



FY2020-21

# UC BERKELEY BUDGET TEMPLATE GUIDELINES AND ASSUMPTIONS

This document provides information specific to the FY2020-21 Budget Process templates and should be used in conjunction with the revised Budget Call Letter due to the impacts of COVID-19. It provides guidance to divisions including key dates, planning assumptions, contextual information, and links to helpful tools and resources.

## Table of Contents

I.	Overview and Goals .....	3
a.	Streamlined Process.....	3
II.	Timeline .....	3
III.	Updated Budget Process Deliverables .....	4
IV.	Template Planning Assumptions and Table of Accounts .....	4
a.	General Assumptions .....	5
b.	Revenue .....	6
c.	Operating Transfers .....	7
d.	Compensation Expenses .....	9
e.	Non-Compensation Expenses .....	10
f.	Changes in Fund Balance .....	11
g.	Reserves and Ending Balances .....	12
V.	Expense Reductions Template Guidance.....	13
VI.	Strategic Use of Reserves Template Guidance .....	13

# I. Overview and Goals

The purpose of this document is to provide guidance for the updated FY2020-21 budget process due to the impacts of COVID-19, including key dates, planning assumptions, contextual information, and links to useful tools and resources.

## a. Streamlined Process

Due to COVID-19, the budget process was delayed in order to allow the Finance Committee to assess the financial impact of the virus and adjust accordingly. The budget process has been streamlined to support a compressed timeline, facilitate timely decision-making, and minimize extra work.

As part of the streamlined process, the EVCP will hold budget meetings with the deans and vice chancellors to assess each division's financial plan prior to including this information in CalPlan. To support this process, the FP&A team has created four brief templates for the divisions to complete. The guidelines that follow outline the high-level planning assumptions that divisions should apply when filling out these templates. They also provide guidance on how to fill out the templates.

# II. Timeline

The compressed timeline for the updated budget process is included below.

	Time	Milestone	Level	Activity
Operating Budget	Week of 08/10/2020	Updated Call Letter	Campus	EVCP communicates revised budget assumptions
	Week of 08/10/2020	Templates and guidelines provided to divisions	Campus	Templates along with detailed guidelines and planning assumptions will be provided to Divisional Finance Leaders (DFLs) to support the process.
	08/17/2020 – 09/03/2020	Office Hours	Campus and Division	FP&A holds office hours for the completion of budget templates. Office hours may be provided in subsequent weeks, as needed.
	<b>09/04/2020</b>	<b>Templates due</b>	Division	<b>Templates due to FP&amp;A for review and submission to the EVCP</b>
	09/14/2020 - 09/21/2020	Budget Meetings	Campus and Division	EVCP holds budget meetings with deans and vice chancellors
	Week of 09/28/2020	Budget Decision Meetings	Campus	Finance Committee holds decision meetings
	Week of 10/5/2020	Budget Decisions	Campus	Budget decisions communicated to campus
	10/23/2020	<b>Budget Due in CalPlan</b>	<b>Division</b>	<b>Divisions will enter their FY21 Operating Budgets into CalPlan including final budget decisions.</b>

### III. Updated Budget Process Deliverables

In preparation for the budget meetings with the EVCP, divisions will need to provide the following mandatory submissions.

- **FY2020-21 Budget Process Template**
  - **FY21 - FY23 Budget Planning Template**

This tab is a high-level summary of the division's budget plan. It includes actual results and projections from FY19 through FY23. 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 to address your budget reduction (e.g., expense reductions, use of reserves), fund critical priorities, and manage other COVID- and non-COVID-related impacts to your budget.
  - **FY21 Expense Reductions Template**

This tab will be used to summarize the specific cost reduction strategies divisions will implement to address budget reduction in FY21.
  - **FY21-23 Strategic Reserves Template**

This tab will be used to summarize the ways in which divisions plan to use reserves to invest in strategic initiatives (e.g., capital projects, revenue generating activities).
- **FY2020-21 Budget Process Narrative**

This template will be used to provide context to the financial schedules. Use this template to briefly describe the impact of COVID-19 and other factors on the division's revenue and expenses, as well the plan for how the budget reduction will be addressed and any plans to fund critical priorities. There is also space to make a funding request from the \$1.5M Extraordinary Relief Pool, as described in the budget call letter.

After the budgets are approved, data will need to be entered into CalPlan. Divisions can choose to make all changes in CalPlan and refresh the templates using Smartview or they can make the changes directly into the templates and update CalPlan after all budget decisions have been made. Normal push times apply.

### IV. Template Planning Assumptions and Table of Accounts

Below are general planning assumptions, as well as assumptions by major account categories. These assumptions should be used unless a division has more specific information regarding impacts to their division. If no specific assumption is provided, divisions should plan for known items and trends.

There obviously remains a great deal of uncertainty due to COVID-19, which makes it difficult to plan, particularly beyond FY21. Broadly speaking, we are assuming that Berkeley will return to on-campus operations in FY22. Perhaps in an abundance of caution, however, and for planning purposes only at this point, the funding reductions identified in the budget template will remain in place for FY22 and FY23. We think it's important to plan conservatively, while hoping that conditions improve sooner rather than later. Nevertheless, we want to be prepared for outcomes that prove less than ideal. In completing the template for FY22 and FY23, we understand that your responses will be broader and more strategic (rather than specific) given the high level of uncertainty.

The account categories outlined below represent the account rollups included in the budget process template and may include combinations of accounts and account rollups from CalPlan. If you are uncertain of an account description, divisions may find it useful to refer to account long descriptions, which are located on the [Controller's Office website](#).

## a. General Assumptions

Category	Account Codes	Discussion
<b>General</b>		
Remote Learning	All applicable accounts	Plans should be made with the assumption that students will be back on campus (including the dorms) by Summer 2021 and we will return traditional operations by the start of FY2021-22.
Funds Covered	All applicable accounts	The updated templates reflect planning for <b>Current Funds Excluding Contracts and Grants.</b>
Administrative Full Costing	Plan net amount in Sales and Services Revenue	Assume 9% assessment rate for sales and services revenues.
Philanthropic Assessment	Plan net amount in Private Gifts for Current Use	Assume 5% assessment rate for donor gifts received and 10.5% for research gifts.
UCB Foundation and Regents Endowments and FFEs	Revenue: Private Gifts for Current Use Operating Transfers: Regents Endowment/FFE Payout 72210	For UCBF endowments and FFEs, DFLs can plan for a year over year modest increase of 1.0% to 2.0% in payout adjusting for any significant changes in the underlying principal during the three years ending March 2020. UCBF's Investment Policy Statement can be found on the <a href="#">UC Berkeley Foundation website</a> .
Compensation Expenses	Academic/Staff Salaries and Wages	<p>When we opened the FY2020-21 Operating Budget in our HCP planning tool, the employee monthly pay rate was increased 3% to show the expected annual merit. A systemwide pay freeze for non-represented staff and faculty was announced in May. We have removed the planned 3% merit for monthly paid employees in non-represented job codes where the increase in the system was equal to 3%. No adjustments were made for any other cases. Planners should review comp data for cases where adjustments were not made and make changes as needed. Read the <a href="#">July 2020 release notes</a> for more information.</p> <p>Divisions should plan for the 3% increase to return for FY22 and FY23 when we anticipate returning to on-campus operations.</p> <p>In the past, no incremental funding for salaries or associated benefits has been provided for non-ladder-rank faculty or staff. In FY20, \$5M was provided to non-academic units to help defray this cost. For academic units, \$5M was provided in FY19 and FY20, and was initially planned to be provided in FY21 (pre-COVID-19). The \$5M academic unit subvention has been removed for FY21, but is assumed to resume for FY22 and FY23, though it is not yet approved or guaranteed. For planning purposes, the \$5M benefit for staff in administrative units has not been reinstated for FY21, FY22 and FY23</p>

		In this scenario the definition used for staff in academic units includes staff in Letters and Science, Schools & Colleges as well as Academic Senate, Academic Core, Office of the Faculty, Strategic Academic and Facilities Planning, Summer Sessions, the Library, Undergraduate Education, Graduate Division and VC Research Museums and Field Stations.
General inflation assumption	Non-Compensation Expenses	No inflation assumptions have been centrally built into the FY21 Operating Budget for non-compensation expenses. Local knowledge should inform growth in non-compensation expenses.

## b. Revenue

Category	Account Codes	Discussion
<b>Total Revenue</b>		
Net Tuition and Fees	<ul style="list-style-type: none"> <li>· 400XX - Non Res Tuition – Plan</li> <li>· 402XX - Student Services Fees – Plan</li> <li>· 403XX - Tuition - Plan</li> <li>· 404XX - SS &amp; Special Programs Rev - Plan</li> <li>· 4050X - Other Student Fees - Plan</li> <li>· 4053X - Professional Degree Fees - Plan</li> <li>· 4055X - Self-Supporting Degree Program – Plan</li> <li>· 4056X - Other Fees - Plan</li> <li>· 407XX - UNEX – Plan</li> <li>· 408XX - Contr Student Financial Aid - Plan</li> </ul>	<p>Divisions are responsible for Net Tuition and Fees that are directly received by the division net of any revenue share with campus.</p> <p>Revenue estimates should be based on target enrollments and approved fees for each eligible program. Planned increases should be in accordance with proposals submitted to Central Resource Management. Consider having a contingency plan for how any unapproved fee increases will be addressed.</p>
Private Gifts for Current Use	<ul style="list-style-type: none"> <li>· 440XX - Private Gifts for Current Use – Plan</li> </ul>	<p>Includes annual fund and other current use gifts, UC Berkeley Foundation (UCBF) endowment and Fund Functioning as an Endowment (FFE) annual payout. Divisions should plan for these based on trend analysis and/or specific knowledge of anticipated gift payments (including outright gifts and pledge payments).</p> <p>Current use gifts should be net of the philanthropic assessment.</p>
Sales and Services	<p>Sales Services and Other Income:</p> <ul style="list-style-type: none"> <li>· 46XXX - Sales Services &amp; Other Income – Plan</li> </ul> <p>Sales and Services of Auxiliary:</p> <ul style="list-style-type: none"> <li>· 47XXX - Sales &amp; Services of Auxiliary - Plan</li> <li>· 47010 - Food Sales/Services</li> <li>· 47030 - Books/Merchandise Sales</li> </ul>	<p>Local knowledge should inform growth in Sales &amp; Services of Auxiliary and Other Sales and Services revenues.</p> <p>Amounts should be planned net of the 9% AFC rate.</p>

	<ul style="list-style-type: none"> <li>· 47040 - Ticket Sales-Auxiliary Activit</li> <li>· 47061 - Off-Site Game Rev (Guarantees)</li> <li>· 47090 - Other Marketing Revenues</li> <li>· 47110 - Parking Revenues-UC Related</li> <li>· 47900 - Rental of RealProperty-Aux</li> <li>· 47999 - Misc Sls &amp; Svcs of Auxiliary</li> <li>· 47000 - Residence Fees</li> </ul> <p>Other Income:</p> <ul style="list-style-type: none"> <li>· 48XXX - Other Income – Plan</li> </ul>	
<p>Other Revenues</p>	<p>Investment Income</p> <ul style="list-style-type: none"> <li>· 492XX - Investment Income – Plan</li> </ul> <p>Non-Operating Revenue</p> <ul style="list-style-type: none"> <li>· 49080 - Federal Pell Grants</li> <li>· 493XX – Disposal of CapAssets NetofPro – Plan</li> <li>· 495XX – Nonoperating Rev/Exp-Other - Plan</li> </ul>	<p>Division use may include Student Affairs planning for Federal Pell Grants.</p> <p>Investment Income: Primarily made up of STIP income. Under current campus policy, almost all STIP earned on positive cash balances is income to the center. Therefore, most divisions will not enter budgets in these accounts. Divisions with deficit balances should plan for negative STIP income here. Additionally, divisions that have one or more funds that earn a material amount of STIP under an exception to the policy (e.g., certain Federal grants) should plan for it here.</p> <p>Non-Operating Revenue: In general, these accounts are used by central units only and are not relevant for divisions planning in Current Funds. One exception is Student Affairs, who plan for Federal Pell grants in this revenue category.</p>

### c. Operating Transfers

Operating Transfers reflect transfers from a variety of sources (i.e. campus, divisional, and departmental). For divisional planners, it is important to ensure the 73xxx, 74xxx, and 75xxx net to zero at the appropriate levels. More information may be found in the [Planning for Operating Transfer Accounts job aid](#) under "General CalPlanning References."

Category	Account Codes	Discussion
Operating Transfers		
Campus Support	<ul style="list-style-type: none"> <li>· 71XXX (Central Use Only)</li> </ul>	<p>71110 General Allocation and 713XX Campus Support</p> <ul style="list-style-type: none"> <li>· FY21 is based on June 2020 Permbudg, with Form A data adjusted for planned 6/30/20 separations, 7/1/20 hires and projected merits and promotions (now excluding the prior expected range adjustment).</li> </ul> <p>General allocation funding for FY22 is based on the FY21 general allocation amount plus the FY21 in-year wage and</p>

		<p>benefit support. Additionally for FY22 and FY23, to reflect funding for the faculty merit and COLA, we have applied a rate of 2.5% to the overall general allocation amount for academic units. This represents a high level estimation of the share of faculty salaries within the General Allocation.</p> <ul style="list-style-type: none"> <li>· The funding for FY22 and FY23 also includes the \$5M COLA for staff in academic units.</li> </ul> <p>712xx, 714xx Campus Support</p> <ul style="list-style-type: none"> <li>· FY21 Commitments Database based on July 7, 2020 amounts (reflected in updated IDRs). Details can be found in the divisional folders on VCF Google Drive.</li> </ul>
(Annual Cost Recovery Assessment)	<ul style="list-style-type: none"> <li>· 71420 (Central Use Only)</li> </ul>	<p>This amount has already been included in CalPlan as part of campus support. In the template this line item is pulled out separately for easy identification. The amount has been added back to the Campus Support line item to prevent double counting of the reduction.</p>
Loan Proceeds (selected entities)	<ul style="list-style-type: none"> <li>· 714XX</li> </ul>	<p>Loan proceeds are available to select entities. FP&amp;A will reach out to each entity individually to review loan terms and conditions.</p>
Other Transfers	<p>External Transfers</p> <ul style="list-style-type: none"> <li>· A72110 - Inter-Location Xfr (Rev)</li> <li>· A72115 - Inter-Location Xfr (Fund Bal)</li> <li>· 72210 - Regents Endow/FFE Payout</li> <li>· 72295 - Other Transfers</li> </ul> <p>To/From Other Divisions</p> <ul style="list-style-type: none"> <li>· 73110 - Summer Session/UNEX Rev Share</li> <li>· 73120 - Academic/Research Awards</li> <li>· 73130 - Personnel Awards &amp; Training</li> <li>· 73140 - Work-study Funding</li> <li>· 73150 - Gift Fee Distribution</li> <li>· 73201 - InterDiv - Initial Transfers</li> <li>· 73205 - InterDiv - Vice-Chanc Support</li> <li>· 73295 - InterDiv - Other Xfer Btwn Divs</li> </ul> <p>Internal DIVISION Transfers</p> <ul style="list-style-type: none"> <li>· 741XX</li> </ul> <p>Internal DEPARTMENT Transfers</p> <ul style="list-style-type: none"> <li>· 751XX</li> </ul>	<p>FY21 Operating Budget (upon opening) for these accounts was a direct copy of FY20 Operating Budget Final</p> <p><b>Summer Sessions/UNEX Revenue Share:</b></p> <p>Summer Sessions is projecting an overall decrease in revenues. Divisions should coordinate with Summer Sessions in planning adjustments to their revenue.</p> <p>UNEX is anticipating an overall drop in revenue. Divisions with concurrent enrollment should coordinate with UNEX in planning adjustments to their revenue.</p> <p><b>External Transfer</b> accounts are used to designate a flow of resources that originates from elsewhere in the UC System. See general guidance above for Regent Endowments and FFE payout.</p> <p><b>Transfers between Divisions</b> should net to zero at the campus level. Divisions should review and coordinate with other divisions to ensure both giving and receiving sides are</p>



		<p>recorded.</p> <p><b>Internal Division and Department transfers</b> should net to zero at the Division level.</p>
--	--	---

### d. Compensation Expenses

Compensation is budgeted in HCP. In FY2020-21, the VCF will continue to provide funding for salary and benefit adjustments for filled ladder rank faculty positions. Divisions will need to continue to absorb adjustments to non-ladder rank faculty and staff salaries, as well as associated benefits costs. In previous years, \$5M was provided to both academic and non-academic units to help defray the cost of compensation increases for staff. The \$5M benefit for academic units has been removed for FY21, but is assumed to continue for FY22 and FY23, though it is not yet approved or guaranteed. For planning purposes, the \$5M benefit for staff in administrative units has not been reinstated for FY22 and FY23.

Category	Account Codes	Discussion
<b>Total Expenses</b>		
<b>Total Compensation</b>		
Academic Salaries and Wages	<ul style="list-style-type: none"> <li>· 50200 Academic Salary &amp; Wages</li> </ul>	See detail in general assumptions for FY21; 3% growth for FY22 and FY23.
Staff Salaries and Wages	<ul style="list-style-type: none"> <li>· 51200 – Staff Salaries &amp; Wages</li> </ul>	See detail in general assumptions for FY21; 3% growth for FY22 and FY23.
Employee Benefits	<p>Other Employee Compensation</p> <ul style="list-style-type: none"> <li>· 520XX - Other Employee Compensation – Plan</li> </ul> <p>Fringe Benefits</p> <ul style="list-style-type: none"> <li>· 53060 - Benefit Assess-Acad Regular</li> <li>· 53070 - Benefit Assess-Staff Regular</li> <li>· 53080 - Benefit Assessment - Limited</li> <li>· 53085 - Benefit Assess - No Eligibility</li> <li>· 53086 - Benefit Assess - Student</li> <li>· 53XXX - Fringe Benefits - Plan</li> <li>· 57310 - General &amp; Empl Liability Insur</li> </ul>	<p>No inflation assumptions have been built in centrally for Other Employee Compensation.</p> <p>Composite Benefit Rates have been updated to reflect the FY21 approved rates. FY22 and FY23 rates are projected to remain flat. Read the <a href="#">July 2020 release notes</a> for more information.</p> <p>For FY21, GAEL is assumed at the same rate as FY20 = 1.55%. FY22 and FY23 should assume the same rate.</p>

## e. Non-Compensation Expenses

Divisions should budget material expenditures in the appropriate non-compensation accounts and plan-accounts. No inflation assumptions have been centrally built into the FY21 Operating Budget for non-compensation expenses. Local knowledge should inform growth. Additional context for some expense types is provided below.

Category	Account Codes	Discussion
<b>Total Expenses</b>		
<b>Total Non-Compensation</b>		
Supplies, Materials and Equipment	<ul style="list-style-type: none"> <li>· 550XX - General Supplies – Plan</li> <li>· 55049 - Dining Service Supplies</li> <li>· 5501X - Laboratory Supplies – Plan</li> <li>· 54XXX - Equipment &gt;\$5K - Plan</li> <li>· 55XXX - Equipment &lt;\$5K – Plan</li> </ul>	
Scholarships and Fellowships	<ul style="list-style-type: none"> <li>· 574XX - Undergraduate – Plan</li> <li>· 5741X - Grad Scholarships &amp; Fellowships - Plan</li> <li>· 5380X - Fee Remission - Plan</li> <li>· 5745X - Other Prizes &amp; Awards - Plan</li> </ul>	<p>Divisions should budget for spending on locally held donor scholarships, financial aid expenditures for professional programs, stipends or scholarship payments supported by endowed chairs, or other funds (restricted or unrestricted) that are held in the Departments.</p> <p>Fee Remissions have been updated in CalPlan for FY21. Read the <a href="#">July 2020 release notes</a> for more information.</p>
Recharge Income	<ul style="list-style-type: none"> <li>· 59000 - Recharge Income</li> </ul>	<p>Plan for recharge activities managed by recharge centers. The definition of what constitutes a recharge center can be found in the recharge policy on the <a href="#">recharge webpage</a>.</p>
Other Expenses	<p>Indirect Cost Recovery</p> <ul style="list-style-type: none"> <li>· 579XX - Indirect Cost Recovery – Plan</li> </ul> <p>Services</p> <ul style="list-style-type: none"> <li>· 560XX - Comp Service &amp; Software – Plan</li> <li>· 561XX - Communications - Plan</li> <li>· 562XX - Maint Contract &amp; Services - Plan</li> <li>· 564XX - Publications &amp; Media - Plan</li> <li>· 565XX - Transportation - Plan</li> <li>· 566XX - Other Services - Non Computer – Plan</li> <li>· 56638 - Cleaning Services</li> <li>· 56610 - Advertising: Fed Chargeable</li> <li>· 56611 - Advertising - Fed Unchargeable</li> </ul> <p>Rents and Utilities</p> <ul style="list-style-type: none"> <li>· 5631X - Space Rental – Plan</li> <li>· 5632X - Equipment Rental - Plan</li> <li>· 5634X - Utilities - Plan</li> </ul>	<p><b>Miscellaneous Expenses</b></p> <p>Two accounts may cause confusion (as neither are paid through UCB payroll) and examples of when to use which are as follows:</p> <p>56720 Consultant Fees occur when a division pays a consulting firm for services, such as evaluating an existing IT system, implementing a new system, or evaluating organizational structure and giving recommendations for improvement. These are third party consultant fees.</p> <p>56724 Temporary Labor cost occurs when a division hires a temporary employee (from a temporary agency) to fill in an existing position or to work on a project.</p>

	<ul style="list-style-type: none"> <li>· 5639X - Contra Rent &amp; Utilities – Plan</li> <li>Travel</li> <li>· 572XX - Travel – Plan</li> <li>Miscellaneous Expenses</li> <li>· 5671X - Participant Support – Plan</li> <li>· 5672X - Other Non-Employee - Plan</li> <li>· 56720 - Consultant Fees</li> <li>· 56723 - Student Accommodations</li> <li>· 56724 - Temporary Labor</li> <li>· 5700X - Conf-Mtgs-Training-Events - Plan</li> <li>· 570XX - Entertainment - Plan</li> <li>· 5731X - Insurance - Plan</li> <li>· 5733X - Other Fees &amp; Fines - Plan</li> <li>· 5734X - Non Compensation Payments - Plan</li> <li>· 5735X - Other - Plan</li> <li>· 5736X - Agency - Plan</li> <li>· 5737X - Cost of Goods Sold - Plan</li> <li>· 577XX - Nonoper Misc Deductions – Plan</li> </ul>	
--	---	--

### f. Changes in Fund Balance

In our fund accounting environment, 3XXXX series transfers are unusual since they are made between the Current Fund group and other fund groups (e.g., Plant or Agency), or between UC Berkeley and other UC locations. Generally, they are used to record specific activities that are not properly part of a division’s in-year operating results and are therefore “below the line.” By excluding these items from a division’s operating surplus or deficit, we have a better picture of whether the division is operating above or below their means, excluding certain unusual one-time activities.

Divisions are only required to plan for the Current Funds side of fund balance transfers. The FY21 Operating Budget (upon opening) was a direct copy of FY20 Operating Budget Final. Divisions should review and update budgeted fund balance transfers in accordance with the instructions below.

Category	Account Codes	Discussion
<b>Changes in Fund Balance</b>		
	To/Fr Regents Endowment Pool <ul style="list-style-type: none"> <li>· 34231 - (To)/Fr Rgnts Endow - FFE Principal – Plan</li> </ul> To/From Plant Funds <ul style="list-style-type: none"> <li>· 33100 - (To)/Fr Retire of Indebt - Exter Debt Svc - Plan</li> <li>· 34010 - (To)/Fr Unexp Plant Fund - Cap Projects - Plan</li> <li>· 34039 - (To)/Fr Res for Renewal &amp; Replacement - Plan</li> <li>· 34XXX - Plant Other – Plan</li> </ul> To/From All Other Fund Balance <ul style="list-style-type: none"> <li>· All Other Fund Balance Changes –</li> </ul>	<p><b>Regents Endowment Pool</b></p> <p>Planned contributions to/withdrawals from FFEs should be budgeted here. Though rare, reinvested payouts from true endowments to principal should also be planned here, if material.</p> <p>Note that new gifts to endowed funds are booked directly with the Regents or UCBF and are therefore not planned for by divisions in CalPlan.</p> <p><b>Plant Funds</b></p> <p>Debt Service, Equity contributions for Capital</p>

	Plan	<p>Projects (Division funded) and changes to Reserves for Renewal and Replacement related to recharge funds.</p> <p><b>All Other Fund Balance</b></p> <p>In general, use of these plan-accounts is restricted to the VCF.</p>
--	------	---

### g. Reserves and Ending Balances

Given our severe financial challenges, the use of reserves takes on special importance this year. To a greater or lesser extent, most if not all divisions will want to use reserves to mitigate the need for expense reductions, especially in FY21. We also anticipate that some divisions, even in our current circumstances, will want to use reserves for strategic purposes. We are, therefore, asking you to provide this information for the next three years, with the understanding that your responses for FY22 and FY23 may be largely directional. In particular, your planned use of reserves will be examined relative to your change in net assets over the next three years. Strongly negative changes in net assets, for example, may warrant discussion about the extent to which reserves (rather than expense reductions) should be used to mitigate reduced funding or for strategic purposes.

Category	Account Codes	Discussion
<b>Balances and Use of Reserves</b>		
Beginning Balance	Calculated	The templates are set up to flow ending balances from the previous year into the beginning balance of the following year starting with FY21. The beginning balance amounts for FY21 is equal to the ending balance amount included in CalRptg for FY20 and will reflect the final FY20 ending balance once FY20 is closed. FY22 and FY23 balances will be updated based on amounts included in the templates.
Ending Balance	Calculated	The templates are setup to calculate the ending balance based on the beginning balances calculated above plus the change in net assets from the template.
Use of Reserves:	<ul style="list-style-type: none"> <li>· Funding Loss Mitigations</li> <li>· Strategic Investments</li> </ul>	Please specify the amount of reserves that are being used to mitigate funding losses versus strategic investments. If your division is running a negative change in net assets you will be utilizing your reserve balance. It is understood that responses for FY22 and FY23 may be largely directional. The summary data for strategic reserve investments included in this template should reflect the sum of the specific reserve investments identified in the Use of Strategic Reserves Template (described below).

<p>Unrestricted Ending Balance</p>	<ul style="list-style-type: none"> <li>· Amount of Balance</li> <li>· Percent of Total Expenses</li> </ul>	<p>Divisions will enter an amount for unrestricted ending balance for FY21, FY22 and FY23. This amount is meant to be directional. Divisions may use historical trend data, for example, to estimate what percent of their ending balance comes from unrestricted funds.</p> <p>Unrestricted ending balance as a percentage of total expenses will be automatically calculated. This percentage is intended to serve as a measure of the extent to which ending balances will continue to be available to address financial exigencies in the future.</p>
------------------------------------	--	---

## V. Expense Reductions Template Guidance

Divisions should summarize the specific cost reduction strategies they will implement to address budget reductions in FY21. The template has been divided into two sections: compensation and non-compensation expense reductions. Divisions are not expected to identify each specific reduction but report them in general categories relevant to your operations. HR mitigations, for example, could be grouped into categories such as voluntary separations, voluntary salary reductions, temporary lay-offs, temporary work reassignments, elimination of vacant positions, permanent layoffs, etc. For non-compensation expense reductions, you could follow existing non-compensation account categories such as supplies, equipment, services, communications, travel, etc. to describe your reductions. This template is intended to facilitate a high-level discussion between a dean or vice chancellor and the EVCP. Please consider this in determining the appropriate level of detail to provide. While information about expense reductions is not requested for FY22 and FY23 in this template, completion of the three-year budget template requires that the divisions broadly plan for such reductions beyond FY21.

## VI. Strategic Use of Reserves Template Guidance

In this template, divisions should summarize the ways in which they plan to use reserves for strategic initiatives (e.g., capital projects, revenue generating activities). Each initiative should be reported separately. Three years of data is requested since multiple years of investment are often required to fund strategic initiatives. To the extent that this is not the case, however, you do not need to provide data for the out years. As is the case for other areas of this plan, directional data for FY22 and FY23 is to be expected. The reserve investment totals in this template should match the corresponding totals in the three-year budget planning template described above (“Strategic Investments” line). Also in the three-year template, the expenses for your planned strategic initiatives should be built into the expenses in the SRECNA so that their impact is reflected in your overall financial performance for the period. Finally, a section of the narrative template is devoted to the strategic use of reserves to provide additional space for you to describe these investments.