The Regents of the University of California

COMMITTEE ON FINANCE
September 16, 1999

The Committee on Finance met on the above date at UCSF-Laurel Heights, San Francisco.

Members present: Regents Atkinson, Bagley, Connerly, S. Johnson, Lee, Montoya, Pannor, Parsky, and Preuss; Advisory member Miura

In attendance: Regents O. Johnson, Khachigian, Kozberg, Leach, Moores, Nakashima, Sayles, Taylor, and Vining, Regent-designate Kohn, Faculty Representatives Coleman and Cowan, Secretary Trivette, General Counsel Holst, Assistant Treasurer Young, Provost King, Senior Vice President Kennedy, Vice Presidents Broome, Darling, Gomes, Gurtner, Hershman, and Hopper, Chancellors Berdahl, Bishop, Carnesale, Cicerone, Dynes, Greenwood, Orbach, Tomlinson-Keasey, Vanderhoef, and Yang, Laboratory Director Browne, and Recording Secretary Nietfeld

The meeting convened at 8:35 a.m. with Committee Chair S. Johnson presiding.

1. **CONSENT AGENDA**

A. ***Amendment of the Budget for Capital Improvements and the Capital Improvement Program***

The President recommended that the Committee concur with the recommendation of the Committee on Grounds and Buildings that the 1999-2000 Budget for Capital Improvements and the 1999-2002 Capital Improvement Program be amended to include Irvine: A. Parking and Transportation Improvements Program, Step 5 and Los Angeles: A. The Orthopaedic Hospital - J. Vernon Luck, Sr., M.D. Research Center.

B. ***Establishment of Student-Sponsored Undergraduate Athletics and Campus Spirit Programs Fee, Irvine Campus***

The President recommended that effective fall 2000, a mandatory Athletics and Campus Spirit Programs Fee of $33 per undergraduate student per quarter be assessed all undergraduate students at the Irvine campus.

C. ***Increase in Undergraduate Students Association Fee, Los Angeles Campus***

The President recommended that effective fall 1999, the Undergraduate Students Association Fee at the Los Angeles campus be increased from $18 per undergraduate student per quarter to $23 per undergraduate student per quarter.

D. ***External Financing for Prepayment of Service Contract with Pacific Bell, Berkeley Campus***

The President recommended that:

(1) The Treasurer be authorized to obtain external financing not to exceed $9,118,700 to fund the prepayment of a service contract with Pacific Bell at the Berkeley campus, subject to the following conditions:

a. Repayment of the debt shall be pledged from the Berkeley campus' share of the University Opportunity Fund.

b. The general credit of The Regents shall not be pledged.

(2) The Officers of The Regents be authorized to provide certification that interest paid by The Regents is exempt from federal income taxation under existing law.

(3) The Officers of The Regents be authorized to execute all documents necessary in connection with the above.

E. ***External Financing for Center for Adaptive Optics, Santa Cruz Campus***

The President recommended that:

(1) Funding for the Center for Adaptive Optics, Santa Cruz campus, be approved as follows:

Fund Source	Amount
External financing	$ 2,970,000

(2) The Treasurer be authorized to obtain external financing not to exceed $2,970,000 to finance the Center for Adaptive Optics, Santa Cruz campus, subject to the following conditions:

a. Interest only, based on the amount drawn down, shall be paid on the outstanding balance during the construction period.

b. Repayment of the debt shall be from the Santa Cruz campus' share of the University Opportunity Fund.

c. The general credit of The Regents shall not be pledged.

(3) The Officers of The Regents be authorized to provide certification to the lender that interest paid by The Regents is exempt from federal income taxation under existing law.

(4) The Officers of The Regents be authorized to execute all documents necessary in connection with the above.

F. ***Amendment of External Financing for Core West Parking Structure, Santa Cruz Campus***

The President recommended that the financing actions approved by The Regents in May 1999 with respect to the Core West Parking Structure, Santa Cruz campus, be amended as shown below, with the understanding that all other financing actions by The Regents regarding said project remain unchanged:

deletions shown by strikeout; additions by shading

(1) Funding for Core West Parking Structure, Santa Cruz campus, be approved as follows:

Fund Source	Amount	
External financing	~~$11,078,000~~	$12,105,000
Parking reserves	250,000	
Total:	~~$11,328,000~~	$12,355,000

(2) The Treasurer be authorized to obtain external financing not to exceed ~~$11,078,000~~ $12,105,000 to finance a portion of the construction of the Core West Parking Structure, Santa Cruz campus, subject to the following conditions:

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(For speaker's comments on item B. above, see the September 16, 1999 minutes of the Committee of the Whole.)

2. **AUTHORIZATION TO ENTER INTO A LIMITED LIABILITY COMPANY TO OPERATE AN INTERNET MEDICAL REFERENCE SYSTEM, DAVIS AND SAN FRANCISCO CAMPUSES**

The President recommended that he be authorized, in consultation with the General Counsel, to:

A. Execute documents, including an Operating Agreement, to enable the University of California to join a Limited Liability Company (LLC) with co-members Creighton University, Stanford University, University of Iowa, and University of Southern California, to be capitalized up to $250,000 by each member for the purpose of acquiring a license to use software, hiring medical experts to author the medical reference material, and operating an internet-based medical reference system.

B. With the concurrence of the General Counsel, the Chancellors of the Davis and San Francisco campuses be authorized to execute any amendments and modifications to the Operating Agreement and to execute related documents, provided that such amendments do not further obligate University funds or increase University liability.

Chancellor Bishop noted that the proposal is an effort to improve the practice of medicine by providing information online to physicians. He then introduced Professor Edward Larkin, Department of Pathology, Davis campus, and Dr. Dan Stites, Chair of the Department of Laboratory Medicine at UCSF. At the invitation of Chancellor Bishop, Dr. Stites informed the Committee that the purpose of the “University Pathology Consortium LLC” will be to provide current, detailed, coherent, authoritative, and immediately accessible knowledge regarding human disease to medical professionals. The “intellectual content” products of the LLC which are collectively known as “Critical Inquiry Series” will be developed for distribution via a unique worldwide web-based system.

Faculty members of six pathology and/or laboratory medicine departments, including the UC Davis Department of Pathology and the UCSF Department of Laboratory Medicine, will provide current, clinically relevant medical pathology information to health care practitioners by combining the knowledge of a cadre of world-class medical experts with the easy access of the internet for less than the cost of existing resources. The proposed system, which will be continually updated with information about specific diseases and laboratory tests, will be written specifically for practitioners.

Kenneth Sims, M.D., a faculty member at Creighton University, has developed Critical Inquiry Series (CIS), a software system which will contain up-to-date medical pathology information that will not only provide assistance in the care of patients but also will have teaching and research implications. The mission of the LLC is to advance the medical care and the educational, research, and other scholarly missions of the respective universities, their pathology and laboratory medicine departments, and faculty.

Creighton University is exploring the business aspects of distributing CIS on the internet. Some of the unique characteristics provided by CIS are access to timely and continuously updated information, access through a web site that is inexpensive, the ability to draw upon the knowledge of medical experts in the field, and providing information to rural and remote clinics. Revenue is anticipated from subscription fees paid by users and payment for use of copyright material.

The University Pathology Consortium Transaction and Organization

It was noted that Creighton University, Stanford University, the University of Iowa, the University of Southern California, the University of California, Davis, and the University of California, San Francisco will form the “University Pathology Consortium LLC” to take over the start-up operations begun by Creighton University for distribution of CIS. The LLC will be capitalized by each member. Every member will make a contribution of $250,000. Because UC Davis and UCSF will have separate representation on the governing board, each will contribute $250,000. The LLC provides flexibility in the management structure and liability protection to members in the same way that a corporation provides limited liability to its shareholders.

The business affairs of the LLC will be directed by a governing board comprised of thirteen members which will consist of two individuals from each of the six member universities, the chair of the department and another faculty member and Dr. Simms. The governing board will designate the customary officers (Chief Executive Officer, Chief Operating Officer, Managing Editor, and Legal Counsel), who will be non-voting representatives. All major decisions by the governing board, such as decisions to sell substantially all of the assets of the LLC or to form a joint venture with another enterprise, will be subject to the unanimous approval of the thirteen-member governing board.

Subject to general oversight by the governing board, the medical content of the protocols will be supervised by an editorial board. Additional members may be added later to the LLC by unanimous approval of all of its members. Any member may withdraw from the LLC by giving at least ninety days’ prior written notice to the other members.

Financial Obligations and Risks

Beyond the initial contribution, no member will be required to make any additional capital contribution without the member’s written consent. The initial contributions will provide the necessary working capital. All capital contributions will be made upon execution of the Operating Agreement. Funding from UC Davis and UCSF will come from reserves in the faculty practice plans. The initial contributions will be used for start-up costs, such as development of the web site. Each member will be indemnified and held harmless by the LLC from and against any and all losses, claims, damages, liabilities, judgments, fines, penalties, and settlements. Excess revenues from activities of the LLC will go to participating members to support educational, investigational, and scholarly activities. Any profits and losses for the fiscal year will be allocated among the members in proportion to their percentage interests. However, each member is at risk only to the extent of its capital contribution.

Financial gain is secondary to the primary mission of the LLC. Once the LLC achieves and maintains a reserve of $500,000, any amount above the reserve will be returned to the members proportionate to ownership. The risk to The Regents will be that the capital contribution made by the campuses will not be paid back should the project fail to garner enough subscriptions to become self-supporting.

All borrowing and financing by the LLC will be on a basis that is nonrecourse to the members. No member will be required to guarantee, or otherwise be liable for any loan, debt, or obligation of the LLC without express written consent of the members.

Benefits to the Davis and San Francisco Campuses

Dr. Stites explained that health care practitioners rely primarily on memory when faced with a patient needing diagnosis, as no other resource is as easily available. Books are expensive and quickly out of date. Medical libraries are cheaper, more diverse, and up to date, but the information is organized for researchers who have time to find and review many articles for the information needed. Consultations with fellow practitioners, if one is practicing in a geographic area where one has colleagues, are hit or miss, with managed care dictating full schedules. The CIS system will be the first comprehensive, current, practitioner-focused medical pathology reference system that provides resources for health care practitioners quickly, when needed, and for a low cost (a subscription fee of $125-$400 per specialty per year).

The biggest need for this type of tool may be in remote communities, such as many of those in northern California, where medical libraries and colleagues are sparse. A single internet connection will serve both where neither has been available due to prohibitive costs of having a comprehensive library in a small town and the time wasted in traveling distances to a library or colleagues in the nearest large town. Because small towns, inadequate libraries, and shortages of practitioners exist worldwide, the availability of CIS will be a public service.

In return for their financial and intellectual contributions to CIS, the campuses will receive funds in the form of net profit return to member universities and payments to faculty members serving as management or editorial staff. These funds could be used to support the University's missions of teaching, research, and public service.

Description of the Consortium Universities

Creighton University is a Nebraska nonprofit corporation and the home university of the creator and developer of CIS, Kenneth Sims, M.D., Chair, Department of Pathology, Creighton University School of Medicine. Creighton has taken a lead role in organizing and funding the organization of the LLC,and has already paid its $250,000 capital contribution to cover costs to date to establish an LLC.

Stanford University is a nonprofit trust with corporate powers under California law. Faculty members in Stanford University Medical Center's Department of Pathology are actively involved in this project.

The University of Iowa is a nonprofit corporation. Because State laws prohibit it from being a direct member, the University of Iowa will name another entity to be the legal participant. The head of the Department of Pathology in the University of Iowa Medical School has been the lead collaborator.

The University Pathology Associates, Inc. is a California nonprofit corporation affiliated with the University of Southern California. The lead collaborator is the Chair of the Department of Pathology and Laboratory Medicine in the University of Southern California Medical School.

Regent Montoya noted that the background to the item had stated that Stanford University was contributing only $100,000 to the LLC. Professor Larkin explained that the founding universities were given the option of initially contributing $100,000, with the understanding that they could contribute the full amount at a later time. Although Stanford initially took advantage of the $100,000 option, in the interim it has decided to contribute the full $250,000.

In response to a question from Regent Preuss regarding the format of the venture, Dr. Stites explained that the relatively low cost of producing distributed information on the internet provides an economic advantage that avoids the necessity to raise large amounts of capital in order to start up the business. A unique feature of the proposal is the fact that the individuals who produce the intellectual work will share 50 percent of the after-expense profits. Regent Preuss asked how the intellectual material being produced may be used by the University's medical centers for their core missions. Dr. Stites responded that the participating universities will have free access to the information; they will benefit from both creating and using the information. If the venture is profitable, the revenue will be used to further the academic missions of the departments that participate.

Regent Miura noted that the risk to The Regents would be that the capital contribution made by the campuses would not be paid back and asked whether that was the only risk. She also asked whether any additional contributions would need to be approved by the Board. Professor Larkin stated his understanding that there would be no further liability on the part of The Regents, nor will any future capital be required.

In response to a question from Regent Lee regarding the future participation of the University's other medical schools, Dr. Stites explained that there are provisions in the bylaws of the LLC that would permit additional members, either as affiliated members or as full members. The present intention is to limit the LLC to the six universities. Over five hundred people have been recruited to serve as authors of the material that will be posted on the internet and distributed by subscription.

Regent Leach recalled that one-half of the proceeds from the LLC will be distributed to the people who create the material. He encouraged the participants to consider that this revenue distribution be approved each year by the board of directors.

Regent Montoya asked that at a future meeting the Regents be provided with a presentation on how the project is working.

Regent S. Johnson asked for an explanation of why all of the University's medical schools were not included in the initial endeavor and for an assurance that they could participate if they so wished. Dr. Stites recalled that the process for admission to the LLC is defined in the organization's bylaws. He added that faculty members from other UC campuses had been recruited to participate in the effort. Regent Johnson believed that, because the University is a system, the other campuses with medical schools should have been asked to participate. Chancellors Carnesale and Dynes stated that they were not aware of any contacts having been made to their medical schools. Professor Larkin reported that the chairs of the departments in the medical schools have been aware of the proposal for several years but had chosen not to apply. Dr. Stites confirmed that the plan for the venture was described in detail by Dr. Sims at the Association of Pathology Chairs meeting in fall 1997. No department has applied for membership and been turned down.

In response to a comment by President Atkinson, Chancellor Bishop explained that, due to the LLC's corporate structure, the other medical schools could not be invited to join at the present time. There is no inhibition, however, to prevent them from applying for membership.

Regent Kozberg asked for more information on the uniqueness of the members of the LLC and how it came together. Dr. Stites did not believe that any attempt had been made to create an exclusive organization, although from a business perspective the argument could be made that there could be too many founding members. He reiterated the fact that any university could apply for an affiliated membership, which does not pose any financial risk.

Regent Leach stressed that all of the University's medical schools would have access to the information created by the consortium. He believed that the present level of participation by the University was appropriate.

Upon motion duly made and seconded, the Committee approved the President's recommendation and voted to present it to the Board.

3. **EXTERNAL FINANCING FOR PARKING AND TRANSPORTATION IMPROVEMENTS PROGRAM, STEP 5, IRVINE CAMPUS**

The President recommended that:

A. Funding for the Parking and Transportation Improvements Program, Step 5, Irvine campus, be approved as follows:

Fund Source	Amount
External financing	$25,920,000

B. The Treasurer be authorized to obtain external financing not to exceed $25,920,000 for Parking and Transportation Improvements Program, Step 5, subject to the following conditions:

(1) Interest only, based on the amount actually drawn down for the construction, shall be paid on the outstanding balance during the construction period.

(2) As long as this debt is outstanding, parking fees for the Irvine campus shall be established at levels which, together with other user and related parking fees, will be sufficient to provide excess net revenues sufficient to pay the debt service on, and to meet related requirements of, the proposed financing.

(3) The general credit of The Regents shall not be pledged.

C. The Officers of The Regents be authorized to provide certification that interest paid by The Regents is excluded from gross income tax for the purposes of federal income taxation under existing law.

D. The Officers of The Regents be authorized to execute documents necessary in connection with the above.

The Committee was informed that, based on the current approved enrollment plan, the Irvine campus' total student enrollment will grow from 15,758 FTE in 1998-99 to18,320 FTE in 2002-03, an average yearly increase of approximately 650 students. More recent forecasts by the California Department of Finance, however, project a significant enrollment increase over the approved plan. As a result, UCI's annual enrollment growth could increase to a rate of approximately 1,000 students per year.

Currently there are 8,466 parking spaces within UCI's general campus core; 2,164 are located in two parking structures, with the remainder in surface lots. On average, parking facilities are at maximum capacity. During peak periods such as the first three weeks of each academic quarter, parking demand far surpasses available space. The campus has successfully reduced parking demand through comprehensive alternate transportation programs that include carpools, vanpools, shuttles, and public transportation, and it provides incentives for walking and biking. Nevertheless, additional parking spaces will be required to accommodate projected enrollment increases over the next five years.

Aggressive building plans include the construction of buildings on several existing parking lots over the next three years. Plans indicate that 844 parking spaces will be lost this year, with the loss of 274 additional spaces by 2001-02. While several surface lot projects approved by the Chancellor will stem some of this expansion-related attrition, the proposed structure is necessary to satisfy enrollment growth.

Project Description

The campus proposes to construct a multi-level parking structure providing 1,800 spaces, resulting in a net gain of 1,271 parking spaces. The project will also realign the Pereira T-intersection and construct a new signalized intersection at Campus Drive and Stanford Court. The City of Irvine requires that Campus Drive be widened to accommodate a left-turn lane. The structure is consistent with the campus' Long Range Development Plan.

Financial Feasibility

The Parking and Transportation Improvements Program, Step 5 project cost is estimated at \$25,920,000 to be funded from external financing. Based on a debt of \$25,920,000 at 6.5 percent interest amortized over 27 years, the average annual debt service is estimated to be \$2,061,000. Monthly parking permit fees will increase to cover the added operating expenses and cover the new debt service. The permit increases have been discussed with representatives from the Academic Senate and with student leaders.

Upon motion duly made and seconded, the Committee approved the President's recommendation and voted to present it to the Board.

4. **APPROVAL OF EXPANDED USE OF STUDENT SEISMIC FEE REVENUE, LOS ANGELES CAMPUS**

The President recommended that revenue remaining at the end of each fiscal year collected from the mandatory Student Seismic Fee of \$113 per student per year at the Los Angeles campus beyond that required for debt service for Ackerman Union and Kerckhoff Hall may be used for other needed life safety improvements in student services facilities.

It was recalled that in March 1988 The Regents approved a $39 per student per year increase to the then-existing $12 Student Union Fee on the Los Angeles campus. The $39 increment was to be used exclusively for seismic and other life safety corrections to Kerckhoff Hall and Ackerman Union. The Regents expressed its intent that such fee increases would not require a student referendum, and the fee increase was approved without a student referendum.

Pursuant to the March 1988 Regents' action on the fee increase, the University implemented the following policy:

> ...a fee increase does not require a student referendum when the Chancellor determines that the increase is necessary for the maintenance of the safety of a building or facility funded wholly or in part by students. This Policy is applicable to fees for student fee-funded buildings such as student unions, student centers, and student recreational and sports facilities on all University campuses.

Any such fee increase continues to require approval by The Regents.

In September 1992, The Regents established the seismic safety portion of the Student Union Fee as a separate "Student Seismic Fee" and approved an increase of $74 per student per year to the existing $39 fee related to life safety corrections in Kerckhoff Hall and Ackerman Union. This resulted in a total Student Seismic Fee of $113 per student per year for regular session students, and projected a fee level of $22 for students enrolled in summer session. In March 1997, in a review of the financial feasibility of the Ackerman Union and Kerckhoff Hall projects, the fee level for summer session students was increased to $37.67 per enrolled summer session student while the fee for regular session students remained at $113.

Because of favorable financing terms for the projects, the mandatory Student Seismic Fee currently generates more revenue than is needed to fund the required debt service for the life safety and expansion projects. The campus proposes that after the end of each fiscal year, remaining revenue collected from the Student Seismic Fee after meeting debt service requirements be made available for additional life safety projects in student service facilities. This proposal will allow the campus to begin to address additional life safety needs without establishing another mandatory student seismic fee.

The $113 Student Seismic Fee generates in excess of $700,000 per year after meeting debt service payments for the life safety improvements at Ackerman Union and Kerckhoff Hall. A level of $700,000 to $800,000 per year in excess revenue is expected over the next several years at a fixed enrollment level; the excess revenues would be higher with enrollment growth.

As approved by The Regents, as long as the debt for Kerckhoff Hall and Ackerman Union life safety and expansion is outstanding, the Student Seismic Fee, the Student Union Fee, and the fees and prices of ASUCLA shall remain at levels which in the aggregate will be sufficient to provide for all maintenance and operating expenses of Kerckhoff Hall and the Ackerman Union and to provide excess net revenues sufficient to pay the debt service and meet the related requirements of the financing, including a debt service coverage of 1.25 times actual debt service. The campus will ensure that sufficient revenues will be generated and available to meet all financing requirements for the outstanding debt.

Capital life-safety projects using this fee as a fund source will be approved in accordance with Regental policy. It is anticipated that revenue from the Student Seismic Fee would first be used for the costs related to the building shell of the Men's Gymnasium Staging Building, in conjunction with FEMA and other campus funding. These revenues will also be used for partial support of the seismic renovation of the Men's Gym. As additional revenues are available in subsequent years, other life safety projects will be funded as appropriate.

Regent Montoya recalled that the 1997 fee increase was controversial and asked if at some point in the future the fee would be repealed. Assistant Vice Chancellor Santon explained that the March 1997 action involved the approval of an increase in the Student Union Fee to $51 per student per year for a period of five years. As a result, this fee will cease in 2002.

Regent Pannor expressed concern that the wording "...other needed life safety improvements in student services facilities" in the recommendation was too vague and asked for how long the $113 fee would be in effect. Assistant Vice Chancellor Santon recalled that the $113 fee was originally approved for debt servicing for Ackerman Union and Kerckoff Hall. The intention of the recommendation is to permit the fee revenue to be available for additional needs in student services facilities. Each project will be required to go through the normal approval process. Chancellor Carnesale explained that previously the use of the fee was limited to debt service for Ackerman and Kerckoff; the campus is now requesting that it be used for seismic improvements to other student facilities.

In response to a question from Regent Kozberg regarding funding from the Federal Emergency Management Agency, Ms. Santon explained that, for the Men's Gymnasium Staging Facility, FEMA will pay for the tenant improvements to the building, at $5 million. The shell and core of the building will be supported by the student fee and other campus fees. The campus anticipates that FEMA will be the primarily source of funding for the building itself, and any use of the student fee will be for life-safety improvements that are not reimbursed by FEMA.

In response to a question from Regent-designate Miura, Ms. Santon confirmed that the seismic fee will be phased out when the debt has been paid off; the term of the debt is 27 years.

Upon motion duly and made seconded, the Committee approved the President's recommendation and voted to present it to the Board.

5. **ADOPTION OF NEGATIVE DECLARATION AND ACQUISITION OF FACILITY FOR THE UC DAVIS/MCCLELLAN RESEARCH INITIATIVE IN SACRAMENTO, DAVIS CAMPUS**

The President recommended that, upon review and consideration of the environmental consequences of the proposed project as indicated in the Initial Study:

A. The Regents approve the Initial Study/Negative declaration and adopt the Findings.

B. The Regents approve a Lease in Furtherance of Conveyance ("Lease") with the Secretary of the Air Force, on behalf of the United States of America, as lessor, and The Regents, as lessee, for real property consisting of the McClellan Nuclear Radiation Center (MNRC), located on the McClellan Air Force Base, Sacramento County, California and the surrounding 2.35 acres ("Leased Premises") on the following terms and conditions:

(1) The term shall be fifty years.

(2) Lessee shall assume sole operating responsibility for the Leased Premises.

(3) The Regents shall not be held liable for any claim or action arising from past contamination of any kind on or under the Leased Premises, whether known to exist or discovered in the future, to the extent such claim or action arises out of or relates to the use of or release of any contamination on or from any part of McClellan AFB, including the Leased Premises, prior to the date The Regents take possession of the Leased Premises.

(4) The Regents shall have received the benefit of an $8 million appropriation from DOE to fund research and operating costs of MNRC.

(5) Pursuant to the terms of the Lease referenced above, The Regents shall, upon execution of the lease, accept $17.593 million from the United States, from which the campus will have financial responsibility to fund the eventual decommissioning of the MNRC facility. The campus will exercise (a) all due diligence in regularly reevaluating the likely cost of decommissioning the facility, and (b) all due stewardship of campus financial resources to ensure that sufficient funds can be made available to address decommissioning.

C. The Regents authorize the acquisition of ownership of the Leased Premises described in B. above from the Air Force on behalf of the United States of America, at no cost to The Regents, pursuant to a Conveyance Agreement which is contingent on the occurrence of each of the following:

(1) The Air Force's completion of all of its obligations under the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (CERCLA), as amended (42#U.S.C.Section 9620).

(2) The Air Force shall obtain from Sacramento County a recordable easement benefiting the Leased Premises which shall comply with all applicable rules or regulations of the Nuclear Regulatory Commission regarding occupation and use of space immediately adjacent to the Leased Premises.

(3) Enactment of federal legislation authorizing direct transfer of the McClellan Nuclear Radiation Center from the Secretary of the Air Force to The Regents.

D. The Regents accept title to the Leased Premises to be conveyed by quitclaim deed.

E. The President be authorized after consultation with the General Counsel to execute the Lease and Conveyance Agreement in connection with the above.

[The Initial Study/Negative Declaration and Findings were mailed to all Regents in advance of the meeting, and copies are on file in the Office of the Secretary.]

Project Overview

Chancellor Vanderhoef recalled that at the March 1999 meeting he had informed the Regents that the Davis campus, on behalf of the University of California, had the opportunity to acquire the McClellan Nuclear Radiation Center (MNRC) from the Department of Defense (DOD). The MNRC includes the newest research reactor in the United States.

UC Davis has developed a financial plan for the acquisition of the MNRC based upon a self-sustaining cost recovery system, with no long-term capital outlay from the University. The DOE has appropriated $8 million to fund research and operating costs of the MNRC for four years and to support the reactor conveyance from the DOD to the University. The campus proposes to develop the MNRC as a Pacific Coast research asset and to catalyze this development by inviting researchers to compete for the above-mentioned research funds.

The closing of three military facilities in the Sacramento region necessitates extensive economic redevelopment and results in strong support from regional leaders for UC Davis involvement at

McClellan. The Air Force is considering only two options for the MNRC: to transfer it to UC Davis or to decommission it. The Department of the Air Force is supporting legislation that will authorize the allocation of $17.593 million to UC Davis to cover the cost of the eventual decommissioning of the MNRC in approximately thirty years.

The Chancellor reported that, after an extensive interview process, UC Davis chose Science Applications International Corporation (SAIC) to provide professional services in the development of the research and commercial potential of the MNRC and in the day-to-day operations of the center. SAIC, which has had extensive collaborations with UC San Diego, built the original robotic systems at the MNRC.

The MNRC Facility

The MNRC is located 25 miles from the core of the Davis campus and approximately 11 miles from the UC Davis Medical Center. It was built by General Atomics in 1990 at a cost of $16 million. The custom-designed TRIGA™ (Training, Research, Isotopes, General Atomics) reactor has five radiation bays, one of which was built specifically for medical research. The reactor has a power level of 2 megawatts and a conservative estimate of thirty years of productive service remaining. The only other operating reactor in the UC system is a 250 kilowatt reactor, built in 1969, at the Irvine campus. There are no plans to build any other research reactors in the United States.

UC Davis has completed an extensive due diligence audit which confirmed the current record of safety at the reactor. This type of research reactor is designed to be fail-safe; that is, a passive reactor, with no action required for shutdown or to maintain safety. In the last 41 years, there have been no known environmental or safety problems with the country's 28 reactors of this design.

Financial Considerations

Chancellor Vanderhoef explained that the three most important considerations pertaining to the proposed transaction involve the financial exposure of the University to annual operating expenses exceeding revenue, safe disposal of contaminated waste, and decommissioning of the reactor at the conclusion of its useful life. These considerations have been investigated by UC Davis and are discussed below. The reactor and the 2.5 acres of land upon which it is situated are worth $40 to $50 million.

With regard to annual operating expense and revenue, the campus' plan establishes the MNRC as a self-supporting enterprise after four years, with the DOE funds supporting the operations for the first four years. The Nuclear Regulatory Commission (NRC) license for this reactor will require

that the majority (51 percent) of the workload be for the purposes of education and research. The remaining workload (49 percent) can be commercial in nature.
UC Davis has completed comprehensive audits and due diligence investigations of the property. In the UC Davis due diligence summary, the first key finding states: "MNRC is in excellent condition, has a good operating history, and is well maintained. There are no due diligence issues of sufficient concern to suggest that UC Davis should not proceed with the acquisition of MNRC."

With regard to the safe disposal of waste, UC Davis has an agreement with the DOE to ship spent fuel in the years 2003-2006. If necessary, the MNRC can store on-site all of the fuel presently in use for the next twenty years.

With regard to the decommissioning, the federal government, through pending legislation, will appropriate $17.593 million to UC Davis, for which the campus will have financial responsibility to fund the eventual decommissioning of the MNRC facility. The campus will exercise all due diligence in regularly reevaluating the likely cost of decommissioning the facility, all due stewardship of campus financial resources to ensure that sufficient funds can be made available to address decommissioning, and retention and reinvestment of the decommissioning funds. UC Davis has analyzed the costs and responsibilities of decommissioning the reactor and has determined that the $17.593 million appropriation will result in a fund which will be sufficient for all decommissioning expenses.

Transfer Process

The transfer process will involve the following actions: execution of Lease in Furtherance of Conveyance (LIFC), execution of the MNRC Conveyance Agreement, and execution and acceptance of a quitclaim deed to the MNRC. The LIFC is a lease that recognizes that the parties intend to complete ultimate transfer of ownership of the property via deed to The Regents upon satisfaction of certain conditions. The term of the LIFC is for up to fifty years and terminates pursuant to the MNRC Conveyance Agreement when all of the contingencies are met. The MNRC Conveyance Agreement is a contract similar to a real estate purchase agreement. A key element contained in the Lease is the transfer to UC Davis of the decommissioning funding. The three documents have been negotiated by the Davis campus, the Office of the General Counsel, and the Real Estate Services Group.

Environmental Impact Summary and Findings

Pursuant to the California Environmental Quality Act (CEQA), an Initial Study was prepared that evaluated the potential environmental impacts of the project. The draft Initial Study was prepared and circulated to responsible agencies and to the State Clearinghouse for a thirty-day review period from July 13 through August 11, 1999. No comments were received from public agencies, and a single comment letter was received from a private citizen making general comments. Copies of the comments and responses to those comments are included in the Final Initial Study/Negative Declaration.

The Initial Study analyzed the project in relation to the joint Environmental Impact Statement/Environmental Impact Report (EIS/EIR) prepared by the U.S. Air Force and Sacramento County for the disposal and reuse of McClellan Air Force Base. The Reuse Plan addressed in the EIR/EIS included rezoning of the Main Base where the MNRC is located and analyzed reuse impacts assuming continued operation of the MNRC. The Initial Study concluded that the criteria requiring supplemental or subsequent environmental review have not been triggered and that the project can be approved based on the Initial Study/Negative Declaration finding that there is no substantive evidence that the project may have a significant effect on the environment.

The Air Force has stated in the Conveyance Agreement that "UC does not hereby assume any liability or responsibility for environmental impacts and damage caused by the U. S. Air Force's use of hazardous substances, pollutants, or contaminants on any portion of McClellan Air Force Base."

The Findings discuss the project's potential impacts and conclusions regarding approval of the environmental documents for this project in conformance with CEQA.

Chancellor Vanderhoef concluded his remarks by noting that, with strong community support, UC Davis has developed a plan and secured the financial resources for the acquisition of the MNRC as a research resource for the University of California. Working in close collaboration with the County of Sacramento and the Air Force, the campus proposes to continue to steward the MNRC from DOD ownership to become a comprehensive educational and research tool for west coast universities. Building upon the initial investment of the DOD, UC Davis will preserve and continue to expand the research capabilities of the facility.

<u>Program Connection</u>

Vice Chancellor for Research Smith explained that the MNRC was developed to use neutron radiography to detect low-level corrosion and hidden defects in aircraft. Over the last six years, applications at the reactor have expanded beyond the traditional support of non-destructive inspection to include commercial applications for the semiconductor industry and a growing research portfolio. Areas of program development include materials science, agriculture and environmental science, industrial isotope research and development, and cancer research.

The Davis campus proposes to develop a unique educational program within the UC system. UC Davis is collaborating with UC Berkeley's Department of Nuclear Engineering to expand the laboratory component of Berkeley's existing academic program. The campus is also discussing with UC Irvine the possible expansion of both educational and commercial applications for the two

University reactors. The MNRC will assist in the development of new academic programs and will allow the campus to take advantage of additional sources of federal and State funding. The facility may be used as a faculty recruiting tool because access to the country's newest research reactor will provide the campus with a competitive edge in fields where a neutron source would be an asset.

With regard to the benefits to the community, Vice Chancellor Smith noted that Sacramento is a growing high-technology area, and the McClellan Air Force Base will be developed as a new industrial facility. The reactor will be located in the heart of this industrial complex, and its location will facilitate interactions with the private sector as well as encourage companies to locate in the area.

The Department of Defense sees the transfer of the reactor as evidence of its commitment to economic development during base closures. The DOD will continue to use the facility, but as a customer rather than as an owner-operator. The original reactor cost $16 million to build, and since 1990, an additional $6 million has been spent by the DOD to upgrade it.

Mr. Smith noted that there are currently four commercial applications under way at the facility: silicon doping, neutron activation analysis, isotope production, and neutron radiology.

> [The Initial Study/Negative Declaration and Findings were mailed to all Regents in advance of the meeting, and copies are on file in the Office of the Secretary.]

In response to a question from Regent Bagley regarding federal funding of the decommissioning, Vice Chancellor Smith explained that the University has an agreement that the funds will be transferred at the time the lease is signed. He confirmed for Regent Bagley that the funds have not yet been appropriated by the Congress. Chancellor Vanderhoef stressed that the Air Force has pledged funding from other sources if necessary. Regent Bagley continued to underscore the fact that federal funding cannot be certain until it has been appropriated by the Congress. Chancellor Vanderhoef explained that money was appropriated in 1998 in case decommission was necessary.

Upon motion duly made and seconded, the Committee approved the President's recommendation and approved to present it to the Board.

6. **REVERSION OF PROPERTY TO THE STATE, BAY AREA RESEARCH AND EXTENSION CENTER, SANTA CLARA COUNTY**

The President informed the Committee that he had received a letter from Senator Vasconcellos asking that The Regents delay action on this item and reported that he was withdrawing the item from the agenda.

Regent Nakashima asked that the future recommendation present in as much detail as possible how the reversion of the property to the State came about. He stated that the value of the property was far in excess of $2 million per year based on property values in the Santa Clara Valley. President Atkinson responded that he would provide Regent Nakashima with all the information that is available and would also ask a member of the staff to brief him.

Regent Lee asked that the Office of the President look into whether the land could be used by the Santa Cruz campus to make further inroads into the Silicon Valley. Chancellor Greenwood confirmed that the Santa Cruz campus is looking for a physical site in the area. President Atkinson stated that he would ensure that Regent Lee is also briefed on this matter prior to its being brought to the Regents for action.

Regent Kozberg asked that two areas be focused on when the matter is presented for action: the legal limitations that the University is under for the use of the land and when it has to revert to the State and the extent to which the facility is needed for agricultural research.

Regent Vining pointed out that under the terms of the agreement with the State, the land is to be used for agricultural research by the University.

(For speakers' comments, see the September 16, 1999 minutes of the Committee of the Whole.)

7. **BUDGETARY PLANNING FOR THE UNIVERSITY OF CALIFORNIA**

President Atkinson noted that it had been a good year for the University in terms of the legislative process, and he acknowledged the contributions of Assistant Vice President Arditti and his staff in Sacramento.

Vice President Hershman explained that his presentation would cover the following three topics:

- The budget process
- Various fund sources that make up the budget
- Principles of the new four-year partnership with the State.

Mr. Hershman drew the Regents' attention to his first handout, "University of California - *Major Milestones*," copies of which had been distributed. This document provides a month-by-month description of the budget process. An effort will be made by the administration to involve the Regents at an earlier stage in the budget process. In May and June, the Office of the President begins its internal consultation with its constituent groups in anticipation of developing the following year's operating budget. These groups include the chancellors, the Academic Senate, the Executive Budget Committee, the Council of Vice Chancellors, the campus planning and budget officers, and the UC Student Association. The administration also provides the campuses with capital outlay targets, and the campuses determine their priorities for this funding.

In July and August, the administration will continue the process of internal consultation aimed at developing a budget proposal for the next fiscal year and, at the July meeting, will initiate a discussion with the Regents of overall goals and priorities and a multi-year framework to guide development of the budget plan. At the same time, the Office of the President will initiate discussions with Department of Finance staff on capital outlay priorities, as the State's process requires.

In response to a question from Regent S. Johnson regarding the campuses' capital outlay target process, Vice President Hershman explained that about half of the target for each campus is devoted to improvements to existing facilities, while the other half is based on enrollment growth. Regent Johnson noted that the limited capital improvement funding which the State provides to the University poses a real problem. Mr. Hershman agreed that this situation made it difficult for the campuses to determine their capital priorities. The University believes that it has capital needs of about $500 million per year to meet seismic, other life-safety, and enrollment-related needs. At present, the administration is working to raise the current allocation of $210 million to at least $250 million per year. The campuses are attempting to cope with the shortfall through private giving.

Regent Lee observed that the University approves any increases in tuition prior to the State Budget's being approved by the Legislature and suggested that it would be more beneficial to the University to wait until the budget has been passed by the Legislature before raising tuition. Vice President Hershman noted that the level of funding the State provides to the University is not related to nonresident tuition under the present compact. The University will propose that, under the new compact, it would not increase fees by more than a certain percentage, and the Governor and the Legislature will have the option to "buy out" any fee increases, as they have for the past four years.

Regent Connerly suggested that the Board was developing a style of governance in which its Committees will play a larger role and asked whether it would be possible to involve the Committee on Finance or its Chair in the initial discussions with the campuses that take place in May and June. Mr. Hershman responded that it was his intention to develop a multi-year approach to the budget which would familiarize the Regents with the budget in the context of a longer time frame. For example, four years ago the University established a goal of returning faculty salaries to competitive levels within four years. Regent Connerly explained that he was more concerned about a process that would involve the Regents as the budget is first developed. Mr. Hershman noted the difficulty that arises when the May Revision to the Governor's Budget has major changes. He stated that he would consult with the Chairman of the Board and the Chair of the Committee on Finance as early steps are taken in the budget process.

Continuing with his presentation, Vice President Hershman explained that in September, while the budget is being developed, there will be a more specific discussion with the Regents about the policy framework upon which the budget plan will be based. At the same time, the University will initiate discussions with the Department of Finance on budget priorities. In October the Office of the President hosts campus visits and meets with appropriate staff in Sacramento. In the past, the budget has been presented initially to the Regents at the October meeting; in the future, the presentation will be made in November. The process with the State involves detailed budget discussions with the Department of Finance in October and November.

In December, the administration meets with the Governor to discuss the budget proposal. There is also the goal to provide three-year, all-funds budget projections for each campus.
The Governor introduces his budget on or before January 10, and the administration presents this budget to the Regents at the January meeting. In February the Legislative Analyst releases her recommendations pertaining to the Governor's Budget, and the Office of the President begins an advocacy effort to communicate the University's position on the budget in Sacramento.

In March and April the University is involved in legislative hearings on the budget in Sacramento. At the March meeting, a report is presented to the Committee on the federal budget, as the federal government provides $5 billion in funding to the University. In May the Governor issues his May Revision budget, and a report is made to the Regents on the budget and its implications for UC. At the same time, the University is working with the Legislature and the Governor, with the hope that a budget will be adopted by July 1. A report is made to the Regents on the final State budget at the July meeting, when any required actions are taken. In July, the campuses are provided with final allocations based on the Governor's action.

Vice President Hershman then turned to a second handout, which provides the 1999-2000 Budget for Current Operations and Extramurally Funded Operations, noting that he would focus on the policy aspects of the budget. Total operations excluding the Department of Energy Laboratories are budgeted at $9.8 billion, while the Department of Energy provides almost $2.9 billion to fund the laboratories. The most flexible sources of funding are State General Funds, which total about $3 billion, and student fee revenue totaling $625 million. The general funds which are provided by the State may be spent however The Regents may designate, with a few legal exceptions based upon commitments made by the University to the Governor and the Legislature. By agreement, there are several non-State sources of UC funds that are considered to be general-purpose funds, including nonresident tuition. Although the use of student fees is determined by The Regents, the issue is a highly charged political one. In last year's budget, the Legislature made the provision that it would provide funding to cover a reduction in student fees only if the University in fact reduced fees.

With respect to restricted funds, Mr. Hershman noted that an example of such funds provided by the State would be money for tobacco or breast cancer research. For the teaching hospitals, the goal is to generate enough income to cover costs and to fund capital improvements. The State provides some measure of support to the teaching hospitals through various programs.

Vice President Hershman noted that recipients of extramurally funded contracts and grants set up their budgets once the grant is received. Because this source of funding is somewhat unpredictable, the amount of funding must be projected based upon history. He confirmed for Regent Connerly that the faculty may spend only the amount of the contract or grant and in that fashion the level of extramural funding does not affect the University's overall budget.

Regent Leach asked whether the University makes commitments based upon the anticipation of the receipt of contracts and grants. Vice President Hershman affirmed that no commitment may be made until the grant is received. Chancellor Orbach reported that the campuses may provide interim funding for faculty who experience a gap between grants. President Atkinson pointed out that federal funding tends to be uncertain; often Principal Investigators are left without funding. For this reason faculty members attempt to obtain funding from a variety of sources.

In response to a question from Regent-designate Miura regarding indirect costs from federal grants, Mr. Hershman reported that 94 percent of the money is returned to the campus that generated the funds, to be used for Opportunity Funds and "off-the-top" funds. Six percent is retained by the Office of the President for systemwide programs and administration. He noted that prior to 1978 overhead funds were treated as general funds by the University. President Atkinson stressed that this funding was critical in order for UC faculty to remain competitive in attracting contracts and grants.

Regent Lee asked for an explanation of the income category "Other," which accounts for $1.1 billion. Vice President Hershman stated that much of the income is associated with the health sciences, including dental clinics and the neuropsychiatric institutes that the University operates.

Vice President Hershman presented a brief overview of the expenditures represented in the budget for current operations. He noted, for example, that the instructional budget consists of funding for faculty salaries, teaching assistants, and instructional support for the campus departments. The main components of Public Service are outreach and Cooperative Extension. Institutional support includes the Office of the President as well as central campus administration. With respect to student financial aid, Vice President Hershman stressed that in addition to support provided by the University, students receive aid in the form of loans and Cal Grants.

In response to a question from Regent Pannor regarding which areas fall under Student Services and Institutional Support, Vice President Hershman explained that student services include such functions as registrars and deans of students, while institutional support includes accounting, purchasing, and material management. Institutional support also includes the budgets of the Officers of The Regents.

President Atkinson suggested that The Regents' Budget should contain a glossary of important terms. Vice President Hershman noted the intention that each section of the budget document begin with a definition. In response to a further question from Regent Pannor, Mr. Hershman explained that the budget also goes into a great deal of detail with respect to the history of various fund sources, including student fees.

Regent Preuss asked about the University's acceptance of restricted funds. Vice President Hershman reported that individual judgments must be made about whether conditions are too restrictive. President Atkinson added that there are guidelines which provide the framework within which all decisions are made.

Vice President Hershman presented the principles of the proposed four-year partnership with the State of California, noting that an agreement is yet to be reached. The new partnership builds upon the previous four-year compact with the Wilson administration. The proposed State funding commitments are as follows:

- An annual average increase of four percent to the prior year's State general fund base.

- Funding at an agreed-upon marginal cost for all enrollment growth, which is expected to be about three percent per year. The State will provide $8,600 per student in 2000-2001 to fund the enrollment growth.

- An additional one percent increase to the prior year's State general fund base to phase in funding to eliminate the annual budgetary shortfalls for building maintenance, instructional equipment, instructional technology, and libraries.

- Funding for unavoidable costs including debt service related to capital outlay and annuitant health benefits.

- $210 million a year, consistent with Proposition 1A, to support capital outlay needs.

- Funding for new or expanded special initiatives or programs, such as the development of off-campus centers or the opening of new campuses, outreach and public service programs to improve K-12 schools, the transition to year-round operations, as well as the costs of legislation agreed to and approved by the State.

- One-time funding as approved by the Governor and the Legislature, contingent upon the State's fiscal situation, for high-priority needs.

- Annual increases in mandatory systemwide fees of no more than the increase in the California per capita income. The State can decide in any year to buy out these fee increases.

The University's commitments under the new partnership include the following:

- Continue to admit all eligible California high school graduates wishing to attend UC.

- Continue to provide students with the classes needed to graduate in a timely manner by maintaining increased faculty teaching loads. The longer-term goal is to phase in a return to the historical student-faculty ratio of 17.6:1, with the increase in faculty devoted to strengthening the quality of undergraduate education.

- Continue the commitment to maintain improved student outcomes with respect to graduation and retention rates. At present, 69 percent of UC students graduate within five years, which is a high percentage for public universities.

- Develop, implement, and evaluate the "4 percent" path to eligibility.

- Continue the commitment to maintain competitive faculty salaries, with an emphasis on merit-based salary programs.

- Ensure that students have a smooth transition from one segment of public higher education to another by developing and maintaining systemwide agreements between UC, the California State University system, and the California Community Colleges.

- Increase the number of community college students who transfer to the University, consistent with the Memorandum of Understanding. The goal is to enroll at least 14,500 community college transfer students by 2005-06. In 1998-99, their enrollment was10,200 students.

- Assume greater responsibility in working with K-12 schools towards improving K-12 student performance and expand outreach programs to improve the academic preparedness of K-12 students. The University hopes to spend over $150 million on outreach in 1999-2000.

- Commit to playing a greater role in the preparation of K-12 teachers.

- Develop and implement Teacher Scholars Programs to provide four hundred students the opportunity to earn a combined Masters Degree and Teacher Credential in 15 months.

- Improve regional cooperation.

- Improve the use of existing facilities, with the major issue being summer operations. The University and the Department of Finance have each undertaken a study of this issue, and the University will present a report to the Legislature on April 1, 2000. At present, summer sessions are entirely self-supporting. Expansion of the program will require State support.

- Help maintain California's competitiveness through continued investment in research. An excellent example is the successful Industry-University Cooperative Research Program.

- Place a priority on producing graduates who will meet California's workforce needs, including an increase of at least 40 percent in the number of engineers and computer scientists trained at UC.

Regent Vining asked whether community college enrollments would increase at such a rate over the next ten years that the community colleges would be expected normally to transfer more than 14,500 students. Vice President Hershman explained that the goal is to transfer six percent of their students each year, while their growth rate is projected to be about three percent per year.

Regent Connerly believed that, as the principles of the new partnership are developed, the University should somehow emphasize the housing needs of the campuses, even though student housing is not funded by the State. Mr. Hershman noted the intention to develop a multi-year capital program for non-State projects. He intends to present this program to the Committee at its September 2000 meeting.

At Regent Connerly's request, President Atkinson discussed the role the University plays in the State's economy, recalling that twenty years ago there was little understanding of how investments in research and development influence economic growth. Economists now generally accept the new growth theory, which may be summarized by the statement that fifty percent of the growth in the American economy in the past forty years has occurred as a result of investments in research and development. It is clear that the State's recovery from the recession that took place in the early 1990s was driven by research universities. It will require a flow of intellectual talent into the job market for the State of California to maintain its economic growth. The University plays an important role through its research programs. The President suggested that the budget cuts which the University suffered during the early 1990s in administrative costs might have contributed to the problems at the San Francisco campus because they did not permit the University to put computer-based systems in place. He recalled that twenty years ago the focus in Sacramento was on educating students rather than funding research. At the University of California, however, there has always been an intimate link between faculty research and undergraduate education. Legislators today have a much better understanding of the importance of research to the State's economy.

Committee Chair Johnson observed that the University is continually asked to readjust its mission by taking on new initiatives. She noted that the Teacher Scholars Program is very worthwhile but wondered how much additional funding it would require. Vice President Hershman replied that, apart from some start-up funds, the State would provide the same level of funding as it does for all other students. Other initiatives such as outreach are funded separately by the State. President Atkinson commented that twenty years ago eight to nine percent of UC students became teachers; this number has now been reduced to about four percent, due to a variety of reasons. Under the new partnership, the University will commit itself to providing students with the opportunity to pursue a combined Masters Degree and Teaching Credential.

Regent Pannor recalled Regent Connerly's comments regarding the housing crisis that students face and asked if there was a way to integrate housing into the academic program. Faculty Representative Coleman reported that the Davis campus uses computer laboratories located in the residence halls for teaching freshman composition, and it runs freshman seminars in residence hall lounges. Mr. Hershman noted that the University recognizes the cost of housing in calculating a student's financial aid package. Regent-designate Miura suggested that the University consider a model which would include both housing and classrooms.

Chancellor Dynes reported that a computer laboratory at Eleanor Roosevelt College had been funded by the State. Regent Pannor suggested that the University look for ways to invest more in its housing programs because at present some students do not have anywhere to live. Vice President Hershman reiterated the fact that the State has a policy not to provide support for student housing. President Atkinson added that every campus is constructing student housing, especially in anticipation of increased enrollment demand.

Chancellor Orbach commented that some campuses, including Davis and Riverside, have looked to the private sector for assistance in constructing student housing. The campus provides the land but a private developer finances the building.

Regent Connerly stressed that the University should convey the extent of the housing crisis to the Governor and the State Treasurer to see if any ways to address the problem have been overlooked. Regent Kozberg suggested that funds for student housing could be included in bonds that are approved through the initiative process.

Regent Taylor pointed out that the State has billions of dollars in Volume Cap each year, much of which goes to fund housing, and asked whether the University had ever attempted to obtain tax-exempt bonds through the private sector for student housing. He noted that the State Treasurer had stated his commitment to providing low-cost housing.

Regent Vining reported that private developers in Santa Barbara County have developed University land for low- and moderate-income housing. He envisioned the State making investments directly from the Treasurer's Office for such purposes.

Chancellor Greenwood added that the housing crisis in Santa Cruz and the Bay Area in general is equally serious for faculty and staff, most of whom cannot afford homes in the community. She noted that presently student housing does not qualify for Section 8 funding; a change in this rule could improve the situation for students. Regent Connerly added that the situation will only worsen if the slow-growth initiatives on the March 2000 ballot are approved.

(For speakers' comments, see the September 16, 1999 minutes of the Committee of the Whole.)

8. **REPORT ON NEW LITIGATION**

General Counsel Holst presented his **Report on New Litigation**. By this reference the report is made a part of the official record of the meeting.

The Committee adjourned at 11:25 a.m.

Attest:

Secretary