The Regents of the University of California

COMMITTEE ON FINANCE
September 17, 2014

The Committee on Finance met on the above date at UCSF–Mission Bay Conference Center, San Francisco.

Members present: Regents Gould, Island, Leong Clancy, Lozano, Makarechian, Reiss, Ruiz, and Saifuddin; Ex officio members Napolitano and Varner; Advisory members Davis, Gorman, Hare, and Oved; Staff Advisors Acker and Coyne

In attendance: Regents Blum, De La Peña, Engelhorn, Pattiz, Sherman, and Zettel, Faculty Representative Gilly, Secretary and Chief of Staff Shaw, General Counsel Robinson, Chief Compliance and Audit Officer Vacca, Chief Investment Officer Bachher, Provost Dorr, Executive Vice President and Interim Chief Financial Officer Brostrom, Senior Vice Presidents Dooley and Stobo, Vice Presidents Allen-Diaz, Andriola, Brown, Budil, Duckett, Lenz, and Sakaki, Chancellors Block, Blumenthal, Dirks, Katehi, Leland, Wilcox, and Yang, Interim Chancellor Gillman, and Recording Secretary Johns

The meeting convened at 11:00 a.m. with Committee Chair Ruiz presiding.

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

Upon motion duly made and seconded, the minutes of the meeting of July 16, 2014 were approved.

2. **ENERGY SERVICE PROGRAMS TO ACHIEVE CLIMATE NEUTRALITY**

[Background material was provided to Regents in advance of the meeting, and a copy is on file in the Office of the Secretary and Chief of Staff.]

Executive Vice President and Interim Chief Financial Officer Brostrom began the discussion by noting that the University's efforts to achieve climate neutrality were accelerating.

He noted that the President and all chancellors had signed the American College and University Presidents' Climate Commitment, which obligates the University to achieve year 2000 greenhouse gas emission levels by 2014, 1990 levels by 2020, and climate neutrality as soon as possible. President Napolitano stated that UC would be the first research university to achieve climate neutrality, with a goal of achieving this by 2025.

Mr. Brostrom reported that all campuses had achieved the 2014 goal of year 2000 levels, and UC Berkeley had already moved beyond this, achieving 1990 emission levels. It would be a formidable task to achieve climate neutrality at the same time as UC continues to grow. The University is pursuing three avenues in this effort. The first is to reduce on-campus demand through deep energy efficiency projects, which have been the chief focus so far. The second avenue is a transition from natural gas to biomethane. Third, UC itself is becoming a wholesale energy provider. It would enter the market on January 1, 2015.

The University has participated in the Statewide Energy Partnership with investor-owned utilities Pacific Gas and Electric, San Diego Gas and Electric, and Southern California Edison since 2006. UC has undertaken over 700 projects systemwide. The investor-owned utilities have contributed equity as incentive payments and UC has complemented this with its systemwide debt. The Partnership has enabled UC to meet its 2014 climate goals, and the California Public Utilities Commission has highlighted UC's program as a model. UC's energy efficiency projects also save money, about $38 million systemwide after debt service, in the most recent budget.

The Statewide Energy Partnership is currently being reevaluated. UC hopes to extend it with the investor-owned utilities, but possibly with additional fund sources. Mr. Brostrom noted that most of the University's energy efficiency projects undertaken so far involved relatively easy goals. The next level would be deeper energy efficiency retrofits, which would require a higher level of equity contribution.

UC is pursuing additional fund sources. Proposition 39 generates $1 billion annually; half of this is to be applied to energy efficiency programs. All of that funding currently flows to the K-12 system. UC has communicated to the Legislature that it has many projects that would benefit from these funds. In UC's budget advocacy for the current year, the University wants to ensure that these programs are a priority.

About two-thirds of UC's greenhouse gas emissions are from natural gas, from campus and medical center cogeneration plants. The University is examining a transition from natural gas to biomethane. As sources of biomethane, UC is considering landfill projects, mostly outside of California, and the development of biodigester facilities, which process agricultural and food processing waste. UC has several letters of intent outstanding and projects in this area would be presented at a future meeting.

Mr. Brostrom highlighted the fact that a new era would begin for the UC energy ecosystem in January 2015. The University is registered as an electricity service provider and would be directly providing energy to its "direct access" campuses and medical centers – Irvine, Merced, San Diego, Santa Cruz, and San Francisco – amounting to about one quarter of UC's purchased electrical power. Once the University demonstrates success with its service to direct access campuses, it hopes to work with the Legislature to expand the service systemwide.

In the previous two weeks, UC had signed two 25-year solar power purchase agreements with Frontier Renewables for a total of 80 megawatts, which would represent approximately 206,000 megawatt hours annually. Two new projects were to be constructed in Fresno County. These projects would begin generating energy within two years, providing energy to the direct access campuses and to UC Davis, which is served by the Western Area Power Authority. To date this was the largest solar energy purchase by any college or university in the U.S. Mr. Brostrom pointed out that UC was not only purchasing solar energy produced off-campus, but has about 23 megawatts in solar installations planned or under construction on the campuses. These projects are not as efficient as large-scale solar farms, but still part of the University's long-term goals. Mr. Brostrom concluded his discussion by outlining the structure and activity of the President's Global Climate Leadership Council.

Regent Makarechian referred to the solar power purchase agreements. He asked if the motivation for these was primarily to save costs on wholesale electricity. Mr. Brostrom responded that the terms of the agreement were currently confidential, but represented cost savings or were competitive. The terms were relatively fixed for the 25-year term of the contracts; if the cost of power from investor-owned utilities were to increase, these agreements would provide price stability.

Regent Makarechian noted the possibility of innovations in solar energy technology occurring during the contract period and asked if UC would be locking itself into contract terms and could perhaps lose on this investment. Mr. Brostrom responded that the agreement includes provisions such that, if there are new developments in photovoltaic technology, with increased efficiency, such innovations would be applied to the project. UC would benefit from the increased efficiency.

Regent Makarechian asked about the cost of this energy source, and if it was cheaper than other alternative energy sources. Director George Getgen responded that this purchase was approximately 25 percent cheaper than the price UC paid seven years earlier for wholesale electricity. One motivation for the purchase at this time was the anticipated decline of the federal solar investment tax credit from 30 percent to ten percent at the end of 2016. Solar energy prices might then rise, and the purchase was seen as a good opportunity at this time. The cost of solar panels has decreased dramatically; currently this cost accounted for about one-third of the project cost, with the remainder for other elements such as leases, whose cost is much less likely to decrease.

Regent Makarechian asked if the University distinguishes among companies in its wholesale electricity portfolio or has guidelines regarding generation by coal, natural gas, or hydroelectric power. Mr. Brostrom responded that an advantage of being an energy service provider is that UC can contain not only the cost but also control the profile of its electricity supply. The University's goal is eventually to reach an energy profile that is nearly 100 percent renewable. This will be achieved over time, and the long-term contracts were part of that effort.

Regent Reiss asked about carbon accounting as a requirement for business decisions across all sectors. Mr. Brostrom responded that UC Berkeley professor Daniel Kammen had put forward a suggestion that UC use the price of carbon established by California's cap and trade program, currently $10.50 per ton, in all its business decisions. This would affect construction, procurement, and air travel, among other elements. The Global Climate Leadership Council would analyze this proposal, which might be enacted using different methodologies, based on the shadow price or actual price.

Regent Zettel asked if UC had information on the cost of projects and the projected savings or payoff for those projects. Mr. Brostrom responded in the affirmative. The University carries out a business case analysis for each individual project, as well as overall program analysis for biomethane and wholesale electricity. One of the primary concerns surrounding biomethane currently is that the cost of natural gas is low. UC must consider a long-term horizon and the spectrum of possible carbon costs in order to arrive at investments that will provide positive cash flow to a campus. Another factor is the cost of capital at a time when the University has a constrained debt capacity. Regent Zettel requested that information on the cost of and payoff for for various projects be provided.

Regent De La Peña asked about the bid process for the solar power purchase and how many companies the University considered. Mr. Getgen responded that the University used a thorough and competitive bid process, with a Request for Information, considering about 30 projects by about 12 companies. The proposition with the best value was chosen. The factors taken into consideration were not just cost per kilowatt hour, but also location in the wholesale grid and an evaluation of future congestion in the grid.

Regent Engelhorn asked if the University was examining how to minimize water use on campus or water recycling. Mr. Brostrom responded that President Napolitano has issued a directive to the campuses to reduce water use. Goals and efforts for water conservation would continue to be developed by the Global Climate Leadership Council and at the campuses.

Committee Chair Ruiz praised the University for not only seeking energy savings but moving on to producing its own energy. He asked how much the University spends on energy, including natural gas and electricity, and what the amount of savings would be if UC achieved climate neutrality. Mr. Brostrom responded that the overall expenditure on utilities is approximately $210 million across the UC system for gas and electricity, not including water. This expenditure had been reduced by $38 million. Even taking into account the University's growth, it is spending less on utilities. Ultimately UC's goal is to shift to renewable energy sources.

3. **PRELIMINARY DISCUSSION OF 2015-16 BUDGET**

[Background material was provided to Regents in advance of the meeting, and a copy is on file in the Office of the Secretary and Chief of Staff.]

Vice President Lenz began the discussion by recalling that the Regents had recommended a budget of about $383 million in 2014-15. UC received $142 million from the State, $26 million in nonresident tuition, and $90 million in alternative revenue or cost savings. This left a revenue shortfall of about $125 million.

Mr. Lenz outlined the categories of the 2014-15 budget expenditures. The first category, mandatory costs, includes retirement and health benefits, contractual compensation obligations, academic merit increases, and price increases. The University has more flexibility in addressing the second category, high-priority costs. These include compensation for non-represented employees, enrollment growth, deferred maintenance, and high-priority capital facilities projects. The third category was reinvestment in academic quality, an area that has suffered in recent years, including efforts to improve the student-faculty ratio, provide support for new faculty, reduce faculty and staff salary gaps, and enhance undergraduate instructional support.

The University managed to prevail in one area, with support in the Legislature for UC capital facilities projects. Through the AB 94 mechanism, UC was able to address $278 million in essential infrastructure and safety needs, projects that had been in the queue for a long time because UC had not received revenue from State bonds since 2006 for general obligation bonds and not since 2010 for lease revenue bonds.

Mr. Lenz then discussed expenditure assumptions for the 2015-16 budget. The mandatory costs for the UC Retirement Plan (UCRP) were projected to be lower, due to the cap on the employer and employee contributions. Costs for health benefits could range from $28 million to $34 million; costs for annuitant health benefits from $5 million to $7 million. Compensation for which UC is contractually obligated might cost $15 million to $18 million. Academic merit increases were estimated at $30 million, and non-salary price increases at $25 million. The total for mandatory costs was estimated at between $120 million and $135 million. If the Governor maintains a four percent State General Fund increase for UC, this would amount to about $119 million; State General Fund revenue would thus fall short of covering the University's mandatory costs.

The Office of the President would propose expenditures for high-priority costs at the November meeting, including a possible three percent compensation increase, enrollment growth, deferred maintenance, and high-priority capital needs. Recommendations for reinvestment in quality would be the same as were presented in the 2014-15 budget proposal. The University would recommend almost $300 million for capital projects; most projects are critical needs related to safety.

Regent Makarechian asked about the estimated $28 million to $34 million cost for health benefits and the estimate for the cost of enrollment per student. Executive Vice President and Interim Chief Financial Officer Brostrom responded that the University had made focused efforts to reduce the cost of health benefits in the past few years, a cost of $1.6 billion for current employees and retirees. A reduction of one percent of this amount would represent $60 million in savings. The previous year, the University re-bid all its health benefit packages and was able to restrict the growth in cost to four percent, much lower than the national average. In the current year, UC had budgeted for an eight percent increase, but the actual increase would be about six percent, reflecting normal increases from Kaiser, Health Net, and the UC Care program.

In response to a question by Regent Makarechian, Mr. Brostrom clarified that the current discussion concerned only the General Fund portion of the UC budget, about a third of the University's overall expenditures. The overall increase for health benefits would be closer to $100 million.

Regent Makarechian asked how the estimated cost for enrollment growth was derived. Mr. Lenz responded that this was based on the latest marginal cost rate negotiated with the State. The University has discussions with the State Department of Finance, legislative staff, and the Legislative Analyst's Office to determine the cost of educating a student at UC. The last negotiated rate was $10,000 per full-time equivalent student. The Governor and Legislature have asked the University to examine its cost of instruction, and the administration would report on this at a future meeting. At this point, UC was using the $10,000 rate to calculate the cost of planned enrollment growth of one percent.

Regent Makarechian asked if this cost estimate included the 6,000 students for whom the State provided no funding. Mr. Lenz responded that UC was now seeking the ability to treat enrollment growth not one year at a time, as has been the case in the past, but over a three-year period. UC enrollment planning is complicated by the fact that the Legislature completes its budget deliberations long after UC has made its enrollment decisions for the fall. Allocating funding over a three-year period would make enrollment planning more effective for the campuses. UC has not been funded for enrollment growth since 2007-08. There are still 6,000 unfunded full-time equivalent students.

Regent Makarechian asked what portion of the proposed expenditure for deferred maintenance would be allocated for seismic retrofit work, and if it is possible to treat this expenditure separately in requests to the Legislature as a life safety issue. He emphasized the risk of future earthquakes in California and the fact that all UC students, faculty, and staff are subject to this risk. Mr. Lenz responded that the State has not shown interest for a number of years in funding higher education capital facilities projects. The administration worked with the Governor's Office for two years on the implementation of the AB 94 mechanism. While UC does not view AB 94 as the solution to its overall capital needs, it provides an opportunity to address at least a minimal number of UC's safety needs, including seismic needs. Seismic needs are not in the deferred maintenance category, because the costs and the need for renovation are too great. Mr. Lenz stated that UC was making some progress in this area; the University hopes that there will be a State general obligation bond to provide funding for this work.

Regent Blum expressed frustration with the underfunding of the University by the State. He stressed that the University was educating 78,000 more students than it did 25 years earlier with the same funding, adjusted for inflation. This has led to larger class sizes, higher tuition, deterioration of campus buildings, and loss of faculty to other universities that can offer higher salaries. He identified one cause of underfunding as the fact that UC does not make political contributions while the prison guards' union, for example, might spend $100 million over a few years on various campaigns. It was remarkable that the University had been able to maintain its quality in this situation. He stressed the importance of UC's goal of addressing inequalities in society and helping students improve their lives and move upward. UC Berkeley is a standard for public universities across the nation; its quality cannot be allowed to slip. The University must confront the State about this underfunding, which is not fair to UC. He asked about the status of $50 million in additional funding UC was to receive from the State this year. Mr. Lenz responded that this funding is under consideration by the Governor.

Regent Blum asked the administration's financial team, including Mr. Lenz and President Napolitano, to examine this issue and to demonstrate to the State and public that UC has not received its fair share of State funding for many years.

Chairman Varner asked if the University had a realistic revenue projection for developing its budget that can be matched with necessary expenditures. Mr. Lenz responded that these estimates would be presented at the November meeting. He recalled that revenue from Proposition 30 would end in a few years, and that the University must remain mindful of this.

Regent Zettel asked how expenses for UC's climate neutrality efforts would be factored into the budget. Mr. Brostrom responded that the budget includes an expense for utilities, included in the category of non-salary price increases. The University is trying to reduce its administrative expenses as much as possible, to maintain a cap on UCRP contributions and health benefit costs.

Regent Zettel asked about the effect of the energy efficiency projects on the cost curve, observing that a significant amount of upfront investment might be necessary to produce savings in the future. Mr. Brostrom responded that these projects would be discussed at future meetings, along with updates on the Working Smarter initiative.

Regent Gould expressed concern that the University was not succeeding at engaging the Governor or legislative leaders and securing a commitment to support UC. UC's strategy might need to be reshaped. He suggested that the University should seek to communicate its position in a more tangible way, making the point that with their investment in the University, the Governor and Legislature would buy tangible results, such as increasing the enrollment of California resident students, increasing the number of community college transfers, increasing the number of students in science, technology, engineering, and mathematics, and increasing the number of health care professionals graduating from UC. The University should communicate this value proposition to the business community and civic groups as well.

Committee Chair Ruiz concurred with Regent Gould's comments. The University needs a new strategy to communicate its value to Sacramento.

Regent Lozano noted that a chart displayed earlier, showing mandatory costs, was presented like a budget, with budget inputs. The Governor's Awards for Innovation in Higher Education program had identified three priorities to be rewarded: the number of degrees conferred, the time to degree, and the number of transfers. These are values the Governor has put forward as important for institutions of higher education, while the Legislature has expressed its concern about out-of-state enrollment and possible displacement of California students. The University must be able to express its requests to the State in a way that has an impact, not merely stating that it needs $22 million for one percent enrollment growth, but expressed in the context of UC-eligible students who are displaced or choose to enroll at other institutions. Another concern was that the University had not moved the needle on diversity for certain underrepresented populations. The University must develop new language for its budget request to the State, aligned with these concerns and the values of political leaders who are making the decisions about State funding for UC. She hoped that the administration could frame the budget in the context of performance outcomes as opposed to budget needs and expressed concern that the University and Sacramento were speaking two different languages.

Regent Pattiz stated that the University expresses its needs in a rational manner that can be understood. He expressed disappointment that UC did not receive as much Proposition 30 funding as it should have. The idea that nonresident enrollment is bad for the University, or for California resident students, is incorrect. Although the University should re-craft its message, there might be a significant segment that does not want to hear UC's message. The University must focus on key issues.

Regent Makarechian referred to the fact that UC campuses have the most favorable four-year graduation rates among American public universities. He asked what graduation rate the Governor was seeking. Mr. Brostrom responded that the Governor, as an initial outcome measure, wished UC to make a ten percent improvement. Mr. Brostrom stated that this goal did not make sense and would be unattainable for a public university. UC campuses are among the best in the nation for their overall graduation rates.

Regent Makarechian stressed that there is no reason to use graduation rates as an excuse for not funding the University.

Regent Blum emphasized that the discussion of this issue must continue.

Mr. Brostrom then continued the discussion with an exposition of facts and myths, or misconceptions, about the University. While there is a national narrative that the costs of higher education have been rising, UC is spending less in core funds to educate a student than it was in 1990-91, by almost 15 percent. It is often said that there are too many administrators at universities. During the fiscal crisis, UC made a significant reduction in employee numbers, and over 85 percent were staff rather than academic employees. Concerning executive salaries, Mr. Brostrom noted that UC has about 180,000 employees and about 120,000 full-time equivalents. Across the entire UC system, there are only 241 employees earning above $295,000, or less than one-tenth of one percent of UC employees. That number has remained constant, even declining in the last few years. Six

UC campuses are members of the Association of American Universities (AAU), but their chancellors are at the bottom of the AAU range in base salary.

Since 1990-91, in absolute dollars, State funding for UC had increased only 31 percent, while inflation grew 80 percent and UC enrollment increased by 50 percent. Just to keep track on a per student basis and correct for inflation, the UC budget would have had to grow by 130 percent. Mr. Brostrom pointed out that many State agency budgets grew by more than this amount, such as the Department of Corrections and Rehabilitation, by 250 percent, and the K-12 education sector, by over 200 percent. The University stands alone among State agencies in State disinvestment. This has had profound implications for UC's funding policy, for tuition, and for how UC undertakes education. The Governor has asked UC to produce a sustainability plan, while he has not requested this from other State agencies which make up a far larger part of the State budget.

UC has increased the percentage of nonresident undergraduate students by almost three times since 2007-08. This increase has allowed the University to increase California student enrollment and to sustain the quality of the campuses. UC has 6,000 more California undergraduates than it did at the start of the fiscal crisis, in spite of the fact that UC experienced a reduction of $950 million in State funding. The percentage of nonresident enrollment at UC is far below that of comparator institutions, and less than half that at AAU public institutions.

Currently 55 percent of UC undergraduate students pay no tuition, and 75,000 students or 42 percent are Pell Grant recipients, far higher than the national average. Mr. Brostrom stressed that UC is different from any other institution in combining quality and access. UC Merced this year has more than 60 percent first-generation students and Pell Grant recipients. The University's graduation rates are high: 81 percent of UC undergraduates graduate within five years, with a similar rate for transfer students, and little difference between Pell Grant recipients and others.

Regent Lozano stressed that these figures tell a compelling story about the University. She requested data from the campuses in disaggregated form, campus by campus. In this form the data would begin to tell a different story and allow UC to focus on desired improvements. Mr. Brostrom concurred that these data are of interest in themselves and for the light they shed on funding models. He noted that all non-State revenue stays on campus. There are various challenges for campuses that do not have many nonresident students.

Regent-designate Davis referred to the puzzling fact that the State, without hesitation, covers the employer contribution for the California State University (CSU) retirement plan but not for the UCRP. There is a perception in Sacramento that the UCRP is overly generous compared to CSU's plan. This misperception could be corrected with a good comparison of the two plans. In those instances where the UCRP is arguably more generous, one could construct a defensible position to demonstrate to the Legislature why this is so. Legislators should agree to fund at least part of this expense, which they would have to concur is comparable to the CSU plan. Mr. Brostrom responded that this represents an enormous difference between UC and CSU. This year UC was making a 14 percent contribution to the UCRP, on a $9 billion payroll. One-third of that is State General Funds, about $400 million. UC is finding this $400 million from within its own budget; CSU is paid this $400 million automatically by the State. In 2010 UC enacted a new pension tier which went into effect in July 2013. Later, when Governor Brown led State pension reform, his measures were almost identical. The main difference between UCRP and the California Public Employees' Retirement System (CalPERS) is in the cap on the amount of salary that qualifies for pension benefits. CalPERS has a cap of $110,000, while UCRP uses the federal IRS limit of $245,000. The reason for the University's higher limit is that UC faculty especially would be affected by a lower salary cap, which would dramatically deteriorate the value of their defined benefit pension plan. Mr. Brostrom observed that UC had received recognition from Sacramento for the reforms it has made to its pension system, but had not received funding. The Legislature has allowed UC to restructure lease revenue bonds, with revenue to be used for the UCRP, but this is not new revenue. If the State would fund even a portion of its obligation to the UCRP, it would help UC's financial situation dramatically. Even though UC has stabilized UCRP costs, Mr. Brostrom cautioned that these costs would continue for another 12 to 15 years.

Committee Chair Ruiz noted that revenue from Proposition 30 would end in a few years, and that UC needed to begin planning for this. Mr. Brostrom responded that along with the budget for 2015-16, a long-range budget plan would be discussed at the November meeting with a four- to five-year perspective, taking into account those State funding implications.

4. **APPROVAL OF UNIVERSITY OF CALIFORNIA 2015-16 BUDGET FOR STATE CAPITAL IMPROVEMENTS**

The President of the University recommended that, subject to the concurrence of the Committee on Grounds and Buildings, the *2015-16 Budget for State Capital Improvements* as shown in Attachment 1 be approved.

[Background material was provided to Regents in advance of the meeting, and a copy is on file in the Office of the Secretary and Chief of Staff.]

Vice President Lenz explained that this item concerned 15 capital projects amounting to almost $298 million, most of which responded to critical infrastructure and seismic and fire safety needs. It was also necessary to meet a State Department of Finance deadline for submittal of requests. The Office of the President has indicated to the campuses that it was putting these requests forward after careful review of campus priorities and the amount of available debt service. Actual final approval both by the Regents and the State would not occur until spring 2015. The Legislature would have until April 1 to make changes, and the Department of Finance would have the first opportunity to make changes.

Regent Makarechian asked if the $297,907,000 total included debt service. Mr. Lenz responded that debt service was included in the support budget. This amount represented actual capital approval for the projects.

Regent Makarechian asked if the University has allocations of approximately $24 million to $25 million annually, to cover the cost of the debt service. Mr. Lenz responded in the negative, explaining that there is variation in time frame and type of project. A project in the stage of preliminary plans and working drawings would not reach construction for two to three years. At that point UC would borrow on the bond market for completion of those projects. Debt service is included in the budget category of high-priority capital needs.

Regent Makarechian cited background materials provided for the previous item, *Preliminary Discussion of 2015-16 Budget*, which referred to "State-eligible capital projects for 2015-16 that total $297.9 million, which will ultimately require an ongoing commitment of approximately $24 million annually." He requested clarification of the $24 million amount. Mr. Brostrom responded that UC uses a planning rate. If UC funded the entire $298 million now, when fully funded, the debt service would be $24 million from the operating budget.

Regent Blum stated his view that UC had not requested enough funding.

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

Regent Saifuddin read a statement by student observer Christopher Kan. Mr. Kan expressed concern about two principal issues: the possibility of a tuition increase, and the need for sustained commitment to quality across the UC system. Student tuition and fees have increased 46 percent since 2009. As of 2013, California college students who graduated in 2011 had an alarming 8.4 percent student loan default rate. In recognition of these facts, tuition increases for the medium term should be halted. Students have noticed a depreciation in the quality of their educational resources. Courses are less available, office hours are reduced, and the quality of feedback on assignments has deteriorated. Mr. Kan urged the University to reinvest in quality and to consider limiting additional enrollment. Students have borne more than their fair share of the costs during the financial crisis and in the new budget reality. UC should evaluate any cost-cutting measure by whether it affects the core mission of the institution. UC's climate neutrality efforts should not result in additional costs to students.

The meeting adjourned at 12:25 p.m.

Attest:

Secretary and Chief of Staff

Attachment 1

2015-16 BUDGET FOR STATE CAPITAL IMPROVEMENTS ($000s)
CCCI 6284

CRITERIA	CAMPUS	PROJECT	PHASE	REQUEST	SOURCE	TOTAL BUDGET
		Continuing Projects				
Modernization	ANR	Intermountain Research Extension Center	**C**	**$1,786**	*	$2,086
			E	*$100*	*CF*	
Seismic/Life Safety	DV	Chemistry Seismic and Life Safety Corrections	**C**	**31,076**	*	34,558
Previous Growth	M	Classroom and Academic Office Building	**E**	**4,951**	*	54,845
Modernization	R	Batchelor Hall Building Systems Renewal	**WC**	**17,777**	*	18,179
Seismic/Life Safety	R	Environmental Health and Safety Expansion	**E**	**369**	*	21,051
Seismic/Life Safety	SF	Clinical Sciences Building Seismic Retrofit	**C**	**21,735**	*	91,468
			C	*52,001*	*EF* *	
Previous Growth	SC	Coastal Biology Building	**E**	**2,000**	*	73,642
		New Projects				
Seismic/Life Safety	SB	Campbell Hall Replacement Building	**PWCE**	**15,787**	*	31,574
			PWCE	*15,787*	*CF*	
Modernization	B	Wheeler Hall	**WC**	**19,400**	*	20,500
			PW	*1,100*	*CF*	
Previous Growth	SD	Biological and Physical Sciences Building	**C**	**55,800**	*	111,600
			C	*46,700*	*EF* *	
			E	*4,600*	*CF*	
Infrastructure	SC	Telecommunications Infrastructure Phase B	**C**	**12,623**	*	14,600
				413	*CF*	
Seismic/Life Safety	IR	Fire and Life Safety Improvements Phase 1	**DC**	**35,486**	*	35,486
Modernization	R	Pierce Hall Improvements	**PWC**	**34,680**	*	34,680
Seismic/Life Safety	SC	Environmental Health and Safety Facility	**PWC**	**19,437**	*	19,437
Seismic/Life Safety	LA	CHS - SOM West Seismic Renovation	**C**	**25,000**	*	40,000
			PWC	*15,000*	*CF*	
TOTAL 2015-16 STATE PROGRAM				**$297,907**		**$603,706**

* Financing associated with this fund source is subject to a future action.