

THE REGENTS OF THE UNIVERSITY OF CALIFORNIA

January 26, 2017

The Regents of the University of California met on the above date at UCSF–Mission Bay Conference Center, San Francisco.

Members present: Regents Blum, Brody, De La Peña, Elliott, Gould, Island, Kieffer, Lansing, Lozano, Makarechian, Napolitano, Newsom, Ortiz Oakley, Pattiz, Pérez, Ramirez, Schroeder, Sherman, Torlakson, Varner, and Zettel

In attendance: Regents-designate Mancina and Monge, Faculty Representatives Chalfant and White, Secretary and Chief of Staff Shaw, Executive Vice President and Chief Financial Officer Brostrom, Executive Vice President and Chief Operating Officer Nava, Senior Vice Presidents Henderson and Peacock, Vice Presidents Brown and Duckett, Chancellors Block, Blumenthal, Dirks, Gillman, Hawgood, Khosla, Leland, Wilcox, and Yang, Interim Chancellor Hexter, Chief Deputy General Counsel Petrulakis, and Recording Secretary McCarthy

The meeting convened at 9:50 a.m. with Chair Lozano presiding.

1. APPROVAL OF MINUTES OF PREVIOUS MEETING

Upon motion duly made and seconded, the minutes of the meeting of November 17, 2016 were approved.

2. PUBLIC COMMENT

Chair Lozano explained that the public comment period permitted members of the public an opportunity to address University-related matters. The following persons addressed the Board concerning the items noted.

- A. Mr. Roberto Vargas, UCSF employee, urged divestment of UC investments that support the Dakota Access Pipeline, including Energy Transfer Partners and banks funding construction of the pipeline. He expressed concern about possible contamination to drinking water because of the pipeline.
- B. Ms. Diana Jekki, UC Riverside student, expressed opposition to an increase in tuition, and urged reallocation of University funds and finding alternative sources of revenue.
- C. Ms. Iman Siddiqi, third-year UC Irvine student, stated that calls for the Regents to join the Institute of International Education Syria Consortium to create scholarships for students displaced by conflict had become even more critical because of President Donald Trump's forthcoming executive order to halt what she said was legal immigration of Syrians and others. She urged the University to

condemn this executive order and support continuation of visas for all refugee students.

- D. Mr. Alex Lee, UC Davis student and president of the Associated Students of UC Davis, spoke against tuition and student fee increases. Students should be the last resort to fund UC. The proposed increases would not be small for students. Middle-class students would be hard hit, as the Middle Class Scholarship program was eliminated from the Governor's proposed State budget. Thousands of students receive no financial aid. Raising tuition would exacerbate existing housing and food insecurity.
- E. Ms. Ifechukwu Okeke, UC Berkeley student, urged the Regents to increase their accessibility to students and expressed opposition to a tuition increase.
- F. Professor Edward Yelin, UCSF Professor Emeritus and Chair of the UCSF Faculty Association, reported that the UCSF Faculty Association had sent a letter to President Napolitano outlining its opposition to outsourcing UCSF Information Technology (IT) services. As a recipient of federal funds, UC has an obligation to use those funds to hire U.S. taxpayers. UC had historically been an excellent employer. IT services are a crucial part of UCSF's teaching, research, and clinical care. Losing personal collaboration among IT staff and UCSF faculty, staff, and students would reduce the quality and efficiency of their work. The risk of a breach of patient medical records and student financial records would be heightened. He urged the Regents to rescind the outsourcing of IT services.
- G. Mr. Keith Pavlik, UCSF employee and member of University Professional and Technical Employees Communications Workers of America Local 9119, commented that the following legislators had submitted letters opposing outsourcing UCSF IT services: Senators Dianne Feinstein, Kamala Harris, and Charles Grassley, Representatives Zoe Lofgren, Barbara Lee, Mark DeSaulnier, Anna Eshoo, Jared Huffman, Nancy Pelosi, and Eric Swalwell. He urged the Regents not to outsource UCSF IT services, which play an important part in UCSF research and patient care.
- H. Ms. Tammi Rossman-Benjamin, of the AMCHA initiative, stated that 46 organizations sent the Board of Regents a letter regarding the growing problem of intolerance on UC campuses. She expressed concern that, in the increasingly polarized political environment, students of diverse beliefs were feeling increasingly threatened and unsafe. She affirmed the relevance and importance of the Regents Statement of Principles Against Intolerance. She urged all UC chancellors to implement the Principles.
- I. Mr. Robert Harrison, UCSF IT employee, said he had been negatively affected by the decision to outsource UCSF IT jobs. As a California taxpayer, husband, father, and community leader, Mr. Harrison has been affected in his ability to earn an honest living and provide for his household. He said he had operated

successfully in his position, but now was being told that someone in another country could do his job better. He urged the Regents to rescind the decision to outsource UCSF's IT positions and honor American workers.

- J. Mr. Kurt Ho, a former UCSF IT employee in data center operations who had been terminated, said he was a highly skilled IT professional with 30 years of experience in building out IT infrastructure supporting mission-critical applications. He expressed his view that the push to outsource UCSF data centers out of state, and to offshore support of data center operations to India was flawed. It was industry best practice to have more than one data center and that having the data center 800 miles from UCSF created problems of slowness and unresponsiveness. IT issues also were taking longer to be resolved. Patients could be put at risk and he questioned the effect on IT support for UCSF's big data initiatives.
- K. Mr. Kenneth Garges, UC Santa Cruz 25-year IT employee, said many companies were reversing course, after having failed to realize anticipated cost savings from outsourcing IT work. UC should learn from these mistakes. UC Santa Cruz faculty benefit from having on-campus IT support personnel who can help solve IT issues necessary to support research. On-site IT personnel also support IT career paths for UCSC students majoring in science, technology, engineering, and mathematics fields, through work-study and internship positions in the campus IT organization.
- L. Mr. Max Belasco, fourth-generation UCLA graduate and UCLA School of Law IT professional, stated that for generations UCLA had set exemplary employment standards and allowed entire families to achieve middle-class stability. However, outsourcing IT work removes good employment opportunities that help California thrive. Outsourcing IT jobs runs counter to the University's values. He urged the Regents to stop the outsourcing of UCSF IT positions.
- M. Mr. Michael Holford, 32-year UC Santa Barbara IT worker, asked the Regents to stop the outsourcing of IT positions and expressed concern about the possible expansion of outsourcing to other UC campuses.
- N. Mr. Dan Russell, five-year UC Berkeley employee, expressed opposition to UCSF's outsourcing of IT jobs, which sets a dangerous precedent for all UC IT workers. This outsourcing threatened the reputation and legitimacy of the UC system, and was opposed by the affected workers and their colleagues, the larger UC community, and California legislators. He said the outsourcing would exacerbate public and government mistrust of UC that has led to a lack of support for public higher education. Mr. Russell stated that outsourcing such as this led to the election of President Donald Trump.
- O. Mr. Steve Dalton, UC Berkeley IT worker since 2013, voiced opposition to IT outsourcing, as there were serious questions about its efficiency and long-term

rewards. He said national opinion was currently opposed to outsourcing. He urged the Regents to reconsider the outsourcing of these positions, which he said could be used as a precedent for other UC campuses.

- P. Mr. Patrick Dejeu, representing the group Ethical Investment for the University of California, expressed concern about pressing issues of student hunger, homelessness, and basic needs insecurity, which he said was more prevalent than commonly understood and affected students' academic performance. He applauded the Berkeley Food Pantry's efforts, which however were insufficient to address the need. He urged increased funding to fight students' basic needs insecurity.
- Q. Mr. Anthony Gonzales said UC investments should not support the oil industry. He advocated respect for the treaty and water rights of American Indians, particularly at Standing Rock, North Dakota, and urged investing in sustainable resources.
- R. Ms. Ana Bucardo, first-year UC Riverside student, expressed opposition to an increase in tuition. She stated that, given the high total cost of attendance, even a small increase in tuition would be significant to students.

President Napolitano introduced UC Student Association president Ralph Washington, Jr., to address the Regents on issues of student concern.

Mr. Washington expressed appreciation of the work of Regents Gould and Island, whose terms as Regents were ending. He invited Regents to join him on campus visits in the coming spring. He stated that incarceration and the school-to-prison pipeline for young black men were significant barriers to diversity in higher education. Regarding the proposed tuition increase, Mr. Washington noted that students currently invest more in their education than the State does, and the State invests more in prisons than it does in higher education. He urged sending the message to the State to invest in graduation, not incarceration, and said the University should end its relationships with companies that profit from prisons. Mr. Washington advocated for solidarity to protect vulnerable members of the UC community.

3. **COMMITTEE REPORTS INCLUDING APPROVAL OF RECOMMENDATIONS FROM COMMITTEES**

Chair Lozano stated that Chairs of Committees and Subcommittees that met the prior day and off-cycle would deliver reports on recommended actions and items discussed, providing an opportunity for Regents who did not attend a particular meeting to ask questions.

Report of the Academic and Student Affairs Committee

Regent Island reported that the Committee considered three discussion items and one action item.

A. ***Update on Additional Student Support Services Provided with One-time Funding in 2016-17 State Budget***

Included in the 2016-17 State budget is \$20 million in one-time funding for support services for low-income students and students from underrepresented minority groups, including students who were enrolled in high schools designated by the California Department of Education as eligible for supplemental funding under the Local Control Funding Formula (LCFF). The funding was designed both to increase the number of low-income students who enroll at UC and to expand academic support services to ensure their academic success and timely graduation.

In August 2016, these funds were allocated by the Office of the President among UC's nine undergraduate campuses. Campuses were asked to use 20 percent to 40 percent of their funding for efforts to increase the application, admission, and enrollment of students from Local Control Funding Formula Plus (LCFF+) high schools, and the remaining 60 percent to 80 percent to provide academic support services to enrolled students, focusing on those who are low-income, first-generation college, or otherwise educationally disadvantaged. This flexibility acknowledged that campuses are differentially situated in terms of how best to spend additional funds.

The UC Office of the President (UCOP) set aside \$1 million of the funding as supplemental funds to be awarded to particularly promising programs. Six UC campuses submitted applications for this additional funding. Committee members expressed appreciation for this funding which would be used to both expand outreach efforts at LCFF+ schools and improve outcomes for LCFF+ students and others who are similarly situated but did not attend LCFF+ schools. There was an interest in evaluating whether these outreach efforts could be expanded to local California Community Colleges where there may be a similar pool of applicants at the transfer level. Committee members emphasized the importance of recruitment tools and other efforts to increase applications from these communities to improve the diversity of UC. Committee members also discussed how systemic change could be created over time and success of these efforts could be evaluated. Relevant data could include increases in applications, admissions, and enrollment, and improvements in persistence and graduation rates. An initial report evaluating these outcomes would be completed by the end of the year.

B. *Support for Diverse Careers for Graduate Students*

This discussion focused on ways that UC prepares its academic doctoral students for the multiple career opportunities available to them. UC enrolls more than 26,000 academic doctoral students, nearly ten percent of all UC students, ranging from six percent at UC Merced to 13 percent at UC Berkeley. The proportion of graduate students at UC campuses and systemwide is generally lower than at peer research universities. UC graduates seven percent of the nation's Ph.D.s, 64 percent of all Ph.D.s awarded in California, and 70 percent of California science, technology, engineering, and mathematics Ph.D.s.

One year post-graduation, 34 percent of all UC Ph.D.s were employed in non-academic careers; 42 percent were employed by universities; and another seven percent by other academic-related institutions. UC conducted a doctoral alumni survey in 2014 of graduates in the past 40 years. It showed that 42 percent of doctoral graduates work in tenure-track faculty positions. UC campuses have developed a variety of structures and activities to raise student awareness of non-academic employment options and prepare students to compete for them.

Committee members emphasized the importance of increasing diversity among both doctoral students at UC and those that continue on to faculty positions. The Graduate Division Deans from UC Berkeley and UC Irvine shared efforts on their campuses to support that work, including emphasis of unconscious bias training for application reviewers, leadership coaching from Ph.D.s to undergraduates who may pursue graduate education, and financial aid programs for graduate support.

Committee members identified overreliance on the standardized Graduate Record Examination as a fundamental challenge to improving graduate diversity. The Graduate Division Deans discussed holistic efforts to review applications where exams are not the sole factor in admission decisions.

Committee members expressed an interest in future briefings on the proportion of graduate students coming into California, how many remain in the state, and graduate student support.

C. *Update on Workgroup on Undocumented/AB540 Members of the University of California Community*

In fall 2013, President Napolitano committed \$5 million in one-time, non-State funds to provide undocumented students with additional student support services and financial aid designed to give them equal access to University opportunities, services, and programming. In May 2016, President Napolitano announced an additional three-year commitment to support the University's efforts for undocumented UC students. The funding was dedicated to UC's DREAM Loan Program, student services staff coordinators, and UC's Undocumented Legal Services Center.

The day after the U.S. presidential election, President Napolitano formed a Workgroup on the Undocumented/AB540 Members of the UC Community to evaluate possible changes in federal policy and to consider what actions the University may take to ensure that UC remains a welcoming environment for all, and that it provides equal access and opportunity for undocumented members of the UC community. On November 30, 2016, UC issued its Statement of Principles in Support of Undocumented Members of the UC Community as a result of the first phase of the Workgroup's efforts and consultation with internal and external stakeholders.

D. *Establishment of a School of Nursing, Irvine Campus*

The Committee recommended that Section 15 (a) of the Academic Units and Functions, Affiliated Institutions, and Related Activities of the University, as provided for in Standing Order 110.1, be amended as follows:

Additions shown by underscoring

* * *

15. Professional Schools

- (a) There are established the following schools, with curricula based on two or more years of undergraduate work as well as graduate curricula as listed:

* * *

- Sue and Bill Gross School of Nursing, at Irvine, with curricula leading to the degrees of Bachelor of Science, Master of Science, and Doctor of Philosophy and to a Post-Master's Nurse Practitioner Certificate.

The University of California, Irvine (UCI) proposes to establish the Sue and Bill Gross School of Nursing from its existing Program in Nursing Science. Establishment of the school is supported by an unprecedented gift to UCI of \$40 million from the Gross Family Foundation.

The proposal emphasizes a clear and growing need to create a pipeline of nurses and nursing faculty educated at the doctoral level; improve the quality and breadth of the University's current academic programs in nursing science; ensure the program's successful accreditation; and expand the faculty's extensive community engagement in promoting health and preventing disease.

Currently UCI has 42 students in its nursing master's and doctoral degree programs. The Program in Nursing Science has demonstrated financial stability since its inception, with campus allocations and State funds, in addition to

revenue from continuing education fees, professional school fees, self-supporting programs, and sponsored projects.

The proposal for the Sue and Bill Gross School of Nursing has been reviewed and recommended for approval on the UC Irvine campus and subsequently at the Office of the President, following all required procedures. These rigorous procedures involve committees of the Academic Senate on the campus and systemwide, and the responsible academic leaders at UC Irvine and UCOP, culminating with the recommendation for approval from the UC Irvine Chancellor and the UC President.

Upon motion of Regent Island, duly seconded, the recommendation of the Academic and Student Affairs Committee was approved.

Report of the Compliance and Audit Committee

Regent Zettel reported on the Committee's one discussion item.

Internal Audit Activities Report

UCOP's Internal Audit Office hired a director and two specialists for its cybersecurity team. Aside from cybersecurity audit projects, the team would be involved in systemwide penetration testing, a comprehensive cybersecurity risk assessment, and the delivery of cybersecurity awareness training to faculty and staff. In addition, Internal Audit engaged an outside independent firm to conduct a self-assessment of Student Health and Counseling Centers to assess operations for certain risk areas. The results were currently being reviewed and compiled, and would be presented to the Regents at a future meeting.

Internal Audit also completed field work for the first phase of the operational readiness assessment for the pilot deployment of UCPATH at UCLA, Associated Students UCLA, UC Merced, and UC Riverside. The program is planned to be implemented in August.

Audit advisory services conducted by local audit departments have focused primarily on the following key areas: procurement and business contracts, information privacy and security, facilities management, research compliance, medical billing, and recruitment and hiring practices. Control weaknesses observed in local and systemwide audits fell in the categories of financial management, information technology security, and governance and oversight. Recent investigatory activity by local internal audit departments revealed conflicts of interest, theft, improper financial management in research, and falsification of University records. Regent Zettel assured the Regents that the local audit teams take these incidents very seriously and each one has a corrective action plan.

Report of the Finance and Capital Strategies Committee

Regent Makarechian reported that the Committee had considered six items for action, three items for action as part of a consent agenda, and deferred one item for discussion:

A. ***Approval of Preliminary Plans Funding, Multidisciplinary Research Building 2, Riverside Campus***

The Committee recommended that the 2016-17 Budget for Capital Improvements and the Capital Improvement Program be amended to include the following project:

Riverside: Multidisciplinary Research Building 2 – preliminary plans – \$7.6 million to be funded from campus funds.

B. ***Approval of Preliminary Plans Funding, Nuevo East Student Housing Project, San Diego Campus***

The Committee recommended that the 2016-17 Budget for Capital Improvements and the Capital Improvement Program be amended to include the following project:

San Diego: Nuevo East Student Housing – preliminary plans – \$8,515,000 to be funded from housing auxiliary reserves.

Regent Makarechian commented that this \$8.5 million project would add 1,100 new beds.

C. ***Approval of Budget, External Financing, and Design Following Action Pursuant to California Environmental Quality Act, Middle Earth Expansion, Irvine Campus***

(1) The Committee recommended that:

- a. The 2016-17 Budget for Capital Improvements and the Capital Improvement Program be amended as follows:

Irvine: Middle Earth Expansion – preliminary plans, working drawings, construction, and equipment – \$132,123,000 to be funded from external financing (\$98.1 million) and housing reserves (\$34,023,000).

- b. The scope of the Middle Earth Expansion project shall include the construction of a residence hall facility with approximately 494 beds; replacement and expansion of the dining commons, Housing Administrative Services space, and building support space; and renovation of the existing Pippin Dining Commons to provide a fitness facility and other support functions, totaling approximately 230,000 gross square feet.

- c. The President of the University be authorized to obtain external financing not to exceed \$98.1 million plus additional related financing costs. The President shall require that:
 - i. Interest only, based on the amount drawn down, shall be paid on the outstanding balance during the construction period.
 - ii. As long as the debt is outstanding, general revenues of the Irvine campus shall be maintained in amounts sufficient to pay the debt service and to meet the related requirements of the authorized financing.
 - iii. The general credit of the Regents shall not be pledged.
- (2) Following a review and consideration of the environmental consequences of the proposed Middle Earth Expansion project, as required by the California Environmental Quality Act (CEQA), including any written information addressing this item received by the Office of the Secretary and Chief of Staff no less than 24 hours in advance of the beginning of this Regents meeting, testimony or written materials presented to the Regents during the scheduled public comment period, and the item presentation, the Committee reported its:
 - a. Adoption of the Initial Study/Mitigated Negative Declaration for the Middle Earth Expansion project in accordance with CEQA.
 - b. Adoption of the CEQA Findings for the Middle Earth Expansion project.
 - c. Approval of the design of the Middle Earth Expansion project.
- (3) The Committee recommended to the Regents that the President of the University, in consultation with the General Counsel, be authorized to execute all documents necessary in connection with the above.

Regent Makarechian commented that this project would add 494 beds at a cost of \$132 million, \$98 million of which would be from external financing, an example of the need for UC campuses to assume debt to provide for their capital needs.

D. *Approval of Budget, Standby Financing, Interim Financing, and Design Following Action Pursuant to California Environmental Quality Act, Anderson School of Management Addition, Los Angeles Campus*

- (1) The Committee recommended to the Regents that:

- a. The 2016-17 Budget for Capital Improvements and the Capital Improvement Program be amended as follows:

From: Los Angeles: Anderson School of Management Addition – preliminary plans – \$4.2 million to be funded from gift funds.

To: Los Angeles: Anderson School of Management Addition – preliminary plans, working drawings, construction, and equipment – \$70,835,000 to be funded from gift funds.
- b. The Anderson School of Management Addition project (the Project) shall construct an approximately 62,650-gross-square-foot (gsf) addition to the Anderson School of Management complex to accommodate technology-equipped teaching spaces, student support, and event spaces. The Project will also include renovation of approximately 1,100 gsf in the existing complex to provide a connection to the new addition, making the total Project area approximately 63,750 gsf.
- c. The President of the University be authorized to obtain standby financing not to exceed \$38,453,000. The President shall require that:
 - i. Interest only, based on the amount drawn, shall be paid on the outstanding balance during the construction period.
 - ii. Repayment of any debt shall be from gifts funds. As gifts are received, the campus will reimburse the standby financing in a timely fashion. If gift funds are insufficient and some or all of the debt remains outstanding, then the Anderson School of Management reserves shall be used to pay the debt service and to meet the related requirements of the authorized financing.
 - iii. The general credit of the Regents shall not be pledged.
- d. The President be authorized to obtain interim financing not to exceed \$28,235,000. The President shall require that:
 - i. Interest only, based on the amount drawn down, shall be paid on the outstanding balance during the construction period.

- ii. To the extent additional gifts are received as documented legally binding pledges, the interim financing will be converted to standby financing.
 - iii. As long as the debt is outstanding, general revenues from the Los Angeles campus shall be maintained in amounts sufficient to pay the debt service and to meet the related requirements of the authorized financing.
 - iv. The general credit of the Regents shall not be pledged.
- (2) Following review and consideration of the environmental consequences of the proposed Anderson School of Management Addition project, as required by the California Environmental Quality Act (CEQA), including any written information addressing this item received by the Office of the Secretary and Chief of Staff no less than 24 hours in advance of the beginning of this Regents meeting, testimony or written materials presented to the Regents during the scheduled public comment period, and the item presentation, the Committee reported its:
- a. Adoption of the Final Initial Study/Negative Declaration.
 - b. Adoption of Findings in support of the Project.
 - c. Approval of the design of the Anderson School of Management Addition, Los Angeles campus.
- (3) The Committee recommended that the President, in consultation with the General Counsel, be authorized to execute all documents necessary in connection with the above.

Regent Makarechian remarked that this project would be funded entirely with gift funds and would not affect UCLA's debt load.

E. ***Approval of Budget, External Financing, Standby Financing, Amendment #2 to the UC San Francisco 2014 Long Range Development Plan, and Design Following Action Pursuant to the California Environmental Quality Act, Mission Bay East Campus Phase 1 Building (Block 33), San Francisco Campus***

- (1) The Committee recommended to the Regents that:
- a. The 2016-17 Budget for Capital Improvements and the Capital Improvement Program be amended as follows:

From: San Francisco: Mission Bay East Campus Phase 1 Building (Block 33) – preliminary plans – \$11 million funded from campus funds.

To: San Francisco: Mission Bay East Campus Phase 1 Building (Block 33) – preliminary plans, working drawings, construction, and equipment – \$237.13 million, to be funded from external financing (\$159.13 million), gifts (\$60 million), and campus funds (\$18 million).

- b. The scope of the UCSF Mission Bay East Campus Phase 1 Building (Block 33) (the Project) shall consist of constructing a new academic, administrative, and outpatient clinical building with 275,400 assignable square feet (asf) of space that would include: desktop workspace (200,500 asf); clinical (45,200 asf); laboratory and biomedical workshop (5,700 asf); centralized meeting space, building support and a small amount of retail (24,000 asf).
- c. The President of the University be authorized to obtain external financing not to exceed \$159.13 million plus additional related financing costs. The President shall require that:
 - i. Interest only, based on the amount drawn, shall be paid on the outstanding balance during the construction period.
 - ii. As long as the debt is outstanding, the general revenues of the San Francisco campus shall be maintained in amounts sufficient to pay the debt service and to meet the related requirements of the authorized financing.
 - iii. The general credit of the Regents shall not be pledged.
- d. The President be authorized to obtain standby financing not to exceed \$50 million. The President shall require that:
 - i. Interest only, based on the amount drawn, shall be paid on the outstanding balance during the construction period.
 - ii. Repayment of any debt shall be from gifts funds. As gifts are received, the campus will reimburse the standby financing in a timely fashion. If gift funds are insufficient and some or all of the debt remains outstanding, then campus funds from a centrally managed pool of unrestricted funds (non-State, non-tuition), including indirect cost recovery on sponsored contracts and grants

and investment earnings, shall be used to pay the debt service and to meet the related requirements of the authorized financing.

iii. The general credit of the Regents shall not be pledged.

(2) Following review and consideration of the environmental consequences of the proposed Mission Bay East Campus Phase 1 Building (Block 33) project, as required by the California Environmental Quality Act (CEQA), including any written information addressing this item received by the Office of the Secretary and Chief of Staff no less than 24 hours in advance of the beginning of this Regents meeting, testimony or written materials presented to the Regents during the scheduled public comment period, and the item presentation, the Committee reported its:

- a. Finding that the Project is in conformance with CEQA as indicated in Addendum #2 to the UC San Francisco 2014 Long Range Development Plan (LRDP) Final Environmental Impact Report (FEIR).
- b. Adoption of Findings in support of the Project.
- c. Approval of Amendment #2 to the LRDP to revise the functional zone map for the Mission Bay campus site by designating the Block 33 building site as within the “Research” functional zone.
- d. Approval of the design of the Mission Bay East Campus Phase 1 Building (Block 33) project, San Francisco campus.

(3) The Committee recommended that the President, in consultation with the General Counsel, be authorized to execute all documents necessary in connection with the above.

Regent Makarechian summarized that this 343,000 gross-square-foot building had a budget of \$237 million, including \$159 million in external financing and \$60 million in gift funds.

F. ***Acceptance of the 2016-26 Capital Financial Plan***

The Committee recommended that the University of California 2016-26 Capital Financial Plan be accepted.

Regent Makarechian displayed a graph showing that in 1990-91 the cost of educating a UC student was \$24,410, of which \$19,100 came from State General Funds. By 2016-17 the cost of educating a student had been reduced to \$18,780, but only \$7,160 came from the State General Fund. The capital needs of the

University, for building classrooms, libraries, and building maintenance, used to be supported by State General Obligation Bonds, amounting to more than \$1 billion from 1996 to 2000. Since then State support for UC's capital needs has steadily decreased and there has been no General Obligation Bond support for UC since 2010. As a result, UC campuses have had to use their cash on hand and every possible source of funding and external financing to build their campuses. The new UC Merced campus has more debt than any of the older UC campuses because it must borrow funds to pay for its buildings. Even though it is receiving no State support for capital projects, the University is adding students. Campus funds that should be used for instructional purposes instead have to be used for capital projects. UC Berkeley currently had only \$9 million in debt capacity for capital projects. Regent Makarechian stated that if this lack of funding from the State for capital projects is not addressed, the UC campuses would face dire consequences. The Board must address this situation.

Executive Vice President and Chief Financial Officer Brostrom stated that the University had focused on its operating budget and State disinvestment and less on UC's capital budget. He acknowledged that State support for the Cal Grant program has helped address affordability. The University had presented a six-year capital plan of \$14 billion, half of which would be from identified revenue sources such as from housing or medical centers. In the past, the remaining \$7 billion would have come from State support, but now the University was forced to fund capital projects from its own balance sheet, forcing the chancellors to make tradeoffs between other parts of their operating budgets. He estimated that half of the capital projects were deferred maintenance needed in addition to new projects to accommodate enrollment growth.

G. ***Update on Fiat Lux Captive Insurance Company***

This discussion item was deferred.

Consent Agenda

Amendment of Standing Order 100.4 – Duties of the President and Regents Policy 8102 – Approval of Design, Long Range Development Plans, and the Administration of the California Environmental Quality Act to Extend the Pilot Phase of the Delegated Process for Capital Projects

The Committee recommended that the Regents:

- A. Following service of appropriate notice, amend Standing Order 100.4 – Duties of the President as shown in Attachment 1.
- B. Upon final approval of the amendment of Standing Order 100.4 – Duties of the President as shown in Attachment 1, amend Regents Policy 8102: Policy on Approval of Design, Long Range Development Plans, and the

Administration of the California Environmental Quality Act as shown in Attachment 2.

First Amendment to 2010 Cooperative Agreement for Isla Vista Community Improvements, Santa Barbara Campus

The Committee recommended that:

- A. The President of the University or her designee be authorized to approve the First Amendment to the 2010 Cooperative Agreement for Isla Vista Community Improvements to modify the timing of University payments provided that the total financial obligation of the University of \$2 million is not increased and the County's financial obligations are not reduced.
- B. The President or her designee, in consultation with the General Counsel, be authorized to execute all documents necessary in connection with the above.

Authority to Indemnify the California Coastal Commission for Development Permits for UC Santa Barbara Projects in the Coastal Zone, Santa Barbara Campus

The Committee recommended that:

- A. The President of the University or her designee be authorized to approve the special condition of the California Coastal Commission's permits for UC Santa Barbara to indemnify and hold harmless the Commission from and against any liability arising from any damage due to hazards including storm waves, surges, flooding, fire, tsunami, and sea level rise.
- B. The Regents approve Special Condition 3 of the California Coastal Commission's Permit for the North Campus Open Space Restoration Project (Project) to indemnify and hold harmless the Commission from and against any liability arising from any damage due to hazards including storm waves, surges, bluff erosion, flooding, fire, tsunami, and sea level rise.
- C. The President, in consultation with the General Counsel, be authorized to execute all documents necessary in connection with the above.

Regent Ortiz Oakley commented that the challenge of financing UC's facilities was directly affecting students currently and would in the future as UC's enrollment increased. He asked what options were available for the Regents to remedy this problem, since, in his view, the University could not continue in this direction. He observed that California taxpayers have demonstrated a willingness to raise taxes for local colleges and school districts, and he expected they would be willing to support the University.

Mr. Brostrom responded that the University had obtained low-cost capital by issuing two tranches of Century Bonds from which UC campuses were setting up revolving loan funds specifically for deferred maintenance. Other suggestions included seeking funding from endowment cost recovery, a portion of which would be directed toward deferred maintenance. The endowment payout had historically supported personnel. UC campuses were also using indirect cost recovery to fund buildings. Challenging areas remained funding for classrooms, teaching laboratories, and the supporting technology. While acknowledging the Governor's desire to curtail the State's debt levels and unfunded liabilities, Mr. Brostrom said the State's debts levels were currently low. He suggested approaching the Legislature about restoring the State Public Works Board Lease Revenue Bond process. Further use of Century Bonds and creative ways to use restricted funds could also be considered.

Regent Makarechian explained that the interest on general obligation bonds is guaranteed by the State, unlike the external financing currently used by UC where the University pays the interest. He commented that the best solution would be to have the State issue General Obligation Bonds again. Mr. Brostrom added that Lease Revenue Bonds have the commitment of both the State and the University; they count against UC's balance sheet, but not nearly so much as UC's external financing does.

Regent Blum expressed concern about a possible reduction of federal funding to California and its effect on the University. He urged the University to act as quickly as possible to find sources of funding for capital projects, as he anticipated interest rates would increase. Regent Makarechian added that the UC campuses are approaching the limits of their debt capacities. For example, UC Berkeley has only \$9 million of outstanding debt capacity. UC would require State support and had never before been expected to build its campuses without support while increasing enrollment. Regent Blum noted a serious effect on the morale of UC Berkeley faculty and staff.

Regent Kieffer pointed out that UC's cost of education per student had decreased. The financial shortfall was caused by the State's withdrawal of support for year-to-year operating expenses and for capital needs. Support for UC had been shifted from the public, through State funding, to the individuals attending UC. This distinction would be important for the public to understand.

Regent Varner requested a dollar amount for outstanding deferred maintenance. Mr. Brostrom stated that his office was working with all UC campuses to standardize reporting of deferred maintenance. He had previously estimated \$3 billion, but that involved only those projects eligible for State funding, which did not include student housing or the medical centers. Regent Varner said having a best estimate of all deferred maintenance would be necessary for the Board to address this issue.

Regent Lansing expressed appreciation for this explanation of the unsustainability of the current methods of funding capital projects.

Upon motion of Regent Makarechian, duly seconded, the recommendations of Finance and Capital Strategies Committee were approved.

Report of the Governance and Compensation Committee

Regent Gould reported that the Committee considered one discussion item and one action item.

A. *Semi-Annual Report on Outside Professional Activities Approved in 2016*

In 2016, the Regents amended the Regents Policy on Senior Management Group (SMG) Outside Professional Activities so that SMG personnel would report every six months in detail regarding their Outside Professional Activities that were approved in the preceding six-month timeframe. The report showed there were 11 individuals that requested such approval. The Committee was pleased that the approvals reflected no conflict or appearance of conflict with UC employment, and the process worked well.

B. *Appointment of Regents to Leadership Positions on a Committee and Subcommittee*

The Committee recommended that:

- (1) Regent Pérez be appointed as Chair of the Academic and Student Affairs Committee, effective March 1 through June 30, 2017.
- (2) Regent Elliott be appointed as Vice Chair of the Investments Subcommittee, effective March 1 through June 30, 2017.

Upon motion of Regent Gould, duly seconded, the recommendation of the Governance and Compensation Committee was approved.

Report of the Health Services Committee

Regent Lansing reported on the following items from the Committee's December 5, 2016 meeting. Regent Lansing said the purpose of the extended meeting was to better understand the overall clinical strategy of UC Health, to provide a context for the future transactions the Committee would be asked to approve.

A. *UC Health: Review of the Clinical Enterprise Strategy*

Executive Vice President Stobo discussed three principles guiding UC Health's overall strategy: to maintain quality, gain market share, and increase the number of individuals accessing care through UC Health. An insurance strategy would be employed to expand the University's self-insured health benefit products and to partner with commercial health plans. For two commercial insurers, Anthem and

UnitedHealthcare, UC Health would be a preferred provider or center of excellence for enrollees. Presently, approximately one-third of UC employees receive their health care through a self-insured product under the direction of UC Health. Through this arrangement, UC has gained better control over benefits offered, ensured that more dollars spent stay within UC, and maintained affordable and predictable costs. UC Health capped the year-over-year increase in premiums at no more than five percent.

The second part of the strategy would be the formation of alliances and affiliations with other providers and facilities to provide health care in their geographical area. The Committee wanted a consistent way to be able to assess the value of these relationships to UC Health and was especially concerned about steps to ensure that the quality of care provided by the affiliated groups was consistent with that expected from UC, so that the brand of UC Health would not be damaged.

The third strategy was to ensure that quality of care provided by UC Health would be perceived as adding value to the health of the population served. Several examples were presented. Regardless of the fate of the Affordable Care Act, the emphasis on value and quality would remain.

UC Health is committed to these three strategies and they would be used by the Committee as the context within which to evaluate transactions.

B. *Operating Paradigms for the Future of UC Health*

The Committee discussed the ways Dr. Stobo's office interacts with the Office of the President and with the five UC campus medical centers. Dr. Stobo discussed possible organizational structures. He envisioned UC Health's organization as being in between a completely integrated system and an affiliation among separate entities that share a common purpose and some operational aspects.

Report of the Public Engagement and Development Committee

Regent Kieffer reported that the Committee considered four discussion items.

A. *Discussion of Public Engagement by Campuses at Future Committee Meetings*

These campus presentations at future meetings would address the ways in which UC campuses serve their communities and the state.

B. *Update on University of California-Sponsored State Legislation for 2017*

UC's Office of State Governmental Relations updated the Committee on UC-sponsored legislation for 2017: AB540 Expansion, Best Value Construction Program Sunset Removal, Domestic Violence Counselor Privilege Extension to UC, and Breast Cancer and Cancer Research Tax Check-off Renewal.

C. *Update on Final Actions of the 114th Congress and the Trump Administration Transition*

Senior Vice President Peacock and Associate Vice President Gary Falle provided an update on congressional activities and upcoming federal policy and funding issues.

D. *Annual Report on Sustainable Practices 2016*

Regent Kieffer noted the University's extraordinary success in meeting its sustainability goals.

Report of the National Laboratories Subcommittee

Regent Pattiz reported that the Subcommittee considered one discussion item.

Update on the National Laboratories

The National Laboratories received excellent 2016 annual performance evaluations. Los Alamos National Laboratory (LANL) received 90 percent of its available fee. The LANL contract runs until 2018 and the prior federal administration had decided to re-compete that contract. Regent Pattiz commented that the new administration could make a different determination. The Regents would have to determine if the University would compete for the contract and under what terms. He reaffirmed that the University's mission in its 60 years of involvement with the National Laboratories had not changed. The Lawrence Berkeley National Laboratory also received excellent performance evaluations and was awarded 94 percent of its available fee and a one-year award-term extension. Lawrence Livermore National Laboratory was also rated excellent, earning 92 percent of its available fee and a one-year contract term extension.

Regent Zettel asked if LANL employees would prefer LANL to be managed by the existing LLC and the weight their opinion would carry. Regent Pattiz responded that UC's private sector partners in the LLC would also be involved if the contract were re-competed.

4. **APPROVAL OF UNIVERSITY OF CALIFORNIA 2017-18 BUDGET FOR CURRENT OPERATIONS AND PROPOSAL FOR TUITION AND FINANCIAL AID**

The President of the University recommended that the Regents:

- A. Approve the budget plan as shown in Attachment 3 and included in the document *2017-18 Budget for Current Operations*.
- B. Approve the amounts shown in Display 1 for tuition and the Student Services Fee for undergraduate, graduate academic, and graduate professional students, effective with the 2017-18 academic year.
- C. Authorize the President to assess charges below the amounts shown in Display 1 if the State provides additional permanent funding to buy out some or all of the proposed increase in student tuition and fees.
- D. Approve the amount shown in Display 2 for Nonresident Supplemental Tuition for undergraduate nonresident students, effective with the 2017-18 academic year.

DISPLAY 1: Proposed Maximum Increases to Mandatory Systemwide Charges¹

	2016-17 Charges	<i>Adjustment</i>	Proposed 2017-18 Charges
Tuition²			
Undergraduate and Graduate	\$11,220	\$282	\$11,502
Student Services Fee			
Undergraduate and Graduate	\$1,074	\$54	\$1,128
Total Mandatory Systemwide Charges			
Undergraduate and Graduate	\$12,294	\$336	\$12,630

¹ Charges are effective the summer term preceding the academic year indicated – e.g., summer 2017 for 2017-18.

² Includes \$60 Surcharge to cover costs associated with the *Luquetta v. Regents* class action lawsuit.

DISPLAY 2: Proposed Increases to Nonresident Supplemental Tuition for Undergraduates¹

	2016-17 Charges	<i>Adjustment</i>	Proposed 2017-18 Charges
Nonresident Supplemental Tuition			
Undergraduate	\$26,682	\$1,332	\$28,014
Including Mandatory Systemwide Charges (from Display 1)			
Undergraduate	\$38,976	\$1,688	\$40,644

¹ Charges are effective the summer term preceding the academic year indicated – e.g., summer 2017 for 2017-18.

[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 Chief Financial Officer Brostrom introduced this item requesting approval of the University's operating budget for 2017-18 and proposed adjustments to tuition, the student services fee, and undergraduate Nonresident Supplemental Tuition. The budget plan would address some of the most significant issues facing the University, including enrollment growth for California undergraduates, ensuring affordability through increases in financial aid, supporting student mental health services, improving the student/faculty ratio, addressing capital needs driven by deferred maintenance and enrollment growth, and addressing mandatory costs including increases in both pension and retiree health liabilities. The proposed budget would continue UC's commitment to financial aid by increasing the overall pool of financial aid by \$50 million and providing 100,000 undergraduate students with additional aid above the cost of tuition. For two-thirds of UC's undergraduates increased financial aid would cover the proposed tuition and fee increases.

Mr. Brostrom explained the context for the operating budget. UC campuses enrolled roughly 7,500 more California undergraduates in 2016-17 than in 2015-16, representing the single largest one-year increase in California resident enrollment since the inception of the GI Bill at end of World War II. This growth strained campus resources, resulting in increased class sizes, bottlenecks in required courses for certain majors, and greater waiting time for academic advising and counseling, as growth in student services had not kept pace with enrollment growth. Enrollment growth had highlighted the need for capital investment for new space, deferred maintenance, and capital renewal of existing space. Student/faculty ratios have reached all-time highs at some campuses, having a direct effect on students' academic experience and class availability, thus affecting students' time to degree. The budget plan attempted to address some of these issues and improve student outcomes.

Mr. Brostrom discussed the University's longer-term funding, reflected in UC's capital plan totaling more than \$14.6 billion in the upcoming six years, of which more than \$5 billion was needed to accommodate enrollment growth and \$3 billion for deferred maintenance on State-supported space. The University would continue its commitment to meet some capital needs through the AB 94 process. However, absent new State bond financing, this process forces campuses to choose between debt service on capital projects and other needs. UC's pension and retiree health liabilities currently total \$36 billion. These obligations would not be solved through the proposed operating budget, but would require ongoing financing measures, cost containment, and continued in-year commitments from the operating budget.

Interim Associate Vice President David Alcocer added that the 2017-18 expenditure plan included additional enrollment growth of 2,500 California resident undergraduates, as anticipated by the State in the Budget Act of 2016 and consistent with the University's plan to increase California undergraduate enrollment by 10,000 students over three years starting in 2016-17. The plan also included enrollment of 900 additional graduate

students, who are critical to the University's mission. Graduate students teach and mentor undergraduates, perform groundbreaking research, are key to attracting and retaining top faculty, and help fill state workforce needs.

The expenditure plan also had provisions to enhance students' educational experience and improve their access to faculty, advisors, and classes. The plan included \$50 million to hire new faculty, adding course sections, improving graduate student support, upgrading education technology, and other investments that directly support student success. The plan also provided \$4.6 million to expand access to student mental health services.

The 2017-18 expenditure plan addressed critical capital needs by allocating \$50 million for deferred maintenance and seismic safety needs, and \$15 million for debt service and other expenses of capital projects approved through the AB 94 process. This \$15 million in permanent funding would allow the financing of more than \$200 million in projects. While not enough to meet UC's capital needs, it would make a meaningful difference.

The expenditure plan would include \$18.3 million in additional UC Retirement Plan (UCRP) contributions associated with projected changes in covered compensation systemwide. The budget assumed the same 14 percent employer contribution in place since 2014. The plan included \$27.1 million for employee and retiree health benefits, reflecting a fairly conservative growth rate of four percent over the current year. The plan reflected projected compensation increases of an average of three percent for non-represented faculty and staff, and an average price increase of 2.5 percent for all non-salary-related expenditures such as equipment, supplies, and utilities.

Mr. Brostrom described key revenue components. The Governor's January budget was largely consistent with the funding framework agreed to in 2015, with provisions for a four percent increase in UC's base budget, \$18.5 million to fund 2,500 additional California undergraduates in fall 2017, and \$169 million as the third installment of Proposition 2 funding to support UCRP's unfunded liability. Through the budget process, UC would work with the Governor and the Legislature on additional funding requests, including \$35 million in one-time funding for deferred maintenance, \$9 million to support 900 graduate students across the system, and funding for 2018-19 enrollment of 2,500 additional California undergraduates at the full marginal cost of \$10,000 per student.

UC would continue to leverage alternative revenues and reduce administrative costs. A lower level of incremental revenue from asset management is projected, primarily because the University is approaching the liquidity constraints of the campuses and the system. UC systemwide procurement would continue to expand to new categories and improve supply chain management. The insurance lines covered by Fiat Lux have expanded greatly and its investment pools have been brought in-house to be managed by the Office of the Chief Investment Officer, to both reduce both fees and increase returns. Continued phasing out of financial aid for nonresident undergraduates would contribute \$14 million to the overall budget.

Mr. Brostrom advised that the budget plan contains a tuition increase that would support enrollment growth, financial aid, and improved student outcomes. In-state tuition would increase 2.5 percent, or \$282; the Student Services Fee would increase five percent, or \$54. The combined increase in systemwide charges would be \$336, of which one-third would go to financial aid for California students. With UC financial aid combined with Cal Grants and the Middle Class Scholarship program, two-thirds of UC's undergraduates would not pay the tuition increase. Undergraduate Nonresident Supplemental Tuition would increase five percent, or \$1,332.

Mr. Alcocer discussed the effect of the proposed tuition increase on financial aid and affordability. He noted that UC undergraduates could expect additional support from three important programs: the State's Cal Grant program, UC's institutional aid program, and the State's Middle Class Scholarship program. He displayed a graph showing the additional support that typical students at different income levels could expect to receive in 2017-18 from those programs compared with the increase in student charges. For students with family incomes up to \$80,000, the increase in support would more than cover the increases in tuition and fees. Cal Grants and UC grants both increase when tuition increases. Students with Middle Class Scholarship awards would see an increase in awards in 2017-18 that would exceed tuition and fee increases. UC financial aid packages are designed to address students' total cost of attendance, not just tuition and fees. In 2017-18, UC students would receive more than \$540 million of financial aid for living expenses. Mr. Alcocer displayed a graph showing that UC's net cost for financial aid recipients is among the lowest in its comparator group.

Chair Lozano noted that the University's agreement with Governor Brown called for certain funding increases, and required the University to increase access, improve efficiencies, and ensure that UC offers the highest quality education. The *2017-18 Governor's Budget Summary* stated that "The University has demonstrated progress in all of the areas of the agreement..." and particularly noted UC's progress in activity-based costing and improving the transfer function. The agreement called for a 2017-18 tuition increase that would be moderate, predictable, and related to inflation, which the proposed 2.5 percent increase would be. The increased revenue would allow the University to meet its broad commitments of enrollment growth for California students, improved graduation rates, time-to-degree, course availability, classrooms, financial aid, and infrastructure. The proposed budget plan demonstrates that the University is prepared to meet these challenges in collaboration with the Governor and the Legislature. The University would continue to negotiate in areas such as graduate student support, the Middle Class Scholarship, and a review of the total cost of attendance.

Regent Lansing expressed support for the University's budget plan and expressed concern about the Governor's proposed phasing out of the Middle Class Scholarship. She advocated communicating with the Legislature about the financial hardships faced by many middle-class families in financing their children's college education. She noted the willingness expressed by Regents on the Public Engagement and Development Committee to assist in advocacy to the Legislature. Mr. Brostrom displayed a graph showing sources of student financial aid for students at different levels of family income.

The Middle Class Scholarship support plays an important role for middle-class families, which had been one of the most vulnerable groups. Regent Lansing observed the need for improved communication to the public about the financial challenge middle-class families face in paying for college.

Regent Makarechian expressed strong support for the Middle Class Scholarship program and asked how many students from middle-class families would be affected by the phasing out of the Middle Class Scholarship program. Mr. Alcocer said around 9,000 students would be affected. Continuing students who already received a Middle Class Scholarship would continue to be covered, but no new students would be covered.

Regent Elliott asked how much of the University's proposed budget was included in the Governor's proposed budget and whether UC needed additional State funding to balance its budget. Mr. Brostrom said that the Governor's budget did not cover UC's requests for \$35 million for deferred maintenance, \$9 million for graduate student support, and \$25 million for 2018-19 enrollment growth. Regent Elliott asked what funding would be needed to continue the Middle Class Scholarship program. Mr. Alcocer said that program would require \$30 million. Mr. Brostrom pointed out that amount would be needed in 2018-19, not in 2017-18.

Regent Elliott commented on the \$14 million in savings from phasing out of financial aid for nonresident undergraduates and asked about financial aid for nonresident graduate students. He asked if funds from the proposed tuition increases would go to financial aid for nonresident graduate students. Mr. Alcocer said that financial aid for undergraduates and aid for graduate students were completely separate. At the graduate level, recipients of return to aid were not distinguished by residency. Mr. Elliott requested information about the amount of resident graduate student tuition that supports nonresident graduate student return to aid.

Regent Ortiz Oakley asked what was being done to help the Legislature understand the total cost of attendance UC students face and to advocate for additional resources to lower students' total cost of attendance. Mr. Brostrom agreed that, while the University had proposed a balanced operating budget, that budget did not address many of the University's long-term needs, such as capital to address UC's aging infrastructure. Students at all UC campuses are expected to contribute \$10,000 of self-help each year; that amount had not increased, even though the cost of housing had risen. Adding on-campus student housing would be the most effective way to address the increasing total cost of attendance, as the difference between the cost of off- and on-campus housing was increasing to as much as 40 percent at some campuses. The University would have nearly 3,000 new beds in fall 2017 toward its goal of 14,000 by 2020. Regent Ortiz Oakley urged transparency with the Legislature and with students about the total cost of attendance, and how tuition and State funds are used. He urged strong communication with the State about what they are expected to pay on behalf of UC students.

Regent Ortiz Oakley asked what the effect on tuition would be if all State funds for student financial aid went directly to UC. He said the growing complexity of the sources

of student financial aid made it increasingly difficult for Californians to understand how students' educations are funded. He asked if there could be a more straightforward way to fund students' education. Mr. Brostrom commented that if Cal Grant funds went directly to the University, it would reduce students' total cost of education. However, he pointed out that such a change would be regressive because the current system gives more aid to those from families with low incomes. Mr. Brostrom acknowledged the State's continued support for Cal Grants.

Regent Ortiz Oakley commented that the increase in total cost of attendance highlights the need for improved efficiency and effectiveness in the execution of the California Master Plan for Higher Education (Master Plan) and the relationship among the three sectors of public higher education and the K-12 system.

Regent Ramirez communicated students' desire to be consulted, to have timely information, and to play a role in determining allocation of campus resources. Enrollment growth has exacerbated students' concerns about housing and food insecurity, campus climate, and wait times for mental health services. Students' personal narratives would be important to understand real issues about the total cost of attendance. Some students receive their financial aid too late to pay their first-month's rent. Students do not support the tuition increase. She urged increased State funding of the University.

Regent Pattiz commented that, while he would support this proposal, he considered it a short-term solution.

Regent Island commented that he would support this proposal, since the tuition increase was structured to be modest and measured, with the funds targeted directly to improve educational opportunities and students' educational experience. He noted also that two-thirds of UC students would be shielded from the increase and that UC was increasing enrollment of California students.

Regent Pérez stated that he would not support the tuition increase, although he acknowledged the good work and consideration behind the proposal. He saw a need for the Regents to educate themselves further about students' total cost of attendance. Although some progress had been made, the University's tools for measuring total cost of attendance were still imprecise. The State's continued support of the Cal Grant program must be considered as part of State support, as legislators worked hard to increase Cal Grants for public higher education institutions. Regent Pérez commented that the University of Virginia had added predictability through a type of cohort-based tuition, a guaranteed tuition rate for higher-income families, higher than current tuition, but not to be exceeded by future increases, and setting a maximum possible student loan obligation.

Regent Pérez also expressed his view that effects of tuition increases on some individuals must be addressed. The complexity in sources and means of accessing financial aid can result in families being intimidated by the cost of attendance. While relatively small, the proposed tuition increase would be in addition to increases in the total cost of attendance, such as housing. He cautioned that the University may be underestimating the cost to

affected students and the long-term impact of the loss of the Middle Class Scholarship program, and expressed hope that the Legislature and the Governor would arrive at a different solution.

Chair Lozano commented that there is a significant focus currently on better understanding students' total cost of attendance.

Regent Sherman asked if Middle Class Scholarship aid for students who had received it previously would increase in 2017-18 if there were no tuition increase. Mr. Alcocer said the increase would be only a small amount less if there were no tuition increase. Regent Sherman asked if the University had explored guaranteeing fixed tuition for four years to provide predictability for families. Mr. Alcocer said plans for cohort-based tuition, differential tuition by schools, and guaranteed tuition had been considered more than once and were found to have positive and negative aspects. It was difficult to both add value for students and their families, and not further complicate an already overly complicated system. Mr. Brostrom added that the \$10,000 of self-help expected of all students was the same regardless of whether a student lives on or off campus. Differences in total cost of attendance are accounted for in financial aid packages.

Faculty Representative Chalfant commented that the Academic Council unanimously supported this proposal. He clarified that graduate student support was completely different from undergraduate support. Graduate student support was often employment in a laboratory by a faculty principal investigator, who has external funding. Californians do not subsidize nonresident graduate students. UC graduate programs would be devastated if nonresident graduate students were treated differently from resident graduate students.

Regent Newsom said that, while he supported the budget plan, he could not support the tuition and student fee increases. He expressed his view that voting for a tuition increase before the State budget had been finally negotiated was premature, as it would offer a source of funding when the State was still in budget discussions and had not yet determined the size of the State surplus.

Regent Newsom also observed that phasing out the Middle Class Scholarship program, advocated by both the Governor and State Senate President pro Tempore de León, would be profound and consequential. He expressed his view that a commitment to the middle class must be demonstrated by addressing affordability for these families. He commented that the proposed tuition increase, when combined with student and campus fee increases, would total about \$400, which was not insignificant. UC should demonstrate national leadership in affordable education. He also noted that in 2014 the Board had approved up to five percent per year tuition increases for five years, but that had not been part of this discussion.

Mr. Brostrom commented that the timing of the legislative process did not align well with UC's application and admission process. It would be a disservice to students and their families to have tuition unresolved by the time students must make enrollment decisions.

He noted that UC continued to lead the nation in affordability. The State's Cal Grants and UC's own financial aid are the most generous in the nation.

Regent Torlakson stated that he would not support the proposed tuition and student fee increases. He acknowledged the need to maintain the quality of a UC education and the insufficiency of State funding. In 1980, the State supplied 90 percent of the UC budget; in 2015, the State supplied only ten percent. In addition, for many decades, UC and the California State University benefited from statewide school bonds. Regent Torlakson expressed appreciation for work done to make UC programs and operations more efficient and to reduce overall costs, but said the University should seek more ways to save funds. He noted the challenge the proposed increases would pose to students, particularly at a time when students are finding it difficult to find affordable and safe housing and many face food insecurity. Students had expressed a desire for transparency about how funds from the tuition and student fee increases would be used at each campus. He urged the Regents not to approve tuition and student fee increases at the current time, and to work further with the State to have more funding dedicated to restore the partnership UC and the State once had.

Chair Lozano expressed her understanding that a process had been established by which all UC campuses would report to the Office of the President on their use of the new funding. Mr. Brostrom added that tuition stays on the campus where it is generated; State funds are allocated to the campuses in a rebenching process. Campuses report in several ways to the Office of the President, particularly in identified areas of academic quality.

Regent Gould recalled that President Napolitano and the Governor had reached an agreement that was recognized and endorsed by the Regents. This agreement stipulated that the University would not raise tuition for a number of years, UC would receive a four percent increase in State General Fund support, and the University would fulfil certain obligations to increase California enrollment including transfers and become more efficient in operations. The University had reduced its cost of student instruction remarkably. Since the four-percent increase in State funding was only on the State portion of the UC budget, it represented only a 1.6 percent increase in UC's core funding, not enough to provide a UC-quality education. Regent Gould expressed support for the proposed plan to increase faculty and core course offerings so that students could graduate on time and benefit from not having to pay for another year. The Governor had kept his part of the agreement and UC agreed to modest tuition increases, of which this would be the first. Regent Gould urged the Board to consider ways to address the University's capital needs.

Regent Zettel asked about the likelihood of the Governor's restoring the Middle Class Scholarship in the May budget revision. Mr. Brostrom said the University would explain the effect of the program to the Legislature. The most vulnerable population in terms of percent of family income contribution was the middle class, as those students often did not qualify for State, federal, or UC financial aid. Regent Pérez added that the Governor's proposal to phase out the Middle Class Scholarship would achieve no budgetary savings in the current budget year, but only anticipated savings the following year. Regardless of

revenue projections for the budgetary year, there would be no benefit to the State in eliminating the Middle Class Scholarship. So there would not have to be an adjustment in budget projections for the Governor's May budget revision to maintain the Middle Class Scholarship. In addition, other legislative changes would be required to unwind the Middle Class Scholarship such as the consent of both houses of the Legislature, which did not appear likely at the current time.

Regent Zettel expressed reluctant support for the tuition increase.

Regent-designate Monge reminded the Regents that for its first 100 years, UC did not impose tuition on California residents. In 2011, UC students' tuition first surpassed the State investment in UC. Tuition was currently the largest source of funding for the UC system. While the current proposed increase was relatively modest, each increase takes UC farther from its core mission. He expressed his view that a truly affordable University was possible. He asked that students be consulted before any tuition increases to identify needs and unintended consequences to students. Students would join in advocacy to State leaders for investment in the University.

Chair Lozano acknowledged the difficulty of any tuition increase, but asserted that the proposed budget would allow continued progress on the University's strategic priorities.

Regent Pérez moved to divide the question to have Recommendation B voted on separately and then the balance of the Recommendation.

Upon motion duly made and seconded, Regent Pérez' recommendation failed, with Regents Elliott, Gould, Island, Lozano, Makarechian, Napolitano, Pattiz, Ramirez, Schroeder, Sherman, Varner, and Zettel voting "no," and Regents Brody, De La Peña, Kieffer, Lansing, Newsom, Ortiz Oakley, Pérez, and Torlakson voting "aye."

Upon motion duly made and seconded, the Regents approved the President's recommendation as presented, Regents Brody, De La Peña, Elliott, Gould, Island, Kieffer, Lansing, Lozano, Makarechian, Napolitano, Ortiz Oakley, Pattiz, Schroeder, Sherman, Varner, and Zettel voting "aye," and Regents Newsom, Pérez, Ramirez, Torlakson voting "no."

5. RESOLUTIONS IN APPRECIATION

Chair Lozano recognized the valuable contributions of Associate President Nina Robinson who was retiring after 27 years of service to the University.

A. RESOLUTION IN APPRECIATION OF RUSSELL S. GOULD

Upon motion of Regent Varner, duly seconded, the following resolution was adopted:

WHEREAS, on March 1, 2017, Russell S. Gould will complete his term on the Board of Regents, having provided distinguished and thoughtful leadership to the University as a Regent in 1998 and from 2005 to 2017, including as Chairman of the Board from 2009 to 2011, reflecting his exemplary lifelong dedication to the well-being of the University and the people of California whom it serves; and

WHEREAS, a proud alumnus of UC Berkeley, he achieved great professional distinction in both the public and private sectors as the Director and Chief Deputy Director of the State of California's Department of Finance and Secretary of its Health and Welfare Agency, as Assistant State Treasurer, as Executive Vice President of the J. Paul Getty Trust, and as a Partner at California Strategies, LLC, Financial Services Practice; as a Regent, he brought to bear his considerable professional expertise in budget, investments, and public finance to benefit the University in the wake of difficult times;

WHEREAS, under his leadership as Chairman of the Board, he had the foresight to convene the University of California Commission on the Future to craft a creative and strategic response to the extraordinary fiscal challenges facing the University, and to provide a vision for sustaining the University of California as the preeminent public institution of higher learning in the nation; and

WHEREAS, the judgment and perception he so ably uses in his professional life have added immeasurably to the work of almost every Committee, particularly the Committees on Governance, Finance, Investments, and Long Range Planning, and his wise counsel and exceptional ability to describe key issues and identify pragmatic pathways to address complex problems, with a calm demeanor and insightful analysis, will be greatly missed; and

WHEREAS, in recognition of his devoted service as a member of the Board of Regents of the University of California, and his commitment to its democratic ideals and access to education, as demonstrated by his long years of service on the Board of Directors of the College Futures Foundation of California, and in the hope of his continued contributions to the welfare and success of the University; the Regents do hereby confer upon Russell S. Gould the title of Regent Emeritus;

NOW, THEREFORE, BE IT RESOLVED that the Regents of the University of California express their appreciation and admiration to Russ Gould, who has enriched the University in countless ways as a member of the Board of Regents;

AND BE IT FURTHER RESOLVED that the Regents extend to Russ their best wishes for the future, and direct that a suitably inscribed copy of this resolution be presented to him as an expression of the Board's profound gratitude and friendship.

Regent Varner voiced admiration for Regent Gould and his 13 years of service as a Regent, particularly his calm, deliberative manner, his ability to clarify issues,

and his deep commitment to UC. Regent Varner also praised Regent Gould's leadership as Chair during the Great Recession and his far-reaching work as Co-chair of the Commission on the Future. Chair Lozano commended Regent Gould's leadership during a difficult period for the University.

B. RESOLUTION IN APPRECIATION OF EDDIE R. ISLAND

Upon motion of Regent Lansing, duly seconded, the following resolution was adopted:

WHEREAS, the Regents of the University of California wish to pay tribute to their good friend and esteemed colleague, Eddie Island, for his 12 years of meritorious service to higher education and to the University of California, with an unwavering commitment to the University and to the grand idea of public higher education, accessible to all, as demonstrated by his many years of advocacy and moral leadership to expand the diversity of the student body, faculty and staff, and to serve all the people of the State of California; and

WHEREAS, his singular voice, compelling arguments, integrity, great eloquence, and passion for ensuring access to the University has made him a tremendously powerful and uncompromising advocate for diversity, equity, and inclusion to the benefit of the entire University community; and

WHEREAS, his foresight and effective leadership to reform the University's admissions policy and his many years of service on the Committee on Educational Policy, including four years as Chair and three years as Vice Chair, enabled the University to maintain its commitment to quality and access, sustaining the University of California's position as the premier public University in the nation; and

WHEREAS, he has been a pivotal figure on the Board of Regents, including serving for more than a decade on the Committees on Health Services, Finance, and Educational Policy, chairing several special committees, including the Ad hoc Committee on Campus Climate and the Working Group on Principles Against Intolerance, and serving as a member of the Study Group on University Diversity, all of which aimed to create a more inclusive community, ensure that all students, faculty, and staff feel welcome on UC campuses while upholding the principles of academic freedom upon which great institutions of learning are based, and provide a rigorous education that holds diversity as a core value for the purpose of creating a better world; and

WHEREAS, in recognition of his devoted service as a member of the Board of Regents, and in the hope that he will remain an active and vital participant in the life of the University, the Regents do hereby confer upon Eddie R. Island the title of Regent Emeritus;

NOW, THEREFORE, BE IT RESOLVED that the Regents of the University of California express to Eddie R. Island their sincere appreciation for his dedicated service to the University, their gratitude for his effective leadership, and their abiding appreciation for the many ways his work on the Board will benefit the University for years to come;

AND BE IT FURTHER RESOLVED that the Regents extend to him their good wishes for continued happiness in the years ahead, and direct that a suitably inscribed copy of this resolution be presented to him as a token of the Board's esteem and best wishes.

Regent Lansing expressed admiration for Regent Island, who she said had been the conscience of the Board through his unwavering commitment to diversity and access. She particularly noted his leadership of the Working Group on Principles Against Intolerance, which had become a model for other institutions, and his eloquence as a speaker.

6. **REPORT OF MATERIALS MAILED BETWEEN MEETINGS**

On the dates indicated, the following were sent to the Regents or to Committees:

To the Members of the Governance and Compensation Committee

- A. From the President of the University, the Annual Report on Executive Compensation for Calendar Year 2015: Deans and Certain Full-Time Faculty Administrators. November 10, 2016.

To the Members of the Finance and Capital Strategies Committee

- B. From the President of the University, the Annual Report on New Indirect Cost Rates for the year ended June 30, 2016. November 10, 2016.

To the Members of the Health Services Committee

- C. From the Executive Vice President of UC Health, the UC Health fall 2016 newsletter. December 1, 2016.
- D. From the Executive Vice President of UC Health, the UC Medical Centers Quarterly Report for the months ending September 30, 2016. December 6, 2016.

To the Members of the Investments Subcommittee

- E. From the Chief Investment Officer, the Summary of September 30, 2016 Investments Results – Product Update. November 16, 2016.

- F. From the Chief Investment Officer, the UC Annual Endowment Report for the fiscal year ended June 30, 2016. November 23, 2016.

To the Regents of the University of California

- G. From the Secretary and Chief of Staff, the Summary of Communications for October, 2016. November 10, 2016.
- H. From the President of the University, the annual audit of the financial statements of Hastings College of the Law for the year ending June 30, 2016. December 7, 2016.
- I. From the Secretary and Chief of Staff, the Summary of Communications for November, 2016. December 8, 2016.
- J. From the Secretary and Chief of Staff, the Summary of Communications for December, 2016. January 10, 2017.
- K. From the President of the University, a letter regarding the Governor's 2017-18 budget plan. January 10, 2017.
- L. From the President of the University, the Annual Report on Health Sciences Compensation Plan Participants' Compensation that Exceeds the Reporting Threshold for calendar year 2015. January 12, 2017.

The meeting adjourned at 1:05 p.m.

Attest:

Secretary and Chief of Staff

Additions shown by underscoring; deletions shown by strikethrough

STANDING ORDER 100.4

DUTIES OF THE PRESIDENT OF THE UNIVERSITY

(q)(1)

Except as provided in paragraph (q)(2) below, the President is authorized to approve amendments to the Capital Improvement Program for projects not to exceed \$10 million. The President is also authorized to approve amendments to the Capital Improvement Program for projects exceeding \$10 million up to and including \$20 million, provided that concurrence is obtained from the Chairman of the Board and the Chairman of the Finance and Capital Strategies Committee ~~Committee on Grounds and Buildings~~, and also provided that all actions taken in excess of \$10 million up to and including \$20 million under this authority be reported at the next following meeting of the Board. However, the following shall be approved by the Board: (1) projects with a total cost in excess of \$20 million, (2) for projects in excess of \$20 million, any modification in project cost over standard cost-rise augmentation in excess of 25%, or (3) capital improvement projects of any construction cost when, in the judgment of the President, a project merits review and approval by The Regents because of special circumstances related to budget matters, external financing, fundraising activities, project design, environmental impacts, community concerns, or substantial program modifications.

(q)(2)

This paragraph shall apply exclusively to capital projects for those campus entities approved by the Finance and Capital Strategies Committee ~~Committee on Grounds and Buildings~~ for inclusion in the pilot phase of the Delegated Process for Capital Improvement Projects.

The President is authorized to approve amendments to the Capital Improvement Program for projects not to exceed \$70 million. However, the following shall be approved by the Board: (1) projects with a total cost in excess of \$70 million, (2) capital improvement projects of any construction cost when, in the judgment of the President, a project merits review and approval by The Regents because of special circumstances related to budget matters, external financing, fundraising activities, project design, environmental impacts, community concerns, or substantial program modifications. The President is authorized to approve an increase in project cost as long as the total augmented project cost remains under \$70 million; for augmented projects resulting in a total project cost in excess of \$70 million, the augmented project shall be approved by the Board.

This paragraph shall become inoperative and is repealed on March 31, 2018 ~~March 31, 2017~~, unless a later Regents' action, that becomes effective on or before March 31, 2018

~~March 31, 2017~~, deletes or extends the date on which it becomes inoperative and is repealed.

(nn)(1)

Except as provided in paragraph (nn)(2) below, the President shall be the manager of all external financing of the Corporation. The President is authorized to obtain external financing for amounts up to and including \$10 million for the planning, construction, acquisition, equipping, and improvement of projects. The President is also authorized to obtain external financing for amounts in excess of \$10 million up to and including \$20 million, provided that concurrence is obtained from the Chairman of the Board and the Chairman of the Finance and Capital Strategies Committee ~~Committee on Finance~~, and also provided that all actions taken to obtain external financing for amounts in excess of \$10 million up to and including \$20 million be reported at the next following meeting of the Board. External financing in excess of \$20 million requires Board approval. The President shall have the authority to (1) negotiate for and obtain interim financing for any external financing, (2) design, issue, and sell revenue bonds or other types of external financing, (3) issue variable rate or fixed rate debt, and execute interest rate swaps to convert fixed or variable rate debt, if desired, into variable or fixed rate debt, respectively, (4) refinance existing external financing for the purpose of realizing lower interest expense, provided that the President's authority to issue such refinancing shall not be limited in amount, (5) provide for reserve funds and for the payment of costs of issuance of such external financing, (6) perform all acts reasonably necessary in connection with the foregoing, and (7) execute all documents in connection with the foregoing, provided that the general credit of The Regents shall not be pledged for the issuance of any form of external financing.

(nn)(2)

This paragraph shall apply exclusively to capital projects for those campus entities approved by the Finance and Capital Strategies Committee ~~Committee on Grounds and Buildings~~ for inclusion in the pilot phase of the Delegated Process for Capital Improvement Projects.

The President shall be the manager of all external financing of the Corporation. The President is authorized to obtain external financing for amounts up to and including \$70 million for the planning, construction, acquisition, equipping, and improvement of projects. The President shall have the authority to (1) negotiate for and obtain interim financing for any external financing, (2) design, issue, and sell revenue bonds or other types of external financing, (3) issue variable rate or fixed rate debt, and execute interest rate swaps to convert fixed or variable rate debt, if desired, into variable or fixed rate debt, respectively, (4) refinance existing external financing for the purpose of realizing lower interest expense, provided that the President's authority to issue such refinancing shall not be limited in amount, (5) provide for reserve funds and for the payment of costs of issuance of such external financing, (6) perform all acts reasonably necessary in connection with the foregoing, and (7) execute all documents in connection with the

foregoing, provided that the general credit of The Regents shall not be pledged for the issuance of any form of external financing.

This paragraph shall become inoperative and is repealed on March 31, 2018 ~~March 31, 2017~~, unless a later Regents' action, that becomes effective on or before March 31, 2018 ~~March 31, 2017~~, deletes or extends the date on which it becomes inoperative and is repealed.

Additions shown by underscoring; deletions shown by strikethrough

Regents Policy 8102: POLICY ON APPROVAL OF DESIGN, LONG RANGE DEVELOPMENT PLANS, AND THE ADMINISTRATION OF THE CALIFORNIA ENVIRONMENTAL QUALITY ACT

Approved July 16, 1993;

Amended and Renamed January 16, 2003;

Amended September 18, 2008, January 21, 2010, January 20, 2011, and January 23, 2014 and January 22, 2015.

- (1) The Regents designate the following categories of projects as requiring design approval by the Finance and Capital Strategies Committee ~~Committee on Grounds and Buildings~~:
 - a. Building projects with a total project cost in excess of \$10,000,000, except when such projects consist of the following:
 - i. alterations or remodeling where the exterior of the building is not materially changed;
 - ii. buildings or facilities located on agricultural, engineering, or other field stations; or
 - iii. agriculture-related buildings or facilities located in areas of a campus devoted to agricultural functions.
 - b. Capital improvement projects of any construction cost when, in the judgment of the President, a project merits review and approval by the Regents because of budget matters, fundraising activities, environmental impacts, community concerns, or other reasons.
- (2) This paragraph shall apply exclusively to eligible projects for those campus entities approved by the Finance and Capital Strategies Committee ~~Committee on Grounds and Buildings~~ for inclusion in the pilot phase of the Delegated Process for Capital Projects. The President of the University is authorized to approve the project's design. This subparagraph shall become inoperative and is repealed on March 31, 2018 ~~March 31, 2017~~, unless a later Regents' action, that becomes effective on or before March 31, 2018 ~~March 31, 2017~~, deletes or extends the date on which it becomes inoperative and is repealed.
- (3) The approval of building projects other than those subject to approval by the Finance and Capital Strategies Committee ~~Committee on Grounds and Buildings~~ as set forth above is governed by applicable Bylaws, Standing Orders, and delegations.

- (4) Consistent with applicable Bylaws and Standing Orders, the President shall determine the responsibility for unique project approvals and other actions significantly affecting land use that, given their nature, do not involve a design approval.
- (5) All building project approvals shall be generally in accordance with an applicable Long Range Development Plan. Adoption by the Regents is required for new and substantially updated LRDPs. All LRDP amendments or actions having the practical effect of an LRDP amendment shall be approved at the following level:
 - a. The Finance and Capital Strategies Committee ~~Committee on Grounds and Buildings~~ shall consider for approval all LRDP amendments except those delegated in b. below;
 - b. The President is authorized to approve minor LRDP amendments, provided that the amendment preserves the fundamental planning principles of the LRDP and is limited to:
 - i. siting a building project of \$10,000,000 or less;
 - ii. shifting less than 30,000 gross square feet of allocated building space; and/or
 - iii. changing land-use boundaries and designations for 4 acres or less of land.
- (6) The President has the responsibility for the administration of the University's compliance with the California Environmental Quality Act. As provided by CEQA, the certification or adoption of environmental documents is undertaken at the level of the associated project approval. The modification of environmental documents, including mitigation measures, may occur at the same level as the original certification or adoption, provided that the President is authorized to modify an environmental document certified or adopted by the Regents so long as the modification does not result in new or increased significant impacts.
- (7) Notwithstanding the foregoing, the approval of the Finance and Capital Strategies Committee ~~Committee on Grounds and Buildings~~, or in appropriate circumstances the Regents, may be required for any project or other action addressed by this policy when, in the judgment of the President, an action merits review and approval by the Regents because of budget matters, fundraising activities, environmental impacts, community concerns, or other reasons.

2017-18 Budget Plan for Core Funds (Dollars in Millions)**2016-17 OPERATING BUDGET**

State General Funds	\$3,351.1
Less General Obligation Bond Debt Service	(220.8)
State General Funds (excluding GO Bond Debt Service)	<u>\$3,130.3</u>
 Total Core Funds (State General Funds, Student Tuition and Fee Revenue, and UC General Funds)	 \$7,832.4

PROPOSED INCREASES IN REVENUE**Cost Savings/Alternative Revenues**

Asset Management	\$ 3.0
Systemwide Contracts	\$ 7.8
Fiat Lux / Risk Captive	\$ 5.0
Philanthropy	\$ 10.0
Reallocation from Nonresident Aid	\$ 14.0
Subtotal	<u>\$ 39.8</u>

State General Funds

CA Undergraduate Enrollment Growth	\$ 18.5
Graduate Enrollment Growth	\$ 9.0
4% Base Budget Increase	\$ 131.2
Subtotal	<u>\$ 158.7</u>

Fees

Student Services Fee Adjustment (\$54)	\$ 9.2
Tuition Adjustment (\$282)	\$ 48.0
Enrollment Growth - Tuition & SSF	\$ 36.2
Revenue for Financial Aid	\$ 49.3
Subtotal	<u>\$ 142.6</u>

UC General Funds

Nonresident Tuition Adjustment (\$1,332)	\$ 42.1
Nonresident Enrollment Growth	\$ 28.6
Subtotal	<u>\$ 70.7</u>

One-Time Resources

Deferred Maintenance (to be requested)	\$ 35.0
Prior Year Enrollment Funding	\$ 18.5

TOTAL INCREASE IN REVENUE **\$ 465.2**

PROPOSED INCREASES IN EXPENDITURES

Enrollment Growth Marginal Cost **\$ 79.9**

Mandatory Costs

Retirement Contributions	\$ 18.3
Employee Health Benefits	\$ 19.0
Annuitant Health Benefits	\$ 8.1
Contractually Committed Compensation	\$ 29.9
Faculty Merit Program	\$ 32.0
Non-Salary Price Increases	\$ 27.3
Subtotal	<u>\$ 134.6</u>

Student Success & Academic Excellence **\$ 50.0**

Student Mental Health Resources **\$ 4.6**

High-Priority Costs

Compensation	\$ 81.8
Deferred Maintenance	\$ 50.0
High-Priority Capital Needs	\$ 15.0
Subtotal	<u>\$ 146.8</u>

Financial Aid

Return-to-aid	\$ 49.3
Subtotal	<u>\$ 49.3</u>

TOTAL INCREASE IN EXPENDITURES **\$ 465.2**

Figures may not sum to totals due to rounding.