The Regents of the University of California

COMMITTEE ON FINANCE
January 17, 2008

The Committee on Finance met on the above date at Covel Commons, Los Angeles campus.

Members present: Regents Blum, Dynes, Garamendi, Gould, Hopkinson, Island, Kozberg, Parsky, and Preuss; Advisory members Croughan and Scorza; Staff Advisors Brewer and Johansen

In attendance: Regents Allen, Bugay, Lansing, Lozano, Marcus, Pattiz, Ruiz, Schilling, and Varner; Regent-designate Shewmake; Faculty Representative Brown, Secretary and Chief of Staff Griffiths, Associate Secretary Shaw, General Counsel Robinson, Chief Investment Officer Berggren, Chief Compliance and Audit Officer Vacca, Provost Hume, Executive Vice Presidents Lapp and Darling, Vice Presidents Beckwith, Dooley, Foley, and Sakaki, Chancellors Bishop, Block, Blumenthal, Fox, Kang, Vanderhoef, and Yang, Acting Chancellor Grey, and Recording Secretary Johns

The meeting convened at 11:15 a.m. with Committee Chair Gould presiding.

1. **APPROVAL OF MINUTES OF PREVIOUS MEETING**

Upon motion duly made and seconded, the minutes of the meeting of November 14, 2007 were approved.

2. **UPDATE ON THE 2008-09 GOVERNOR'S PROPOSED BUDGET**

Committee Chair Gould introduced Executive Vice President Lapp. Ms. Lapp began her presentation by recalling that the Governor's proposed budget for 2008-09 was released the previous week, and emphasized that the Regents were not being asked to make any decisions at this meeting. The presentation would discuss implications of the budget proposal for the University. She asked the Regents to reflect on how the University might manage the budget reductions.

The Governor's budget proposal includes a ten-percent reduction for all State operations. State revenues for this year are estimated to be $3.3 billion below budget, and the State is facing a two-year projected deficit of $14.5 billion. In response to this, the Governor proposed mid-year reductions for nearly every State agency, but not for UC, which Ms. Lapp cited as good news; however, the Governor has now requested ten-percent reductions across the board for State operations. He has also proposed a constitutional amendment to reform the budget process by creating a revenue stabilization fund. Excess revenue, above the average long-term revenue growth rate, would go into this fund and be available for periods of budget deficit. The amendment would also allow the Governor to call for reductions in any year when the Department of Finance projects a deficit.

Committee Chair Gould opined that the University must closely monitor the development of any constitutional reform of the State budget process to assess its impact on UC, in order to try to break the boom-bust cycle that UC has been subject to. The University must ensure that its interests are heard.

Executive Vice President Lapp next discussed a chart displaying revenue increases requested in the Regents' November 2007 budget, which expected revenues of $378 million. The following chart displayed the proposed spending plan, with initiatives that reflected priorities of the Regents. The anticipated revenues were less than the amount of the spending plan; the difference would be made up by reductions or savings of $28 million.

Next Ms. Lapp turned to the Governor's proposed State revenue for UC. The University received $223 million in Compact funding, including a four-percent base budget adjustment, an additional one percent for core needs, and funding for enrollment growth. The proposed State revenue does not include $85.5 million requested for the Research Initiative and the Educational Imperative Initiative and to avoid fee increases. The amount requested to avoid fee increases was $70.5 million of this total.

In addition to this, the University received a ten-percent reduction of $332 million. The Governor has specifically requested that at least ten percent of the reduction, $32 million, be taken from Office of the President and campus administration. The remainder of the reduction is left to the Regents to determine. The Governor has requested that the University minimize impact on core instructional programs, with the understanding that the Regents will address reductions with a combination of fee increases, potential limitations on enrollment, and reductions and efficiencies in existing programs, such as research, student affairs, academic support, and public service programs. Ms. Lapp emphasized that this budget, compared to reduced budgets in previous years, provides the Regents with more flexibility in deciding where to make cuts. Previously, the Governor had instructed the Regents specifically where reductions were to be made.

Ms. Lapp then explained that the actual amount of the reduction is not $332 million, but $417.4 million, the difference between what UC requested from the State and what the Governor is proposing. An essential question for the University now is how to address this funding gap. Ms. Lapp discussed a three-prong approach involving program reductions, student fee increases, and additional administrative efficiencies.

A first option is to eliminate new initiatives approved by the Regents in the November 2007 spending plan. This option includes not investing $31 million in core academic support such as libraries, instructional equipment, and deferred maintenance, areas in which UC has not invested for many years, and not investing $10 million in graduate student support. Ms. Lapp noted that this would have been the third year with a $10 million investment in graduate student support. This option would also not invest $10 million in restoring the student-faculty ratio; this would have been the fourth year of such investment. Additional reductions or non-investment would be in student mental health services ($8 million), the Educational Imperative Initiative ($5 million), and the Research Initiative ($10 million). The two initiatives would not be carried out. The total cost avoidance resulting from all these eliminations would be close to $74 million and would reduce the budget gap to $343.6 million.

Regent Schilling asked if the Educational Imperative Initiative is identical to outreach activities. Ms. Lapp responded in the negative, and explained that outreach activities are included in the budget.

Ms. Lapp then discussed a second option for additional reductions, the potential elimination of compensation and non-salary cost increases. This would involve eliminating a five-percent increase in faculty and staff compensation, $168 million, which includes salaries and health benefits. The second year of the accelerated faculty salary plan would not be carried out, saving a further $20 million. Non-salary cost increases of $25 million would not be provided to the campuses to address inflation. Under this option, the University would still be obliged to fund the salary increases provided this year, about $32 million, and academic merit increases, $27 million. The total cost avoidance from this second option is about $154 million, with a remaining budget gap of about $190 million.

Another option to further reduce the gap is to halt enrollment growth. Ms. Lapp recalled that the Compact provides for a 2.5 percent annual increase in enrollments, about 5,000 students. The University might decide not to enroll those additional students next year. This year UC is overenrolled by 3,600 students; next year UC might enroll only 1,400 more students. Ms. Lapp observed how difficult such a decision would be, noting that this year has seen the largest graduating high school class in California history. In addition, there has been an increase in applications to UC from African American and Latino high school students, and an increase in transfer students. The cost avoidance through halting enrollment would be $55 million, which takes into account the loss of fee revenue. The remaining budget gap would be about $135 million.

The final option Ms. Lapp discussed was to increase student fees. Increasing the Educational Fee by seven percent and the Registration Fee by ten percent would generate $70.3 million. Increasing the Educational Fee by an additional three percent, to ten percent, would generate another $25 million. Ms. Lapp noted that the Governor has set aside additional Cal Grant monies to address an anticipated seven-percent fee increase as well as an additional $80 million on the assumption that UC student fees might increase more than seven percent. Ten-percent increases to both the Educational Fee and the Registration Fee would generate a total of $95.6 million, leaving the budget gap at $40 million.

Ms. Lapp recalled that the budget plan proposed in November 2007 already anticipated at least $28 million in administrative savings, mainly from the Office of the President. In order to close the remaining budget gap, an additional $40 million will now be needed, for a total target of at least $68.1 million. These additional savings will come primarily from campus budgets.

Next Ms. Lapp outlined significant areas of concern among the proposed reductions: enrollment growth, faculty and staff compensation, the accelerated faculty salary plan, non-salary cost increases to offset the inflation of campus costs, graduate student support, student mental health, and student fee increases. Ms. Lapp emphasized that these areas would present difficult decisions for the Regents over the coming weeks and months.

Ms. Lapp stated that the administration is studying the potential impact of this budget on UC and examining the budget closely to identify other programs that might be reduced to provide funds toward the deficit; all non-core programs are being examined in this regard. She noted that there are regular consultations with the Committee on Finance, the Council of Chancellors, and with a new budget task force of campus leaders. There will also be communication with the Academic Senate and students, so that the perspective of all UC stakeholders will be brought before the Regents.

Ms. Lapp briefly discussed the State-funded capital budget proposal. The Governor has proposed new bond funding of $395 million annually over the next five years for UC, a $50 million increase over the last bond measure, in recognition of rising costs. The new bond measure will require voter approval. For 2008-09, UC’s capital budget proposal is $388 million, consistent with the figure provided to the Regents in November.

Ms. Lapp concluded her presentation with a six-month timeline of significant events, from January to July 2008, related to the budget process at the Regents meetings, in Sacramento, and on the campuses. She pointed out that the Legislative Analyst’s Office will release an analysis of the Governor’s budget in February, at a time when campuses begin to admit graduate students. If the University decides to halt enrollment growth, discussion of this issue must begin soon. In March there will be legislative hearings, another Regents meeting, preliminary campus budget allocations will be issued, and undergraduate admission letters will be mailed. She described this as a difficult time frame. She stated that she would continue to inform the Committee on Finance of relevant developments in the coming weeks and return with a further update in March.

Committee Chair Gould described Executive Vice President Lapp's presentation as a reality check and stressed that the Regents must take the current budget environment seriously. He cautioned that the budget situation might become worse. He opined that the University should examine very carefully any programs which are not part of its core mission. He anticipated that UC would be able to exceed the Governor's request of ten percent in administrative savings.

Regent Allen deplored State and public intransigence on taxes, which is starving public institutions and will lead to a diminished quality of life in California. He decried the failure of the State to invest in its future. Regent Allen urged the University to minimize the impact of the budget cuts on students and expressed concern about UC's ongoing ability to maintain accessibility and affordability.

Regent Island requested an assessment of the impact that a freeze or halt of enrollment growth would have on the University's diversity goals, and an assessment of its potential impact on middle- and lower-income students, without regard to race. He expressed concern that the University might reduce the size of its student body at a time when the state's population is growing and the state is experiencing its largest high school graduating classes in history.

Provost Hume expressed the view of the campus Vice Chancellors for Student Affairs that this action would have a devastating effect on the University's progress in building a diverse student body.

Committee Chair Gould asked Provost Hume to comment on the timing of UC's admissions and how the actions of the Regents would affect admissions. Provost Hume responded that this is the most urgent decision to be made in a sequence of decisions, because decisions about offers for admission have to be made before March. He stated that he is working to determine how best to reach an informed decision. He cited his weekly consultations with Committee Chair Gould, with the Chair of Committee on Educational Policy, and with the Chairman to work through the issue. He noted that Ms. Lapp's presentation concerned the broad financial impact of a potential halt in enrollment growth; he acknowledged that there are also political consequences, consequences to students and families, and to the diversity of the UC student body. Provost Hume believed that each area of concern could be examined in the coming weeks to produce an informed decision. He described the mood within the University, expressed by Chancellors and Vice Chancellors for Student Affairs, as being in favor of accommodating as much increase in enrollment as possible. The University would prefer not to step back from its historic commitment to California under the Master Plan. Ms. Lapp added that the University needs to accommodate growth at UC Merced, 700 students for next year, without regard to other actions it may take on enrollment.

Committee Chair Gould confirmed with Ms. Lapp that a decision must be made by March. He asked how a decision would be effected, for example, through delegation to a group.

Chairman Blum questioned the economic benefit of limiting admissions and opined that this would not be a good decision from a financial point of view. He recalled that UC receives $10,000 per student from the State and discussed this amount relative to the overhead costs of running the University, the incremental effects of increasing enrollment, and the strain on facilities. He asserted that the University's first duty to the people of California and to students is to take serious measures to reduce administrative costs before increasing fees or limiting faculty. He urged immediate action on this issue, emphasizing that there are many ways for the University to save money, preserve enrollments, and maintain competitive faculty salaries. He suggested that it might be time for the University to let go long-term but unproductive employees.

Committee Chair Gould stated that the University has an external audience that needs to be educated about the impact of budget reductions to higher education. He noted that he had spoken with CSU Chancellor Charles Reed about a joint statement by all segments of higher education about the value of higher education for California. He proposed that the University should, in conjunction with the other higher education segments, launch an information campaign to the Legislature and Governor about the importance of the state's investment in higher education and the impact of the proposed budget reductions.

Regent Hopkinson noted that the only area of revenue increases being pursued is that of student fees. She suggested that the University should reexamine its reimbursements from certain funds and locations, such as the pension fund or hospitals, to ensure it is being reimbursed in total for all costs it incurs. UC should also reexamine the constraint on the use of donor funds for salary augmentation. This action might not have an effect on next year's fiscal budget, but in the longer term. If a decision is needed by March, she suggested that the Regents should have a special meeting.

Regent Ruiz requested a discussion or presentation of the budget process for a three-year period. He opined that cutting enrollment growth is not an option for UC and suggested that the University might be forced to take unusual measures.

Regent Marcus concurred with Committee Chair Gould's proposal and stated that the University should examine how it is faring compared to other State agencies. He opined that UC, over the last fifteen years, has been losing in relation to its portion of the State budget. The State must understand the University's importance; UC's economic impact is one example of this. The University should produce a relevant document and take action.

Regent Pattiz concurred with Committee Chair Gould's proposal. He strongly emphasized that the University's message should be that it makes no sense to cut funding for the University, an engine for growth for California, when economic times are bad. He described the proposed budget reduction as a foolish action.

Regent Garamendi noted that the proposed budget is a problem not only for UC, CSU, and the community colleges, but also for K-12, which will receive a reduction of $4 billion and a decrease in the amount of support per student. He concurred with Committee Chair Gould's proposal, adding that K-12 should be included. Mr. Garamendi recalled that former Governors Reagan and Wilson raised taxes in response to the challenge of budget deficits. He stated that higher education's message to the public must concern not only the impact of cuts to the state's educational infrastructure, but also the need to increase California revenue. He described this as a multi-year problem and suggested that the Regents should formulate a resolution calling upon the Legislature to increase State revenue. He cited the potential future impact on California of the lack of a well-educated workforce.

Regent-designate Scorza emphasized students' concern about the budget situation, asked about the planned consultation with students about the budget process, and noted that he had information he would like to provide to the Board.

Provost Hume responded that he would like information and feedback as soon as possible. He noted that, with this presentation, the issue becomes a public item for discussion. He expected that the UC Student Association and the Student Regents would reflect quickly, and stated that he is an appropriate point of contact for feedback.

Staff Advisor Brewer recalled that the University has repeatedly declared that bringing staff and faculty salaries to market levels is a priority, and that the Regents approved a ten-year plan to bring salaries to market. She noted that little progress has been made on this issue, and that the 2008-09 salary increases are now in jeopardy. She cautioned that the potential consequence of cutting salary increases would be the loss of talented, dedicated staff with institutional memory. These staff members would either be replaced with incoming staff at market wages, or the University will do without these positions, with a negative impact on teaching, research, and patient care. Ms. Brewer urged the University not to remove the salary increase from the budget but to examine seriously the base budget allocations, which were made under different circumstances, to determine if they are still valid in the current environment and responsive to current priorities.

Regent Schilling expressed concern that the University not lose sight of graduate student needs, and noted that one factor in faculty retention is the presence of graduate students of high quality. She expressed support for Committee Chair Gould's proposal. Committee Chair Gould noted that he has spoken to Provost

Hume, who is prepared to communicate with CSU Chancellor Reed and with the leadership of the community colleges.

Regent Island expressed appreciation for the neutrality of Executive Vice President Lapp's presentation, but opined that the Provost and the University can not be neutral in this situation. He asked for the Provost's and the University's recommendations on the options for addressing this difficult budget situation.

Committee Chair Gould concurred with Regent Island, and saw the next step as further examination of the options, with more detailed explanation of their implications for the University. He affirmed the importance to the University of faculty and staff salaries, enrollment growth, graduate student support, and the other items discussed, and predicted that UC will be forced to make extremely difficult choices before the end of this budget year. He noted that other State budget stakeholders already have advocacy campaigns prepared; UC needs to move expeditiously with its advocacy efforts.

Faculty Representative Croughan noted the vulnerability of students in the current budget situation and opined that the plan for staff salary increases is extended over a time period that is too long. She recalled that the faculty agreed to a four-year plan and gave up a four-percent increase across the board for the benefit of the University. She expressed concern about not implementing salary and merit increases. Ms. Croughan opined that the University has not yet recovered from the budget scenario of the 1980s and 1990s, and informed the Committee that she spent seven years as a junior faculty member without a salary increase. She cautioned that cutting salary increases this time might lead to a serious conflict, and that the mutual support among faculty, staff, and students will be eroded. The University must seriously consider other funding sources.

Provost Hume described the cuts being contemplated as devastating to the University. He concurred with Regent Garamendi on the need for a vigorous effort together with the other higher education sectors. He noted that the University's internal efforts alone, to be as effective and as efficient as possible, will not meet the budget challenge. He solicited the help of the Regents in decision-making on the odious tradeoffs that the University will have to make. He stressed the need for external pressure for increased State support for education.

President Dynes stated that the University has a significant number of supporters in the State who understand the value of UC but who have never been mobilized. If they are not mobilized now, these cuts will be inflicted. He stated that his priority is to minimize the impact on the core of the University, the faculty, students, and staff. President Dynes opined that, unless additional sources of revenue are located, UC and the state will be hurt irreversibly. The University must muster all its constituencies to promote its message about California's need for investment in education and its future.

Regent Bugay noted that there is a committee working on a messaging campaign for UC. He looked forward to this campaign being brought before the people of California within the next 60-90 days. He asked about the concrete decision-making process the Regents would use to make these difficult decisions. Regent Bugay anticipated that discussions will take place from now until the March meeting to reconstruct the options and present the Regents with what he described as a patchwork of choices. He asked what the Regents would do at the March meeting; whether they would vote on various options, or continue to discuss the issues and options.

Committee Chair Gould described the overall budget discussion as an iterative process, with the current presentation as the first examination of the nature of the problem. More work is required to identify administrative efficiencies, to reexamine new programs while trying to protect the core mission. More work is required to let the Regents know what their choices are, and the implications of those choices. He anticipated that the issue of admissions would arise sooner and might require a special meeting. He emphasized that UC must make tangible decisions and effect those decisions to preserve its credibility in Sacramento. The Regents would not be asked for a decision on all the relevant areas at the March meeting. More information, including the Legislative Analyst's Office report, should be available at that time.

In response to a question by Regent-designate Scorza, Provost Hume explained that the issue of enrollment is handled by the Office of Admissions. If the University chooses to limit growth, it needs to make a decision by March.

Regent Varner noted that the presentation did not discuss options for additional revenue other than student fees. He suggested that there might be other opportunities for increased revenue from intellectual property transfer, services provided by UC, or perhaps from the federal government. Regent Varner stressed that the University must, in its dealings with the Legislature, present specific commitments to increased efficiency in UC operations, in order to present a credible case that it has done what it can do. He opined that it would be a mistake to increase student fees at this point.

Regent Kozberg expressed concern about limiting enrollment, which she deemed a bad direction. She noted that UC had limited enrollment on a previous occasion without good communication among the Regents. Regent Kozberg hoped that if such a decision is made, it will be made in an organized manner, with appropriate deliberation and input from all Regents. Committee Chair Gould stated that the general sense of the Regents was in agreement with this.

Regent Preuss described enrollment limitation as a bad step, and worrisome. He suggested that the University might be able to use enrollment limitation for leverage with the Legislature, as it has done with student fees. If the University can effectively make the point that it does not have any other option and does not have the necessary monies, the Legislature can be offered the opportunity to buy this out.

Regent Allen concurred with Regent Marcus' call for action and hoped that the Regents would support such action. He urged UC to join with other key public education constituents, K-12, CSU, community colleges, students, and alumni. The issue is not receiving enough media attention and not being heard by legislators.

Committee Chair Gould noted that more information would be provided at the March meeting.

President Dynes introduced Louise Hendrickson, a third-year graduate student in political science at UCR and president of the UC Student Association (UCSA). Ms. Hendrickson briefly informed the Committee of UCSA campaigns for and concerns about student voter registration, accessibility and affordability for undocumented students and a UC equivalent of the Dream Act, and equitable systemwide financial aid. UCSA is planning to propose a policy which would allow students to choose their federal financial aid program. UCSA is also concerned about graduate student financial aid, and secure funding to maintain academic preparation programs.

Ms. Hendrickson expressed UCSA's and the student body's serious concern about how the University will make up for the loss in State revenue. She recalled that student fees have increased by 93 percent over the last seven years. Financial aid does not reflect the cost of living. She estimated that, in the worst-case scenario, if students are expected to cover the entire proposed fee increase, undergraduate fees will increase by $1,621.80, graduate fees by $1,848.60. She disputed University statements that student fees have kept pace with inflation, stating that the fees have quadrupled since 1972, after accounting for inflation. Raising student fees by seven percent would equal a $500 annual increase. Students earning $8 an hour would have to work an additional 62.5 hours annually.

Ms. Hendrickson cited professional school fee increases, concluding that the cost is almost equivalent to that of private education and reduces the number of students able to join the professional sectors. She discussed the effect of rising graduate fees on departments, on the availability of teaching assistantships, on graduate student recruitment and retention, and on the availability of required undergraduate courses taught by graduate students.

Ms. Hendrickson expressed the hope that the Regents would ensure that funding for student academic preparation programs would not be cut. She then turned to financial aid, stating that there currently is not enough financial aid, and that many students are discouraged from attending UC by the bottom-line cost. She observed that Cal Grant awards are not increasing more than marginally, and now cover only about 13 percent of the student cost of living. The UC campuses are all located within the 20 most expensive areas to live in California.

Ms. Hendrickson discussed the impact of rising fees on diversity and student recruitment and retention. She cautioned that current students who do not feel supported by UC will not be likely to support UC fundraising campaigns in the future. She asked the Regents to consider Lieutenant Governor and Regent Garamendi's proposal to stabilize student fees at last year's levels and to limit future increases to the rate of inflation. She urged the University to take concrete action, to protect students by not cutting student services and not raising fees. She expressed the students' commitment to working with the Regents in approaching the Legislature for greater education funding.

3. **RESOLUTION STABILIZING STUDENT FEE INCREASES**

Regent Garamendi recommended that the following be resolved:

A. The University of California will stabilize student fees by capping fees at 2007-08 levels, and by limiting future student fee increases to the rate of inflation (excluding professional school fees approved at the September 2007 Regents meeting).

B. The Regents and University representatives will keep the Legislature and the Governor apprised of the state budget resources required to adequately fund the University.

C. Where appropriate, the University will seek savings from administrative efficiencies to reduce the cost to the state of adequately funding the University.

[Background material was mailed to Regents in advance of the meeting, and copies are on file in the Office of the Secretary and Chief of Staff.]

Regent Garamendi explained that this resolution would freeze student fees at current rates and allow them to increase at the rate of inflation. Over the last five years, student fees have increased by 14 percent annually, and the cost of living has increased by somewhat less than six percent. Regent Garamendi opined that these student fee increases are a substitute for State taxes. He proposed not voting on the resolution at this meeting.

Regent Garamendi emphasized the importance of the preceding discussion and of the need to understand the implications of the State budget and the negative impact of additional student fee increases. He urged the Regents to demand adequate funding for education from the Legislature. He stated that he would postpone this item until the next meeting, as it is not timely at this point.

4. **RISK MANAGEMENT OVERVIEW**

Committee Chair Gould noted that this item would be postponed, on advice of Provost Hume.

5. **TRANSFER OF ASSETS AND LIABILITIES FROM THE UNIVERSITY OF CALIFORNIA RETIREMENT PLAN TO THE LAWRENCE LIVERMORE NATIONAL SECURITY, LLC DEFINED BENEFIT PENSION PLAN AND AGREEMENT REGARDING THE ONGOING OBLIGATIONS OF THE DEPARTMENT OF ENERGY TO REIMBURSE THE UNIVERSITY FOR CONTRIBUTIONS TO THE UCRP**

The President recommended that, in accordance with the provisions of the Contract governing the transition to a successor contractor at Lawrence Livermore National Laboratory (LLNL) as modified by the parties' agreement, the Associate Vice President, Human Resources and Benefits, be authorized to enter into the agreements listed below on behalf of the University as sponsor of the UC Retirement Plan (UCRP) and The Regents as trustees of UCRP, provided the agreements are substantially as described in this item; to execute any regulatory filings associated with the transfer of assets and liabilities; and to adopt and implement any amendments to UCRP that are necessary to carry out the provisions of the agreements:

A. The Agreement Concerning the Transfer of Assets and Liabilities ("Transfer Agreement"), which incorporates the terms agreed to by the University and the Department of Energy/National Nuclear Security Administration (DOE/NNSA) for the transfer of assets and liabilities from UCRP to the Lawrence Livermore National Security (LLNS) Plan, including the amount of assets to be transferred and the documentation required to be provided to UC prior to the transfer of any assets.

B. The agreement confirming the DOE/NNSA's ongoing funding obligation for UCRP benefits associated with LLNL service ("Funding Agreement"), which defines the method for calculating any future funding shortfalls, commits DOE/NNSA to a schedule of payments to restore full funding of the separately accounted for segment within UCRP to which the assets and liabilities associated with members' LLNL service are allocated ("LLNL Segment"), and addresses other administrative matters.

Neither of these agreements will become effective, and no assets will be transferred, unless the Office of the General Counsel determines each is in substantially the form as described in the Background materials provided for this item and each has been properly executed.

[Background material was mailed to Regents in advance of the meeting, and copies are on file in the Office of the Secretary and Chief of Staff.]

Regent Parsky asked if this transfer is in substantially the same form as that used for the Los Alamos laboratory. Associate Vice President Boyette responded that the only change is that the University, on the request of the Department of Energy, is retaining an additional $75 million in a contribution reserve account, for contributions that will be needed by the Department of Energy for the Lawrence Livermore laboratory retirees that UC will be retaining in UCRP. In response to Regent Parsky's question, she confirmed that the agreement provides the same kind of protection for the University.

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

6. **REPORT ON NEW LITIGATION**

[Background material was mailed to Regents in advance of the meeting, and copies are on file in the Office of the Secretary and Chief of Staff.]

General Counsel Robinson referred to the written materials provided. He stated that there was nothing noteworthy on which additional comment was needed.

The meeting adjourned at 12:50 p.m.

Attest:

Secretary and Chief of Staff