

NATIONAL LABORATORIES SUBCOMMITTEE

July 13, 2017

TO THE REGENTS OF THE UNIVERSITY OF CALIFORNIA

ALLOCATION OF LOS ALAMOS NATIONAL SECURITY, LLC AND LAWRENCE LIVERMORE NATIONAL SECURITY, LLC FEE INCOME TO BE EXPENDED IN FISCAL YEAR 2017-18

The Subcommittee recommends that the President of the University be authorized to expend an estimated \$23 million from the University's net share of Los Alamos National Security, LLC (LANS) and Lawrence Livermore National Security, LLC (LLNS) income earned between January 1, 2017 and December 31, 2017, as projected by the LLCs, for the purposes and in the amounts described below:

- A. The University's contractually required share of compensation costs for LLC employees in UC-designated Key Personnel positions under the LLC Agreements that is not reimbursed by the federal government under the prime contracts. Compensation for LLC employees in Key Personnel positions is paid by the LLCs as approved by the LLC Executive Committees. The amount of UC's contractual share of unreimbursed compensation for UC-designated Key Personnel positions for FY 2017-18 is estimated at \$2.2 million (\$2.2 million in FY 2016-17). Any unspent funds allocated for this purpose will be transferred to the UC Laboratory Fees Research Program (paragraph E below).
- B. An appropriation to the Office of the President's budget for federally unreimbursed costs of University oversight of its interests in LANS and LLNS, paid or accrued July 1, 2017 through June 30, 2018, including an allocable share of the costs of the President's Executive Office, the Provost, the Academic Senate, Human Resources, Compliance and Audit, Financial Accounting, Office of the National Laboratories, Federal Government Relations, Office of Research and Graduate Studies, Office of the General Counsel, Office of the Secretary and Chief of Staff to The Regents, Office of the President facility charges, and the University-appointed Governors on the Boards of the LLCs, in the amount of \$5.2 million for FY 2017-18 (\$4.9 million in FY 2016-17). Any unspent funds allocated for this purpose will be transferred to the UC Laboratory Fees Research Program (paragraph E below).
- C. An appropriation to the Post-Contract Contingency Fund (PCCF), in the amount of \$2.9 million for FY 2017-18 (\$3.1 million in FY 2016-17). Any income generated by the PCCF under the University's Short Term Investment Pool (STIP) shall be reserved exclusively for the PCCF. The balance in the PCCF as of April 30, 2017 is \$11.8 million, which does not reflect the \$3.1 million allocated in FY 2016-17. The target balance for the PCCF approved by the Regents in 2013 is \$27 million.

In July 2016, the Regents approved the set aside of \$5 million under the PCCF in FY 2016-17 for a Contract Bid and Proposal Reserve (CBPR), in order to enable the University to prepare for the anticipated Los Alamos National Laboratory contract competition, and further provided that unused CBPR funds in FY 2016-17 would be

carried forward in the CBPR to FY 2017-18. No further funds would be added to the CBPR through approval of this Action Item. Any CBPR funds unused in FY 2017-18 would carry forward in the CBPR for FY 2018-19.

- D. The Regents have approved a funding target for the LLC Fee Contingency Fund of \$7 million. The LLC Fee Contingency Fund is currently fully funded with a balance of \$7.7 million as of April 30, 2017. No allocation to the Fund is required for FY 2017-18. Funds remaining in the LLC Fee Contingency Fund will be carried over to FY 2018-19, to maintain the \$7 million funding target. Any income generated by the LLC Fee Contingency Fund under the University's STIP shall be reserved exclusively for that fund.
- E. An appropriation in the amount of \$11.4 million for FY 2017-18 for the UC Laboratory Fees Research Program and other research relevant to the missions of the National Laboratories and the University, including the UC-National Laboratory Graduate Student Fellowship Program, subject to any reallocation up or down required after the end of CY 2017 as a result of reporting by LLNS and LANS of actual net fee income earned by the University in order to meet the ongoing appropriations under paragraphs A through D above and F below. In the event all or part of this funding for the UC Laboratory Fees Research Program is not needed in FY 2017-18, the funding will be carried over to FY 2018-19 for the same purpose.
- F. An appropriation in the amount of \$300,000 for FY 2017-18, to fund an affiliation agreement between the University and the Livermore Lab Foundation, a 501(c)(3) nonprofit organization formed in 2016 to support Lawrence Livermore National Laboratory (LLNL) and other scientific and educational purposes. Unspent funds will be carried over to the next fiscal year for the same purpose.
- G. An appropriation in the amount of \$1 million for FY 2017-18 for the Accelerating Therapeutic Opportunities for Medicine (ATOM) collaboration. In May 2017, the Regents approved an amendment to the FY 2016-17 allocation of LLC fee income to appropriate \$1 million to ATOM, the first of three anticipated annual appropriations to ATOM. This allocation provides essential foundational funding for the collaborative research space at UCSF's Mission Bay campus and other student, faculty, and clinical researcher participation to enable UCSF and LLNL to become full partners in ATOM.

Subcommittee vote: Regents De La Peña, Mancía, Napolitano, Ortiz Oakley, Pérez, and Zettel voting "aye."

Board vote: Regents Anguiano, Blum, De La Peña, Elliott, Guber, Kieffer, Lansing, Lemus, Lozano, Makarechian, Mancía, Monge, Napolitano, Ortiz Oakley, Park, Pérez, Sherman, and Tauscher voting "aye."