adequately pay our graduate student workers and other instructional and research staff. The financial consequences, as well as working through the implications for how we deliver instruction and conduct research, are challenging issues; we are, though, confident that Berkeley will tackle them with the same skill, creativity, and equity that our community has demonstrated under similar circumstances in the recent past.

While there are many adjustments to be made in the medium to long term, we must deal this year and next with the immediate financial impact of the new labor agreements, as well as salary and benefits increases for faculty and staff, on our budgets. In total, salaries and wages next year for all campus employees are projected to increase by over \$100 million. Against these costs, the campus is projecting an increase in state general funding of \$23 million and an increase in tuition revenue of \$12 million. As is immediately evident, despite this \$35 million increase in core funding there is a large shortfall between the compensation increases for which we must pay and the new resources available to do so. Consequently, the campus must rely on other sources of funding to meet this obligation, the result of which may be a year-end campus-wide budget deficit.

Given these circumstances, we will implement a conservative budget process for FY 24, one that reflects the reality that cost increases continue to outpace growth in core funding and that the divisions themselves must

bear a large share of increased expenses. To that end, the following parameters have been established for the budget process:

- Because we recognize that covering cost increases next year will be very difficult for the divisions, there will be no reinstatement of a cost recovery assessment or budget cuts/targets, which have been used in the past to address financial challenges.
- The center will cover the 4.6% salary and benefits increases for state-funded Senate faculty, consistent with prior years.
- The divisions will cover the 4.6% salary and benefits increase for non-represented staff, as well as contractually mandated increases for represented staff.
- The center will increase the permanent general allocation to campus divisions sufficient to cover a 3% salary and benefits increase for represented and non-represented staff paid on core funds. The divisions will have discretion as to whether these funds— versus other divisional funding sources—are used to pay for the mandated staff salary and benefits increase.
- The allocation for EVCP TAS funding will be increased from \$61.5 million to \$73.4 million to assist academic units in covering their instructional budgets.
- A \$10 million Critical Priorities Fund will be established for the allocation of one-time resources during the budget process to address compelling needs for which there is no other funding source.

The center's contribution to these funding needs will place significant pressure on the central ledger, the health of which continues to decline. For us to make the financial commitments outlined above and maintain a positive balance in the central ledger, we will need to make a cash infusion currently estimated to be \$82 million, the likely source of which will be the realization of investment gains. Given the volatility in the stock market right now, this strategy comes with a fair amount of risk. Another risk we are monitoring closely is the recent spike in utilities costs, which are currently estimated to be \$25 million higher than planned for this year. Since these costs are borne by the center, any unanticipated increase next year will again place added pressure on the central ledger.

Budget Process

Due to the UAW strike this fall and our need to determine its financial impact on campus, the budget process has been delayed again this year. As was the case last year, the process will be streamlined in terms of the activities, timeline and materials submitted. Below are the key dates for submitting, discussing, and communicating decisions about your FY24 budgets:

Dates	Activities
April 10	Financial Planning & Analysis (FP&A) releases budget guidelines, assumptions and templates to the divisions
April 10 - May 31	Divisions complete budget templates and submit their budgets via Cal Planning
June 7-27	Chancellor and EVCP hold budget meetings with vice chancellors and deans
July 6-18	Finance Committee reviews budget submissions and holds decision meetings
Week of July 31	Final budget allocation packets distributed to divisions

Rather than focus narrowly on your finances during the budget meetings, we will use the meetings as an opportunity to engage in more high-level discussions about your priorities for the next few years, your financial strategies for moving forward on them, and any obstacles you may face in achieving them. We recognize that for some divisions, the top priority will be to address profound, structural financial challenges. Therefore, we will also use these meetings as a forum to discuss and plan for these challenges.

Budget Templates

The following templates will be completed as part of the budget process:

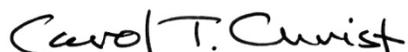
- *Strategic Priorities Template:* This template will serve as the basis for your budget strategy meeting in June. In it you are asked to describe the key priorities you will pursue over the next one to three years, as well as your financial strategies to achieve them. This template should also be used to describe any major financial challenges you face as a division.
- *FY24–FY26 Budget Planning Template:* Set in the form of a SRECNA, this template will serve as the primary means through which the overall financial performance of your division will be examined in relation to your strategies for funding critical priorities and managing other impacts to your budget (e.g., staff salary and benefits increases).
- *FY24 Planned Use of Reserves:* This template will be used to summarize the ways in which you will use reserves to invest in strategic initiatives (e.g., capital projects, revenue generating activities) or meet other demands in your budget.
- *FY24 Request for Central Resources:* As referenced above, a \$10 million Critical Priorities Fund has been established to make resource allocations during the budget process. This template should be used to make requests from this fund. This is obviously a very small amount of funding and only the most compelling needs will be considered (e.g., to address legal/compliance requirements or otherwise unavoidable costs). In addition, the colleges and schools may use this template to request additional

EVCP TAS funding. Of the \$12 million increase in TAS for next year, \$3 million has been held in reserve to address extraordinary needs. Allocations from these funding pools next year will only be available on a one-time basis. Also, in evaluating requests, we will carefully examine divisional reserves in assessing the need for central funds relative to a division's capacity to cover all or part of the expenses.

The templates, detailed guidelines and planning assumptions will be provided to your Divisional Finance Leaders (DFLs) to support the completion of these templates.

Thank You

Once again this year Berkeley's core operations and finances have been tested in ways that have required an extraordinary amount of leadership and resolve on your part. To that end, we again want to thank the Cabinet, the Council of Deans, the Academic Senate, the Chief Administrative Officers, and the Divisional Finance Leaders for your unwavering efforts to maintain the world-class quality of our university. You continue to be outstanding partners.



Carol T. Christ
Chancellor



Benjamin E. Hermalin
Executive Vice Chancellor and Provost

cc: Chris Stanich, Associate Vice Chancellor, Financial Planning and Analysis
Rita d'Escoto, Executive Director, Budget and Financial Operations
Cabinet Chiefs of Staff
Chief Administrative Officers
Divisional Finance Leaders