

## 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/TAS and TA FTE)** (allocated annually based on selected metrics)

Instructional Support/Temporary Academic Staffing (IS/TAS) 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 is currently under review with academic leadership ("Fresh AIR" model) in order to 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)