

### 2025-26 General Budgeting Guidelines

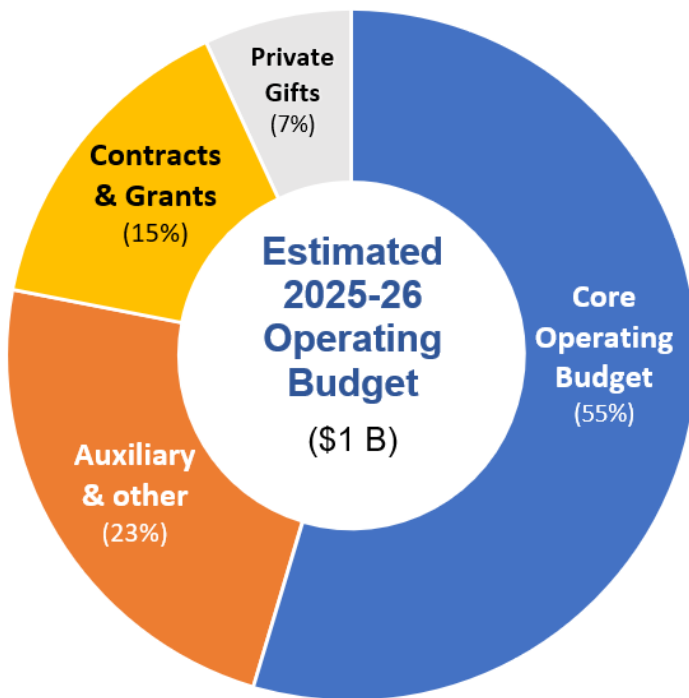
February 20, 2025

These guidelines are intended to provide information to support the annual campus budget development process.

#### I. Revenue Profile for Campus Operations

UC Santa Cruz’s total revenues for the upcoming 2025-26 fiscal year are projected at approximately \$1 billion. Approximately 55% or \$557 million of the total revenue is expected to come from Core funds.

2025-26 Revenue Profile <sup>1, 2, 3</sup>



#### Core funds revenues

- General state appropriation
- Tuition, non-resident supplemental tuition
- Student services fee
- Indirect costs receipts
- Investment/interest income

#### Non-Core: Auxiliary, Sales, Other

- Auxiliary services (student housing, parking, campus store)
- Sales and service operations (Arboretum, Seymour Center, etc.)
- University Extension
- Student fee measures
- Course fees and miscellaneous fees
- Other income (patents, royalties, sale of surplus, etc.)

#### Non-Core: Extramural contracts and grants

(direct costs portion)

#### Non-Core: Private gifts and endowment payouts

For a list of fund code ranges that make up each fund category, especially those that make up Core funds, please refer to **Appendix C**.

Core funds provide ongoing support for the educational mission of the campus, including faculty, academic support staff, instructional equipment, academic facilities, student services, financial aid, and administration necessary to deliver a UC education. Non-core funds offer additional support to core-funded activities, specific student services, or other university priorities and activities.

Non-core resources support the balance of campus expenditures and primarily come from auxiliary units like housing and dining, as well as grants, contracts, awards, and philanthropy. Core funds constitute a larger proportion of UC Santa Cruz’s total budget compared to most other UC campuses.

<sup>1</sup> Estimated revenues include reduction for the year-end scholarship allowance adjustment (per GASB) to better reflect the full impact of campus managed operations. This treatment matches UC-wide standard financial reporting where scholarship allowance offsets revenue.

<sup>2</sup> Private gifts include current year gifts and endowment payouts received by the campus. Endowment principal balances are excluded.

<sup>3</sup> Contracts and Grants revenue is based on estimates of direct expenses. Associated indirect cost recovery is included in Core funds.

### II. Multi-Year Budget Planning Assumptions

State funding (General Fund) is anticipated to decrease by approximately 6.1% next year. Due to projected deficits within the state’s overall budget, the Governor’s [proposed 2025-26 budget](#) (released in January), includes a deferral of the Compact funding to a future year and a 7.95% base budget reduction to UC. Consequently, state funds to UC Santa Cruz are expected to be lower than in 2024-25, with an expectation UC will continue to meet all other terms of the compact agreement. Principal officers will be kept informed of expected changes as the 2025-26 UC state budget becomes finalized.

Beyond 2025-26, estimated increases in state funding reflect continuation of the [five-year compact](#). This agreement between Governor Newsom’s administration and UC aims to stabilize and improve the predictability of state resources for the UC system from the 2022-23 through 2026-27 academic years and sets expectations for outcomes related to shared goals (e.g., increased access for California undergraduates). For planning purposes, the compact funding assumptions are extended through 2029-30.

Tuition, non-resident tuition, and student services fee increases are projected using budgeted enrollment projections and the tuition/fee rates approved by the Regents in the [multi-year tuition stability plan](#). This plan provides students and parents with the security of stable tuition and fee rates. Specific to NRST, the Regents approved a 9.9% rate increase for 2025-26. The table below shows the estimated overall increases based on the blended cohort rates for tuition and NRST.

To more conservatively incorporate enrollment growth into budget planning assumptions, budgeted enrollment projections are based on a percentage of the growth outlined in UCSC’s November 2024 Table 1 submission rather than the total projected enrollment listed in Table 1. Specifically, CA undergraduate enrollment is budgeted at 0% growth in 2025-26 and at 50% of Table 1 projected growth in future years. As a planning baseline, non-resident (NR) enrollment is budgeted to be flat over the five-year period; however, it should be noted that increasing non-resident enrollment is an important revenue generation strategy and realized growth will count toward our central budget balancing measures in the multi-year framework.<sup>4</sup>

Given the current uncertainty at the federal level, future year Indirect Cost Recovery (ICR) is estimated at 0%, and this is an area we will continue to monitor closely throughout the spring.

#### Selected multi-year planning assumptions

	2025-26	2026-27	2027-28	2028-29	2029-30
<i>General Fund (State) funding</i>	-6.1%	5.0%	5.0%	5.0%	5.0%
<i>Total enrollment</i>	0.5%	2.6%	1.4%	1.2%	1.0%
<i>Tuition revenues</i>	4.6%	3.6%	3.1%	2.8%	2.6%
<i>Non-resident enrollment</i>	0.0%	0.0%	0.0%	0.0%	0.0%
<i>NRST revenues</i>	7.0%	4.4%	3.6%	3.1%	2.5%
<i>Indirect Cost Recovery (ICR)</i>	0.0%	0.0%	0.0%	0.0%	0.0%
<i>Salary</i>	4.0%	4.0%	4.0%	3.0%	3.0%
<i>Benefits</i>	6.0%	5.0%	5.0%	4.0%	4.0%
<i>Staff footprint</i>	-0.25%	-0.25%	-0.25%	-0.25%	0.0%
<i>Academic footprint</i>	-0.1%	-0.1%	-0.1%	-0.1%	0.0%
<i>CPI-U inflation</i>	3.3%	2.7%	2.7%	2.7%	2.7%

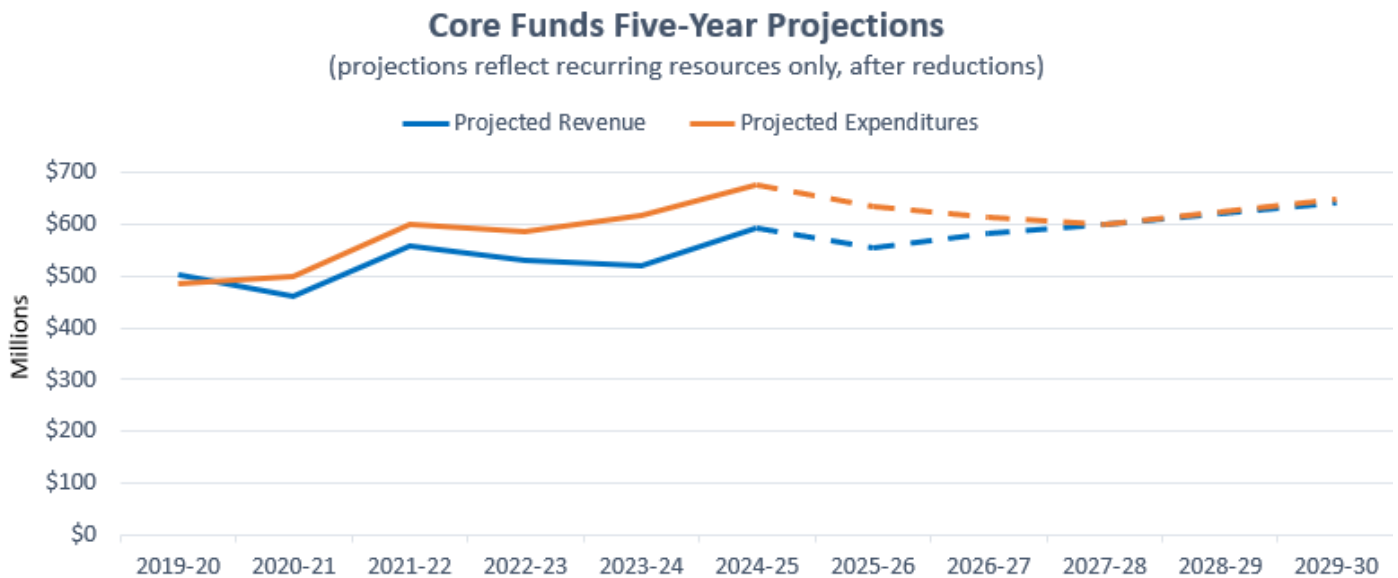
Expenditure planning assumptions are estimates based on salary increases, benefit rate changes, slight adjustments to budgeted personnel, and inflation for non-personnel increases. These increases are subject to change as the high-level estimates for university-level planning are refined. More planning assumption details are outlined in the Appendix A.

<sup>4</sup> Please see Appendix A for the detailed derivation of an enrollment plan for budget planning — i.e., additional assumptions applied to the campus’s Table 1 submission in November 2024.

### III. Structural Deficit Status

As a general principle of fiscal responsibility, total campus revenue in each year should exceed or equal total campus spending. Since 2011, total campus annual revenue and spending have been closely matched, although this varies by operation — with some units building up reserves while others incurring deficits. In Core funds over that same period, spending has exceeded revenues across certain fund types (state, tuition) in some years. Through 2018, the Core funds gap was mostly managed by applying unit and central funds reserve balances. After 2019, the gap could not be fully closed and the annual gap has grown since then.

As ongoing costs have increased and revenues have remained relatively flat in recent years, the campus has developed a **structural deficit**.



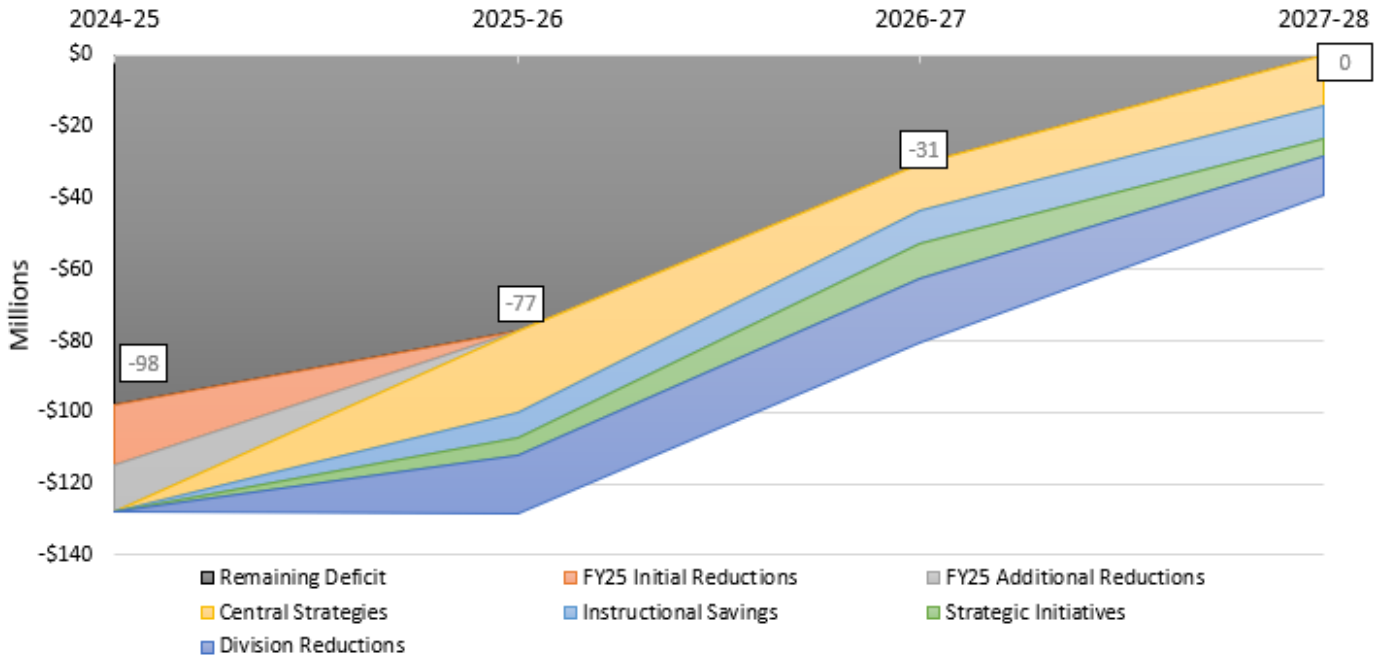
Utilizing the multi-year framework provided by the [Budget Advisory Committee](#) to address our structural budget gap — which includes the 7.95% reduction in our State funding for 2025-26 — the campus is implementing a four-year plan to achieve a balanced core funds budget by 2027-28. This plan includes enhanced campus revenues and achieving savings through refinement of central funds management strategy, reducing costs of instruction, pursuing strategic initiatives and implementing Core operating budget reductions at the divisional level.

Our divisional reduction strategy aims to achieve reductions while minimizing the direct impact to our core mission. The five academic divisions are assigned the lowest reductions (8%), with all other divisional reduction targets ranging from 12% to 19% based upon their distinct service composition. During this year’s budget development process, principal officers will be asked to identify the best strategies for meeting these targets across the next three fiscal years (2025-26 through 2027-28).

The campus’s multi-year plan to substantially close the structural budget gap by 2027-28 involves these principal officer reductions (“*Division Reductions*”) along with other more centrally managed initiatives. For example, new [revenue generation](#) (e.g., increasing non-resident enrollments) or transferring expenditures to non-Core funds (“*Central Strategies*”); adapting instructional delivery (“*Instructional Savings*”); and other actions including [restructuring](#) and [process improvement](#) (“*Strategic Initiatives*”). In 2024-25, while campus advisory committees completed their work and recommendations, each principal officer was asked to identify recurring reductions to their (“*FY25 Initial Reductions*” and “*FY25 Additional Reductions*”).

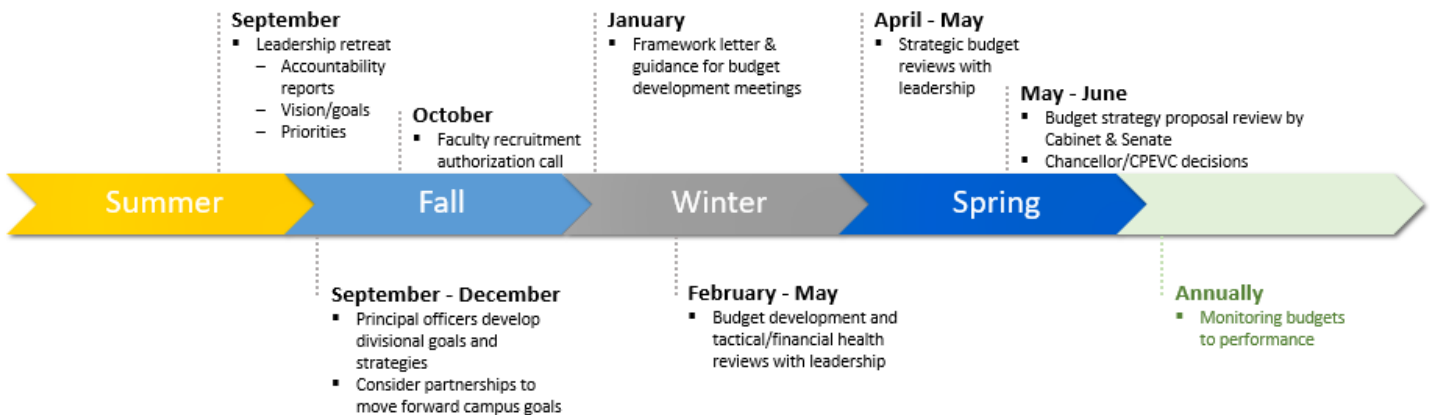
The following graphic illustrates this multi-year plan, providing a sense of scale and timing. The multiyear plan is ambitious as a structural deficit for any duration accumulates into a larger one-time deficit that must be repaid even after the structural gap has been closed.

**Multi-Year Plan to Close the Gap**  
(in millions)



### IV. 2025-26 Budget Development Process

Over the past four years, the Budget Office has been working to refine the details of our [formalized campus budget planning process](#), designed to assess our multi-year financial health and to allow leaders and managers to make better financial decisions that support campus and divisional values, priorities, and goals. Leadership and departmental budget planning activities occur year-round, as illustrated in this graphic, culminating in the approval and implementation of the annual budget in June/July of each year.



The guidance in this document focuses on activities necessary to prepare for decisions about 2025-26 resources in advance of the year.

This year's budget development cycle activities and conversations will focus on:

- 1. Strategic resource alignment:** An opportunity for principal officers to describe their deployment of resources in alignment with the campus's strategic plans and goals; to highlight key outcomes achieved based on this assessment; and to review unit actions and outcomes relative to divisional goals to determine what is working and what should be discontinued or reoriented.
- 2. Contribution to leadership priorities:** As applicable, an assessment of divisional contributions to campus goals for external revenue expansion and operational effectiveness — including actions to create opportunities for collaborations and partnerships and to strengthen resilience.
  - **External revenue expansion:** All divisions and units have been encouraged to pursue additional external revenues to support operations without additional expenses to students or internal campus recharges. Any new fees or rates for services must be reviewed and approved through the campus miscellaneous fees processes managed by the Budget Office. All academic, student support, and institutional support units have been asked to explore external funding opportunities (e.g., government, corporate and private foundation grants, and philanthropy) to achieve campus and divisional strategic goals and aspirations.
  - **Operational effectiveness:** All units should continually review business operating and organizational models to improve operational effectiveness and reduce cost structures. Additionally, principal officers have been encouraged to pursue opportunities for cross-unit/divisional collaborations to enable more synergistic and efficient operations.
- 3. Financial sustainability:** Demonstrating alignment of ongoing expenses with ongoing revenue will be the focus of tactical financial health meetings with principal officers, including what changes are proposed in order to meet budget reduction targets and the expected impact of those changes. Deficit resolution (clear plans to resolve outstanding issues in a timely manner) will be a focus where applicable. *Given the intricate interdependencies among campus units, it is essential for principal officers to communicate any proposed changes to their existing portfolio of services* (through the 2027-28 planning horizon). This clarity will facilitate effective forecasting and resource assessment.
- 4. New requests (optional):** Due to the campus's structural deficit, this year's process will *not* include a formal "resource call." Nevertheless, we acknowledge the importance of advancing key priorities even as we navigate our current deficit. Principal officers may submit a very limited number of new requests for one-time or recurring resources that are essential for achieving campus or divisional goals and strategies. These proposals must clearly justify their priority over other competing campus needs and should include timelines, expected outcomes, and metrics for evaluating progress. Additionally, principal officers should explain why these proposals cannot be funded within the recurring budget and retained carryforward envelopes.

The 2025-26 budget development process begins in February 2025 with principal officers preparing their multi-year resource plans using guidance (such as this document). In this fourth year of the process, all principal officers (including deans of academic disciplinary divisions) will participate.

To help principal officers demonstrate the financial health/sustainability of their division (in a consistent manner enabling cross-divisional comparisons), a **multi-year budget plan** and other templates will be provided. Key elements of those templates include

- **Template A — multi-year budget planning spreadsheet:** This template is an Excel spreadsheet that highlights *over the 2024-25 through 2027-28 horizon*:
  - Alignment of projected ongoing expenses with reliable sources of ongoing revenues;
  - Fiscal, operational, and service impact of strategies/actions to address 2025-26 through 2027-28 divisional expenditure reductions assigned to that principal officer, including identifying the best strategies for meeting these targets across the next three fiscal years and reflecting these strategies in their template;

- Balances and their planned redeployment/use; and
- *[If in a deficit position, then using a separate template]* Clear, written, and quantified paths to a more sustainable position in a timely manner for any projected deficits (e.g., for 2024-25).

To ensure recurring costs are covered and that the division is in a solid financial position, the total budget will be reviewed during the meeting, including the campus allocated core budget and activity-based revenues (as applicable). As with previous financial health reviews, restricted Contract and Grant resources will remain excluded.

- **Template B — narrative addressing key budget development/financial health topics:** This template is a structured PowerPoint presentation (with prompts and guidance) in which the principal officer can provide a concise summary of
  - **Key division/unit goals, priorities, and strategies**, how these will drive **strategic alignment** with campus strategic plans and priorities, and the key metrics tracked to assess progress;
  - **Unit/division progress/performance** — what is working, what needs improvement, and what should be discontinued or re-oriented;
  - **Budget reduction strategies over the next three fiscal years**, as well as impacts of those strategies and factors that will impact the division/unit **multi-year financial position**;
  - **Outcomes of division/unit efforts to operate more efficiently and cost-effectively** (and how these are reflected in Template A) and where cross-portfolios can operate more synergistically and expand collaborations, including evidence of improved service levels and user experience;
  - **Division/unit change management/risk mitigation efforts**, including addressing training/employee development and staff morale; and
  - **Requests/proposals** (*optional*) for one-time (and/or recurring) resources that will further campus (and/or divisional) goals/strategies — a separate written request (using a template) is required.

Though submitted/discussed during the (April-May) budget development meetings, leadership decisions about such proposals will occur within the context of *all such requests* — i.e., in the May/June timeframe.

Please keep your presentation decks concise (with no more than 10-20 slides that cover key points). Include relevant supporting details in the appendices (*next bullet*) for reference as needed.

- **Appendices** (*optional, as needed*) — previous deficit reduction plan; any metrics or other presentation supporting data.

In preparation for their financial health reviews, all principal officers will also submit annotated staff organizational charts; these are due with Templates A & B (and their appendices, if applicable).

- **Staff organizational charts:** Principal officers are to prepare or update staff organizational chart(s) reflecting all staff positions in their entire division as of February 1, 2025. The chart(s) should include each employee's name, job title or working title, represented in a management hierarchy style. For unfilled staff positions, the name should be replaced with an indication as to whether the position is under active recruitment or is being held vacant. For student staff positions, names should be omitted for student information privacy purposes and FTE counts may be substituted.

Budget development templates (described above) are due to Budget Analysis & Planning, [budget@ucsc.edu](mailto:budget@ucsc.edu), by **April 18, 2025**.

Principal Officers may be asked to provide additional information in the coming weeks as campus conversations continue with senior leadership to explore options and to develop a multi-year plan for addressing the structural deficit.

### V. Further Information

#### **Copies of Templates and Further Guidance:**

- Templates will be provided by the Budget Office
- Contact the Budget Office for further guidance ([budget@ucsc.edu](mailto:budget@ucsc.edu))

#### **Submittals/Logistics:**

- Materials should be submitted to Budget Analysis & Planning ([budget@ucsc.edu](mailto:budget@ucsc.edu))
- Scheduling ([better@ucsc.edu](mailto:better@ucsc.edu))

### Appendix A — Planning Parameters and Assumptions

#### Campus population context for 2025-26 resource planning

For 2025-26 resource planning, the campus is using the following FTE enrollments (which have been derived from campus planning for submission to the UC Office of the President), these forecasts have been extended through 2029-30 (by adding 1% growth in alignment with the Compact):

**FTE enrollments for resource planning**

	2024-25 Est Actuals	2025-26 Projection	2026-27 Projection	2027-28 Projection	2028-29 Projection	2029-30 Projection
Undergraduate (FWS)	17,365	17,365	17,703	17,871	17,998	18,194
Graduate (FWS)	1,819	1,784	1,791	1,805	1,832	1,836
Summer (UG + Grad)	1,909	2,055	2,260	2,375	2,495	2,519
Total FTE Enrollment	21,093	21,204	21,754	22,051	22,325	22,549

For reference, the campus's most recent enrollment estimates (*developed to support our submission to UCOP*) are below:<sup>1</sup>

**UCSC Table 1 Enrollment Projections - November 2024**

	2024-25 Est Actuals	2025-26 Projection	2026-27 Projection	2027-28 Projection	2028-29 Projection
Undergraduate (FWS)	17,365	17,997	18,840	19,369	19,865
Graduate (FWS)	1,819	1,784	1,791	1,805	1,832
Summer (UG + Grad)	1,909	2,055	2,260	2,375	2,495
Total FTE Enrollment	21,093	21,836	22,891	23,549	24,192

For resource planning, however, the campus is using more conservative FTE projections — i.e., the undergraduate FTE *increases* are being reduced by half and the NRST-paying undergraduates are being held flat.

**More conservative assumptions applied for resource planning**

	2025-26 Projection	2026-27 Projection	2027-28 Projection	2028-29 Projection
Undergraduate (FWS)	0%	50%	50%	50%
Graduate (FWS)	0%	0%	0%	0%
Summer (UG + Grad)	100%	100%	100%	100%
Total FTE Enrollment	100%	100%	100%	100%

In 2024-25, the campus has 685 [Senate faculty FTE \(budgeted\)](#); as part of this year's authorization process, 5 to 7 Senate faculty FTE are likely to be authorized for 2025-26 (not counting partner hires, PFP/CPFP hires, target of excellence hires that may occur off-cycle).

<sup>1</sup> The campus submitted updated 2025-26 enrollment forecasts in November 2024 (through 2027-28); these 2025-26 figures will be updated and new multi-year enrollment projections will be submitted to UCOP in March 2025 to include 2028-29.

## Resource guidance/assumptions

### 1. Salary Program Increases

Salary costs include the annual academic merit program, collectively bargained wage increases and UC-wide merit or range increases approved by the Office of the President for policy covered staff and faculty. During 2025, AFSCME and UPTA are in bargaining ([labor.universityofcalifornia.edu](https://labor.universityofcalifornia.edu)) and decisions about increases for non-represented staff will be announced once UC's budget is known. The specific increases are generally not known until May. Guidance about planning for compensation increases will be communicated when available.

### 2. CA Minimum Wage Increase

Effective January 2025, the minimum wage is \$16.50 ([dir.ca.gov/dlse/minimum\\_wage.htm](https://dir.ca.gov/dlse/minimum_wage.htm)). Units on non-Core Funds should plan their budgets accordingly. Units with many student employees are most impacted, including Housing, Student Services and various Auxiliary Services, among others. Impacted units need to continue to plan and budget accordingly.

### 3. New Employee FTEs

Planning for new FTEs should include expected salary level, related benefit costs based on the Composite Benefit Rate (CBR) applicable to intended job class code, as well as related non-compensation costs to cover IU fees and basic position related operating costs. For 2024-25, BAP recommends budgeting at least \$4,000 for supplies and expenses per FTE.

### 4. Benefit Planning Rates – CBR

UC Santa Cruz uses **composite benefit rates** (CBR). Benefit expenses recorded on the ledgers will align to CBR category rates, set within *UC Path* and based on an employee's Job Code, benefit eligibility and employee class. Costs not in CBR will continue to be directly charged and must be planned for including general liability (GAEL), IU fees, Vacation Leave, Tuition Remission, among these. For more information on CBR application, please visit the CBR webpage ([planning.ucsc.edu/budget/rates-and-assessments/cbr-rate-tables.html](https://planning.ucsc.edu/budget/rates-and-assessments/cbr-rate-tables.html))

### 5. UCRP Supplement

The UCRP Supplement represents a portion of our retirement liability that is not allowed in the CBR and will continue to be assessed separately. Consult the CBR webpage ([planning.ucsc.edu/budget/rates-and-assessments/cbr-rate-tables.html](https://planning.ucsc.edu/budget/rates-and-assessments/cbr-rate-tables.html)).

### 6. General, Automobile and Employment Liability (GAEL)

For 2024-25, GAEL program rate is documented in the CBR webpage ([planning.ucsc.edu/budget/rates-and-assessments/cbr-rate-tables.html](https://planning.ucsc.edu/budget/rates-and-assessments/cbr-rate-tables.html)).

### 7. Vacation Leave Usage and Accrual Planning

The mechanism to account for Vacation Leave remains unchanged. Vacation leave usage (taken) and vacation leave accrual (earned) combined should generally offset each other on an annual basis, and certainly over a multi-year period. However, the net cost impact may differ when vacation time is actually taken, and such experience varies unit by unit. Please continue your current practices to account for this when planning your FY2025-26 budget based on your unit's past experience.

### 8. ~~Information User (IU) fees~~<sup>2</sup>

Approved rates are published (in March) on the ITS website ([its.ucsc.edu/services/iu.html](https://its.ucsc.edu/services/iu.html)).

---

**9. ~~Auxiliary and Self-Supporting Activities – BTP and ITTP Assessments~~<sup>2</sup>**

The campus sales and services enterprise is a significant and growing component of campus. It comprises auxiliary and self-supporting activities such as housing and dining, parking, bookstore, Extension, conferences, and athletic events among others. These units are expected to set market-based rates that recover both direct and indirect costs to ensure the activities are “fully self-supporting” without institutional subsidy. These activities are charged Business Transformation Program (BTP) and IT Transformation Program (ITTP) assessments (*as applicable*) to cover these institutional costs. These assessments make up part of overall Core budget and help defray inflationary costs and much needed academic investments.

**10. ~~OP Assessment~~<sup>2</sup>**

The UCOP assessment is an annual system-wide assessment to fund UCOP operations along with a few priority initiatives. The assessment consists of two components: UCOP operations and *UC Path*. The UCOP operations component includes central administrative services, academic services, and public service programs housed and administered at the UCOP offices. The *UC Path* component funds a system to deliver and standardize payroll, benefits, human resources, and academic personnel services. In addition, UCSC is charged for legal services from the Office of General Counsel, audit fees, and certain system-wide priority items. UCSC’s share of the UCOP Assessment is projected to be \$15 M in FY2025-26.

- Plan on an annual 5% increase year-over-year
- Additional detailed assessment information by principal officer unit will be provided in the coming month

*\*The assessments cited in points 8,9 & 10 above have been replaced by the Consolidated Shared Services Assessment. See more on this new assessment on BAP’s website: [CSSA](#)*

**11. Recharge Rates/Pricing Policy**

New recharge activity proposals and renewals of existing recharge rate(s) for FY2025-26 are due to Budget Analysis and Planning (BAP) in March 2025 (deadline information on the webpage cited below). Timely submission prior to beginning the new fiscal year will allow for appropriate review of proposals and help to ensure that UCSC maintains proper stewardship of sponsored funds especially with federal regulations governing allowable costs. University and Federal auditors continue to review recharges for adherence to university and federal policies and proper alignment of campus practices with these policies will help minimize the risk to our campus of disallowed charges to federal awards. For more information (including updated rates for FY2025-26 when available), please refer to the recharge webpages ([planning.ucsc.edu/budget/rates-and-assessments/recharge-rates](http://planning.ucsc.edu/budget/rates-and-assessments/recharge-rates)).

**12. Differential Income**

University policy requires recharge and other self-supporting activities to charge the full cost of conducting business when selling to external, non-University customers. These activities should at a minimum break even such that they are not subsidized by institutional resources. Recharge activities exist primarily to service internal department or campus needs. They may also generate revenue by engaging in external sales. They are supported by campus administrative offices, generally housed in campus funded and maintained space, and do not pay facility costs like debt service, building maintenance, and utilities. Differential Income are those indirect costs related to **outside sales by self-supporting activities**, largely recharges, that are primarily housed in institutionally supported space. Self-supporting activities should set outside sales rates such that they are market informed and fully recover costs (direct and indirect). The campus charges these

---

<sup>2</sup> An initiative is underway to streamline (and potentially consolidate) assessments — more information will be available as this project proceeds through the development and consultation processes.

activities an assessment so that it can recover a portion of indirect expenses incurred by the campus. The FY2025-26 rates are currently being developed and will be published on the BAP website ([planning.ucsc.edu/budget/rates-and-assessments](http://planning.ucsc.edu/budget/rates-and-assessments)). These assessments make up part of the overall Core budget and help defray inflationary costs and much needed academic investments.

### 13. Student Financial Aid

**Systemwide Fees:** Systemwide policy requires that a portion of *new* revenue generated from core Tuition and Fees be set-aside for financial aid. The table on the following page reflects those set-aside rates. Please use these rates when calculating tuition and fee revenues available for operations and contact Budget Analysis and Planning for further guidance if needed. Starting in 2022-23, certain rates have been adjusted according to the *Multi-Year Tuition and Financial Aid Plan* (approved by the Regents in July 2021). This plan includes increases in tuition and student services fee rates for entering undergraduate students that are fixed for up to six years per entering cohort. For all graduate students, tuition and student services fee inflation will be pegged to a CPI index with annual adjustments.

In July 2021, The Regents approved a tuition stability plan (commonly known as “[cohort tuition](#)”) where beginning fall 2022, tuition will be adjusted for each incoming undergraduate class but will subsequently remain flat until the student graduates, for up to six years. Under that plan, 45% of *incremental* tuition (and SSF) revenue raised from undergraduates would be returned to California undergraduates through financial aid; similarly, 20% of *incremental* NRST raised would be returned to nonresident undergraduates through financial aid. As a result, the composite return-to-aid component (in the table below) is no longer a fixed amount (and needs to be updated annually).

#### Systemwide Fees: 2025-26 Return-to-Aid Rates by Fee Source & Student Type

	Tuition	Student Services Fee*	Summer Tuition	Professional Degree Supplemental Tuition	Nonresident Supplemental Tuition
	<i>FWS</i>	<i>FWS</i>	<i>Summer</i>	<i>FWS</i>	<i>FWS</i>
Undergraduate ( <i>prior to Cohort</i> )	29.1%	6.7%	25.0%	n/a	0.3%
2022-23 Undergraduate Cohort	29.8%	8.3%	25.0%	n/a	1.1%
2023-24 Undergraduate Cohort	30.5%	9.9%	25.0%	n/a	2.0%
2024-25 Undergraduate Cohort	31.2%	11.6%	25.0%	n/a	2.9%
2025-26 Undergraduate Cohort	31.7%	12.6%	25.0%	n/a	4.4%
Graduate Academic	48.4%	15.1%	48.4%	n/a	0.0%
Graduate Professional	30.5%	10.9%	n/a	33.0%	0.0%

\* RTA is calculated only on increases beginning Fall 2011. No RTA prior to that date.

**Campus Based Fees:** Since 2007, the campus sets aside between 25% and 33% of the new fee or fee increases as return to aid for the student population the fee supports (Graduate, Undergraduate, or both).

## Appendix B — Glossary of Budget Language/Budget Terminology

### Budget/expense function

Functional (expense purpose) categories used to promote consistent financial reporting — e.g., NACUBO functional categories include instruction, research, public service, academic support, student services, instructional support, etc. These categories are used in UCSC and UC-wide reports (e.g. [planning.ucsc.edu/budget/reports-overviews/ucsc-campus-resources-summary.html](http://planning.ucsc.edu/budget/reports-overviews/ucsc-campus-resources-summary.html), [universityofcalifornia.edu/about-us/information-center/revenue-and-expense-data](http://universityofcalifornia.edu/about-us/information-center/revenue-and-expense-data)) and in budget documents (e.g., [ucop.edu/operating-budget/files/rbudget/2022-23-budget-detail.pdf](http://ucop.edu/operating-budget/files/rbudget/2022-23-budget-detail.pdf)).

### Carryforward budget

Unspent balances (or negative balances) from one fiscal year rolled forward to the next — considered a form of one-time budget (or budget deficit).

### Core Operating Budget

The Core Operating Budget funds essential components of campus operations such as faculty, lecturers, TAs/GSIs, libraries, student services, student financial aid, graduate student support, general instructional support, administrative infrastructure and facility maintenance, etc. Core operating revenues include state appropriations, UC general funds, tuition, student service fee, administrative assessment funds and the campus unrestricted fund.

### Cost structure

Cost structure refers to the various types of expenses a unit incurs — e.g., fixed, recurring, variable, and one-time costs.

- *Fixed and recurring costs are incurred regularly, tend to be stable over time* (although subject to inflationary pressures), *and need to be linked to recurring revenues*. Examples include the salaries and benefits for career employees and Senate faculty, maintenance of campus facilities, and recurring operational costs (e.g., utilities, technology services).
- *Variable costs are expenses that are adjusted each year to respond to metrics such as enrollment or research activity*; these costs need to be tied to reliable recurring resources that grow or contract with those same metrics.
- *One-time costs are those that are singular in nature*. Examples include capital costs (e.g., construct a new research lab) or project costs (e.g., the first-year cost to implement, test, and train users on a new system). One-time costs are covered by one-time resources, such as carry-forwards, 804xxx reserves, other reserves (funds intentionally accrued for a specific one-time purpose such as future renovations), or an allocation of one-time funds by a principal officer.

Fulfilling our core mission and improving our ability to respond to changing economic conditions requires that campus leaders continually examine cost structures for ways to operate more effectively (and cost-effectively) while improving outcomes and making progress on strategic campus goals.

### Divisional Working Capital Reserve (a.k.a., 804xxx fund balances)

The Divisional Working Capital Reserve (804xxx) process is a tool to communicate how reserves from one-time savings reflect the principal officer's intent to invest in future initiatives or large purchases. Future initiatives or purchases must meet a threshold of \$100,000 or greater to qualify for reserve investment.

**Financial health** (a.k.a. multi-year financial position)

Clear evidence that a unit's multi-year financial plans align on-going/recurring expenses with sources of on-going/recurring revenue and, if a potential deficit is possible, there are clear plans to resolve outstanding issues in a timely manner. How a unit's multi-year spending intentions align with campus/unit goals and articulated outcomes, as well as unit mission/responsibilities, is an important component of financial health.

**FTE** (full-time equivalent)

FTE is a unit of measure to quantify both employee counts and student enrollment (e.g. 1.00 FTE is full time, 0.50 FTE is half time) and is used to forecast staffing needs and the number of students for which classes or services must be provided. Calculating FTE is context sensitive — e.g., a student FTE may be determined by the number of units taken (and the units associated with an FTE may be different for undergraduates vs. graduate students); payroll FTE may be determined as an annualized percent time worked; budget FTE (e.g., for faculty positions) may represent the funding committed for that position, even though a faculty member might be on sabbatical. Hence it is very important to consider context and consult the definitions associated with each report. For example, the various FTE figures in the "Instructional Load Summary" are [defined in that report](#).

**Instructional Support (IS and TA FTE)** (allocated annually based on selected metrics)

Instructional Support (IS) and Teaching Assistant FTE (TA FTE) are allocated annually based on instructional metrics (such as student credit hours, SCH). The model for allocating these resources helps provide predictable resources on a multi-year basis.

**Multi-year resource plan**

A multi-year resource plan uses a common format/template to display revenues and expenses over a period of three or more years (e.g., current year actuals and projections for two future years). The plan needs to provide a clear view of the unit's/division's financial position and proposed budget, demonstrate how recurring costs are covered, and provide evidence that the unit is in a solid financial position. Initially, these plans will focus on a unit's total unrestricted budget, including the campus allocated core budget and activity-based revenues (as applicable).

**Non-Core Operating Budget** (Recharge, Auxiliary, Programmatic)

Non-Core operating budgets fund services that support the campus's education and research mission but are operated on cost-recovery or self-supporting basis. Examples include housing and dining operations, transportation and parking operations, campus bookstores and coffee shops, information technology services provided on a fee-for-service basis, campus shops that fabricate components for research projects, etc. Non-core funded units need to demonstrate that their rates cover their costs — including any campus administrative assessment levied to cover the cost of services to that unit provided by campus Core-funded operations (e.g., financial services) — and that their rates comply with campus costing and pricing policies.

**One-time budget**

Projection of non-recurring revenue sources and intention to spend them in a single year — typically, one-time budgets are associated with projects/initiatives that are limited to a defined period (e.g., one or more years). Alternatively, intended spending in a current or future year utilizing revenue received in a prior or past year.

**Operational effectiveness**

Operational effectiveness is about making sure that all the unit's work/activity (as well as its operating and organizational model) creates value, improves service levels and user experience, and achieves articulated outcomes. Ongoing review of operational effectiveness (and ways to reduce cost structures) is an important component of financial health.

**Permanent/recurring budget** (*a.k.a.* Revenue Profile)

Formally recorded projections of *reliable* recurring revenue sources and intentions for spending that revenue within a defined time period (usually aligned with fiscal year). An approved budget implies authorization to spend *so long as underlying projected revenue is realized*.

**Prudent Reserve**

The campus has published guidelines on what is generally considered year-end "Prudent Reserve" one-time fund balances ([planning.ucsc.edu/budget-archive/policy/cfwd-guidelines.html](http://planning.ucsc.edu/budget-archive/policy/cfwd-guidelines.html)). Prudent reserve amounts are generally expected to be sufficient to cover year-end encumbrances, and a level of contingency funding to address the normal ebb and flow of unexpected expenses that arise throughout a given fiscal year.

**Recurring Expenses**

Multi-year projections of spending intentions/obligations — whether or not a recurring source of revenue to support that spending has been identified. For example, the salaries of career-eligible staff and other ongoing operating expenditures whether or not these have been linked to a recurring revenue source.

**Restricted vs. unrestricted fund types**

All funds come with restrictions of one type or another, however, current funds with no restrictions imposed on them by entities *outside* the University may be defined as 'unrestricted'. Unrestricted funds, however, are subject to spending within University policy. Use of all funds — whether restricted or not — must be consistent with University policy (e.g. consult the guidance documented by [Financial Affairs](#) and [Search policies | UCOP](#)). If in doubt, please contact Budget Analysis & Planning.

**Structural Deficit**

When annual total spending exceeds annual total revenue, on an ongoing basis.

**Total Unrestricted Budget**

See Appendix C for the funds (and fund numbers) that comprise a unit's total unrestricted budget.

UC Office of the President maintains an expanded budget glossary at [ucop.edu/ucop-budget/budget-development/budget-glossary.html](http://ucop.edu/ucop-budget/budget-development/budget-glossary.html)

### Appendix C —

#### Part I: Glossary of Fund Categories

Core Or Non-Core	Category	Fund Number(s)/Range(s)	Deficit Assessment Frequency
CORE	State General	19900; 19906; 19911; 19912; 19915; 19916; 19917; 19921; 19922; 19924; 19948; 19955; 19957; 19958; 19959; 19960; 19968; 19969; 19970; 19973; 19983; 19984; 19985; 19986; 19988; 19990; 69800; 69801; 69802; 69824	Year End, based upon operating balance at unit level. "Restricted" deficits assessed separately of "Unrestricted" deficits.
	UC General Funds	19931; 19933; 19941; 19942; 19943; 19944	
	Lottery Funds	18082; 18083; 18084; 18085; 18086; 18087	
	Tuition & Fees (Core)	20000; 20080; 20082; 20084; 20086; 20088; 20093; 20094; 20095; 20157; 20158; 20159; 20160; 20161; 20162; 20290; 20360; 20380; 20399	
	Indirect Cost Recovery, University Opportunity Funds	05397; 07427; 07429; 095XX; 66999; 69750; 69780; 69895	
	UCSC Assessment Funds	66043; 66051	
	Campus Unrestricted Fund (CUF)	69900	
	Vacation Accrual Liability	18999; 24999	
NON-CORE	Agency	00002 - 00299	Quarterly, based upon campuswide fund cash balance
	Plant	00300 - 01599	
	Endowments	13000 - 16999; 34112 - 39999; 93XXX	
	Gifts	40001 - 56999	
	Special State Appropriations	18000 - 18199, excluding lottery funds above	
	Tuition & Fees (Non-Core)	20078 - 20399, excluding core tuition and fees above	
	State Agencies	18200 - 18998	
	Local Government Contracts	20653 - 20797	
	Federal Contracts & Grants	21100 - 28999; 81100 - 86899	
	Private Contracts & Grants	57000 - 59999; 61000-63999	
	ARRA Grants	80000 - 81099; 87000 - 88999	
	Sales, Service and Miscellaneous	60XXX; 66XXX; 67XXX; 68XXX; 69XXX excluding 66XXX, 697XX, 698XX and 69900 funds mentioned above.	
	Auxiliary Activity	70XXX - 74999	
	Reserves	75XXX	

### Part II: Restricted Fund Categories (DRAFT)

Within the context of the *Carryforward and Year-End Balances Policy* (Appendix E), year end fund balances are either fully or partially retained by the unit. Fully retained balances are related to "Restricted Activity"; partially retained balances are related to "Unrestricted Activity".

#### "Restricted Activity"

*Automatic full carryforward retention*

Core Or Non-Core	Category	Fund Number(s) and/or Other Chart of Accounts Qualifiers
CORE	State General By Fund Number Qualification	19906; 19911; 19912; 19915; 19916; 19921; 19922; 19924; 19948; 19955; 19957; 19958; 19959; 19960; 19968; 19969; 19970; 19973; 19983; 19984; 19985; 19986; 19988; 69800; 69801; 69802; 69824
	Lottery Funds	18086
	Tuition & Fees (Core) by Fund Number Qualification	20088; 20157; 20158; 20159; 20160; 20161; 20162
	Indirect Cost Recovery, University Opportunity Funds	09512
	All funds	Fund balances in faculty start-up orgs (OH Program Code "55" and OH UAS attribute code "440500" - email ask-bap-group@ucsc.edu for a full list of current orgs)
	All funds	Fund balances in individual faculty research orgs (OH UAS attribute code "440500" - email ask-bap-group@ucsc.edu for a full list of current orgs)
	All funds	Funds received within a division for restricted use through Interlocation Fund Transfer (ITF)
	State General and Tuition & Fees (Core)	Funds allocated to Student Aid as part of the University Student Aid Program (USAP) or Return-To-Aid (RTA)
NON-CORE	All categories	All funds, All Orgs

#### "Unrestricted Activity"

*Eligible for partial carryforward retention*

Core Or Non-Core	Category	Fund Number(s) and/or Other Chart of Accounts Qualifiers
CORE	State General	19900; 19917; 19990, except where indicated above
	UC General Funds	19931; 19933; 19941; 19942; 19943; 19944, except where indicated above
	Lottery Funds	18082; 18083; 18084; 18085; 18087, except where indicated above
	Tuition & Fees (Core)	20000; 20080; 20082; 20084; 20086; 20093; 20094; 20095; 20290; 20360; 20380; 20399, except where indicated above
	Indirect Cost Recovery, University Opportunity Funds	05397; 07427; 07429; 095XX; 66999; 69750; 69780; 69895; except where indicated above
	UCSC Assessment Funds	66043; 66051
	Campus Unrestricted Fund (CUF)	69900, except where indicated above
	Vacation Accrual Funds	18999; 24999
	All unrestricted fund numbers	Budget transfers from unrestricted divisional holding to restricted divisional holding may be considered "unrestricted" in the calculation of carry forward retention. Campus-level requirements must be met for balances to be classified as restricted.

## Notes

- **Part I:** Deficit Assessment Frequency guidance — the frequency shown reflects when BAP reviews the deficits, units/divisions should review more frequently as appropriate to the fund type:
  - Fiscal Year End** — Monitoring for potential deficits (and in areas with known deficits) — both operating and structural — should occur throughout the year as part of regular financial and budget monitoring and planning. If the budgeted allocation is unlikely to change and expenditures are stable, then deficit monitoring on an annual basis (at the end of the fiscal year) *may* be sufficient.
  - Quarterly** — Some budgeted fund sources are *estimates* of recurring resources (e.g., self-supporting funds such as recharge income, overhead receipts from sustained levels of Contracts and Grant activity, income from recurring student fees). Principal officers and members of their staff with delegated financial, administrative, or managerial responsibility should regularly (e.g., monthly, quarterly) verify that these estimates of revenue/income are both reliable and realistic and, as appropriate, make expenditure adjustments to stay within available revenue/income levels.
- **Part II: DRAFT** Restricted vs. unrestricted fund categories:
  - The draft list of funds/orgs treated as “restricted activities” under the *Carryforward and Year-End Balances Policy* (Appendix E) will evolve over time as new orgs and funds are established.
  - Email [ask-bap-group@ucsc.edu](mailto:ask-bap-group@ucsc.edu) for assistance and/or questions.

## Appendix D — Financial Deficit Policy

([planning.ucsc.edu/budget/guidelines-systems-training/financial-deficit-policy.html](http://planning.ucsc.edu/budget/guidelines-systems-training/financial-deficit-policy.html))

*The following financial deficit policy is in effect (Version 1.0 dated 10/1/2023). Questions may be directed to Budget and Resource Management in Budget Analysis & Planning.*

### SCOPE

This document establishes UC Santa Cruz's Financial Deficit Policy and applies to Administrative Officials, defined herein, with responsibility for financial resources.

### POLICY SUMMARY

This policy defines management responsibilities for the monitoring, reporting, and timely resolution of Financial Deficits across UC Santa Cruz.

### WHY WE HAVE THIS POLICY

Campus administrative officials, such as vice chancellors, deans, and principal investigators, etc., have been delegated spending authority through budget authorization or revenue production in support of official university business. This authority comes with responsibility to follow University policies and procedures and to maintain programs and services in sound fiscal condition.

Although UC Accounting Manual section C-172-13 Cash: Balances of Individual Funds (<https://policy.ucop.edu/doc/3410198/AM-C173-13>) limits the generation of deficits, it does not define local actions to be taken to prevent or resolve deficits.

### DEFINITIONS

**Administrative Official** – For this policy, the term Administrative Official refers to any UC Santa Cruz employee (including faculty with administrative responsibilities, such as principal investigators) who holds a position with delegated financial, administrative, or managerial responsibility.

**Year-end Balance** – The sum of prior fiscal year budget or prior fiscal year revenue, less prior fiscal year expenses. Encumbrances/liens (e.g., purchase orders) are not included because they are rolled forward to the new fiscal year.

**Carryforward Balance** – The cumulative (positive or negative) balance at the close of the prior fiscal year, and represented as the beginning balance as of July 1<sup>st</sup> of the current fiscal year. A year-end balance that is negative represents an **operating deficit** (or **deficit**) that must be covered.

**Deficit Resolution Plan** – A written, actionable plan detailing the corrective steps to be taken by a unit to eliminate a deficit within a defined period of time. Principal officers may require additional approvals for Deficit Resolution Plans within their unit/division. An **Authorized Deficit Resolution Plan** is one that has been approved by the Associate Vice Chancellor of Budget Analysis and Planning (AVC–BAP).

**Fiscal Management** – Fiscal (or **financial**) management is the process of keeping a unit/division running efficiently (and effectively) within its allotted budget.

**Financial Deficit** – Also referred to as an **operating deficit**, the situation that exists when a financial unit/business unit spends or is projected to spend more than is available in a particular Fund source. Financial Deficits may be measured by testing balances at any level within the accounting hierarchy; the appropriate level

depends on the nature of the Funds and is typically identified by funding source limitations. The measurement of a Financial Deficit largely depends on the financial activity within a particular fund (e.g., revenues may be booked after expenses). Administrative officials should actively monitor for potential financial deficits at the financial unit/fund level.

**Fund** – The high-level classification of the source of funds for a transaction that aids in tracking restrictions and designations. A **fund grouping** or **fund category** comprises similar fund types with similar restrictions and designations that, with appropriate approvals, can be redirected to cover financial deficits.

**Fund Manager** – Responsible individual for a financial unit/business unit with an ongoing business mission. The fund manager or fund custodian (i.e., the Principal Officer or an individual to whom such responsibility has been formally delegated by the Principal Officer) is assigned fiscal authority over budget, resources and expenses, an identifiable group of employees, and, generally, physical space.

**Principal Officer** – The vice chancellor- or dean-level position to whom the Administrative Official reports. The Principal Officer generally reports directly to the Chancellor or the CPEVC and has ultimate fiduciary responsibility and accountability for the use of resources within their unit/division and is responsible for ensuring that deficits are identified and resolved. The Principal Officer will often delegate overall administrative responsibility for financial resources to the unit level (e.g., to a Fund Manager); accountability, however, *cannot* be delegated.

**Structural Deficit** – The condition that exists when ongoing or recurring resources are projected to be less than ongoing or recurring expenses. This can be the case in a current year or in future years based on a multi-year forecast, using reasonable assumptions, which indicates that reliable ongoing or recurring sources are projected to be less than ongoing or recurring uses. Such a forecast should *exclude* non-recurring one-time sources and uses, including carryforward balances.

## POLICY STATEMENT

UC Santa Cruz receives financial support from a number of external stakeholders and has a stewardship responsibility to its students; federal, state and private funding agencies; donors; and the public. That stewardship includes prudent financial management of resources entrusted to the University and the Administrative Officials in each financial unit/business unit. All funds must be spent in accordance with University policy. Administrative officials in charge of gifts, contracts, and grants may have additional terms and conditions or fund restrictions with which to comply.

Authority to spend funds brings with it the responsibility for effective fiscal management. All units are to meet operating needs within their overall available budgets or revenue sources. All deficits that arise or are projected to arise in UC Santa Cruz current-year funds should be cleared throughout the fiscal year and must be cleared by the close of the fiscal year.

This administrative official responsibility may be accomplished by

- (1) Regularly monitoring financial activities;
- (2) Ensuring that recurring expenses are matched with reliable recurring revenue sources or with sufficient one-time resources for the period over which those expenses will accrue;
- (3) Regularly monitoring one-time resources, as well as revenue sources that are highly variable, to ensure expenditures against those resources do not result in a deficit;
- (4) Avoiding cost overruns relative to approved resources;
- (5) Avoiding unallowable or unreasonable costs against various fund sources;
- (6) Avoiding unauthorized cost-transfers or expenditures and promptly resolving improper charges; and
- (7) Immediately resolving any deficit by reducing/deferring spending, redistributing resources, and/or initiating a proactive, timely, and realistic pursuit of additional funding.

Monitoring for potential deficits (and in areas of known deficits) — both operating and structural — should occur throughout the year as part of regular financial and budget monitoring and planning (see [UCSC Ledger Review](#)

Guide). Guidance regarding deficit monitoring/assessment may vary by fund grouping; some budgeted fund sources are *estimates* of recurring resources (e.g., self-supporting funds such as recharge income, indirect costs recovery from sustained levels of contracts and grant activity, income from recurring student fees, pass-throughs, agency accounts, etc.) and as such may be permissible to spend in advance of revenue receipts so long as the revenue is realized timely. Administrative officials should regularly (e.g., monthly, quarterly) verify that these estimates of revenue/income are both reliable and realistic and, as appropriate, make expenditure adjustments to stay within available revenue/income levels.

Financial Deficits should not occur and must be remedied in a timely manner when they do occur. The appropriate resolution will differ by Fund and circumstance. Fund Managers and Administrative Officials are responsible determining appropriate methods for eliminating the deficit and may seek Budget Office staff consultation in developing an appropriate plan. Fund Managers and Administrative Officials should be aware that, per campus policy, interest is charged on negative balances.

Should a Financial Deficit occur, or be projected to occur, this policy requires that the Fund Manager and Administrative Official immediately develop a **Deficit Resolution Plan** and submit it for review and approval within 90 days of the realization a deficit is foreseen or the actual deficit occurs. The review for approval process is as follows:

- All Deficit Resolution Plans, regardless of amount, must be reviewed for approval by the relevant Principal Officer, ideally within 30 days of receipt of the plan.
- Any unit that identifies a **potential deficit exceeding \$100,000** that cannot be resolved within the same fiscal year must submit the Deficit Resolution Plan, within 30 days of the Principal Officer's approval, to Budget Analysis and Planning for further review for approval by the AVC-BAP. Once the AVC-BAP approves the plan it becomes an **Authorized Deficit Resolution Plan**.
- Any unit deficit of \$25,000 - \$99,999 that persists or is foreseen to **persist into a second year** must submit the Deficit Resolution Plan, within 30 days of the Principal Officer's approval, to Budget Analysis and Planning for further review for approval by the AVC-BAP to establish it as an **Authorized Deficit Resolution Plan**.
- Should the unit become aware the Authorized Deficit Resolution Plan cannot be followed or should the deficit grow or be projected grow, an updated plan must be submitted through the same review and approval processes and timelines. In this case an additional review for approval step may be conducted by the Campus Provost and Executive Vice Chancellor (CPEVC).

Budget Analysis and Planning (BAP) will review campus financial balances for deficits on an annual basis (after fiscal close) and provide a report to the Chancellor, CPEVC, and VC-FOA. For units with known deficit risk and/or Authorized Deficit Resolution Plans, BAP will monitor balances periodically throughout the year.

At the direction of the Chancellor or CPEVC, deficits that are not resolved according to the timeline in the Authorized Deficit Resolution Plan, or continue to grow, may result in the transfer of other funds within the department, unit, or division (up to the Principal Officer level) and/or the withholding of future funding allocations to the department, unit, or division (up to the Principal Officer level) until successful resolution.

## ADDITIONAL PROCEDURAL CONSIDERATIONS

### A. Deficit Monitoring and Reporting

When working to resolve a Financial Deficit, first consult any specific policies and procedures that may be applicable, beyond this policy, to the specific fund source. Examples include the campus [Carry-forward and Year-End balances Guidelines](#), sponsored award terms, [recharge](#) activities guidance (pass-throughs), etc.

Administrative Officials should be familiar with financial review requirements set forth in the campus's [Financial Accountability Guide](#) and [Ledger Review Guide](#) and take advantage of available campus financial systems (FIS, FMW, etc.) and reporting tools (e.g., *InfoView* reports, *FMW* reports, etc.) to meet their Fund management responsibilities. These are effective tools for monitoring current deficits.

Annually, BAP prepares a current year briefing of carry-forwards and deficits (with an appendix showing a multi-year listing of deficits) for the Chancellor, CPEVC, and Senate Committee on Planning and Budget (CPB).

### B. Clearing Deficits

In general, deficits arising from current year activities can be cleared either by transferring budget from another unit or area with the same fund code (using a Transfer of Funds journal) or by transferring expenditures to another fund code that has a positive balance and is applicable (using a Transfer of Expense journal). If a deficit is projected (not yet realized), spending plans should be reconsidered for cost reduction, cost deferment, utilization of other funding sources of the unit, revenue generation options, etc. to prevent the deficit.

### C. Deficit Resolution Plan

- Units may use any reasonable format for producing a written deficit resolution document so long as the content includes accurate financial balances, a clearly defined and measurable corrective course of action, a timeline for resolution, and active monitoring requirements. BAP offers this [template](#) as a suggested format.

## RELATED INFORMATION

- A. [University of California Policy – BFB BUS-10 Principles of Accountability with Respect to Financial Transactions](#)
  - [UCOP financial policy](#) (an example of how UCOP's Office of the Chief Financial Officer implemented financial responsibility and accountability — including deficit monitoring)
- B. [University of California Accounting Manual - Balances of Individual Funds](#)
- C. [University of California Contract and Grant Manual - 6-400 Responsibility for Financial Management and Control of Project Funds](#)
- D. [University of California Academic Personnel Manual](#)
- E. [UC Santa Cruz Financial Accountability Guide](#)
  - [Ledger Review Guide](#) (an example of one of the UCSC tools provided by Financial Affairs to help Fund Managers conduct an analytic review of their finances to detect substantial changes in circumstances or business conditions and to ensure that general ledger transactions are accurately recorded and reasonably funded)
- F. [UC Santa Cruz Carry-forward and Year-end balances Guidelines](#)
- G. [UC Santa Cruz Recharge Policy](#)
- H. [UC Santa Cruz STIP Policy on Negative Balances](#)

## Appendix E — Carryforward and Year-End Balances Policy (DRAFT)

([planning.ucsc.edu/budget/guidelines-systems-training/cfwd-guidelines-year-end-balances.html](http://planning.ucsc.edu/budget/guidelines-systems-training/cfwd-guidelines-year-end-balances.html))

The following fund management guidelines are in effect (Rev. 1.0 effective 02/20/2025).

**Supersedes:** Carryforward and Year-End balances Guidelines (issued 12/20/19)

**Issuance Date:** 02/20/2025 (published as a DRAFT)

**Issuing Office:** Budget Analysis and Planning

### PURPOSE AND SCOPE

This document provides guidance to UC Santa Cruz principal officers and campus units regarding how to consistently and transparently manage and report on fund balances. This policy supports the campus's commitment to be an accountable and responsible steward of financial resources.

There are four main concepts covered in this policy:

- Definition of terms and groupings of funds at UC Santa Cruz;
- What levels of reserves and fund balances the campus seeks to maintain;
- Annual review and accountability (*as part of the annual budget development process*); and
- Additional guidance/processes when campus-level reserves are below established thresholds.

### WHY WE HAVE THIS POLICY

This policy framework:

- Establishes a baseline of financial resources to reasonably protect the university against disruption in the event of unexpected revenue shortfalls or unanticipated expenditures, while confirming to internal and external stakeholders that university resources are being used responsibly.
- Guides budget decisions to increase consistency and transparency, while recognizing the need for units to maintain flexibility to manage risks unique to their programs and operations (i.e. revenue volatility and expense profile).

The policy framework also defines management responsibilities for the monitoring/reporting of carryforward balances.

### DEFINITIONS

**Recurring Budget** – Formally recorded projections of *reliable recurring revenue sources* (sometimes referred to as “permanent budget”) and intentions for spending that revenue within a defined time period (usually aligned with fiscal year). An approved budget provides authorization to spend *so long as underlying projected revenue is realized*.

**Carryforward Balance** (or carryforward funds) – The cumulative (positive or negative) balance at the close of the prior fiscal year and, *if authorized*, represented as the beginning balance as of July 1<sup>st</sup> of the current fiscal year. A year-end balance that is negative represents an **operating deficit** (or **deficit**) that must be addressed.

## RESERVE AND FUND BALANCE GUIDELINES

UC Santa Cruz has established the following planning thresholds or target ranges for reserves and fund balances. The guideline thresholds cited represent flexibility that principal officers may *build into their current-year budget planning* and do not represent authorization to carry forward this level of funding.

### Target Reserve Levels

- **Campus and Auxiliary<sup>1</sup> Reserves** (generally in the range of 10% - 25% of annual recurring budget):
  - UC Santa Cruz should aim to maintain reserve balances in the range of 10% - 25% of annual recurring budget across all fund sources. This is equivalent to about 1 - 3 months, or 30 - 90 days cash on hand.<sup>2</sup>

Note that if Campus (“Center”) reserves fall below this threshold, campus leadership may limit the carryforward authorization for academic and support units.

- **Divisional Core Fund Reserves** (generally aim to maintain 5% of annual recurring budget):
  - **Academic Degree-Granting, Academic Support, and Administrative Support:** As appropriate to their operations, each division should aim to maintain fund balances of 5% of annual recurring budget on *Core* funds.
  - **Division/unit operations supported on non-Core funds:** Non-Core fund balances (and reserves) within school/division and support units should be responsibly deployed to support operating needs as appropriate and consistent with fund restrictions.

Any year-end balances should first be used to address budget deficits within the principal officer’s organization (e.g., at the department or divisional level). Note that any *deficits* will be carried forward automatically and must be addressed by the principal officer (e.g., as appropriate, covered by the next year’s allocations/revenues).

### Restricted Activity

Year-end balances in “restricted” activities will be automatically retained by the unit. This includes all non-core activity, such as campus-based fee funds, contracts and grants, debt service, plant funds, etc. A list of core funds classified as “restricted” activity (under this policy) will be published on the *Budget Analysis and Planning* (BAP) website.

- *Reserve guidance for other specific funds and activities:* Exceptions to these general guidelines apply, for example, to units operating with restricted fund types. Please contact *Budget Analysis and Planning* for most current guidance on specific rules and exceptions.

---

<sup>1</sup> Depending on their service portfolio, some auxiliary units may establish lower reserve balances — e.g., 15% of total annual recurring budget, or 60 days cash on hand. However, auxiliaries — such as Colleges, Housing, and Educational Services (CHES) — need to build capital reserves for new construction/major maintenance projects.

<sup>2</sup> These Center reserves are typically used to address unanticipated campus expenditures, to respond to requests for one-time or on-going resources identified/prioritized during the annual budget development process, and to invest in campus strategic initiatives.

### Core Fund Carryforward Retention Above 5% Division Reserve

- Core fund carryforward retained (by the principal officer) above the 5% reserve threshold is dependent on the financial health of the campus and will be defined annually as part of the budget planning process. Effective with this policy, for balances *beyond* 5%, the carryforward retention targets to divisions are the following percentage of the balance remaining:
  - 0% - 15% retained if the Campus has a projected Core funds shortfall in the upcoming fiscal year
  - 15% - 30% retained if the Campus Core funds budget is projected to be balanced, but Campus reserve balances are below the reserve target
  - 30% - 50% retained if the Campus Core funds budget is projected to be balanced and Campus reserve balances are projected to be at or above target

Each year the Chief Financial Officer will establish the carryforward retention target in consultation with the Chancellor and CP/EVC. This information will be communicated annually in tandem with the distribution of budget planning guidelines, if not sooner.

### One-Time Budget Request Process

Depending on the financial health of the campus, limited funding may be available for needs that exceed the principal officer's funding envelope allocated through recurring and carryforward revenues.

- For one-time priorities that exceed divisional recurring budget and carryforward capacity, principal officers may submit one-time budget requests during the annual budget planning process via a written request (submitted through [budget@ucsc.edu](mailto:budget@ucsc.edu)). This written request should describe
  - The circumstances that led to the carryforward balance;
  - The period over which the carryforward will be expended, planned uses, and expected outcomes;
  - Why the planned use cannot be prioritized within the recurring budget and/or previously-approved carryforward balances; and
  - How these uses/outcomes align with divisional and campus goals/priorities.
- The **Working Capital Reserve** (804xxx) process will be folded into the one-time request process.

### ANNUAL REVIEW AND ACCOUNTABILITY

Following the close of the fiscal year, an annual carryforward and fund balances report will be prepared by *Budget Analysis and Planning* and shared with campus leadership, which will include year-end balances and carryforward returns (to the Center) by division, in alignment with policy.

In addition, as part of the campus's annual budget development process, principal officers prepare multi-year resource plans and participate in tactical financial health meetings. During those meetings, the discussion will include the principal officer's projection of anticipated carryforward balances, expected cash-flow from operations, and one-time resource needs.

### RELATED INFORMATION

- A. [UC Santa Cruz Policy on Interest Assessment on Negative Balances](#)
- B. Reserve guidance for specific funds and activities (*updated guidance posted on BAP website*)

### REVISION HISTORY

2019-12-20 New policy published

2025-02-20 Revision 1 of policy published (as a DRAFT) — please check the policy URL for updates

## **Appendix F — Interest Income Distribution Policy**

[planning.ucsc.edu/budget/rates-and-assessments/interest-income-distributiion.html](http://planning.ucsc.edu/budget/rates-and-assessments/interest-income-distributiion.html)

*This policy for distributing interest income is in effect (Version 1.0 dated 7/1/2023). Questions may be directed to Budget and Resource Management in Budget Analysis & Planning.*

### **SCOPE**

This document updates the UC Santa Cruz policy for distributing interest income from campus investments and applies all campus units.

### **POLICY SUMMARY**

This policy defines and updates the calculations and conditions under which interest income from campus investments is distributed across campus, based on positive fund balances. For calculations and conditions under which units are charged interest based on negative fund balances, see the campus's Financial Deficit Policy ([planning.ucsc.edu/budget/guidelines-systems-training](http://planning.ucsc.edu/budget/guidelines-systems-training)) and the Policy on Negative Balances ([planning.ucsc.edu/budget/rates-and-assessments/negative-stip-charges](http://planning.ucsc.edu/budget/rates-and-assessments/negative-stip-charges)).

### **WHY WE HAVE THIS POLICY**

The University of California's cash balances are invested in a portfolio of liquid assets intended to support the university mission by generating additional income for operations. These cash balances reflect the cumulative revenues received less expenses paid, adjusted by market gains or losses. The balances appear in the campus operating budget as carryforward balances (prior year ending balances) plus current year financial activity. Currently the investments include the Short-Term Investment Pool (STIP), the Total Return Investment Pool (TRIP), and the Blue and Gold Endowment Pool (BGP). The UC Regents has delegated management of the portfolio to the UC Chief Investment Officer at Office of the President.

UC Business and Finance Bulletin A-60 defines the accounting procedures for distributing interest income. In March 2022 the Office of the President's Executive Vice President and Chief Financial Officer informed UC Santa Cruz the finance bulletin is outdated and certain sections are no longer relevant to campuses. The Chancellor has full authority to establish policies for the distribution of interest income on campus. This policy asserts that authority and defines and updates local campus policy and practices.

In Fall 1996 the campus adopted a local policy which allowed for distribution of interest earnings on accumulated operating balances in gift funds and endowment payout funds, including for gift-funded capital projects, as an incentive to boost fundraising efforts. This policy ends the incentive as it is no longer necessary. Gift funds and endowment payouts are intended (by the donor) to be spent quickly, within one year of their receipt, not saved to earn interest.

This policy updates the 1996 local policy, supplants the irrelevant sections of the business and finance bulletin, and sets forth the full conditions under which interest income is distributed at UC Santa Cruz under the Chancellor's authority.

### **DEFINITIONS**

**Interest Income** – Interest earned from the investment of daily operating cash balances of the campus.

**Short-Term Investment Pool (STIP)** – A cash fund invested daily in short-term securities that earn interest.

**STIP rate** – The net interest income recorded by the campus from the combined balances of the STIP and TRIP investments for a given period of time, expressed as a percentage.

**Total Return Investment Pool (TRIP)** – A liquid asset of the UC Regents for intermediate-term needs invested in a mix of public equity, fixed income, private assets and derivatives.

### **POLICY STATEMENT**

This policy updates the 1996 local policy and later amendment, supplants the irrelevant sections of the business and finance bulletin, and sets forth the full conditions under which interest income is distributed at UC Santa Cruz under the Chancellor's authority.

Effective July 1, 2023 all interest income earned from campus investment of cash balances shall be distributed on a quarterly basis as follows:

- Federal Perkins loan and other federal, state, or local government agencies, including extramural contracts and grants, will receive interest earnings distributions at the then-relevant STIP rate if required by regulation or contractual obligation.
- Gift funds will receive interest earnings distributions at the then-relevant STIP rate ONLY if an exception has been granted by the Vice Chancellor of University Relations in the form of a contractual obligation with the donor at the initiation of the gift fund. [A rarity]
- Housing Services will receive interest earnings distributions at the rate of 1% per annum, or the then-relevant STIP rate if lower, based on fund level 32A and dedicated UC housing capital reserve fund balances. This decision is intended to contribute to resources for building housing and is made in light of the housing crisis on campus and in the community. A future decision to cease providing interest earnings may be made as student housing stock increases.

All remaining interest earnings will be distributed to campus central provisions. This revenue source is part of UCSC's permanent operating budget and is allocated to various student support and public facing units where state funds may not be allocated, to backfill for state funding gaps, and for unrestricted funds purposes such as capital projects.

### **RELATED INFORMATION**

UC policies related to the investment portfolios for STIP and TRIP ([ucop.edu/investment-office/investment-policies/stip-trip-policy](https://ucop.edu/investment-office/investment-policies/stip-trip-policy))