

## THE REGENTS OF THE UNIVERSITY OF CALIFORNIA

July 18, 2019

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

Members present: Regents Anguiano, Cohen, Elliott, Estolano, Guber, Kieffer, Kounalakis, Lansing, Leib, Makarechian, Napolitano, Ortiz Oakley, Park, Pérez, Sherman, Simmons, Sures, Um, Weddle, and Zettel

In attendance: Regents-designate Mart, Muwwakkil, and Stegura, Faculty Representatives Bhavnani and May, Secretary and Chief of Staff Shaw, General Counsel Robinson, Acting Provost Carlson, Executive Vice President and Chief Financial Officer Brostrom, Executive Vice President and Chief Operating Officer Nava, Senior Vice President Holmes, Vice Presidents Brown and Humiston, Interim Vice President Leasure, Chancellors Block, Christ, Gillman, Hawgood, Khosla, Larive, Leland, May, and Wilcox, and Recording Secretary Li

The meeting convened at 9:00 a.m. with Chair Pérez presiding.

### 1. PUBLIC COMMENT

Chair Pérez 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. Aidan Arasasingham, UCLA student and board director of the UC Student Association (UCSA), spoke about the proposed cohort-based tuition model. He recalled the tuition hikes of nearly ten years ago and understood the appeal of such a tuition model. UC students were committed to being partners in a working group established by the Regents. UC students asked Regents, staff, and faculty to consider whether the model would provide predictability in the event of a drop in State support; whether gains would only be in administrative overhead; and whether this model would champion the University's vision of equity.
- B. Emily Webber, UC Davis student and chair of Davis California Public Interest Research Group (CALPIRG), provided an update on CALPIRG's New Voters Project. During the last midterm elections, the Project registered 6,000 new voters. The project's goal was to establish same-day voter registration on eight campuses. UC Davis students would take the bus off-campus to register to vote.
- C. Sienna Kirk, UC Davis student and member of UC Davis CALPIRG, spoke about the new Plastic Free Seas campaign. Three hundred million plastic bags, 70 million plastic straws, and half a million other plastics were used daily. About one-third of plastics used was put into oceans, and another two-thirds went into landfills.

Plastics do not decompose; wildlife consumes plastics and, in turn, humans consume plastic through consuming animals. About 86 percent of turtles and half of marine birds and mammals were affected as well. Plastics contain cancer-causing chemicals that also affect hormones. CALPIRG aimed to make campuses plastic- and waste-free through State Senate Bill (SB) 52 and State Assembly Bill (AB) 1080.

- D. David Zablonty, staff member at UCSF and member of University Professional and Technical Employees (UPTE) 9119, called on the University to give a fair contract to UPTE workers. He managed a biobank and worked with underserved families; he regarded this as public sector work. UPTE had gone on strike five times in the nearly two years he had worked at UCSF. Sharing a letter he wrote to his supervisor, he stated he called for adequate compensation for staff who worked at UCSF because of its values and mission. With regard to recent bargaining, he opined that the three percent wage increase was too low given the cost of living in the San Francisco Bay Area and UPTE's lack of a contract for two years. He believed that this offer was a stalling tactic by UC until the decision from *Janus v. American Federation of State, County and Municipal Employees, Council 31* took effect. He reminded the Regents that they serve the University and asked the Regents to push the Office of the President to offer UPTE a fair contract.

2. **APPROVAL OF MINUTES OF PREVIOUS MEETING**

Upon motion duly made and seconded, the minutes of the meeting of May 16, 2019 were approved.

3. **REMARKS FROM STUDENT ASSOCIATIONS**

President Napolitano introduced UC Student Association (UCSA) President Caroline Siegel-Singh, undergraduate student and vice president of external affairs for the Associated Students of UC San Diego.

Ms. Siegel-Singh welcomed Chair Pérez and praised his commitment to students. She provided an update of student achievements. Students secured \$6 million for student-initiated outreach programs for the recruitment and retention of a diverse student body, and student legislative advocacy helped bring about \$15 million in basic needs funding and additional rapid rehousing funding from the State budget. A report released by UCSA and The Institute for College Access and Success (TICAS) highlighted the need for further support of black, Latino(a), and Native American students at UC. UCSA looked forward to working with State Governmental Affairs at the Office of the President on State Senate Bill (SB) 461, the summer Cal Grant bill. She suggested that UC continue to recognize the immense contribution of students and commended the University for swiftly performing an audit following the recent college admissions scandal. She hoped that UC would also consider that many aspects of the admissions process, such as standardized testing, were a disadvantage to the vast majority of Californians. Throughout her term, she noticed that UC lacked a vision of its role in serving Californians. She stated that raising tuition at three

percent annually was not a plan for the University. She hoped that the UC would reach remote areas of the state and admit the students UC needed to serve, and she hoped that any multi-year planning or tuition models would help increase access. Ms. Siegel-Singh noted that not all students were 18 to 24 years old and had their parents pay their tuition. She looked forward to Regents working with Regent-designate Muwwakkil on transfer student issues. She thanked the Regents, especially Chair Pérez and Regents Kieffer, Anguiano, Cohen, Leib, and Ortiz-Oakley for reaching out to her and for engagement with student priorities.

President Napolitano introduced incoming UC Graduate and Professional Council (UCGPC) President Connor Strobel a Ph.D. candidate at UC Irvine. UCGPC was founded in 2017 to represent the interests of graduate and professional students.

Mr. Strobel began his remarks by stating that the University was at a daunting juncture. He stated that UC and its challenges were massive. He reminded the Regents that they needed more stakeholders to see help them see the expanse of the horizon. UCGPC appreciated the opportunity to work with the Regents and believed that a strong relationship was crucial. Key advocacy areas that UCGPC would address with the Regents included access and affordability, post-graduation preparation, on-campus resources and inclusion, and ongoing campus policies. Regents items about housing and students with dependents signaled the importance of these topics. UCGPC wished to dedicate resources to improve yield rates among black and Native American students, create professional development opportunities, and expand fellowship, internship, and postdoctoral opportunities at State agencies. He stated that a person's first job was one of the strongest predictors of where one would live for the rest of one's life. UCGPC wished to work toward keeping talent in California. UCGPC wanted to be part of the open access discussion, as students were authoring articles more than ever. In light of changes to Title IX and campus policing, as well as basic needs funding reaching campuses, UCGPC hoped to provide a graduate student perspective, along with Regent Weddle and Regent-designate Muwwakkil. UCGPC would follow up to ensure that the transgender and nonbinary student presentation at the May 2019 Regents meeting would lead to more inclusive systemwide policies and procedures. New items that UCGPC would raise included Americans with Disabilities Act (ADA) compliance reviews on campuses and shortcomings in accommodation policies for graduate students with disabilities. UCGPC looked forward to working with Regents.

#### **4. ANNUAL REPORT OF UNIVERSITY OF CALIFORNIA STAFF ASSEMBLIES**

Chair Pérez invited members of the Council of University of California Staff Assemblies (CUCSA) leadership to present their annual report.

Amanda Chavez, staff member at UC San Diego and Chair of CUCSA, updated the Regents on the work CUCSA had done this year. CUCSA's mission was to maintain and enhance communication with the UC community on matters of interest to non-represented UC staff. Its vision was to create a University where all staff were engaged and recognized as critical partners in maintaining UC excellence. CUCSA finalized its strategic plan, setting three objectives with measurable goals with deadlines. The first objective was to

improve multi-directional communication among leadership, CUCSA, and staff. Goals for this objective were to better communicate the purpose and vision of CUCSA, increase staff awareness of CUCSA, and to increase CUCSA and campus staff assemblies' engagement with senior leaders and managers. The second objective was to provide support to local staff assemblies, and goals for this objective were to better inform staff about resources, engage staff in policy reviews, and create a toolkit of best practices. The third objective was to increase staff influence on organizational decisions, and the goals for this objective were to increase awareness of CUCSA's involvement in systemwide committees, increase CUCSW delegates' awareness of policy changes, and strengthen partnerships with the Academic Senate. CUCSA dedicated time to review these goals and progress made at each meeting this year.

Jacquelyn Holmes, staff member at UC San Diego and Chair-Elect of CUCSA, stated that, this year, CUCSA had work groups on parental leave and succession planning. CUCSA leveraged the opportunity to opine on UC Personnel Policies of Staff Members (PPSM)-2.210: Absence from Work and make recommendations regarding parental leave. In 2017, CUCSA prepared a report with Systemwide Employee Relations at the Office of the President (UCOP) and subject matter experts on paid family leave. While UC has made efforts to be a family-friendly employer, many new parents struggled to understand UC's offerings. The work group reviewed those offerings and determined ways to communicate them with staff. The work group recommended that CUCSA and campus staff assemblies partner with personnel policy coordinators to better inform staff and engage staff in the policy reform process. CUCSA would continue to advocate for paid family leave. The work group also recommended that campus staff assemblies work more closely with campus human resources departments to communicate existing resources for new parents. The succession planning work group researched and reviewed succession planning resources and made recommendations for expanding, improving, and communicating about these resources. The work group found that Talent Management at UCOP has initiatives and programs to support succession and retention, such as the UC-Coro Systemwide Leadership Collaborative, the Management Development Program, and the Systemwide People Management Series and Certificate program. The work group created a toolkit for cultivating existing talent and aiding individual contributors. The toolkit provided recommendations for managers and staff that promote career movement and opportunities, engage staff to better understand organizational need, identify key talent, and develop existing pools of employees.

George Hopwood, staff member at UC Santa Barbara and Secretary of CUCSW, stated that, since 2011, CUCSA has awarded the Outstanding Senior Leadership Award to senior leaders who were supportive, and promoted diversity, equity, and community. This year, CUCSA presented the award to Michael Beck, Administrative Vice Chancellor at UCLA. He sponsored the CUCSA Engagement survey implementation and follow-up, funded staff events, donated prizes, and attended and spoke at staff assembly meetings. In 2015, CUCSA created the Kevin McCauley Memorial Outstanding Staff Award, which recognized staff members who espouse and encourage principles of equity, inclusion, community, and diversity. This year's winners were Misha Gonzalez of Lawrence

Berkeley National Laboratory (LBNL), Greta Halle from UC Santa Barbara, Lina Layiktez from UC Davis, Rejeana Mathis from UCLA, and Deb Reitner from UCSF.

Ms. Chavez stated that CUCSA would celebrate 45 years on November 26. Once representing six campuses, CUCSA now had delegates from ten campuses, LBNL, Agriculture and Natural Resources, and UCOP. CUCSA has provided a staff perspective to UC leadership and has partnered with faculty to address issues significant to the UC community. She thanked Regents for their continued support.

## 5. HONORS AND ACHIEVEMENTS

President Napolitano presented highlights of UC honors and achievements. In the latest *U.S. News & World Report* rankings, UC Davis Children's Hospital was ranked among the best in five pediatric specialties; UCLA Mattel Children's Hospital was named among the top 20 in three pediatric specialties; and UCSF Benioff Children's Hospital was ranked fifth nationwide and "Best in the West" in neonatology. Five faculty members and two postdoctoral researchers were named 2019 Pew Biomedical Scholars and received multi-year grant funding for research into biological mechanisms for health and disease. With researchers from UC Berkeley, UC Davis, UCLA, and UCSF, UC accounted for nearly one-third of the honorees. Seventeen UC researchers received the Presidential Early Career Awards for Scientists and Engineers, the highest honor from the U.S. government to early career researchers and awarded on the basis of research and commitment to public service. Awardees were from UC Berkeley, UCLA, UC Riverside, UCSF, UC Santa Barbara, UC San Diego, Lawrence Berkeley National Laboratory, Lawrence Livermore National Laboratory, and Los Alamos National Laboratory. *Nature*, a scientific journal, named all ten UC campuses and three National Laboratories among top 500 natural science research institutions. Seven UC campuses were among the top 100 globally, and eight were in the top 50 in North America. *QS World Rankings* included eight UC campuses among the top 1,000 undergraduate universities worldwide after assessing academic reputation, reputation among employers, faculty-student ratios, academic citations per faculty, and the ratio of international faculty and international students on campuses. President Napolitano congratulated UC Merced and Chancellor Leland for debuting at number four in the 2019 *Times Higher Education* Younger University Rankings in the campus' first year of being eligible for the ranking.

## 6. RESOLUTION IN APPRECIATION – DOROTHY LELAND

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

WHEREAS, the Board of Regents of the University of California wishes to honor and commend Dorothy Leland as she prepares to step down as the third Chancellor of the University of California, Merced, during which time she has shepherded the young campus at a pivotal time in its development to becoming a nationally respected research university, which has earned her the highest regard of her peers and the entire University and greater Merced communities; and

WHEREAS, under her transformative and visionary leadership as Chancellor, she has left an indelible imprint on the Merced campus, formulating the innovative Merced 2020 project that will nearly double the footprint of UC Merced in just four years, on time and on budget, which will enable the campus to increase enrollment to 10,000 students, and partnering with the City of Merced to create the Downtown Campus Center, with has spurred economic growth in the city; and

WHEREAS, long a champion of the ideals of diversity and access, she has increased the enrollment of underrepresented minority, low-income, and first-generation students, and has invested in their success, resulting in UC Merced being ranked second in the nation for outperforming expected graduation rates by *U.S. News and World Report* and in the top ten universities for social mobility of its students by *Washington Monthly*, and she has fostered a living and learning environment that is welcoming and inclusive; and

WHEREAS, she has driven UC Merced's meteoric rise in university rankings in terms of academic distinction, becoming the youngest institution to be designated as an "R2" research university by the Carnegie Classification of Institutions of Higher Education; and

WHEREAS, she has exercised leadership of the highest order outside the University as a resolute national advocate on behalf of students in the Deferred Action for Childhood Arrivals (DACA) program as co-founder of the Presidents' Alliance on Higher Education and Immigration;

NOW, THEREFORE, BE IT RESOLVED that the Regents of the University of California laud Dorothy Leland's exceptional leadership of the Merced campus and express their profound admiration and gratitude to her for her unceasing dedication to the University, and the Regents also wish to note that those who have had the honor and pleasure of working with her greatly appreciate her intelligence, determination, humility, and warmth;

AND BE IT FURTHER RESOLVED that, we, the Regents, extend to Dorothy Leland our heartfelt good wishes as she retires, along with the hope that she will always keep the University of California close to her heart as we will keep her close to ours.

Regent Makarechian expressed his pleasure in serving on the selection committee for the UC Merced chancellor in 2011 and stated that the committee made a great decision. Chancellor Leland was previously the President of Georgia College and State University and had plans to retire but took the opportunity to serve UC. He strongly commended her leadership admitted to have disagreed with Chancellor Leland when she first proposed the Merced 2020 campus expansion project. Half of the project was complete, and the other half was well on its way to completion. Chancellor Leland grew the campus from 4,000 students to 10,000 students.

Upon motion duly made and seconded, the resolution was approved.

The Board recessed at 9:45 a.m.

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The Board reconvened at 10:40 a.m. with Chair Pérez presiding.

**7. UPDATE ON THE FINAL 2019–20 STATE BUDGET**

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

Regent Lansing asked for an explanation of the challenges that the campuses faced with this State budget. Mr. Brostrom replied that UC received a \$247 million increase in ongoing funding, about a seven percent increase. UC also received \$143 million in one-time funding for deferred maintenance and \$15 million in one-time funding for degree completion. The State provided 40 percent of UC core funding, tuition provided 40 percent, and UC General Funds, which included nonresident tuition and indirect cost recovery, provided the rest. The seven percent increase in State funding, with tuition held flat, accounted for less than three percent in total revenue increases, and most of UC's expenditures were increasing as well. The 2018–19 State budget included much one-time funding that was not replaced, including the \$95 million tuition buy-out and the funding for the enrollment increase of 2,500 students. That was considered a funding cut to the campuses. Regent Lansing noted that campuses would experience shortfalls due to the loss of one-time funding. She asked for a report from each individual campus on challenges they faced because of those shortfalls. Mr. Brostrom stated that UCOP could summarize President Napolitano's annual budget meetings with each campus. UCOP could also send key financial metrics to the Regents. Regent Lansing stated that the Regents could help through private philanthropy if they knew what campuses' specific needs were. Mr. Brostrom added that \$50 million was built into the budget to support the multi-year plan that the Regents approved. The University received \$15 million from the State for a pilot program degree/certificate completion. Campuses wanted to invest in that area, as well as in faculty lines and graduate student support.

Regent Zettel asked whether it was true that the State would reimburse the pension costs of the California State University (CSU) and K-14 schools but not UC. Mr. Brostrom responded in the affirmative. Under Governor Brown, UC received some one-time funding from Proposition 2 for the pension's unfunded liability. CSU received reimbursement through State appropriation. Regent Zettel asked whether UC requested the reimbursement. Mr. Brostrom replied that UC was very interested and that the State paid the reimbursement before 1990. It became a question of whether the UC pension was a State obligation or UC obligation. Mr. Brostrom offered that UC should seek more Proposition 2 money next year. Proposition 2 money would also fund the California Public Employees' Retirement System (CalPERS) and California State Teachers' Retirement System (CalSTRS).

Regent Park asked about the UC/CSU collaborative shown in the presentation slides. Mr. Alcocer replied that this was a collaborative effort to do further research around neurodiversity in learning. It would develop programs to train instructors to better serve students with different learning challenges. Regent Park asked whether the advocacy approach led to the \$50 million funding shortfall this fiscal year while noting that students had been successful in their funding advocacy. Mr. Alcocer responded that the Legislature

regarded enrollment growth for California residents, on the one hand, and improving student outcomes, closing graduation rates, and closing achievement gaps, on the other, as two competing investments. The Legislature opined that UC had good outcomes compared to CSU and that the Legislature's highest priority for UC was serving more students. Regent Park asked whether this was something students were able to emphasize in their advocacy. Mr. Alcocer stated that students were able to speak compellingly about class and advising availability but that their input was ultimately outweighed by the Legislature's concern about enrollment growth. Regent Park recalled that the Finance and Capital Strategies Committees had a preliminary discussion about the role of innovation and entrepreneurship, intellectual property monetization, and technology transfer. She believed that it was an important discussion for whole Board to engage in and foresaw those methods as other avenues for funding UC priorities in the future. She emphasized that UC needed to develop alternative revenue strategies other than State funding. She highlighted this for Board members' future conversations and stated that the Regents shared this responsibility. Mr. Brostrom stated that there had been tremendous advances in the avenues she mentioned. For example, UCLA had monetized its intellectual property into permanent funding through an endowment. UC would need to look at models such as UCLA's more closely.

Regent Anguiano noted that each campus brought in different amounts of revenue and relied on different amounts of the UC core budget to complete its budget. UC should consider each campus' current budget and its long-term budgetary planning as well.

Regent Weddle underscored Regent's Park's reference to the success of student advocacy and urged the Regents to think about more opportunities for joint advocacy and partnership with students.

Regent Kieffer asked whether the education cost per student in constant dollars was currently \$18,000, recalling that it was \$24,000 per student in 1990. Mr. Alcocer responded in the affirmative. Regent Kieffer stated that it should not be the case that the University was more efficient now than it was in 1990 or vice versa. He expressed his disappointment that, when UC needed the greatest investment from the State, UC was spending a one-quarter or one-third less than it had spent on a different generation and students of a different ethnicity.

Regent Makarechian asked whether the cost figures cited included the cost of room and board. Mr. Brostrom stated that those figures were solely for the cost of education. Chair Pérez asked whether they were adjusted dollars, and Mr. Brostrom responded in the affirmative. Chair Pérez explained that this was why the 1990 amount appeared higher. Regent Makarechian indicated that only about ten percent of UC revenue came from the State. Chair Pérez cautioned against this reasoning because UC counted money differently than the State. The percentage of State funding was lower because of the size of UC Health. While UC Health was in the overall budget, it was not equally represented in the core functions of each campus. He cautioned against underreporting State investment. There were multiple State funding mechanisms such as direct appropriation and financial aid. California was the most aggressive state in the country with regard to financial aid. While



the University would prefer that the money was a direct appropriation that it could allocate, financial aid was a real State investment that benefitted students and decreased return-to-aid. He did not want the University to appear unappreciative of State investment that was not direct appropriation. Regent Makarechian responded that UC Health was providing substantial service to the State, taking Medicare and Medi-Cal patients and contributing back to the medical schools.

Mr. Brostrom agreed with Regent Anguiano in that there were vast differences between the campuses. For instances, 72 percent of UC Merced's budget came from State funding and tuition. Chair Pérez emphasized that the Regents should not homogenize discussions, because the impacts of budgetary and policy decisions were expressed differently on different campuses. Regent Makarechian stated that, in the past, Mr. Brostrom had shared a graph demonstrating that the State contribution had declined substantially. Even though UC had reduced the cost of educating compared with ten years ago, the State contribution was still substantially less.

**8. FISCAL YEAR 2019–20 BUDGET FOR THE UNIVERSITY OF CALIFORNIA OFFICE OF THE PRESIDENT**

The President of the University recommended that the Regents approve the Fiscal Year 2019-20 (FY19-20) Budget for the University of California Office of the President, as provided in Attachments 1, 2, and 3.

[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.]

President Napolitano introduced the presentation and thanked the budget team at the Office of the President (UCOP) and the Executive Budget Committee, which included representatives from all campuses and the Academic Senate. She also thanked the Governance Committee for its input during its June meeting. UCOP committed to submitting a transparent, simplified, and comprehensive budget. The fiscal year 2018–19 budget was reduced significantly from the prior year. Millions of dollars were reallocated to the campuses, and actual annual expenditures were expected to come closer to the budget than ever before. The 2019–20 budget was the product of extensive collaboration. The Executive Budget Committee recommended that UC return to the campus assessment model in 2020, and chancellors expressed their support. This model would replace the State's direct appropriation, which has limited flexibility for the Regents, the campuses, and UCOP.

Chair Pérez clarified that this item, originally intended for the May Regents meeting, was sent to the Governance Committee for deeper discussion in June. The Governance Committee made the recommendation for the Board to adopt the budget as presented. Regent Kieffer noted that a working group of chancellors, President Napolitano, and himself reviewed the budget, as well as comments about the budget from a previous survey, line by line. This budget had the support of the chancellors and involvement of the campuses and was a joint effort. This process was meant to assure Regents of the

sufficiency of examination of the budget. The President had established a policy of involving the campuses. Executive Vice President and Chief Operating Officer Nava noted that the Executive Budget Committee was comprised of a provost, vice chancellor for planning and budget, or vice chancellor of administration from each campus, as well as the Chair and former chair of the Academic Senate.

Zoanne Nelson, Associate Vice President and Chief Strategy Officer at UCOP, stated that, in the 2018–19 fiscal year, UCOP significantly reduced its budget from the prior year, redirected fund balances of \$40 million back to the campuses, and reduced the funding for short-term projects and priorities by 38 percent. In this fiscal year's budget proposal of \$941.7 million, 68 percent either passed through to campuses or other State entities or were fee-for-service activities. UCOP increased its revenue through Proposition 56 funds for tobacco research and through Agriculture and Natural Resources (ANR), which had opportunities for more contracting grants and activities. Strategic growth for the budget was in ANR, UC Health, and UCPATH. UCOP planned to report fund balances to the Board at the November meeting. UCOP had initially proposed to reduce fund balances by 81 percent in May but was now proposing a 100 percent reduction. Of the budget increase recommended this year, 1.6 percent was in unrestricted funds. UCOP had a deficit of \$18.6 million, because the State did not provide for the cost-of-inflation increase that UCOP requested, and UCOP was not allowed to begin receiving funding through campus assessment. With that funding, UCOP proposed to use its remaining unrestricted fund balance and then determine how to close the gap of about \$5 million at a future Regents meeting. Updates had been made since this budget was presented to the Governance Committee in June.

Regent Cohen stated that the presentation in the June meeting was helpful and praised this as the best budget he had seen from UCOP. He still believed that more work was needed to make the presentation a usable document and that it was written like an auditor's document. He believed that the Regents should have received this document years ago and that the Regents should own the budget documents because they reflected the Regents' vision of what UCOP was supposed to be doing in the coming year. Exhausting reserves was a major concern. The budget seemed to rely on UCOP's return to campus assessment next year, which he believed was unlikely. How the Legislature responded to requests for UCOP funding indicated the Legislature's and State administration's intentions. The campus assessment would reduce benefits to student services on some campuses if they lose funding. UCOP should determine how to downsize its discretionary budget in the event that the Legislature did not allow the campus assessment model. He did not believe that advocating for campus assessment was a good use of UC's lobbying power, as it was not the highest priority of funding. Regent Cohen asked when UCOP would provide the ending balance for reducing the \$5 million deficit. Ms. Nelson thanked Regent Cohen for recognizing the work done on the presentation and stated that UCOP was interested in the Regents' input on how the presentation should look. The State Auditor identified confusion about the reserves, because the fund balances and reserves were in the same account. UCOP has worked to determine where reserves were needed and whether they were appropriate, and it planned on maintaining reserves for programs and facilities. Fund balances were originally used for short-term priorities and projects and would now be used to fund

strategic priorities this year. Per the State Auditor's request, UCOP set up central operating reserves, which were drawn from the President's endowment fund and could be accessed in case of revenue disruption. This would require Regents' approval. Regent Pérez recalled comparing the structure of these central operating reserves to that of the State Rainy Day Fund with regard to when money went into the reserves and when money would be drawn from them. He asked whether drawing down those monies aligns with previous discussions or whether it was theoretically possible. Ms. Nava replied that there would need to be a significant revenue disruption to access these reserves and that UCOP did not think that this qualified as such and preferred to utilize the remaining fund balances. She agreed that UCOP needed to be mindful of next year's budget, the impact of whether UCOP would be funded via campus assessment or direct appropriation, and being efficient in the allocation of resources. Ms. Nelson added that UC closed its books usually in early September, and she was not sure if it was in time to provide the ending balance that Regent Cohen requested by the September Regents meeting. UCOP always reported its fund balances and budget-to-actuals of the previous year in November.

Regent Park voiced her appreciation for efforts to revamp the presentation. She stated that it would be helpful to have a layperson's version of this. She felt that the idea that UCOP programs were in service to the rest of UC and the state was lost. She asked whether there were alternatives to the campus assessment model, since she felt that the campus assessment was meant for the campuses. She wondered whether there was a way in which chancellors could have more control. Regent Park voiced her frustration and discomfort that things were left unaddressed, such as cybersecurity. She was not sure whether UCOP was transparent about what was not yet done. She stated that the UCOP budget is big and that she did not understand why ANR was still within UCOP. The Regents understood what the problems were and felt that progress was made, but she did not feel as if the status quo was productive. Ms. Nelson replied that, over the past few years, there were areas of the budget that UCOP was required to grow, such as UCPath. Other areas such as ANR received additional revenue. There were also areas of the budget that grew because of cost increases. UCOP has prioritized those areas in order to keep budget increases as low as possible. Trade-offs have had to be made, and UCOP could not always invest in areas that could do more for the University. For example, UCOP proposed that the California Digital Library receive additional funding because of its benefit systemwide. Programs at UCOP featured strong governance structures, shared governance, and cooperation with the campuses. UCOP was constantly trying to balance things it needed to do with rising costs. A lot of UCOP's budget process was determining the most strategic areas of investment. Regent Park stated that she was not satisfied with the answer but was unsure what else she could ask.

Regent Kieffer stated that the implicit question that Regent Park raised was whether UC was one University with a President over it or whether UCOP was simply a service arm for ten universities. For some, including the Legislature, the implication has been that it was the latter, which he believed to be a huge error and inconsistent with how the University was founded, developed, and how it has become great. Taking away the ability of the President and a central office to deal with the campuses would be a big mistake, particularly from a managerial perspective. He hoped UC would not to slip into that direction. On the

other hand, more flexibility and freedom at the campus level was another approach. Regarding UCOP as an office that only provided services was a slippery slope toward undermining the management of UC. This was a discussion that the Regents should have over the next few years. Chair Pérez redirected the Regents to the presentation at hand. He clarified that the Board was generally opposed to direct appropriation in previous discussions.

Regent Park stated that the issues she raised had also been raised two years ago in a Governance Committee meeting. She stated that she meant both “services” and “in service to,” which she stated were two different concepts. “Services” was relevant to campus assessment, but there was also an overarching discussion about service to the University and California. Regent Kieffer responded that campus assessment judged how money was spent on different campuses. It helped properly allocate adjustments related to the nature of individual campuses. There was a time when allocations were made without campus assessment.

Regent Anguiano opined that the fee-for-service designation and what was a service as opposed to in service to UC seemed arbitrary. She was concerned that there were unintended consequences of designating some things as “fee-for-service” and allowing them to grow versus other things that would not be invested in appropriately because they were designated differently.

Upon motion duly made and seconded, the recommendation of the President was approved, with Regent Cohen voting “no.”

9. **2019 UNIVERSITY OF CALIFORNIA ACCOUNTABILITY REPORT**

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

Vice President Brown explained that last year’s Accountability Report focused on the University’s sesquicentennial. This year’s report featured stories from across the University. She spoke about Diana Alvarado, an undergraduate student at UC Santa Cruz studying marine biology. Ms. Alvarado conducted research on elephant seals at Año Nuevo Natural Reserve and now wanted to pursue a Ph.D. This was one of the stories that introduced chapters of the Accountability Report. Indicators tracked were organized by year and could be downloaded for other use, and all data could be downloaded and used for other analyses. Ms. Brown explained this was considered an Accountability Report because of the unprecedented access to information about the University, such as the diversity of students, faculty, and staff; the teaching, research, and public service missions; UC Health; institutional performance; finance; and honors and rankings. Systemwide indicators, such as the President’s goal of being carbon-neutral by 2025, have been incorporated into the Report. This year’s Report aimed to follow up on work and discussions on the multi-year framework. The Office of the President (UCOP) hoped to provide information about its goals, how it proposed to track these goals, and the opportunities and challenges it faced. With regard to the first goal in the multi-year

framework, which was producing more degrees, UCOP planned to increase graduate student enrollment to meet state work force needs, such as those in the California State University, UC, and the health care industry.

UCOP proposed to increase undergraduate student enrollment primarily by advancing timely graduation. Increasing the four-year graduate rate was one of the best ways to reduce costs for students. The systemwide goal was to increase four-year graduation rates by eight points and to increase transfer graduation rates by 13 points. With regard to the second goal of ensuring that the California Dream was for everyone, UCOP hoped to ensure that 90 percent of undergraduate and transfer students at every campus would leave UC with a degree by 2030. UCOP also hoped to close the graduation gap for first-generation, Pell Grant recipient, and underrepresented students by increasing opportunities for these undergraduate students to graduate in four years and transfer students in two years. UC had observed a general increase in graduation rates but had not been able to close graduation gaps. Closing these gaps would reduce costs, put these students in the work force sooner, and increase the opportunity to pursue graduate school. The Report highlighted a decline in retention rates. This was a challenge in light of the University's goals of trying to eliminate gaps.

The third goal in the multi-year plan was to invest in the next generation of faculty and research. UC planned to add 1,100 new faculty over the next four years. This would help the University achieve its degree attainment goals; address programs where students were unable to declare their first-choice majors; create new programs in areas critical to the state, such as data science; and expand UC's research portfolio and get inventions out to market. There were opportunities for economic growth in the Central Valley and Inland Empire. Faculty growth would advance faculty diversity. Referring to a chart comparing new hires to separations, Ms. Brown stated that the University has hired 1,000 more faculty than those separating. The proportion of underrepresented faculty was lower than the proportion separating. The total number of underrepresented faculty hired was higher than the total number separating, but this remained an area of concern and focus. The President allocated funding to six campuses to address this and committed \$1 million annually to other campuses. UCOP created an online dashboard to communicate the Report findings with the hope that it could support additional conversations and advocacy efforts. The Report was also meant to support campuses in their own efforts. The UC Information Center website was interactive and provided the Accountability Report data by campus and sub-population. A filter focused on 2030 goals. Ms. Brown gave additional examples of what data details were available through the UC Information Center, including what UC originally requested in State funding in order to finance the multi-year plan. Of the \$60 million originally requested, Governor Newsom shifted \$50 million to undergraduate enrollment funding. The UC Information Center also displayed goals by individual campus in order to illustrate amount of improvement the campuses wished to achieve, as well as how funding would be allocated to the campuses.

Regent Ortiz Oakley thanked the presenters for acknowledging his previous concerns about the title of the Report. He commended the Report as the most comprehensive of all the school systems and the best report in the country. He stated that accountability must be

linked to the accountability of the Senior Management Group. The Board should formally adopt these goals for the University and link them to the performance of the Senior Management Group. He underscored that someone had to be accountable. Ms. Brown acknowledged this and thanked both her team and other staff at UCOP. Chair Pérez noted the issues that Regent Ortiz Oakley had raised in terms of the quality of the data and what the data called on the University to do. He commended the continued improvement of the data collection and presentation.

Regent Anguiano also commended Ms. Brown on the transparency and ease of use of the Report. She added that there were broader strategic issues with regard to these goals. For instance, while closing graduation gaps was important, Regent Anguiano asked whether the second goal in the multi-year plan, ensuring that the California Dream was for everyone, meant reflecting the diversity of California. She suggested more conversation about what these goals entailed and what the University was trying to achieve.

Regent Weddle stated that the accessibility of the Report was valuable, particularly the access to students and community members. She shared the concern about the second goal in the multi-year plan. She stated that there was an opportunity to create specific goals on admissions, recruitment, and yield of underrepresented students. She hoped to discuss this in the future.

Faculty Representative Bhavnani stated her view that the Report reflected UC's accountability to the State and taxpayers. She asked why retention rates were declining given the needs of the State and how the conversation could be broadened. Ms. Brown replied that one way UCOP used the Report was to identify areas of concern and determine ways to conduct further research to understand the factors. The goals, opportunities, and challenges varied by campus, as have the drop in retention rates. UCOP would work with the campuses to provide better information. Ms. Brown noted that UC had admitted more students in a short period of time. UCOP could approach this in a variety of ways, such as looking at the grades for units completed and financial aid. She shared that this would be a priority and that information would be shared with the campuses.

Staff Advisor Klimow wished to raise retention from a different perspective. For career staff, the most common reason for leaving UC was retirement, but the second most common reason was leaving for other job. The University should acknowledge its changing work force and that it might need to change incentives or flexibility for employees of every category to ensure that UC had the people and resources needed.

Regent-designate Muwwakkil also commended the Report and echoed other Regents' concerns about the second multi-year framework goal. He stated that engagement with undergraduate research was a strong indicator of student success in terms of graduation date and acceptance into competitive graduate programs. He asked whether UCOP tracked the success of underrepresented transfer students who engage in undergraduate research through retention and admission to graduate school. If not, he asked if it was something UCOP would consider tracking. Ms. Brown replied that UC Merced and UC Berkeley have highlighted how undergraduate research has helped students enter graduate school, as well

as supported retention and graduation efforts. UCOP could look at undergraduate research participation over time and for sub-populations using data from the UC Undergraduate Experience Survey (UCUES). UCOP had focused on the degree attainment aspect of the second multi-year framework goal and hoped to increase opportunities for timely graduation and pursuing graduate school.

Regent Cohen commended the interactive nature of the Report and how it differentiated the campuses. He asked whether the goals were based on the November 2018 budget plans. Ms. Brown responded that the goals were developed during the January to March period with the hope that they could be used for budget advocacy. The Report was finalized in March. Regent Cohen noted that the State budget allocation to the University was \$210 million less than expected. He asked how this shortfall affected these goals. Ms. Brown likened the multi-year framework to a car's navigation system, the 2030 goals to the destination, and the campuses' different approaches to different roads. Without operational support and investment in capital, UC might not make the progress that it wanted. The Accountability Report meant to indicate the goals, illustrate the challenges ahead, explain the importance of these goals, and determine whether UC would be successful. UCOP was asking the campuses to aspire to more than setting goals. She hoped UCOP and the Board would work on advocacy efforts. She envisioned that UC could partner with the State to improve outcomes for first-generation, Pell Grant recipient, and underrepresented students. Regent Cohen stated that UC ought to be held accountable for meeting these goals, because it would undermine the argument for more funding if UC was meeting these goals regardless of funding. Calling this an Accountability Report implied accountability. Chair Pérez noted that Regent Ortiz Oakley had raised this issue several times. How these tools should be used to create outcomes was something for the Board to discuss.

#### 10. **THE DIVISION OF AGRICULTURE AND NATURAL RESOURCES**

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

Vice President Humiston began her presentation by explaining that the Division of Agriculture and Natural Resources (ANR) was a part of the University since its beginnings and was originally named the Agricultural, Mining and Mechanical Arts College. The College was located in Oakland before it moved to Berkeley. In 1887, Congress created the Agricultural Experiment Stations, which were currently managed by the Berkeley, Davis, and Riverside campuses. Cooperative Extension, established by Congress in 1914, is throughout the state. ANR has been serving all 40 million Californians in all 58 counties, with offices in most of those counties. Its broad mission has included food security, healthy natural resources, science literacy, and economic success in a global economy, which was particularly critical in the last several years. The state has been grappling with the "two Californias," whereby coastal, urban areas seemed to thrive while inner areas struggled with high levels of poverty. The California Economic Summit and Governor Newsom's administration have put their focus on this issue. The California Economic Summit recently asked Ms. Humiston and the chief executive officer of the Rural County Representatives

of California to co-chair the Elevate Rural CA initiative. ANR had offices in virtually every county and served every county, with thousands of projects and research initiatives every year. Some county offices served as administrative sites or had laboratories and greenhouses. There were nine research extension centers that were located in parts of the state that gave ANR access to the various bioregions, ecosystems, and climatic conditions of California for research. ANR had 175 advisors out in the field, 115 campus-based specialists, and 350 community educators. The number of Cooperative Extension advisors and specialists who also conduct research declined by half compared with 20 years ago, and ANR was working with its partners to reverse this decline and meet demand. There were over 600 researchers at the Agricultural Experiment Stations, most of whom had split appointments between the Research and Extension Center and summer faculty.

Ms. Humiston highlighted several statewide programs and institutes. The Nutrition Policy Institute's national work resulted in the inclusion of water in the U.S. Department of Agriculture's MyPlate campaign to reduce young people's consumption of juices and other sugary drinks. UC's Integrated Pest Management (IPM), which was created in California, celebrated its 40th anniversary. ANR has also managed IPM in 13 western states. The Water Research Institute, part of a national network that received funding from the U.S. Geological Survey, has coordinated water research on behalf of UC, State agencies, and other partners. The Agricultural Issues Center has performed economic analysis related to agriculture and cost of production. Informatics and Geographic Information System (GIS) has helped UC make use of mapping and data analytics. Food and Nutrition has provided education to low- and very low-income families on how to stretch food stamp dollars and make more nutritious meals. ANR was working with UC medical centers to turn education into wellness efforts. Sustainable Agriculture and Research focused on small- and medium-sized farmers, as well as beginning farmers. 4-H Youth Development, California Naturalist, Master Gardeners, and Master Food Preservers had a total of 26,000 volunteers. ANR would likely spend more than \$70 million if these volunteers were paid. 4-H Youth Development was growing in urban areas, in school, and after school. A Master Food Preservers program has grown from the Master Gardeners program. Food preserving has gained popularity among younger adults, but it was also critical for low-income families. The California Naturalist program, created a few years ago in close partnership with UC Natural Reserve System (NRS), has met the NRS need for docents and Master Naturalists to lead tours. ANR had also partnered with the NRS to do "bioblitzes," which were intense periods of biological surveying, bird counts, and a wide array of citizen science activities. Recently, ANR began pushing its state program leadership to find new synergies between programs and to find opportunities for citizen science. Ms. Humiston was very concerned about scientific illiteracy and its resultant problems, such as bad policy decisions. She was looking for a way for youth and adults to get involved in science.

ANR's Strategic Vision 2025 was concerned with strategic initiatives and was adopted in 2009 after extensive public input. ANR's Strategic Plan 2017–2022 was designed to make Strategic Vision 2025 operational using plans, metrics, milestones, and budgets. One of those initiatives was Sustainable Natural Ecosystems; ANR was working closely with the State and federal government on forest health, fire issues, and how to keep homeowners and communities safe. 4-H youth volunteer at county fairgrounds to care for animals



evacuated during wildfires. For its Healthy Families and Communities initiative, ANR provided nutrition education in school and in afterschool programs along with its partners. ANR was working with farmers to expand ground water recharge during winter rains and promoting water efficiency on farms and in urban settings in its Water Quality, Quantity and Security initiative. The Sustainable Food Systems initiatives ensured that farmers had new plant varieties, new technologies, and better and more efficient practices. One key area of growth was agricultural technology to minimize demands on labor, since agriculture was having difficulty accessing the labor it needed. ANR was working with the California Community Colleges to ensure that existing farmers had the necessary training for agricultural technology jobs to manage computerized irrigation systems. ANR addressed a wide array of invasive species, pests, and diseases through the Endemic and Invasive Pests and Diseases initiative. Every five weeks, a new pest was introduced into the state. The Delta region had suffered significant damage from a large rodent called the nutria. Through the Healthy Families and Communities initiative, the Juntos 4-H program has reached out to underserved, especially Latino(a), communities to encourage college attendance. Juntos brought youth to UC campuses to attend workshops. The participants' 4-H projects helped prepare them for college. Many State agencies have relied on UC and ANR to provide research, data, and knowledge that they need to carry out their missions. ANR had over 300 contracts, agreements, and memoranda of understanding (MOUs) with its partners.

Ms. Humiston provided a few sample metrics. In 2017–18, ANR released 1,700 publications and filed 22 patent applications. ANR took less than one percent of the UC budget but filed four percent of UC's patent applications. Many of the top revenue producers came from ANR, such as new plant varieties. ANR offered 256,500 classes, courses, workshops, and field days. In response to flat and shrinking budgets, ANR has offered more e-courses; used teleconferencing to reduce the number of field visits; co-funded academic positions; and leveraged funds through contracts and grants. ANR was scheduled to join UCPath in fall 2019. The President's Advisory Commission on Agriculture and Natural Resources (PAC) recommended a hybrid model of governance for ANR such that it remained at the Office of the President (UCOP) to ensure the systemwide nature of ANR's work. However, ANR's budget, which made up a large portion of the UCOP budget, needed to be differentiated. It had created great confusion, especially since ANR was working to grow its budget through contracts, grants, and other sources. Out of ANR's \$214.6 million budget in FY 2018–19, competitive grants and extramural funds had been a rapidly growing source in light of declining State funds. Competitive grants increased 63 percent in the last five years because of grant writing and partnership leveraging. ANR was growing its funds development, sales, and fee-for-service activities partially because county funds were generally not growing. Federal funds either were flat or shrinking. State funds were critical to paying researchers and academics so they could apply for competitive grants. Ms. Humiston emphasized how important it was for states and the federal government to consider the difference between competitive grants and capacity and infrastructure. ANR's fund uses were mostly based in the counties. Cooperative Extension advisors in California, unlike in other states, were also researchers required to have a robust research program. Cooperative Extension agents in other states were the equivalent of community educators in California. Cooperative Extension advisors in California facilitated the full-spectrum of mission-oriented research and enabled

campuses to interact more with the public. ANR administration was eight percent of the budget and would hopefully shrink through efficiencies such as joining UCPath. The UC ANR Governing Council was newly recommended by PAC so that ANR could better leverage its partnerships with the campuses and others. Ms. Humiston closed her remarks by reiterating ANR's goal of ensuring that all 40 million Californians feel the impact of the UC system. Many people in California did not have children attending UC, and UC should work to make them feel supported. This was especially relevant when so many in the general public have questioned the value of higher education.

Regent Leib asked how the Regents could communicate ANR's value to policymakers and legislators who were funding ANR projects. Ms. Humiston replied that ANR was working very closely with State Governmental Relations (SGR) and using the UC Advocacy Network to communicate what has been delivered to rural communities. ANR was coming to consensus on public value statements and how to report them as impact. Academics would report the number of workshops they organized or the number of people who attended. ANR was trying to change reporting to include narratives about what people learned, how they implemented what they learned, and the positive results. California had vignettes in the U.S. Department of Agriculture's annual report for the very first time. Regent Leib noted that many people were benefitting from this work and that ANR was involved in public policy issues such as wildfires and nutrition. He believed it was important for ANR to activate a network of people who would relay these things to their legislators. He was not sure whether the Legislature understood the extent of what ANR was doing in all 58 counties. Ms. Humiston agreed with Regent Leib's comments and invited the Regents to tour ANR facilities. Chair Pérez agreed with Regent Leib, adding that there were counties where UC did not have a campus but still had a presence. County Fair Boards were also appointed by the Governor, and all county fairs were affected by ANR programs. Chair Pérez called on SGR to consider ANR advocacy with County Fair Boards.

Regent Park expressed her excitement about learning more about ANR. She noted the many relationships that ANR had and the value of all the program areas, from climate change impacts to pests to nutrition. She expressed her eagerness to participate in a tour.

## 11. **COHORT-BASED TUITION**

[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.]

Associate Vice President David Alcocer stated that this presentation would begin a discussion of the impact of adopting a cohort-based tuition plan. In such a plan, once students enroll, they could expect tuition to remain flat for a period of time, and a tuition increase would only affect the next incoming class of students, but not current students. Similar plans had been adopted by universities in other states but not on this large a scale. Staff from the Office of the President (UCOP) reached out to some of those schools to learn how they implemented cohort-based tuition. One key takeaway was the need for adequate State support in order for the institution to reach its principal goals, such as those in UC's

multi-year framework. Referring to a chart in the slides, Mr. Alcocer provided an example of a cohort-based plan that would keep tuition flat for up to six years for each incoming class. Once the plan is fully implemented, tuition adjustments could be tied to the rate of inflation, which would keep tuition flat in constant dollars from one cohort to the next. The plan would reduce student and parent anxiety about potential tuition increases despite financial aid like the Cal Grant increasing as well. Not all students with the Cal Grant were aware of the features of their financial aid or how they would be affected when tuition increases. The plan would allow campuses, which would know what tuition revenues to expect, to plan more effectively. The plan would also provide campuses with new resources to help students cover cost increases for food, housing, and other parts of the total cost of attendance, thereby improving UC affordability for low- to middle-income undergraduate students. Flat tuition has produced no new funds for financial aid, so predictable tuition revenue increases would lead to predictable new resources for financial aid programs. Costs other than tuition and fees, such as rent, food, books and supplies, and health insurance, represent most of the total cost of attendance. Without new financial aid funding, students would bear these costs and have to borrow more, work more, or cut back on their budgets, which has led to the current basic needs crisis. Tuition increases would help cover those costs through return-to-aid and State aid; for every \$100 increase in tuition, it was estimated that the combined Cal Grant and UC Grant for about 100,000 undergraduate students would increase by \$140.

Executive Vice President and Chief Financial Officer Brostrom stated that a work group, which included Chancellors Christ and May, other campus leaders, three Regents, and Faculty Representative Bhavnani, had formed to explore this tuition model. One consideration for implementing this tuition model was whether undergraduate students, graduate students, or both would be covered by this plan. Another consideration was the charges to include in the plan, such as base tuition, in-state tuition, the Student Services Fee, or non-resident supplemental tuition. UC must also consider how it would phase in the plan. Increases might be slightly higher in the beginning. Many schools who had cohort-based tuition plans had a four-year time limit, and students would move to a new cohort in their fifth year of study. Many lower-income UC students have had a longer time-to-degree, so UC would have to consider whether cohorts would span four, five, or six years. The financial partnership with the State would be critical. Cuts to State funding could result in disproportionately burdensome tuition rates, but there were ways to mitigate that. A cohort-based plan would require clear communication with students and families that this was a plan and not a guarantee. If the State made a significant funding cut, UC would have to suspend the plan. Many changes would be made to administrative systems. UC would have to track students by when they enter school to determine their cohort. Changes would be made to the Cal Grant. The work group would begin immediately and would have more to present at an upcoming Regents meeting.

Regent Guber expressed his preference for a system that tries to give certainty to both buyers and sellers. He asked whether the cohort-based tuition model could be used as a value proposition to encourage students to graduate more quickly and how it might affect enrollment at UC. Making a cohort last six years might encourage staying longer and might institutionalize six-year graduation. UC must plan this tuition model nearly two years ahead

in order to communicate costs to applicants. In total, families would be planning eight years ahead. He noted differences in disciplines and programs between graduate students and undergraduate students and that one tuition model might not fit both. Transfer students were also a distinct group. With different rules for every situation, he believed that the tuition model could become convoluted and would be difficult to explain. He asked whether this was tied to financial incentive or fiscal responsibility. He also asked what would happen if the degree was not completed. He reiterated the importance of clear and concise messaging.

Regent Lansing stated she was pleased that this was being explored. She recalled that tuition was raised multiple times during President Yudof's tenure. It was a very difficult time, and she did not wish to see this happen again. Both the tuition increases and the lack of predictability were issues. She emphasized that the Regents do not want to raise tuition, but not doing so would affect the quality of the University, ability to hire, and programs. There was a tremendous shortfall at the campuses. UC must face the fact that the State was providing ten percent of budget, but it could be less. Regent Lansing wished to see a stable tuition plan that provided one number to students for the next four to six years. She believed graduate and undergraduate students should be in the same cohort. She suggested basing the tuition model on the cost of living. She also suggested scrutiny in the next six months before approving a new UC budget, because increases in State allocation have often been tied to keeping tuition flat. She requested an update on each campus' shortfall.

Regent Estolano agreed that graduate programs were not all the same. She noted that Professional Degree Supplemental Tuition (PDST) was not included in the conversation. Citing the presentation materials, she stated that a cohort-based tuition model would work well if other parts of UC's revenue model were also increasing at a moderate, steady rate. It would be essential for the Legislature and the Governor to be in support of the model. Without the moderate, steady increases from a variety of sources, the model would fall apart. She asked what the University would deliver for this modest increase. UC needed to communicate to the Legislature, the Governor, parents, and the public what was needed in order to achieve its multi-year goals, and UC would also need to communicate what would happen in the event of a radical decline in State funding. For students, this model still presented a tuition increase, so communicating the total cost of attendance might be more helpful. She praised the presentation for explaining that, without a tuition increase, UC could not provide assistance for other costs like books and housing. A recession and revenue pressure were anticipated, and, with clear messaging, students would impress upon the Legislature that their fees would increase and accessibility would be affected without State funding. UC also needed to communicate how this plan would stabilize and maybe even reduce the total cost of attendance.

Regent Ortiz Oakley asked to see at least two options for how to proceed. This had been a challenge that many Legislatures and higher education leaders have grappled with. He agreed that UC should make a compact with the Governor and Department of Finance regarding each group's role. UC needed to determine what it was trying to accomplish. If this was a revenue model, nonresident tuition had to be part of the discussion. If this was a predictability model or a total cost of attendance model, addressing debt burden would be

part of the discussion. He suggested third party input from organizations such as the National Center for Higher Education Management Systems. He acknowledged that there was no perfect tuition model, but UC could strive for it. UC needed to have a comprehensive conversation about the State's investment, UC responsibility, and student responsibility, and the student voice needed to be a part of the conversation.

Regent Sures suggested a modified cohort plan that would build in mechanisms for catastrophes such as a lack of State funding. It could be tied to the cost of living and would build in the option of an increase that UC could exercise to protect itself.

Regent Weddle applauded the efforts to consider consistency and predictability but raised concern about how this model would affect UC's equity goals, particularly those of affordability and accessibility. She asked that UCOP generate a projection of the impact that this plan would have on the cost of attendance and incorporate multiple options. She was also concerned about the timeline for the plan that was outlined. Given the suggested input from a third party organization, students, and other stakeholders, she did not believe that there would be enough time to have an action item by the September Regents meeting as proposed.

Regent Kieffer agreed that tuition was a red herring. He believed that any tuition plan should include an understanding that tuition must increase on a modest basis. He was not comfortable with this plan yet. Predictability could be achieved in many ways. He suggested comparing this plan with freezing tuition at constant dollars and that this would provide the same predictability. He suggested that conversations about State funding should include the Cal Grant. The Regents have had a difficult time voting for modest tuition increases tied to tuition, and this tuition plan had a greater increase tied to the first cohort. The impact would be greater if the Regents did not vote for it. In a recession, it would be harder to recover.

Regent Anguiano agreed with previous comments about total cost of attendance and taking a holistic view of UC's financial model so that total revenue was considered in the context of total operations. With regard to cohort timelines, she noted that underrepresented and low-income students have a longer time-to-degree and that it was not because they wanted to stay in school longer. She cautioned against further increasing the burden on students who already had an increased financial burden.

Staff Advisor Klimow asked whether there was infrastructure in place to manage six different tuition cohorts and whether there was enough time to implement the plan. Presentation materials stated that other universities spent six months to one year to implement their plans. If the window of the vote to implementation narrowed, it would be a burden on campus financial aid offices. She echoed comments about maintaining flexibility in this plan. In the event of a recession, money would be constricted and cuts would be made to staff first.

Regent Leib asked what a tuition increase on the first cohort would be, noting that it would be greater than before. Mr. Brostrom replied that Mr. Alcocer's team had done a lot of modeling and that the amount was not as significant as first thought. If the goal was to

match the increase to the Consumer Price Index (CPI) at three percent, the increase could be as low as an extra one percent if it was phased in over four to five years. A shorter phasing period would result in an increase of five percent, six percent, or higher. Mr. Alcocer added that, assuming a three percent CPI, every graduating class would be replaced by a cohort paying three percent more after the model was fully phased in. The result would be the same as with a broad increase. Chair Pérez stated that this discussion demonstrated the value of charting these figures. Regent Leib asked who the Regents in the working group were. Chair Pérez stated that they would be invited by the President's office.

Regent Um was pleased that this was being discussed, given how often it was raised in public comment. He asked how legally binding this was for a student. Although the student was not signing a contract, there was still justifiable reliance. This should be taken into consideration as a risk factor and properly messaged. He also wished to know what impact on this had on the culture and makeup of the student body at schools with cohort-based tuition. In the beginning of implementation, third- and fourth-year students would subscribe to a different tuition model than incoming students, which could be disruptive. Seeing anecdotes and history from other universities would better prepare UC to recognize this impact and its unintended consequences. Staff and programming would be better equipped to address it. Mr. Brostrom confirmed that the tuition model would not be a legally binding guarantee. UC would need to make clear the times it would deviate from the model, and UC would explore reserve policies and borrowing to keep the model in place. He added that 57 percent of undergraduates pay no tuition and 20 percent have some tuition covered, so there was already vast disparity. Regent Um indicated that implementation would be unilateral and that there would be consequences with that. He wanted the Regents to be sensitive to those consequences.

Regent Elliott underscored the disproportionate impact of having cohorts that were less than six years in light of discussions regarding closing graduation gaps.

Regent Park stated that this was relevant to what version of itself that UC wanted to fund. She added that she prepared to vote for tuition increases as long as revenue generation was holistically considered.

Faculty Representative Bhavnani stated that she would be involving the Academic Senate in the working group. She asked whether UCOP had information from universities that used cohort-tuition models regarding how it was implemented and how long it took. Chair Pérez sought to confirm that UCOP had been compiling information about successes and failures at other universities and that the working group would be given that. He acknowledged Regents' request for more options to choose from and questions about the University's vision for itself.

Regent Lansing reiterated that there would be no need to do this unless there were campus shortfalls. In addition to the funding options discussed, UC should consider its real need. People would understand tying tuition increases to the cost of living increases. She

suggested phasing in the plan over a longer period of time, measuring the increases against the campus shortfalls, and keeping the increases consistent.

President Napolitano stated that the discussion was useful and that UCOP had formed the working group. Chair Pérez, Regents Anguiano and Weddle, and Ms. Bhavnani were members. She acknowledged that there was much work to do and appreciated having some options to think about. This was a decision about a revenue model to pay for the desired version of the University.

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

Chair Pérez 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**

The Committee presented the following from its meeting of July 17, 2019. The Committee considered two discussion items.

A. ***Student Loan Debt Patterns Among University of California Undergraduates***

Regent Anguiano stated that the Committee had a robust conversation about the troubling statistic that debt burden was greater for underrepresented and lower-income students. The Committee discussed ways to reduce this disparity, such as closing graduation gaps, other ways to evaluate family wealth, philanthropic support, reducing the cost curve, and expanding job opportunities.

B. ***Update on Open Access and Academic Journal Contracts***

Regent Anguiano stated that the publisher Elsevier was “double dipping” at very high profit margins and excluding people from accessing UC research worldwide. UC was advocating for an open access model such that the publication would be paid for up front and could be freely accessed thereafter. The Committee was very supportive and appreciative of the effort. UC was gaining alliances with other institutions, and UC was exploring alternative publishing options.

**Report of the Compliance and Audit Committee**

The Committee presented the following from its meeting of July 17, 2019. The Committee considered one action item and three discussion items.

A. ***Update on Systemwide Audit of Admissions***

Regent Elliott stated that the report of the systemwide audit of undergraduate admissions that was requested by President Napolitano was issued on June 20, 2019 and included 34 recommendations. Each campus was developing corrective actions to address each recommendation, and the Regents would be verifying appropriate implementation of the corrective actions. A second audit was scheduled to be completed by early 2020. The Legislature asked the State Auditor to conduct an audit of UC admissions policies that was expected to begin in the next six months.

B. ***Approval of the Internal Audit Plan for 2019–20***

The Committee reported its approval of the Internal Audit Plan for 2019–20.

Regent Elliott stated that the key topics addressed in the Internal Audit Plan included financial monitoring, cybersecurity, foreign influence, admissions, outside professional activities, the Fair Wage/Fair Work Plan, UCPath, and executive compensation.

C. ***Report on Independent Assessment of Audit Implementation Status***

Regent Elliott stated that Kurt Sjoberg and Marianne Evashenk presented UC's progress in complying with the State audit requests. UC was in substantial compliance.

D. ***University of California Herbicide Task Force Update***

Regent Elliott reported that the Committee received an update on the activities of the task force, which was studying the situation and would develop recommendations regarding herbicide and pesticide use at UC. The Committee asked the task force to return with its recommendations by November 1, 2019.

Upon motion duly made and seconded, the report of the Compliance and Audit Committee was accepted.

**Report of the Finance and Capital Strategies Committee**

The Committee presented the following from its meeting of July 17, 2019. The Committee considered four action items and seven discussion items:

A. ***Consent Agenda:***

(1) ***Certification of Updated Sewer System Management Plans***



The Committee recommended that, following review and consideration of the Sewer System Management Plans pursuant to the California Environmental Quality Act (CEQA), the Regents:

- a. Determine that the Sewer System Management Plans are exempt from CEQA.
- b. Certify and approve the updated Sewer System Management Plans for the following locations: Berkeley; Berkeley, University Village Albany; Berkeley Global Campus at Richmond Bay; Davis; UC Davis Health; Irvine; Los Angeles; Merced; Riverside; San Diego; Santa Barbara; Santa Cruz; and the Kearney Research and Extension Center.

(2) ***Approval of Preliminary Plans Funding, Future College Living and Learning Neighborhood, San Diego Campus***

The Committee recommended that the 2018–19 Budget for Capital Improvements and the Capital Improvement Program be amended to include the following project:

San Diego: Future College Living and Learning Neighborhood – preliminary plans – \$30 million to be funded with campus funds.

(3) ***Approval of Budget, Scope, External Financing, and Design Following Action Pursuant to the California Environmental Quality Act, 2 North Point Seismic and Tenant Improvements Project, San Francisco Campus***

The Committee recommended that:

- a. The 2019–20 Budget for Capital Improvements and the Capital Improvement Program be amended as follows:

From: San Francisco: 2 North Point Structural and Tenant Improvements – preliminary plans – \$1.63 million funded from campus funds.

To: San Francisco: 2 North Point Seismic and Tenant Improvements – preliminary plans, working drawings, construction, equipment, and interest during construction – \$35,144,000, to be funded from external financing (\$33,514,000) and campus funds (\$1.63 million).

- b. The scope of the 2 North Point Seismic and Tenant Improvements project shall consist of seismic retrofit of the building for use by

UCSF employees, as well as accessibility, building systems, and tenant improvements.

- c. The President of the University shall be authorized to obtain external financing not to exceed \$33,514,000 plus additional related financing costs, for the project. 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. Following review and consideration of the environmental consequences of the proposed 2 North Point Seismic and Tenant Improvements 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 to the Regents 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 Regents:
  - (i) Determine that the 2 North Point Seismic and Tenant Improvements project is exempt from CEQA;
  - (ii) Approve the design of the 2 North Point Seismic and Tenant Improvements project, San Francisco campus.
- e. The President be authorized, in consultation with the General Counsel, to execute all documents necessary in connection with the above.

Regent Park stated that UCSF had received the office building that it was seismically retrofitting as a gift.

**B. *Approval of Budget, Scope, External Financing, Standby Financing, and Design Following Action Pursuant to the California Environmental Quality Act, Susan and Henry Samueli College of Health Sciences Building, and Sue and Bill Gross Nursing and Health Sciences Hall, Irvine Campus***

The Committee recommended that:

- (1) The 2019-20 Budget for Capital Improvements and the Capital Improvement Program be amended as follows:

Irvine: Susan and Henry Samueli College of Health Sciences Building – design, construction, equipment, and interest during construction – \$113 million to be funded from gifts (\$55 million), external financing (\$55 million), and campus funds (\$3 million).

Irvine: Sue and Bill Gross Nursing and Health Sciences Hall – design, construction, equipment, and interest during construction – \$72 million to be funded from gifts (\$30 million), external financing (\$41.5 million), and campus funds (\$0.5 million).

- (2) The scope of the Susan and Henry Samueli College of Health Sciences Building shall consist of constructing an approximately 108,200-gross-square-foot (gsf) (63,600-assignable-square-foot (asf)) building that would provide clinical space, classrooms and instructional space, research space, academic and administrative office space, and shared collaboration and scholarly activity space.

The scope of the Sue and Bill Gross Nursing and Health Sciences Hall shall consist of constructing an approximately 71,500-gsf (43,100-asf) building that would provide classrooms and instructional laboratories, research space, academic and administrative office space, and shared collaboration and scholarly activity space.

- (3) The President of the University be authorized to obtain external financing in an amount not to exceed \$96.5 million, plus additional related financing costs, to finance the Susan and Henry Samueli College of Health Sciences Building and the Sue and Bill Gross Nursing and Health Sciences Hall. The President shall require that:
  - a. Interest only, based on the amount drawn, shall be paid on the outstanding balance during the construction period.
  - b. As long as the debt is outstanding, the general revenues of the Irvine campus shall be maintained in amounts sufficient to pay the debt service and to meet the requirements of the authorized financing.
  - c. The general credit of the Regents shall not be pledged.
- (4) The President be authorized to obtain standby financing not to exceed \$45 million, plus related interest expense and additional financing costs, for the Susan and Henry Samueli College of Health Sciences Building and the Sue and Bill Gross Nursing and Health Sciences Hall, subject to the following conditions:

- a. Interest only, based on the amount drawn down, shall be paid on the outstanding balance during the construction period.
  - b. Repayment of any debt shall be from gift 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 unrestricted campus funds shall be used to pay the debt service and to meet the related requirements of the authorized financing.
  - c. As long as the debt is outstanding, the 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.
  - d. The general credit of the Regents shall not be pledged.
- (5) Following review and consideration of the environmental consequences of the proposed Susan and Henry Samueli College of Health Sciences Building and the Sue and Bill Gross Nursing and Health Sciences Hall 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 Regents:
- a. Adopt the Initial Study and Mitigated Negative Declaration for the Susan and Henry Samueli College of Health Sciences Building and the Sue and Bill Gross Nursing and Health Sciences Hall project.
  - b. Adopt the Mitigation Monitoring and Reporting Program for the Susan and Henry Samueli College of Health Sciences Building and the Sue and Bill Gross Nursing and Health Sciences Hall project, and make a condition of approval the implementation of mitigation measures within the responsibility and jurisdiction of UC Irvine.
  - c. Adopt the CEQA Findings for the Susan and Henry Samueli College of Health Sciences Building and the Sue and Bill Gross Nursing and Health Sciences Hall project.
  - d. Approve the design of the Susan and Henry Samueli College of Health Sciences Building and the Sue and Bill Gross Nursing and Health Sciences Hall project.

Regent Park reported that this project related to UC Irvine's desire to include more

integrative health practice and to bring the Schools of Pharmacy and Pharmaceutical Sciences, and Population Health, Medicine, and Nursing in closer proximity with one another.

C. ***Approval of Budget, Scope, External Financing, and Design Following Action Pursuant to the California Environmental Quality Act, Chemistry Addition and First Floor Renovation and Delegation of Authority for Future Capital Approvals for Chemistry and Chemistry Annex Building, Davis Campus***

The Committee recommended that:

- (1) The 2019–20 Budget for Capital Improvements and the Capital Improvement Program be amended as follows:

From: Davis: Chemistry Addition and First Floor Renovation – preliminary plans – \$5,114,000 to be funded from campus funds.

To: Davis: Chemistry Addition and First Floor Renovation – preliminary plans, working drawings, construction, and equipment – \$46,921,000 to be funded with external financing.

- (2) The scope of the Chemistry Addition and First Floor Renovation project shall provide approximately 29,700 new assignable square feet (asf) and 7,200 renovated asf to provide modern laboratories and collaboration spaces in support of the increasing demand for teaching and research.
- (3) The President of the University shall be authorized to approve external financing (Century Bonds 2012 and 2015) in an amount not to exceed \$46,921,000 plus additional related financing costs to finance the Chemistry Addition and First Floor Renovation project. The President shall require that:
  - a. Interest only, based on the amount drawn, shall be paid on the outstanding balance during the construction period.
  - b. As long as the debt is outstanding, the general revenues of the Davis campus shall be maintained in amounts sufficient to pay the debt service and to meet the related requirements of the authorized financing.
  - c. The general credit of the Regents shall not be pledged.
- (4) Following review and consideration of the environmental consequences of the Chemistry Addition and First Floor Renovation 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 to the Regents 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 Regents:

- a. Adopt the CEQA Findings for the Project, having considered both the 2018 Long Range Development Plan (LRDP) Environmental Impact Report (EIR) for the Davis campus and February 2019 Addendum<sup>1</sup>; and
  - b. Make a condition of approval the implementation of applicable mitigation measures within the responsibility and jurisdiction of UC Davis as identified in the Mitigation Monitoring and Reporting Program adopted in connection with the 2018 LRDP EIR.
  - c. Approve the design of the Chemistry Addition and First Floor Renovation project, Davis campus.
- (5) The President shall be authorized to approve individual capital projects located in the Chemistry Building and Chemistry Annex with a cumulative total up to and including \$25 million over a period of three years, until July 2022. Minor capital projects, within these buildings, with a project cost of less than or equal to \$1 million are not included in the cumulative total.

Regent Park stated that Regent Estolano had asked that the campus seek a Gold or Platinum Leadership in Energy and Environmental Design (LEED) rating for new construction in this project.

D. ***University of California Retirement Plan – Proposal to Adopt Changes in Actuarial Assumptions and Authorization to Increase the Employer Contribution Rate***

Regent Park stated that the Committee had a discussion about the UC Retirement Plan, changes to the discount rate, a change in actuarial assumptions, and changing employee contributions. The Committee deferred action until the September Regents meeting, which was when Office of the President (UCOP) finance staff would return with different data and different options.

E. ***University of California 2020-21-Budget for State Capital Improvements***

Regent Park stated that this was a \$525 million proposal that represented a small portion of the total funding needs for State-eligible capital improvement projects. Most of the Committee discussion focused on UC Riverside's funding. This budget would be going to the California Department of Finance for approval and would be

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<sup>1</sup> The February 2019 Addendum covers the proposed Chemistry Complex Addition and First Floor Renovation Project, other capital projects in the Chemistry Complex, as well as construction of a new Engineering Student Design Center at Bainer Hall, located southeast of the Chemistry Complex.

brought before the Regents again at the September meeting.

F. ***Verano 8 Graduate Student Housing and Long Range Development Plan Amendment for On-Campus Housing, Irvine Campus***

This item was not summarized.

G. ***Proposed Mixed Use Development of Up to 36.2 Acres at Moffett Field, Berkeley Campus***

Regent Park reported that that National Aeronautics and Space Administration (NASA) had invited UC Berkeley to participate in a joint venture project that NASA had authority from Congress to develop. This had a great deal of potential with regard to the partnership, the ground lease, and academic space, but it was not without risk in terms of the environmental liabilities, where were not clear. More information was forthcoming. Chancellor Christ indicated that the faculty at UC Berkeley gave their full and robust support, which was a good sign.

H. ***UC Center Sacramento Facility Acquisition and Renovation***

Regent Park stated that the current UC Center Sacramento (UCCS) building was seismically unsafe. A nearby building needed to be developed, and this was a great opportunity for the Center's presence in Sacramento. Regent Kieffer had been a proponent of the endeavor.

I. ***Update Regarding the New Hospital UCSF Helen Diller Medical Center Program at Parnassus Heights Integrated Form of Agreement and Procurement Strategy, San Francisco Campus***

Regent Park stated that UCSF brought forth a different kind of financing model and procurement strategy. The Committee had many questions about risk; UC had not done this before. She anticipated further discussions about whether this would produce the desired project at the desired price. Chancellor Hawgood and his staff would return to the Committee with an update.

J. ***University of California Innovation and Entrepreneurship***

Regent Park reported that the Committee requested more data. She stated that the presentation was related to the question of how UC increases its potential revenue sources to fund the desired version of the University.

K. ***Approaches to Address Student Housing Insecurity***

Regent Park stated that UC Santa Cruz wished to have a safe parking program and that the Committee decided that this discussion should occur at a meeting of the Special Committee on Basic Needs. Regent Weddle agreed to consider the issue and requested its legal review.

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

### **Governance Committee**

The Committee presented the following from its meeting of June 17, 2019. The Committee considered one action items:

#### ***Fiscal Year 2019–20 Budget for the University of California Office of the President***

The Committee recommended the approval of the Fiscal Year 2019-20 Budget for the University of California Office of the President, as provided in Attachments 1 and 4.

Chair Pérez reported that the Committee voted unanimously to recommend the Budget.

The Committee presented the following from its meeting of July 18, 2019. The Committee considered seven action items and one discussion item:

A. ***Approval of Appointment of and Compensation for Peggy Arrivas, Interim Associate Vice President – Capital Assets Strategy and Finance, in Addition to Existing Appointment as Associate Vice President and Systemwide Controller, Office of the President, as Discussed in Closed Session***

The Governance Committee recommended approval of the following items in connection with the appointment of and compensation for Peggy Arrivas as Interim Associate Vice President – Capital Asset Strategies and Finance, Office of the President, in addition to her existing appointment as Associate Vice President – Systemwide Controller, Office of the President:

- (1) Appointment of Peggy Arrivas as Interim Associate Vice President – Capital Asset Strategies and Finance, Office of the President, effective as an exception to policy June 1, 2019 through May 31, 2020 or until the appointment of a new Associate Vice President – Capital Asset Strategies and Finance, whichever occurs first.
- (2) Per policy, continued appointment as Associate Vice President – Systemwide Controller, Office of the President.
- (3) Per policy, an annual base salary of \$371,256 during the appointment as Interim Associate Vice President – Capital Asset Strategies and Finance, Office of the President. At the conclusion of the interim appointment, Ms. Arrivas's annual base salary will revert to her annual base salary in effect as of June 5, 2018, plus any adjustments made under the Office of the President salary program since that date.



- (4) Per policy, continuation of standard pension and health and welfare benefits and standard senior management benefits including eligibility for senior manager life insurance and executive salary continuation for disability.
- (5) Per policy, continued eligibility to participate in the UC Employee Housing Assistance Program, subject to all applicable program requirements.
- (6) Per policy, continuation of monthly contribution to the Senior Management Supplemental Benefit Program.

**B. *Approval of Appointment of and Compensation for PK Agarwal as Dean – University Extension, Santa Cruz Campus, as Discussed in Closed Session***

The Committee recommended approval of the following items in connection with the appointment of and compensation for PK Agarwal as Dean – University Extension, Santa Cruz campus:

- (1) Per policy, appointment of PK Agarwal as Dean – University Extension, Santa Cruz campus, at 100 percent time.
- (2) Per policy, an annual base salary of \$260,000.
- (3) Per policy, standard pension and health and welfare benefits and standard senior management benefits including eligibility for senior management life insurance and executive salary continuation for disability (eligible after five consecutive years of Senior Management Group service).
- (4) Per policy, eligibility to participate in the UC Employee Housing Assistance Program, subject to all applicable program requirements.
- (5) This action will be effective on or about August 1, 2019.

**C. *Approval of Appointment of and Compensation for Carrie Byington, M.D., as Executive Vice President – UC Health, Office of the President, as Discussed in Closed Session***

The Committee recommended approval of the following items in connection with the appointment of and compensation for Carrie Byington, M.D., as Executive Vice President – UC Health, Office of the President:

- (1) Per policy, appointment of Carrie Byington, M.D. as Executive Vice President – UC Health, Office of the President, at 100 percent time.
- (2) Per policy, annual base salary of \$869,800, which will be partially or fully State-funded.

- (3) Per policy, eligibility to participate in the Short Term Incentive (STI) component of the Clinical Enterprise Management Recognition Plan (CEMRP), with a target award of 20 percent of base salary (\$173,960) and maximum potential award of 30 percent of base salary (\$260,940), subject to all applicable plan requirements and Administrative Oversight Committee approval. Actual award will be determined based on performance against pre-established objectives and will be prorated in her first year of participation. CEMRP incentive awards are funded by Health Enterprise revenues. No State funds will be used.
- (4) Per policy, eligibility to participate in the Long Term Incentive (LTI) component of the Clinical Enterprise Management Recognition Plan (CEMRP), with a target award of ten percent of base salary and a maximum potential award of 15 percent of base salary, subject to all applicable plan requirements and Administrative Oversight Committee approval. The LTI uses rolling three-year performance periods, and any actual award will be determined based on performance against pre-established objectives over the three-year LTI performance period and will be prorated in her first three-year performance period. CEMRP incentive awards are funded by Health Enterprise revenues. No State funds will be used.
- (5) Reimbursement of actual and reasonable moving and relocation expenses associated with relocating Dr. Byington's primary residence, subject to the limitations under Regents Policy 7710, Senior Management Group Moving Reimbursement, except for the specific exception to policy listed below.
  - a. As an exception to policy, authorize reimbursement of the cost of either furnished or unfurnished temporary lodging up to 180 days, not to exceed \$30,000 in total. The policy limitations of 90 days for reasonable residential parking fees and 30 days for meals, if the temporary quarters do not have cooking facilities, remain unchanged.
- (6) Per policy, eligibility to participate in the UC Employee Housing Assistance Program, subject to all applicable program requirements.
- (7) Per policy and contingent upon the San Francisco campus's approval of a tenured academic appointment, eligibility to accrue sabbatical credits as a member of the tenured faculty, consistent with academic personnel policy.
- (8) Per policy, standard pension and health and welfare benefits and standard senior management benefits including eligibility for senior management life insurance and eligibility for executive salary continuation for disability (eligible after five consecutive years of Senior Management Group service).
- (9) For any outside professional activities, Dr. Byington will comply with

applicable Outside Professional Activity (OPA) policies and reporting requirements.

- (10) This action will be effective as of Dr. Byington's hire date, estimated to be on or about October 31, 2019.

D. ***Establishment of a New Senior Management Group Position of Chief Strategy Officer and Head of Health Affiliates Network, UCSF Health, and the Market Reference Zone for the Position, San Francisco Campus***

The Committee reported its approval of:

- (1) Establishment of a new Senior Management Group position of Chief Strategy Officer and Head of Health Affiliates Network, UCSF Health, San Francisco campus. This will be a Level Two position in the Senior Management Group.
- (2) Establishment of a Market Reference Zone for this position as follows: 25th percentile – \$557,500, 50th percentile – \$689,900, 60th percentile – \$747,900, 75th percentile – \$834,800, and 90th percentile – \$925,700.
- (3) The position also includes eligibility to participate in the Short Term Incentive (STI) component of the Clinical Enterprise Management Recognition Plan (CEMRP), with a target award of 15 percent and a maximum potential award of 25 percent of base salary. Participation is reviewed and approved prior to the start of each CEMRP Plan Year.
- (4) This action will be effective upon approval.

E. ***Resolution to Exclude Access to Federal Classified Information***

The Committee recommended that the resolution pertaining to the University's Department of Energy Facility Security Clearance be approved as shown in Attachment 5.

Chair Pérez stated that this was the normal course of action while background checks were being conducted.

F. ***Adoption of Regents Principles on Contracting Out***

Chair Pérez reported that the Committee had a very extensive conversation and provided clear direction for revising the proposal. The item was deferred for a future meeting.

G. ***Amendment of the Schedule of Reports to the Regents***

The Committee recommended that the Schedule of Reports be amended as shown in Attachment 6.

H. ***Annual Reports on Compensated and Uncompensated Outside Professional Activities for Calendar Year 2018, and Semi-Annual Reports on Outside Professional Activities Approved between June 1, 2018 and November 30, 2018, and between December 1, 2018 and May 31, 2019***

This item was not summarized.

Upon motion duly made and seconded, the recommendations of the Governance Committee were approved.

**Report of the Health Services Committee**

The Committee presented the following from its meeting of June 11, 2019. The Committee considered four action items and three discussion items:

A. ***Remarks of the Executive Vice President – UC Health***

Regent Lansing stated that Executive Vice President Stobo reported that the medical centers continued to perform very well financially.

B. ***Approval of Appointment of and Compensation for Donald Larsen, M.D., as Chief Executive Officer, UC Riverside Health System, Riverside Campus, as Discussed in Closed Session***

This item was not summarized.

C. ***Establishment of a New Senior Management Group Position of Chief Strategy Officer and Head of Health Affiliates Network, UCSF Health, and the Market Reference Zone for the Position, San Francisco Campus***

Regent Lansing reported that this position would be funded by UCSF's Health System revenue.

D. ***High Reliability Organizations: Joint Commission Readiness***

This item was not summarized.

E. ***Amendment of the Clinical Enterprise Management Recognition Plan***

Regent Lansing stated that some changes were made to the plan to ensure more transparency and more accountability.

F. ***Approval of the Proposed Request for Approval for the UC Irvine Campus Medical Complex, Irvine Campus***

Regent Lansing reported that UC Irvine wished to expand its campus and there was a need for a new medical complex offering inpatient, ambulatory, and emergency care services. The Committee asked many questions, such as questions about funding and the number of hospital beds. The Committee agreed that this expansion was needed.

G. ***UC Davis Health: Interrupting the Cycle of Homelessness, Mental Illness and Incarceration***

Regent Lansing encouraged the Regents to meet with UC Davis Vice Chancellor David Lubarsky to learn more about how to address homelessness, which was a health problem. Homelessness was both a mental and physical health issue, as well as something that caused the spread of disease. UC Davis was trying to raise funding for a Sacramento pilot program with a complex to provide housing, psychiatric, and medical facilities on one campus. The complex would treat psychiatric problems, medical issues, and substance abuse, as well as provide work force training in order to reverse the trend of homelessness. Regent Lansing stated that she found Dr. Lubarsky's confidence very inspirational.

**Report of the National Laboratories Committee**

The Committee presented the following from its meeting of July 17, 2019. The Committee considered one action item:

***Allocation of Triad National Security, LLC and Lawrence Livermore National Security LLC Fee Income to be Expended in Fiscal Year 2019–20***

The Committee recommended that the President of the University be authorized to expend an estimated \$22.5 million from the University's net share of Triad National Security, LLC (Triad) and Lawrence Livermore National Security, LLC (LLNS) income earned in the respective LLC 2019 fiscal years (FY),<sup>2</sup> as projected by the LLCs, for the purposes and in the amounts described below:

- A. The University's contractually required share of compensation-related costs for LLC employees in UC-designated key personnel positions that are not reimbursed by the federal government under the prime contracts. Compensation for LLC employees in key personnel positions is paid by the LLCs as approved by the LLC governing boards. A portion of these compensation-related expenses are deemed non-reimbursable by the federal government. The amount of UC's contractual

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<sup>2</sup> The University also remains a member of Los Alamos National Security, LLC (LANS), which managed Los Alamos National Laboratory through October 31, 2018. There is a possibility that LANS will earn fee income during its 2019 fiscal year. However, due to the uncertainty regarding the timing and amount of any such income, the estimated LLC fee income presented in this Item does not include any LANS income.

share of unreimbursed compensation for UC-designated key personnel positions for FY 2019–20 is estimated at \$1.2 million (\$2.2 million in FY 2018–19).

- B. An appropriation to the Office of the President’s budget for federally unreimbursed costs of University oversight of its interests at LANL and LLNL, paid or accrued July 1, 2019 through June 30, 2020, including, but not limited to, an allocable share of the costs of the President’s Executive Office, the Provost, the Academic Senate, Human Resources, Compliance and Audit, Financial Accounting, UC National Laboratories (UCNL), Federal Government Relations, Office of Research and Graduate Studies, Office of the General Counsel, Office of the Secretary and Chief of Staff to The Regents, Office of the President facility charges, and the University-appointed Governors on the Boards of the LLCs, in the amount of \$5.8 million for FY 2019–20 (\$5.2 million in FY 2018–19). Any unspent funds allocated for this purpose will be transferred, at the President’s discretion, to the UC Laboratory Fees Research Program (paragraph E below) or one or more of the newly created reserve funds (paragraphs G and H below).
- C. An appropriation to the LLNS/LANS Post-Contract Contingency Fund (PCCF), in the amount of \$900,000 for FY 2019–20 (\$3.5 million in FY 2017–18). Any income generated by the PCCF under the University’s Short Term Investment Pool (STIP) shall be reserved exclusively for the LLNS/LANS PCCF. The balance in the LANS/LLNS PCCF as of May 31, 2019 is \$13.7 million, which does not reflect the \$3.5 million allocated in FY 2018–19. The target balance for the LLNS/LANS PCCF approved by the Regents in 2013 is \$27 million, which includes more than \$8 million held as equity in the LANS and LLNS LLC accounts.
- D. The Regents previously approved a target balance for the LLC Fee Contingency Fund of \$7 million. The LLC Fee Contingency Fund is currently fully funded with a balance of \$7.76 million as of May 31, 2019. No allocation to the Fund is required for FY 2019–20. As set forth in paragraph H below, it is proposed that \$750,000 from this Fund be transferred to the newly created Triad Reserve Fund to align the balance of the LLC Fee Contingency Fund with the target balance. Funds remaining in the LLC Fee Contingency Fund will be carried over to FY 2020–21 to maintain the \$7 million target balance. Any income generated by the LLC Fee Contingency Fund under the University’s STIP shall be reserved exclusively for the LLC Fee Contingency Fund.
- E. An appropriation in the amount of \$10 million for FY 2019–20 for the UC Laboratory Fees Research Program and other research relevant to the missions of the National Laboratories and the University, including the UC-National Laboratory Graduate Student Fellowship Program, subject to any reallocation up or down required after the end of LLC 2019 fiscal years as a result of reporting by the LLCs of actual net fee income earned by the University in order to meet the ongoing appropriations under paragraphs A through D above and F through I below. In the event all or part of this funding for the UC Laboratory Fees Research

Program is not needed in FY 2019–20, the funding will be carried over to FY 2020–21 for the same purpose.

- F. The Regents previously approved appropriations in the amount of \$300,000 per year for FYs 2016–17 through 2018–19, with unspent funds carried forward for the same purpose, to fund an affiliation agreement between the University and the Livermore Lab Foundation. Of the \$900,000 appropriated for this purpose, \$672,000 remains unspent as of May 31, 2019. No new allocation is requested for FY 2019–20 but the unspent funds from prior appropriations may be used in FY 2019–20 to continue funding the affiliation agreement. If the remaining funds are not spent in FY 2019–20, the funding will be carried over to FY 2020–21 for the same purpose.
- G. An appropriation in the amount of \$3.3 million for FY 2019–20 for the newly created Capital and Campus Opportunity Fund (CCOF). The purpose of this new reserve fund is to set aside funds for capital projects and other special projects that would foster increased collaboration between the UC-affiliated National Laboratories and the UC campuses and medical centers. The target balance for this Fund is \$10 million by the end of FY 2021–22. Use of the CCOF on specific projects would be subject to further Regental approval.
- H. An appropriation in the amount of \$300,000 for FY 2019–20 for the newly created Triad Reserve Fund, and a transfer of \$750,000 from the LLC Fee Contingency Fund to the Triad Reserve Fund. The purpose of this new reserve fund is similar to the purpose of the LLNS/LANS PCCF: to fund residual post-contract liabilities, obligations associated with the Triad performance guarantee, and expenses related to contract re-competition. The target balance for the Triad Reserve Fund is \$10 million by the end of the ten-year anticipated length of the Triad contract.
- I. An appropriation in the amount of \$1 million for FY 2019–20 for the purpose of business development. This funding would support the University's efforts to explore and develop opportunities to participate in the management of one or more DOE National Laboratories and other Federally Funded Research and Development Centers (FFRDC) beyond the current three UC-affiliated National Laboratories. Formal bids on specific Lab or FFRDC contracts would be subject to further Regental approval. In the event all or part of this funding for Business Development is not needed in FY 2019–20, the funding will be carried over to FY 2020–21 for the same purpose.

Regent Sures stated that the Committed unanimously approved the recommendation.

Upon motion duly made and seconded, the recommendation of the National Laboratories Committee was approved.

**Report of the Public Engagement and Development Committee**

The Committee presented the following from its meeting of April 22, 2019. The Committee considered four discussion items:

**A. *State Governmental Relations Update***

Regent Leib stated that the two most important legislative bills to UC were Senate Bill (SB) 14, also known as the Higher Education Facilities Bond Act of 2020, an \$8 billion bond shared by UC and the California State University, and Assembly Constitutional Amendment (ACA) 14, which would limit contracting out by the University and which UC opposed. In his role as Committee Chair, Regent Leib wished to engage Regents in more active legislative advocacy.

**B. *Federal Update***

Regent Leib reported that, if Congress and the White House did not reach an agreement on a budget deal, spending cuts of more than \$10 billion in federal support to the University would apply to Fiscal Year 2020–21. In addition, the Committee heard about House Resolution (H.R.) 6, also known as the American Dream and Promise Act of 2019, foreign influence in academic research, and the reauthorization of the Higher Education Act.

**C. *Student Mental Health Funding***

Regent Leib stated that the Committee learned about the increasing need for access to mental health services at UC and that there was less funding to address it. The Committee discussed how UC could access money allocated to counties through Proposition 63, much of which had not been spent. The \$5.3 million allocation for UC mental health services in the State Budget would not be sufficient. Regent Leib decided to convene a task force that included himself and Regents Kieffer, Lansing, Thurmond, and Zettel, as well as Chancellor Block, who had launched unique mental health programs at UCLA and could advocate for funding in Los Angeles County.

**D. *Discussion of Future Goals for the Upcoming Year***

Regent Leib reported that he and Committee Vice Chair Simmons sought to bring the Committee out into the community. The Committee was planning three off-site meetings, the first of which was planned for September 17, 2019 at UCLA Mann Community School and would focus on encouraging underrepresented minority students to apply to UC. He welcomed Regents and Chancellors to attend, and he hoped that State budget proposals to fund programming would result from the meeting. The other off-site meeting would be at a community college likely in Riverside. Regent Ortiz Oakley would help shape the agenda on transfer student engagement. Another off-site meeting would be at UC Merced, which he



encouraged all Regents to attend. The meeting would focus on campus diversity, creating pipelines for UC faculty diversity, and engaging the agricultural community in the Central Valley. Regent Leib invited the Regents to contact him with more ideas for off-site meetings.

Faculty Representative Bhavnani suggested that admissions directors be present at off-site meetings in order to provide technical insight regarding admissions. Transfer student issues were more complicated, and she suggested that Interim Vice President Gullatt and her team from Student Affairs at UCOP be invited to the meeting regarding transfer students. This would ensure that messaging would be uniform. She also suggested that the representatives from the Academic Senate be present for the off-site meeting discussing faculty diversity.

### **Report of the Special Committee on Basic Needs**

The Committee presented the following from its meeting of July 16, 2019. The Committee considered four discussion items:

A. ***Supporting University of California Students' Financial Literacy***

Regent Weddle stated that financial literacy was identified by the Total Cost of Attendance Working Group as an area of importance in 2017. Some best practices included skills-based education related to budgeting and borrowing was offered to students. The Committee discussed the need to evaluate these programs and assess their impact on student learning.

B. ***Exploring Housing Insecurity Among University of California Students***

Regent Weddle reported that this was an update from researchers gathering data to create a validated survey scale about housing insecurity. There was currently no valid survey scale for students, who represented a unique housing population. The goal was to develop an instrument that could potentially be used nationwide to measure housing insecurity. The Committee also discussed rapid rehousing and safe parking lots, and both topics would return at an upcoming meeting.

C. ***Special Committee's Report to the Board***

Regent Weddle stated that the Special Committee would submit a final report to the Board by November 2020. She reviewed possible topics, and the Committee discussed areas that needed to be explored in greater detail, such as the intersection of basic needs and mental health, basic needs for students with dependents, and CalFresh benefits. She would be creating a work group to draft the report.

D. *Update on Basic Needs Spending Plan*

Regent Weddle reported that presenters discussed and proposed ways to distribute the \$15 million for basic needs and \$3.5 million for rapid rehousing from the State to the campuses. The plan would allocate a baseline amount to all campuses and the remaining amount based on the number of students with need. Regents were very supportive of the plan. Chancellors working with campus basic needs committees to develop spending plans as a best practice was also discussed.

**Report of the Special Committee on Nominations**

The Special Committee presented the following from its meeting of July 17, 2019. The Committee considered one action item:

***Appointment of Regents-Designate, Faculty Representatives and Chancellors as Advisory Members to Standing Committees for 2019–20***

The Special Committee recommended to the Regents that:

- A. Regents-designate be appointed as advisory members of Standing Committees, effective immediately through June 30, 2020, as follows:
  - (1) Regent-designate Mart be appointed as an advisory member of the Finance and Capital Strategies Committee, the National Laboratories Committee, and the Public Engagement Committee.
  - (2) Regent-designate Stegura be appointed as an advisory member of the Academic and Student Affairs Committee and the Public Engagement and Development Committee.
  - (3) Contingent upon his appointment as student Regent for 2020–21, Regent-designate Muwwakkil be appointed as an advisory member of the Finance and Capital Strategies Committee and the Public Engagement and Development Committee.
- B. Faculty Representatives be appointed as advisory members of Standing Committees, effective September 1, 2019 through August 30, 2020 as follows:
  - (1) Faculty Representative Bhavnani be appointed as an advisory member of the Compliance and Audit Committee, the Finance and Capital Strategies Committee, and the Investments Committee.
  - (2) Faculty Representative Gauvain be appointed as an advisory member of the Academic and Student Affairs Committee, the National Laboratories Committee, and the Public Engagement and Development Committee.
- C. The following be approved:

- (1) Chancellor Larive be appointed as an advisory member of the Academic and Student Affairs Committee, effective immediately.
- (2) Interim Chancellor Brostrom be appointed as an advisory member of the Academic and Student Affairs Committee and the Public Engagement and Development Committee, effective August 15, 2019.

Regent Sherman briefly summarized the item and noted that members of the Health Services Committee would serve three-year terms. He added that there were no objections to the appointments.

Upon motion duly made and seconded, the recommendations of the Special Committee on Nominations were approved.

### 13. **REPORT OF INTERIM, CONCURRENCE AND COMMITTEE ACTIONS**

Secretary and Chief of Staff Shaw reported that, in accordance with authority previously delegated by the Regents, action was taken on routine or emergency matters as follows:

#### Approvals Under Interim Action

- A. The Chair of the Board, the Chair of the Academic and Student Affairs Committee, and the President of the University approved the following recommendation:

#### ***Approval of Professional Degree Supplemental Tuition for a Graduate Professional Degree Program at the Santa Cruz Campus***

That the Regents approve the multi-year plan for charging Professional Degree Supplemental Tuition (PDST) for the Natural Language Processing program at UC Santa Cruz. Effective upon approval of the multi-year plan, PDST levels are established for the program and the maximum annual PDST levels for the five-year period specified in the program's multi-year plan can be assessed (as shown in Display 1). This action corrects and supersedes the Regents' January 17, 2019 approval of PDST for the Natural Language Processing program at UC Santa Cruz, which included a typographical error in the original recommendation language submitted by the Office of the President.

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**DISPLAY 1: Proposed Professional Degree Supplemental Tuition Levels for AY 2019-20 through AY 2023-24\***

	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>
Natural Language Processing, UC Santa Cruz					
Resident PDST Level	\$20,000	\$20,600	\$21,220	\$21,856	\$22,508
Nonresident PDST Level	\$20,000	\$20,600	\$21,220	\$21,856	\$22,508

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\* The amounts in the display reflect the maximum PDST levels to be assessed, effective as of the academic year indicated. Assessing PDST levels less than the level indicated in the display requires approval by the President with the concurrence of the Chancellor. PDST levels may be assessed beyond the period covering the program's approved multi-year plan but not in excess of the maximum levels specified in the final year. Assessing PDST levels greater than the amounts in the display requires Regental approval of a new multi-year plan.

- B. The Chair of the Board, The Vice Chair of the Board, and the President of the University approved the following recommendation:

***Appointment of and Compensation for Susan Carlson as Acting Provost and Executive Vice President – Academic Affairs, Office of the President, in Addition to Her Existing Appointment as Vice Provost – Academic Personnel and Programs, Office of the President***

Background

The President of the University recommended approval by the Regents under interim authority of the appointment of and compensation for Susan Carlson as Acting Provost and Executive Vice President – Academic Affairs, Office of the President, in addition to her existing appointment as Vice Provost – Academic Personnel and Programs, Office of the President, with a proposed annual base salary of \$348,657. The proposed base salary is 2.2 percent below the 25<sup>th</sup> percentile (\$356,300) of the position's Market Reference Zone (MRZ), 10.7 percent below the current incumbent's base salary of \$390,372, and 15 percent above Ms. Carlson's current salary of \$303,180. The placement in the Market Reference Zone is appropriate based on knowledge and experience to perform in an acting capacity.

Provost and Executive Vice President – Academic Affairs is a Level One Senior Management Group (SMG) position; therefore, approval by the Regents is required. Approval via interim action is being sought due to the time constraint for this request. Provost Michael Brown will be starting a leave of absence on or about June 5, 2019, and the President requests that Ms. Carlson be appointed on an acting basis to assume the responsibilities of this position. Ms. Carlson will maintain her appointment as the Vice Provost – Academic Personnel and Programs, Office of the President, as well as her underlying tenured faculty appointment.

This action will be effective upon the start of Provost Brown's leave of absence (on or about June 5, 2019). Provost Brown's return from his leave of absence is estimated to be on or about July 15, 2019. However, in the event that Provost Brown's return date is extended past July 15, 2019, approval of the acting appointment and base salary is being requested until Provost Brown returns to work or November 30, 2019, whichever occurs first.

At the conclusion of the acting appointment, Ms. Carlson will continue in her current position as Vice Provost – Academic Personnel and Programs, Office of the President, and her compensation will revert to the compensation in effect as of the day prior to the effective date of the acting appointment, plus any adjustments made under the UCOP salary program during her acting appointment.

As Acting Provost, Ms. Carlson will report directly to the President of the University. The Provost and Executive Vice President – Academic Affairs is

responsible for developing and implementing strategies, policies, and processes across the University system that align with the public mission of the University. The Provost works closely with the campus provosts and key stakeholders such as the Academic Senate, Regents, Legislature, and the public to provide excellence in research, teaching and public service.

Ms. Carlson joined the UC Office of the President as Vice Provost – Academic Personnel in May 2010. Subsequently, Academic Personnel became Academic Personnel and Programs when the unit became responsible for several systemwide programs. Academic Personnel and Programs is responsible for systemwide policy and practice in the recruitment, retention, diversity, career advancement, and compensation for faculty and other academic appointees, and for selected topics for postdoctoral scholars and graduate students. It is also responsible for the Academic Personnel Manual (which contains personnel regulations for academic appointees that include ladder-rank faculty, health sciences clinical faculty, other Senate faculty, researchers, lecturers, librarians, postdoctoral scholars, graduate students, and faculty administrators such as deans), policy development and revision, and academic perspectives on labor contracts. Academic Personnel and Programs manages systemwide programs that include UC Center Sacramento, UC Washington Center, California Digital Library, UC Press, UCTV, and the President’s Postdoctoral Fellowship Program.

Prior to joining the Office of the President, Ms. Carlson served as Interim Provost and Chief Academic Officer at Iowa State University, with full responsibility for the academic enterprise and oversight of an academic fundraising campaign. She provided leadership for academic affairs, including direct reports from deans of seven colleges and the university library, the Vice President for Research and Economic Development, and the Vice President for Extension and Outreach. While at Iowa State, she also served as Associate Provost for Faculty Advancement and Diversity and as Professor, Department of English. In her role as Associate Provost, Ms. Carlson was responsible for all faculty personnel matters, including promotion and tenure, recruitment and retention, discipline, diversity, awards, and academic personnel policy. In addition, she was the principal investigator for the NSF-funded Iowa State University ADVANCE Program focused on women faculty in STEM (science, technology, engineering and mathematics) fields.

Ms. Carlson has a bachelor’s degree from the University of Iowa and a master’s degree and Ph.D. degree from the University of Oregon. She has published two books on women and comedy and numerous articles and essays on Shakespeare, women playwrights, and the British suffrage theatre. Her teaching has ranged from *modern* drama and political theater to writing and women’s studies.

Recommendation

That the following items be approved in connection with the appointment of and compensation for Susan Carlson as Acting Provost and Executive Vice President – Academic Affairs, Office of the President:

- (1) Per policy, appointment of Susan Carlson as Acting Provost and Executive Vice President – Academic Affairs, Office of the President, effective upon the start of Provost Michael Brown’s leave of absence (on or about June 5, 2019) through November 30, 2019 or until Provost Brown returns to work after his leave of absence, whichever occurs first.
- (2) Per policy, continued appointment as Vice Provost – Academic Personnel and Programs, Office of the President.
- (3) Per policy, an annual base salary of \$348,657 during her appointment as Acting Provost and Executive Vice President – Academic Affairs, Office of the President. At the conclusion of the acting appointment, Ms. Carlson’s compensation will revert to her compensation in effect as of the day prior to the effective date of the acting appointment, plus any adjustments made under the UCOP salary program during the acting appointment.
- (4) Per policy, continuation of standard pension and health and welfare benefits and standard senior management benefits including eligibility for Senior Manager Life Insurance and eligibility for Executive Salary Continuation for Disability.
- (5) Per policy, continued eligibility to participate in the UC Employee Housing Assistance Program, subject to all applicable program requirements.
- (6) Per policy, as Ms. Carlson is not separating from her current position, continuation of monthly contribution to the Senior Management Supplemental Benefit Program.
- (7) Per policy, continued eligibility for accrual of sabbatical credits as a member of the tenured faculty, consistent with academic personnel policy.
- (8) Per policy, and during her appointment as Acting Provost and Executive Vice President – Academic Affairs, Office of the President, Ms. Carlson will be eligible to use the Provost and Executive Vice President—Academic Affairs administrative fund for official entertainment and other purposes permitted by University policy. Adjustments may occur annually as allowed by policy.

**COMPARATIVE ANALYSIS****Recommended Compensation****Effective Date:** On or about June 5, 2019**Title:** Acting Provost and Executive Vice President – Academic Affairs**Annual Base Salary:** \$348,657**Incentive Compensation:** N/A**Target Cash Compensation\*:** \$348,657**Funding:** Partially or Fully State Funded**Budget and/or Current Incumbent Data****Title:** Provost and Executive Vice President – Academic Affairs**Annual Base Salary:** \$390,372**Incentive Compensation:** N/A**Target Cash Compensation\*:** \$390,372**Funding:** Partially or Fully State Funded

\*Target Cash Compensation consists of base salary and, if applicable, incentive and/or stipend.

- C. The Chair of the Board, the Chair of the Finance and Capital Strategies Committee, and the President of the University approved the following recommendation:

***Authority to Indemnify the State of California Under Office of Statewide Health Planning and Development Grants for the Education and Training of Mental Health and Primary Care Health Professionals***

- (1) The President of the University be authorized to approve three pending grant agreements for the UC Schools of Nursing at UC Davis, UCLA, and UC San Francisco, requiring indemnification for the State, its officers, agents, and employees for liabilities connected with the performance of these agreements, without limiting the University's indemnification obligations to the extent and in proportion that such liabilities and claims arise directly from University acts or omissions.
- (2) The President be authorized to approve any Office of Statewide Health Planning and Development (OSHPD) grants for the education and training of mental health and primary care health professionals, and related research grants under the same programs, which contain an indemnification provision such as that described in (1) above, arising from OSHPD grant opportunities issued on or before November 30, 2020.
- (3) The President be authorized to execute all documents necessary in connection with the above, and to re-delegate this authorization within the UC Office of the President for the efficient processing of OSHPD grants.

Approvals Under Health Services Committee Authority

D. At its June 11, 2019 meeting, the Health Services Committee approved the following recommendations:

- (1) ***Appointment of and Compensation for Donald Larsen, M.D., as Chief Executive Officer, UC Riverside Health System, Riverside Campus***

Background

The President of the University recommended approval for the appointment of and compensation for Donald Larsen, M.D., as Chief Executive Officer, UC Riverside Health System (CEO-UCR Health), Riverside campus, effective upon his hire date, which is estimated to be on or about July 1, 2019. This is a new Level One position in the Senior Management Group. The addition of this SMG position and the corresponding Market Reference Zone were approved by the Regents in January 2019.

The CEO-UCR Health will report to the Vice Chancellor – Health Sciences/Dean – School of Medicine. The CEO-UCR Health will work closely with the Vice Chancellor/Dean and Chancellor to develop clinical partnerships and build financial stability for the UCR Health System as well as support the education and research mission of the School of Medicine.

The campus conducted a national competitive recruitment for the CEO position, and Dr. Larsen was identified as the top candidate from a broad and diverse applicant pool due to his experience and background.

The President recommended a base salary of \$500,000, which is 2.2 percent below the 60th percentile of the Market Reference Zone (MRZ) for this position (\$511,300). The proposed base salary is consistent with Regents Policy 7701, Senior Management Group Appointment and Compensation, and reflects an appropriate salary, taking into account the scope of responsibilities as well as Dr. Larsen's depth and breadth of experience.

Consistent with academic personnel policy, the campus will be seeking an underlying non-tenured faculty appointment at zero percent time, without salary, for Dr. Larsen.

Following review and approval by the Administrative Oversight Committee, Dr. Larsen will be eligible to participate in the Clinical Enterprise Management Recognition Plan's (CEMRP) Short Term Incentive (STI) component, with a target award of 20 percent of base salary (\$100,000) and maximum potential award of 30 percent of base salary (\$150,000), subject to all applicable plan requirements and Administrative Oversight Committee approval. Actual award will be determined based on performance against pre-established objectives and will be prorated in his first year of participation.



Also following review and approval by the Administrative Oversight Committee, Dr. Larsen will also be eligible to participate in CEMRP's Long Term Incentive (LTI) component, with a target award of ten percent of base salary and a maximum potential award of 15 percent of base salary, subject to all applicable plan requirements and Administrative Oversight Committee approval. Actual award will be determined based on performance against pre-established objectives and will be prorated in his first three-year period of participation, based on the number of complete months employed during that performance period.

UC Riverside completed a Health Administrative Review in April 2018 through Veralon, a health enterprise consulting firm. As part of the findings, one of the key recommendations was for UC Riverside Health to develop a senior leadership structure that would be able to rapidly grow the patient care delivery system from its current nascent stage.

The key position to drive this growth is the Chief Executive Officer (CEO), who will have primary responsibility for completing the strategic plan and executing the plan's objectives.

The CEO of the UC Riverside Health System will work collaboratively with Department Chairs to build and enhance partnerships and affiliations with hospitals and health care systems in the Inland Southern California region and the University of California Health System. The CEO will have oversight of all clinical affiliations, partnerships, joint ventures, clinical operations, marketing, contracting, and related managed care activities for the faculty.

Working with the department chairs and the UC Riverside Health System leadership team, the CEO will promote excellence across all functional areas of health system administration, focusing on a strong financial management platform and a significantly enhanced information technology infrastructure. The goal of the team will be the efficient provision of clinical excellence in a manner responsive to payer demands through a system of care that will be coordinated with UC Riverside's primary academic and research missions.

The CEO will work closely with UCR Health Sciences to ensure that both the department chairs and the rank and file faculty are fully engaged in both clinical planning and advanced clinical resource management activities, along with managed care administration. The CEO will assist the faculty as needed in ensuring exceptional performance by the Epic billing platform and other financial platforms for inpatient services. The CEO will also ensure the planning, development, and execution of clinical contracts with affiliate health systems.

Dr. Larsen served as Chief Medical Officer (CMO) at Providence Saint John's Health Center since April 2015. This is a 266-bed community hospital that has been named a Top 50 hospital by Healthgrades for nine consecutive years and has been granted the Stroke Gold Plus Quality Achievement Award by the American Heart Association/American Stroke Association. Additionally, Dr. Larsen served as

Executive Director of the John Wayne Cancer Institute from August 2015 – October 2018, concurrent with his role as the CMO, providing interim leadership as the Inaugural Executive Director of the Institute to steer the organization through a period of significant change.

Dr. Larsen previously worked as Chief Medical Officer, USC Verdugo Hills Hospital University of Southern California (USC) from July 2013 to March 2015; CMO, Keck Medical Center, USC from May 2009 to September 2013; Medical Director, USC Care Medical Group, Inc., from August 2006 to June 2011; Executive Medical Director, USC Student Health Center – Health Sciences Campus, from January 2008 to June 2011; and President, Medical Faculty Keck School of Medicine of USC from 2005 to 2006.

He holds an active California Medical License and an active certification from the Drug Enforcement Administration. He completed an internship in Internal Medicine at Nassau County Medical Center and his residency in Diagnostic Radiology at the LA/USC Medical Center followed by a fellowship at the LA/USC Medical Center in Vascular and Interventional Radiology. Additionally, Dr. Larsen completed two fellowships at UCSF in Diagnostic Neuroradiology and Interventional Neuroradiology.

Dr. Larsen is an active member of the American Board of Radiology and is a Fellow of the American College of Healthcare Executives. He is certified in Medical Quality from the American Board of Medical Quality.

Dr. Larsen received his bachelor's degree from Boston University, and earned his medical degree from the Chicago Medical School and a master's degree in business administration and master's in healthcare administration from University of Southern California.

#### Recommendation

That the following items were approved in connection with the appointment of and compensation for Donald Larsen, M.D., as Chief Executive Officer, UC Riverside Health System, Riverside campus:

- a. Per policy, appointment of Donald Larsen, M.D., as Chief Executive Officer, UC Riverside Health System, Riverside campus, at 100 percent time.
- b. Per policy, annual base salary of \$500,000, which will be funded by Health Enterprise revenues. No State funds will be used.
- c. Per policy, eligibility to participate in the Short Term Incentive (STI) component of the Clinical Enterprise Management Recognition Plan (CEMRP), with a target award of 20 percent of base salary (\$100,000) and a maximum potential award of 30 percent of base salary (\$150,000), subject

to all applicable plan requirements and Administrative Oversight Committee approval. Actual award will be determined based on performance against pre-established objectives and will be prorated in his first year of participation. CEMRP incentive awards are funded by Health Enterprise revenues. No State funds will be used.

- d. Per policy, eligibility to participate in the Long Term Incentive (LTI) component of the Clinical Enterprise Management Recognition Plan (CEMRP), with a target award of ten percent of base salary and a maximum potential award of 15 percent of base salary, subject to all applicable plan requirements and Administrative Oversight Committee approval. The LTI uses rolling three-year performance periods, and any actual award will be determined based on performance against pre-established objectives over the three-year LTI performance period and will be prorated in his first three-year performance period. CEMRP incentive awards are funded by Health Enterprise revenues. No State funds will be used.
- e. Per policy, standard pension and health and welfare benefits and standard senior management benefits (including eligibility for senior management life insurance and eligibility for executive salary continuation for disability after five consecutive years of Senior Management Group service).
- f. Per policy, eligibility to participate in the UC Employee Housing Assistance Program, subject to all program requirements.
- g. Per policy, reimbursement of actual and reasonable moving and relocation expenses associated with relocating his primary residence, subject to the limitations under Regents Policy 7710, Senior Management Group Moving Reimbursement.
- h. For any outside professional activities, Dr. Larsen will comply with applicable Outside Professional Activity (OPA) policies.
- i. This action will be effective as of Dr. Larsen's hire date, which is estimated to be on or about July 1, 2019.

### COMPARATIVE ANALYSIS

#### **Recommended Compensation**

**Effective Date:** Date of hire, estimated to be on or about July 1, 2019

**Annual Base Salary:** \$500,000

**Clinical Enterprise Management Recognition Plan (CEMRP) – Short Term Incentive (STI):** \$100,000 (at 20 percent target rate)

**Clinical Enterprise Management Recognition Plan (CEMRP) – Long Term Incentive (LTI):** 10 percent target rate with the first possible payment to occur after the end of the 2021-22 Plan Year.

**Target Cash Compensation:**\* \$600,000, plus possible LTI awards starting after the end of the 2021-22 Plan Year

**Funding:** Non-State funded (UC Riverside Health System revenue)

**Budget &/or Prior Incumbent Data (No previous incumbent as this is a new position.)**

**Title:** N/A

**Annual Base Salary:** N/A

**Clinical Enterprise Management Recognition Plan (CEMRP) – Short Term Incentive (STI):** N/A

**Clinical Enterprise Management Recognition Plan (CEMRP) – Long Term Incentive (LTI):** N/A

**Target Cash Compensation:**\* N/A

**Funding:** N/A

\* Target Cash Compensation consists of base salary and, if applicable, incentive and/or stipend.

- (2) ***Establishment of a New Senior Management Group Position of Chief Strategy Officer and Head of Health Affiliates Network, UCSF Health, and the Market Reference Zone for the Position, San Francisco Campus***

Contingent upon approval by the Governance Committee, the following recommendation was approved:

- a. Establishment of a new Senior Management Group position of Chief Strategy Officer and Head of Health Affiliates Network, UCSF Health, San Francisco campus. This will be a Level Two position in the Senior Management Group.
- b. Establishment of a Market Reference Zone for this position as follows: 25th percentile - \$557,500, 50th percentile - \$689,900, 60th percentile \$747,900, 75th percentile - \$834,800, and 90th percentile - \$925,700.
- c. The position also includes eligibility to participate in the Short Term Incentive (STI) component of the Clinical Enterprise Management Recognition Plan (CEMRP), with a target award of 15 percent and a maximum potential award of 25 percent of base salary. Participation is reviewed and approved prior to the start of each CEMRP Plan Year.
- d. This action will be effective upon approval.

- (3) ***Amendment of the Clinical Enterprise Management Recognition Plan***

Amendment of the Clinical Enterprise Management Recognition Plan as shown in Attachment 11, the plan document for the 2019–20 plan year was approved.

- (4) ***Approval of the Proposed Request for Approval for the UC Irvine Campus Medical Complex, Irvine Campus***

The Committee approved the (A) proposed discussion of the UCI Campus Medical Complex project with the Finance and Capital Strategies Committee, which is anticipated to take place in Fall 2019, and (B) subsequent requests to the Finance and Capital Strategies Committee at its future meetings for: (1) approval of preliminary plans funding, budget, external financing, and design pursuant to the California Environmental Quality Act (CEQA), and (2) approval of any amendment or modification to the foregoing.

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

Secretary and Chief of Staff Shaw reported that, on the dates indicated, the following were sent to the Regents or to Committees:

**To the Regents of the University of California:**

- A. From the President of the University, a letter regarding the Governor's May Revision of the 2019-20 budget plan. May 9, 2019.
- B. From the Secretary and Chief of Staff, the Summary of Communications Received in April, 2019. May 10, 2019.
- C. From the President of the University, an email announcing the resignation of the Chancellor, UC Merced. May 13, 2019.
- D. From the President of the University, a letter from the ten UC Chancellors expressing their support for returning to campus assessments as the means for funding the operation of the UC Office of the President. May 13, 2019.
- E. From the President of the University, the *2018 UC Technology Commercialization Report*. May 23, 2019.
- F. From the President of the University, an email, including a formal announcement from the Chancellor of UC San Francisco and the President/CEO of UCSF Health, indicating that UC San Francisco will no longer continue to pursue negotiations with Dignity Health for a larger integrated affiliation. May 28, 2019.
- G. From the President of the University, the *Annual Report on Self-Supporting Graduate Professional Degree Programs for 2019-20*. June 10, 2019.
- H. From the Chancellor and Vice Chancellor, UCLA, a letter regarding a physician formerly employed by UCLA, who has been charged with sexual battery. June 10, 2019.

- I. From the President, a letter regarding the 2019-20 State Budget. June 10, 2019.
- J. From the Secretary and Chief of Staff, the Summary of Communications Received in May, 2019. June 18, 2019.
- K. From the President of the University, a letter regarding the University's admissions practices and procedures. June 20, 2019.
- L. From the Chair of the Board, a letter regarding appointments to the Committee to Advise the President on the Selection of a Chancellor for the Merced campus. June 27, 2019.
- M. From the President of the University, a letter announcing that the Governor signed into law the Budget Act of 2019, providing \$3.9 billion for the University. June 27, 2019.
- N. From the President of the University, an email announcing that the U.S. Supreme Court granted certiorari in the University's Delayed Action on Childhood Arrivals (DACA) case. June 28, 2019.
- O. From the Secretary and Chief of Staff, a letter announcing the membership of the Special Committee on Basic Needs. July 1, 2019.
- P. From the General Counsel and Vice President, the *UC Legal Annual Report of Settlement of Claims, Litigation, and Separation Agreements over \$50,000 for 2016-2018*). July 1, 2019.

**To the members of the Compliance and Audit Committee:**

- Q. From the President of the University, the *2018 Report on Financial Statements and Expenditures of Federal Awards in Accordance with Uniform Guidance (formerly titled Summary of Results of the University's A-133 Audit)*. May 28, 2019.
- R. From the General Counsel and Vice President, the *Bi-monthly Report of New Litigation* for reporting period August 5, 2017 to August 13, 2018. May 31, 2019.

**To the members of the Health Services Committee:**

- S. From the President of the University, the *UC Medical Centers Reports for the Six Months Ended December 31, 2018*. May 28, 2019.
- T. From the President of the University, the *UC Medical Centers Reports for the Nine Months Ended March 31, 2019*. June 3, 2019.

**To the members of the Investments Committee:**

- U. From the Chief Investment Officer, a letter outlining *UC Investments' Five Year Journey of Sustainable Investing*. May 13, 2019.

**To the members of the Public Engagement and Development Committee:**

- V. From the Associate Vice President, the Federal Update, Issue 6. July 3, 2019.

The meeting adjourned at 2:25 p.m.

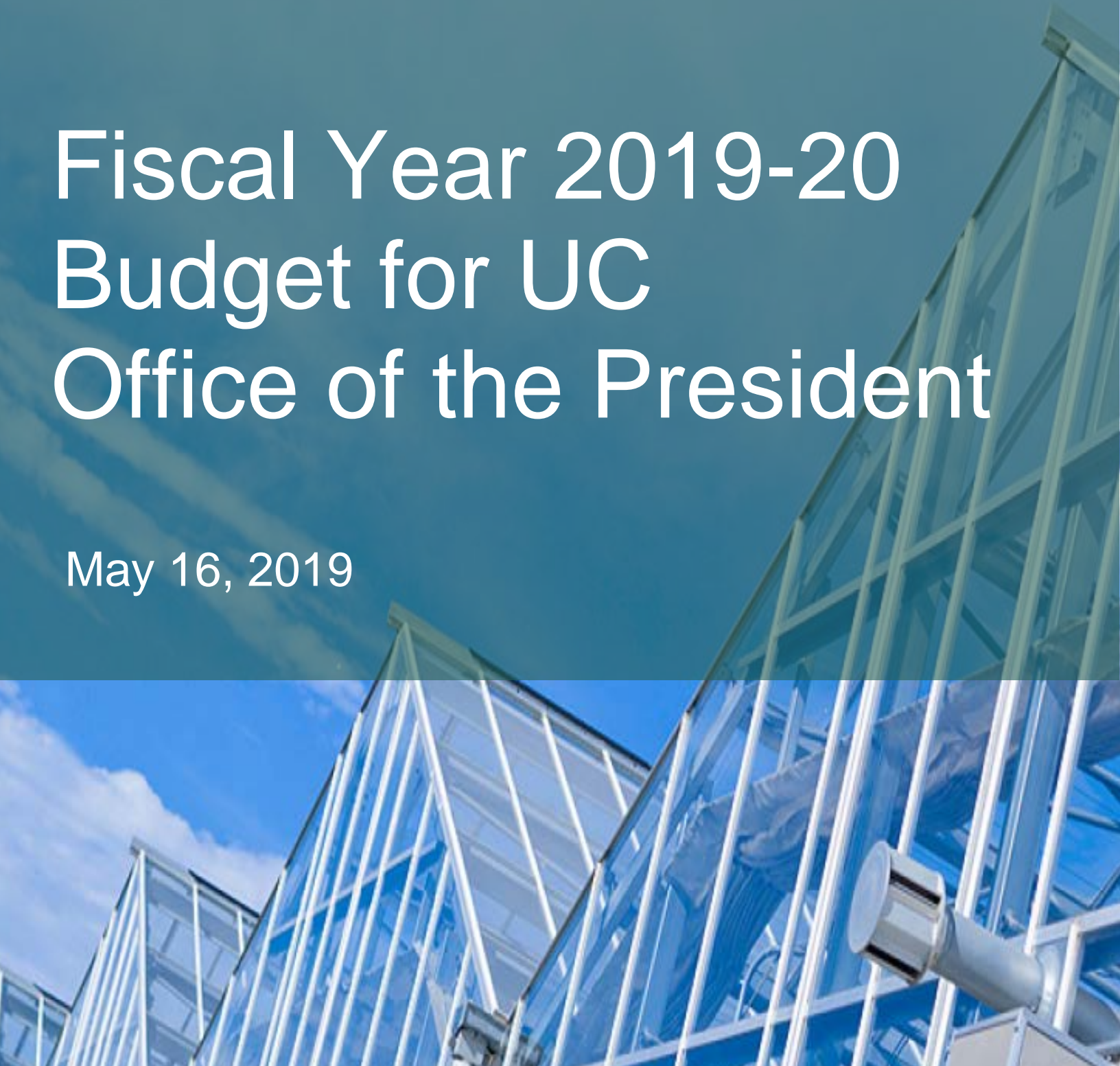
Attest:

Secretary and Chief of Staff

UNIVERSITY  
OF  
CALIFORNIA

# Fiscal Year 2019-20 Budget for UC Office of the President

May 16, 2019





**TO THE REGENTS OF THE UNIVERSITY OF CALIFORNIA:**

**FISCAL YEAR 2019-20 BUDGET FOR THE UNIVERSITY OF CALIFORNIA OFFICE OF THE PRESIDENT (UCOP)**

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## BACKGROUND

### About the University of California

The University of California (UC) serves nearly 280,000 students, produces ground-breaking research, and is a powerful economic engine for the State of California, through its 10 campuses, 5 medical centers, and 3 national laboratories. The University of California provides unparalleled access to upward economic mobility, focuses on its core missions of teaching, research, and public service, and touches the life of every Californian.

UC is the largest university system in the nation. It is twice as large as the next largest system, the University of Texas, and the third largest in the country by enrollment, behind only CSU and SUNY. UC is committed to access, affordability, and excellence. UC leads the way in enrolling and graduating Pell Grant recipients and low-income undergraduate students, and five of the ten campuses have been designated Hispanic Serving Institutions (HSIs) for maintaining undergraduate Hispanic enrollment at or above 25% of their total population.

#### Figure 1: UC At-A-Glance

Founded in 1868, the University of California consists of:

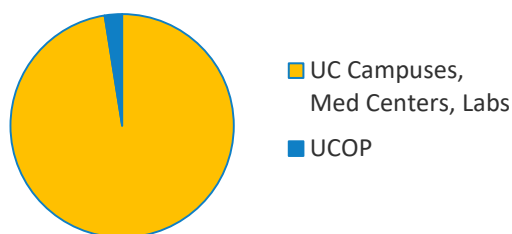
- 10 campuses serving an estimated 280,000 students in 818 instructional programs
- 5 academic medical centers providing approximately 4.7 million outpatient clinic visits each year
- A nearly \$5 billion research enterprise, seeking new knowledge and solutions to critical problems
- A network of libraries housing nearly 40 million print volumes, second only to the Library of Congress
- Approximately 228,000 employees, making UC California's third largest employer

UC receives roughly 10% of total federal research dollars awarded annually, totaling more than \$16 billion over the past five years. Six UC campuses are members of the prestigious Association of American Universities (AAU) – the only university system with more than two members. UC is one of only seven universities to manage a national laboratory, and the only university to manage more than two.

### About UCOP

The UC Office of the President (UCOP) is the systemwide headquarters of the University of California. UCOP operates as the nexus between the 10 campuses, 5 medical centers, and 3 national laboratories, the Board of Regents, Academic Senate, state and federal governments, and the public. Together with the University's leadership, UCOP helps shape the vision for the University, managing activities that align with the UC mission and support the essential premise that UC is one University. In total, UCOP represents 2.6% of the UC budget. The divisions that make up UCOP are available in Appendix 2.

Figure 2: UCOP as a Percentage of UC



The UCOP budget represents 2.6% of the \$36.5 billion UC budget. **39% of the UCOP budget is not spent at UCOP but rather passes through UCOP to the campuses, California researchers, and the public through ~30 programs and initiatives.** 29% of the budget supports fee-for-service activities. Net of pass-through programs and fee-for-service activities, **UCOP represents 0.8% of the UC budget.**

**Academic and Public Service Programs** – UCOP manages almost 30 programs that support the teaching, research, and public service mission of the University. These programs provide thousands of students learning and research opportunities; fund researchers across the State through competitive grant programs, and promotes access and diversity through its outreach programs. Below are a few examples:

Research Programs

- ✓ Tobacco-Related Diseases
- ✓ Breast Cancer
- ✓ HIV/AIDs
- ✓ UC Observatories

Teaching Programs

- ✓ UC Washington Center
- ✓ UC Sacramento Center
- ✓ Innovative Learning and Technology

Outreach Programs

- ✓ Student Academic Preparation and Academic Partnerships (SAPEP)
- ✓ Historically-Black Colleges and Universities
- ✓ Post-Doctoral Fellowships

Other Programs

- ✓ Agriculture and Natural Resources (ANR)
- ✓ California Digital Library
- ✓ UC Press
- ✓ UC National Laboratories

**Centralized Services** – Several divisions manage systemwide services on behalf of the University. A few examples of these services are listed below:

- |                                 |                             |                        |
|---------------------------------|-----------------------------|------------------------|
| ✓ Retirement Center             | ✓ Employee benefit programs | ✓ Student Aid          |
| ✓ UCPath Center                 | ✓ HR/Career Tracks          | ✓ General Counsel      |
| ✓ Risk services/insurance       | ✓ Labor negotiations        | ✓ Government relations |
| ✓ Capital financing and bonding | ✓ Information technology    | ✓ Compliance and audit |
| ✓ Corporate accounting          | ✓ Real estate & financing   | ✓ Energy purchases     |

UCOP employees make a significant impact on UC and the State of California. Figure 3 lists examples of these impacts, organized around three core functions that account for roughly 90% of UCOP's budget.

**Figure 3: UCOP Impacts and Achievements**

Academics & Programs	Operations	Financial Services
<ul style="list-style-type: none"> <li>Award nearly <b>\$150 million</b> in research grants</li> <li>Engage over <b>20,000 volunteers</b> and <b>1.4M participants</b> in Agriculture &amp; Natural Resources programming</li> <li>Oversee SAPEP programs that annually serve over <b>186,000 K-12 students</b> at nearly <b>1,500 schools</b> in California and over <b>27,000 community college students</b> at all <b>114 California Community Colleges</b></li> <li>Educate <b>hundreds of students</b> at the Washington and Sacramento centers</li> <li>Save over <b>\$100 million</b> annually by coordinating shared library collections</li> <li>Publish over <b>180 books</b> and <b>38 multi-issue journals</b> annually and maintain <b>4,000 books</b> in print</li> </ul>	<ul style="list-style-type: none"> <li>Pay roughly <b>\$3 billion</b> in benefits to over <b>73,000 retirees and beneficiaries</b></li> <li>Manage the ApplyUC system through which <b>220,000 high school students and transfers</b> applied to UC last year</li> <li>Purchase <b>\$18 million</b> in energy contracts annually</li> <li>Oversee over <b>90 renewable energy projects</b> including the development of a <b>660-acre solar energy farm</b></li> <li>Support and pay more than <b>190,000 employees</b> including 101,000 across 8 locations on the UCPath system supported by the UCPath Center</li> <li>Administer the UC Learning Center, providing online training to <b>40,000 employees and students</b> per month</li> </ul>	<ul style="list-style-type: none"> <li>Manage a general revenue debt portfolio of <b>\$23.7 billion</b></li> <li>Contribute roughly <b>\$300 million</b> in financial benefits to the UC through central purchasing contracts, from new revenue, and reduced costs</li> <li>Manage mortgage loans for qualified faculty and staff totaling <b>\$3 billion</b></li> <li>Leverage the Regents Captive <b>insurance platforms</b> to smooth premium rates for campuses. Launch new captives to seek savings in voluntary benefits programs</li> <li>Manage nearly <b>\$119 billion</b> in total investments and assets at a cost of less than <b>0.03% in fees</b></li> <li>Add <b>billions of dollars</b> in value for the retirement system through strategic borrowing and restructuring</li> </ul>

## UCOP Optimization Efforts

The Office of the President has undertaken significant efforts in the past two years to ensure services and programs are managed effectively and aligned with the University's mission, solicit and respond to stakeholder input, develop multi-year plans that clearly communicate objectives and goals, and apply industry best practices to budgeting and compensation practices. UCOP is committed to transparency and continuous improvement. The below activities contribute to the effective management of UCOP and where applicable are reflected in the budget.

### Independent Reviews

Five independent reviews were completed over the past two years to satisfy a range of concerns regarding financial management, controls, organizational size, scope, duplication of effort, and the role of UCOP within the University. These independent assessments generally concluded that UCOP programs and services are valued by the University community and align with the University's mission.

- **PwC** audited UCOP FY16-17 statement of operating revenues and concluded data was presented in accordance with accounting principles.
- **Deloitte** reviewed the design and effectiveness of UCOP budgeting and reserve controls and concluded controls are operating effectively.
- **Huron** performed a UCOP-wide organizational review and proposed optimization and efficiency options to potentially reduce the size of UCOP by moving various programs and services to other locations. It also confirmed many practices are leading the higher ed industry.
- **Sjoberg Evashenk** conducted a 10-campus survey which identified areas for improved collaboration and communication and also confirmed many functions are appropriately scoped and not duplicative of campus efforts.
- **Sullivan Cotter** confirmed the UC career tracks compensation methodology aligns with industry best practices and accurately reflects public sector comparators, recommended a plan to narrow UCOP salary ranges, and validated market midpoint adjustments.

### OP Optimization and Strategic Planning Efforts

UCOP engaged with over 700 stakeholders within and external to UC through the OP Optimization Effort project and strategic planning processes.

- The **UC Executive Budget Committee** comprised of campus, Academic Senate, and UCOP leadership, provides direct input to the President on the UCOP budget.
- **Eight UCOP divisions have restructured their organizations** in response to independent assessments. For example, President Napolitano commissioned two independent advisory committees to determine whether ANR and the UC Health Collaborative should be positioned separately from UCOP. Both committees advised these functions stay within UCOP and made other recommendations around growth models and governance.
- **UCOP is engaged in strategic planning**, and divisions comprising over 88% of the UCOP budget have completed plans that will advance the UC mission, develop policies and advocacy, strengthen financial stability, optimize operations, and develop their staff. This effort is foundational for the subsequent development of multi-year budgets and workforce plans.

### UCOP Audit

In response to the 2017 CSA audit, which included budget and compensation-related recommendations, UCOP staff has dedicated over 18,000 hours responding to the 33 recommendations. As of April 25<sup>th</sup>, 12 have been recognized by the Auditor as complete, and 11 were recently submitted for review. The remaining recommendations will be completed by their due date in April 2020. Information about UCOP's progress is available at <http://www.ucop.edu/ucop-audit-implementation/index.html>.

## EXECUTIVE SUMMARY

### FY19-20 UCOP Budget

The proposed FY19-20 UCOP budget is **\$941.7M**. This budget retains significant reductions to the FY18-19 budget while recognizing new contract and grant revenues, funding mandatory cost increases, and making modest, strategic programmatic and risk mitigation investments.

The budget reflects stakeholder support for UCOP programs and services confirmed through the multiple external and internal assessments over the past two years and the continued involvement of the Executive Budget Committee (EBC), which includes campus, Academic Senate and UCOP leaders. Sjoberg Evashenk participated in every EBC meeting over the past year, and various aspects of the budget have been reviewed with members of the Regents, Council of Chancellors and external advisors. While consideration was given to moving certain functions out of UCOP, the overwhelming consensus has been to not only retain them within UCOP but to allow for modest increases.

UCOP continues to improve and tighten its budget processes, including quarterly forecasting, fund classification and reallocation, and clearly-defined reserve practices. Consistent with last year's revised best-practice budget presentation, the UCOP budget is organized according to three different categories as defined below.

Sources of Funds	Uses of Funds	Special Expense Classifications
<ul style="list-style-type: none"> <li>Unrestricted</li> <li>Designated</li> <li>Restricted</li> </ul>	<ul style="list-style-type: none"> <li>Programs and Initiatives</li> <li>Central and Administrative Services</li> <li>UCPath Center</li> <li>Strategic Priorities Fund</li> </ul>	<ul style="list-style-type: none"> <li>Pass-through</li> <li>Fee-for-Service</li> </ul>

**Figure 4: FY19-20 Budget Summary by Category**

\$ millions

Sources of Funds	FY19-20 Budget	% of Total
Unrestricted	\$ 282.8	30.0%
Designated	\$ 430.9	45.8%
Restricted	\$ 228.0	24.2%
<b>Total Sources</b>	<b>\$ 941.7</b>	<b>100.0%</b>
<b>Uses of Funds</b>		
Programs and Initiatives	\$ 408.2	43.3%
Central/Admin Services	\$ 409.8	43.5%
UCPath Center	\$ 93.7	9.9%
Strategic Priorities Fund	\$ 30.0	3.2%
<b>Total Uses</b>	<b>\$ 941.7</b>	<b>100.0%</b>
<b>Special Expense Classification</b>		
Pass-Throughs	\$ 364.5	38.7%
Fee-For-Service	\$ 276.9	29.4%
<b>Total Special Expense Classification</b>	<b>\$ 641.4</b>	<b>68.1%</b>
<b>Budget Net of Expense Classification</b>	<b>\$ 300.3</b>	<b>31.9%</b>

**70%** of the sources of funds are designated for specific programs and services or restricted for use by a third party.

**43%** of the uses of funds are dedicated to ~30 programs managed by UCOP on behalf of the State, Federal Government, Regents and the UC system.

**32%** is the remaining UCOP budget net of dollars passed through UCOP to recipients across the State and fee-for-service activities.

## FY18-19 to FY19-20 Budget Summary

Figure 5 summarizes and compares the proposed FY19-20 budget with the current budget, including fund balances and reserves. This figure is adapted from a California State Auditor recommendation.

**Figure 5: FY18-19 to FY19-20 Budget Summary<sup>1</sup>**

\$ in millions

				Variance: Inc/(Dec)			Variance: Increase/(Decrease)	
					FY18-19 Forecast vs FY18-19 Budget		FY18-19 Forecast vs FY19-20 Budget	FY18-19 Budget vs FY19-20 Budget
	FY18-19 Budget	FY18-19 Forecast				FY19-20 Budget		
UCOP USES <sup>2</sup>								
Programs and Initiatives <sup>3</sup>	\$ 388.1	\$ 393.5	\$ 5.4			\$ 408.2	\$ 14.7	\$ 20.1
Central and Administrative Services (excl UCPATH) <sup>4</sup>	390.6	380.1	(10.4)			409.8	29.7	19.3
Strategic Priorities Fund <sup>5</sup>	30.0	24.5	(5.5)			30.0	5.5	0.0
SUBTOTAL USES	\$ 808.6	\$ 798.1	\$ (10.5)			\$ 848.0	\$ 50.0	\$ 39.4
UCPATH Center Operations	67.8	76.0	8.2			93.7	17.7	25.9
TOTAL USES	\$ 876.4	\$ 874.1	\$ (2.4)			\$ 941.7	\$ 67.6	\$ 65.3
				% Spent: 99.7%	% Change: 7.4%			
					% Change Unrestricted: 1.6%			
INCLUDED IN USES ABOVE								
Fee-For-Service <sup>6</sup>	\$ 239.4	\$ 240.2	\$ 0.8			\$ 276.9	\$ 36.7	\$ 37.5
Pass-Throughs <sup>7</sup>	335.2	331.6	(3.5)			364.5	32.8	29.3
Total Fee-For-Service and Pass-Throughs	\$ 574.6	\$ 571.9	\$ (2.7)			\$ 641.4	\$ 69.5	\$ 66.8
CENTRAL OPERATING RESERVE <sup>8,9</sup>		\$ 15.0						
NON-OPERATING AND PROGRAM RESERVES <sup>8</sup>		\$ 88.9						
				6/30/19 Balance	Commitments	Remaining Balance		
FORECASTED FUND BALANCES NET OF RESERVES <sup>10</sup>								
Undesignated - UCOP	\$	31.8	\$ 20.0			\$ 11.8		
Undesignated - Systemwide		7.1	7.1			0.0		
Designated <sup>11</sup>		88.3	3.0			85.3		
Restricted <sup>11</sup>		13.0	0.0			13.0		
	\$	140.2	\$ 30.1			\$ 110.2		

<sup>1</sup> Figure 11 in *CSA Report 2016-130* issued April 25, 2017.

<sup>2</sup> Additional details in Schedule A and Schedule B.

<sup>3</sup> Additional details in Schedule C.

<sup>4</sup> Additional details in Schedule D.

<sup>5</sup> Additional details in Schedule F.

<sup>6</sup> Additional details on pg 16.

<sup>7</sup> Additional details on pg 14.

<sup>8</sup> Additional details in Schedule H.

<sup>9</sup> Held in President's Endowment Fund.

<sup>10</sup> Additional details in Schedule I.

<sup>11</sup> Designated and Restricted fund balances are intended for their original purpose.

## FY18-19 to FY19-20 Budget Cause of Change

Over the past four years UCOP consistently minimized budgetary increases while absorbing rising costs in labor, goods, and services. In 2017, UCOP's primary source of unrestricted funds, the campus assessment, was replaced by a State General Funds appropriation. Last year, excluding UCPATH, the FY18-19 budget was reduced by \$33M, including \$8.5M of unrestricted funding redirected to student enrollment growth. This revenue source has declined from \$218M to \$215M over the past four years, a **compound annual growth rate of -0.4%**.

The proposed FY19-20 budget reflects a minimal **1.6% increase in unrestricted funds**. The remaining designated and restricted fund increases represent programs and services that either pass budget dollars through UCOP to other recipients (pass-through), or fund specific fee-for-service programs.

**Figure 6: FY18-19 to FY19-20 Cause of Change Summary**

*\$ in millions*

Cause of Change	Unrestricted	Designated	Restricted	Total
Revenue Growth	\$ -	\$ 2.3	\$ 16.1	\$ 18.4
UCPath Center	-	25.9	-	25.9
UC Health Collaborative	-	7.3	-	7.3
ANR	-	3.2	-	3.2
Contract / Risk Mitigation	3.4	6.3	0.4	10.0
Net Strategic Investments	1.2	(0.7)	-	0.5
<b>Total Budget Change (\$)</b>	<b>\$ 4.6</b>	<b>\$ 44.2</b>	<b>\$ 16.5</b>	<b>\$ 65.3</b>
<b>Total Budget Change (%)</b>	<b>1.6%</b>	<b>11.4%</b>	<b>7.8%</b>	<b>7.4%</b>

*Minimal **1.6%** increase in unrestricted funds*

*The first four categories account for \$54.8M of the total increase*

Four primary causes of change account for \$54.8M of the \$65.3M increase:

1. **Revenue Growth:** Primarily restricted revenue growth anticipated by ANR and the Research Grants Program from Federal and State research funds such as Prop 56.
2. **UCPath Center:** The expansion of the Center to onboard the remaining campuses.
3. **UC Health Collaborative:** The outcome of an OP Restructuring Advisory Committee to retain this function within UCOP; funded, within certain parameters, oversight and guidance, by the health centers in accordance with a shared strategic plan.
4. **ANR:** The outcome of an OP Restructuring Advisory Committee to retain this function within UCOP and grow under certain parameters with committee oversight and governance.

Primary causes of the remaining \$10.5M increase are attributable to:

5. **Contract/Risk Mitigation Increases:** Contractual increases including auditing, custodial, subscription and other services, leases, IT systems, labor, employee health care, and risk mitigation increases in legal, Title IX, investigations, which cannot be absorbed.
6. **Strategic Investments/Reductions/Adjustments:** Minimal increases to support faculty and student diversity, the UC digital library, national labs, multi-campus research, and high school transcript evaluation services, offset almost entirely by budget reductions and adjustments.

Prioritization decisions were made whereby more than \$30M in requested increases were rejected and other requests reduced or funded over multiple years. The January Governor's budget assumed flat State General Funds appropriations for UCPath, ANR, and the remainder of the UCOP budget, formerly funded through a campus assessment. However, all three components of the budget require additional funding. Three budget change proposals were submitted to the Department of Finance in April.

## Reserves

In March 2019, UCOP reviewed reserve guidelines with the Regents which included target funding levels and controls for monitoring, reporting, and drawing on funds. UCOP projects a total reserve balance of \$103.9M, which is below the target maximum of \$115.8M.

## Fund Balances

Total fund balances as of June 30, 2019 are forecasted to decrease by 37% compared to 2018 and includes FY18-19 commitments to fund campus housing priorities, the UC Riverside School of Medicine, and UCOP's strategic priorities fund. Unrestricted fund balances are forecasted to decrease by 81%.

### Key Takeaways

1. **39% of the FY19-20 budget will not be spent at UCOP.**
2. The FY19-20 budget includes a minimal **1.6% increase to unrestricted funds.**
3. Unrestricted fund balances are forecasted to **decline by 81%** net of commitments.



## FY19-20 UCOP BUDGET

UCOP's total proposed budget for FY19-20 is \$941.7M. The following section describes UCOP's approach to preparing the budget, challenges in developing the budget, and the major categories of funding sources and uses.

The preparation of the FY19-20 budget built on the strengths of last year's process and included:

- Significant stakeholder involvement to evaluate and prioritize UCOP programs and services
- Thoroughly evaluating and prioritizing ~\$60M in requested investments with stakeholders
- Leveraging current year actuals and forecasts to develop budgets
- Providing clear, transparent budgeting and financial reporting throughout the fiscal year and further implementing best practices

UCOP navigated several continuing and new challenges in preparing the budget including;

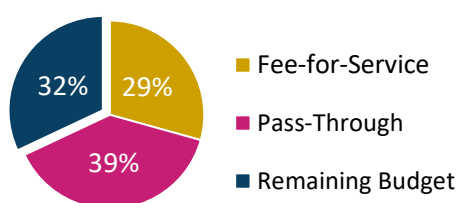
- Conflicting expectations to keep the budget flat but grow several programs and services while receiving more State funds to run research and public service programs
- Constraints on unrestricted funds, primarily the State General Funds appropriations
- Increased funding required for systemwide strategic programs and services (UC Health Collaborative, UCPATH, ANR) and demand for UCOP services that mitigate risk across the system (e.g., legal, Title IX, investigations, cybersecurity)
- Trade-off decisions and deferment or under-funding of requests for important, qualified items
- Unavoidable inflationary cost increases in operations including: rents, employee benefits, salaries, and contracts (e.g., audit fees, janitorial, security)

The budget is structured in categories that define where funds come from ("Sources") and how they are used by or passed through the UCOP budget ("Uses").

Sources of Funds	Uses of Funds	Special Expense Classifications
<ul style="list-style-type: none"><li>• Unrestricted</li><li>• Designated</li><li>• Restricted</li></ul>	<ul style="list-style-type: none"><li>• Programs and Initiatives</li><li>• Central and Administrative Services</li><li>• UCPATH Center</li><li>• Strategic Priorities Fund</li></ul>	<ul style="list-style-type: none"><li>• Pass-through</li><li>• Fee-for-Service</li></ul>

In addition to the Sources and Uses of Funds, UCOP created the *Pass-throughs* and *Fee-for-Service* expense classifications to clearly communicate how budgeted funds are used as displayed in Figure 7.

**Figure 7: Special Expense Classifications**



**39% of funds pass through the UCOP budget** to campuses, researchers, and the public. The largest pass-through programs are Agriculture and Natural Resources and the statewide Tobacco-Related Disease Research Program.

**29% of funds are generated from fee-for-service** activities provided by UCOP to campuses on a fee basis. The largest fee-for-service activities include UCPATH, legal services, and the management of investment assets and employee/retiree benefits. In total, these classifications account for 68% of the UCOP budget.

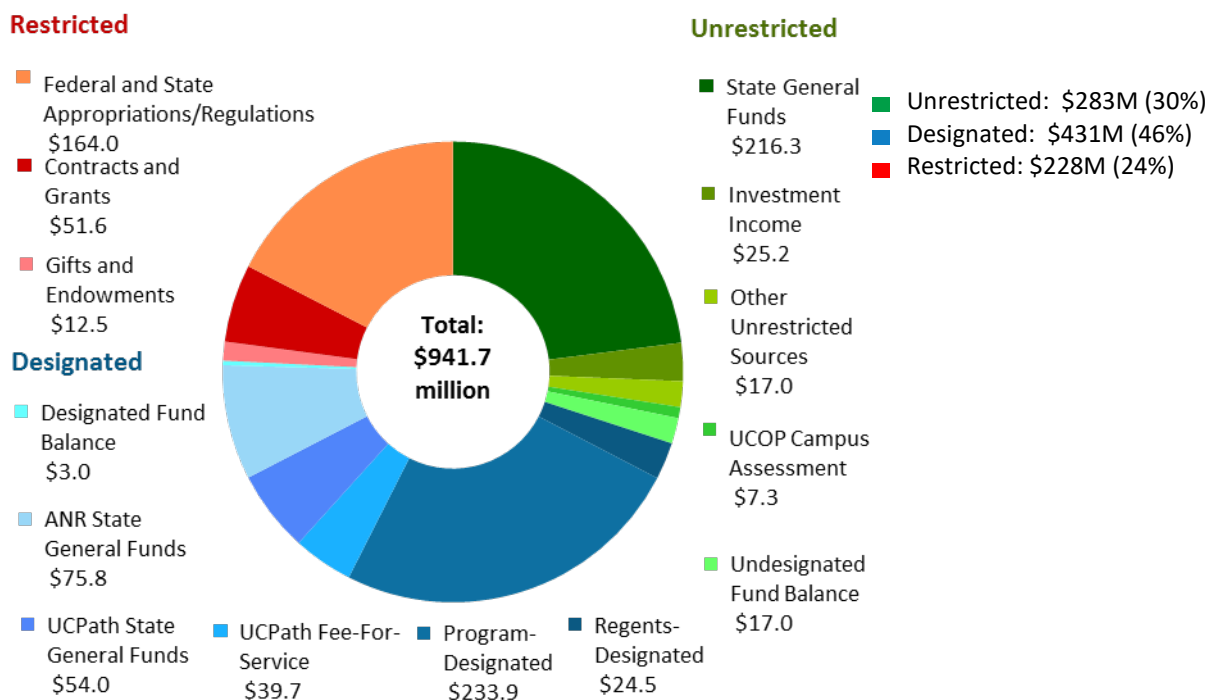
## Sources of Funds

(See Schedule A)

In FY18-19, UCOP began budgeting sources as revenue whereas prior budgets only reflected uses of funds as expenditures. Planned sources for FY19-20 total \$941.7M, and are detailed in the attached **Schedule A**. As shown in Figure 8 below, **70% of fund sources are either restricted or designated**. Three State General Funds appropriations represent 37% of the UCOP budget.

**Figure 8: Sources of Funds**

\$ in millions



UCOP completed an extensive review of all its funds into defined categories, and presented them to the Regents in March 2018. **Three distinct types of funding sources** support the UCOP budget:

- **Unrestricted Funds** include the State General Funds appropriation for UCOP, investment income, campus assessment, unrestricted fund balances, and other sources.
- **Designated Funds**, sourced from Regents, program or service designations are typically funded via a fee-for-service methodology established for the designated purpose. UCPath and ANR are also funded in part from specific State General Funds appropriations.
- **Restricted Funds**, sourced through Federal and State appropriations, endowments, gifts, contracts, and grants are restricted for specific purposes in accordance with Generally Accepted Accounting Principles (GAAP).

Figure 9 below shows the difference between the FY18-19 and FY19-20 budgets by fund type.

**Figure 9: Change in Sources of Funds**

\$ millions

Fund Type	FY18-19 Budget	FY19-20 Budget	% Inc/(Decr)	% of Total	
Unrestricted	\$ 278.2	\$ 282.8	1.6%	7.0%	<i>Minimal unrestricted funds increase of 1.6%.</i>
Designated	\$ 386.7	\$ 430.9	11.4%	67.7%	
Restricted	\$ 211.5	\$ 228.0	7.8%	25.3%	<i>Growth in restricted funds largely from State/Federal programs.</i>
<b>Total</b>	<b>\$ 876.4</b>	<b>\$ 941.7</b>	<b>7.4%</b>	<b>100.0%</b>	

### Budget Change Proposals (BCP)

The Governor's January budget proposed the continuation of State appropriations for three separate line items in the UCOP budget: ANR, UCPath, and the primary source of UCOP's unrestricted budget. The budget proposed each appropriation remain flat for FY19-20 with no additional assessments.

Over the past four year period between FY14-15 and FY18-19, UCOP's primary source of unrestricted funds declined from \$218.5M to \$215.2M, a compound annual growth rate -0.4 percent. Except for UCPath, overall annual budget increases were minimal and mostly absorbed into the existing budget.

In FY18-19, UCOP submitted a budget change proposal to the Department of Finance to supplement the UCPath appropriation with a fee-for-service model. This proposal was accepted. For FY19-20, UCOP submitted a budget change proposal for each line item, requesting an increase at roughly the cost of inflation for each, and requesting additional anticipated expenditures for UCPath be funded from the fee-for-service model, and the general UCOP budget from the campus assessment model. For the general unrestricted budget, this increase would equate to a five-year 0.3% compound annual growth rate.

### Campus Assessment

Prior to FY17-18, the majority of the Office of the President's unrestricted funding came from a campus assessment methodology that a systemwide committee designed and adopted several years ago. In FY17-18, an appropriation of State General Funds replaced the assessment methodology.

In FY18-19, AB97 required a redirection of \$15M of UC's budget to enrollment growth. UC reduced the UCOP budget by \$8.5M, and other budgets by an additional \$6.5M. The UCOP reductions remain in effect. In FY19-20, UCOP is requesting a cost adjustment and the use of a hybrid model, similar to UCPath, with a supplemental campus assessment of \$7.3M to support cost increases and strategic investments in systemwide services such as the California Digital Library. This model was reviewed with and approved by campus stakeholders.

### Key Takeaways

1. **Unrestricted funds** increase by a **minimal 1.6%** over last year's budget.
2. **UCPath, ANR, and the UC Health Collaborative** are growing as intended based on significant stakeholder input.
3. UCOP submitted three budget change proposals to the Department of Finance, including a request to utilize fee-for-service and campus assessment methodologies to address anticipated expenditures.

## Uses of Funds

(See Schedule A)

**The FY19-20 planned use of funds budget is \$941.7M.** Programs and Initiatives and Central and Administrative Services together make up 87% of the budget. The UCPATH Center represents 10% of the budget, and the Strategic Priorities Fund comprises approximately 3% of the budget. Figure 10 provides an overview of UCOP uses by functional area.

**Figure 10: Uses of Funds**

\$ in millions

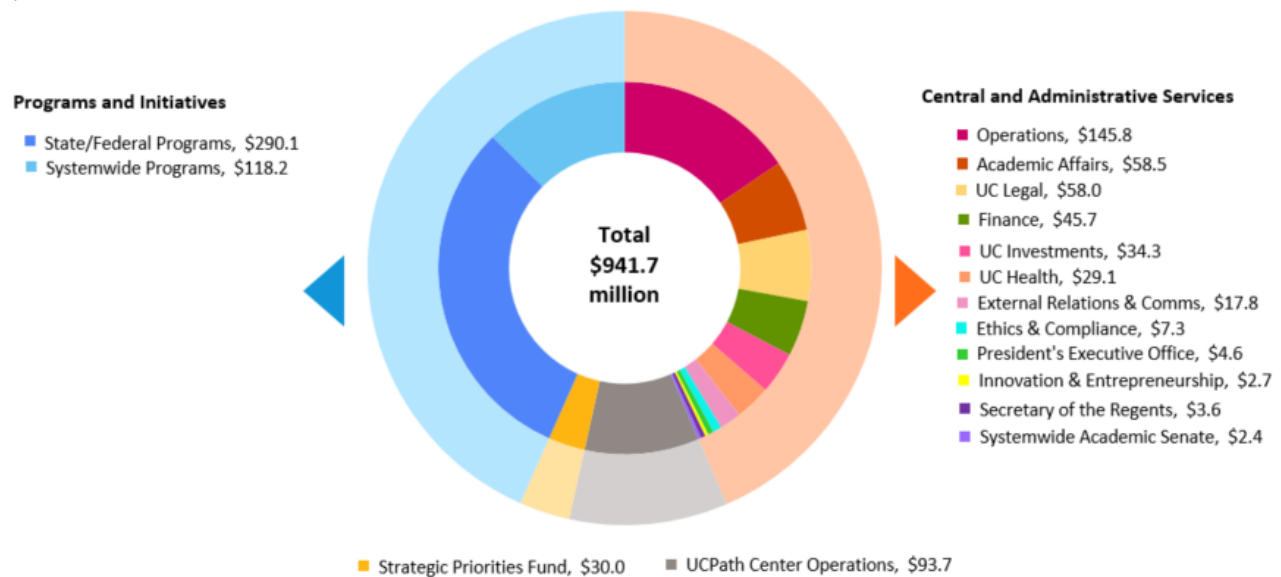


Figure 11 below outlines the changes in the budget by functional area. Additional detail on the Uses of Funds, including budgets, forecasts and variances are included in this section. Year-to-year budget changes are also detailed in **Schedule G**.

**Figure 11: Change in Uses of Funds**

\$ millions

Functional Area	FY18-19 Budget	FY19-20 Budget	\$ Incr/(Decr)	% Incr/(Decr)
Programs and Initiatives	\$ 388.1	\$ 408.2	\$ 20.1	5.2%
Central/Admin Services	390.6	409.8	19.3	4.9%
UCPATH Center	67.8	93.7	25.9	38.1%
Strategic Priorities Fund	30.0	30.0	0.0	0.0%
<b>Total</b>	<b>\$ 876.4</b>	<b>\$ 941.7</b>	<b>\$ 65.3</b>	<b>7.4%</b>
<b>excl. UCPATH Center</b>	<b>\$ 808.6</b>	<b>\$ 848.0</b>	<b>\$ 39.4</b>	<b>4.9%</b>

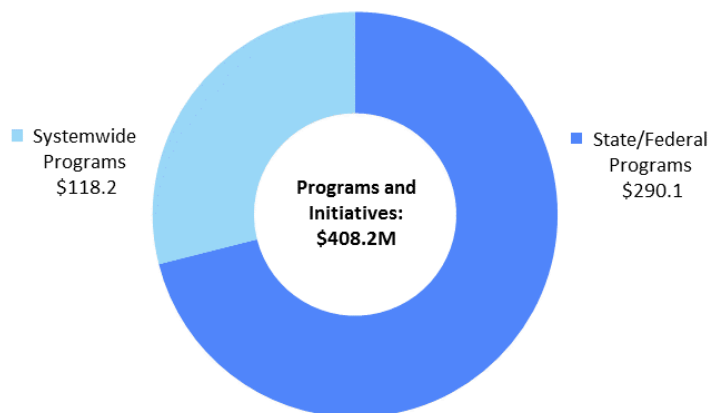
*The UCPATH Center accounts for the largest \$ and % increase to the budget as the remaining campuses transition to UCPATH over the next year.*

## Programs and Initiatives

The proposed FY19-20 Programs and Initiatives budget is \$408.2M, or 43% of the uses of funds. Figure 12 below shows the distribution between ~30 State/Federal and systemwide programs. The complete list of programs, budgets, forecasts and comparisons, can be found in **Schedule C**.

**Figure 12: Programs and Initiatives**

\$ in millions



**71% - State/Federal Programs** are either required by legislation or operated by UC on behalf of the State or Federal government, e.g., ANR and the Tobacco-Related Disease Research program.

**29% - Systemwide Programs** benefit the UC campuses and many other statewide recipients, e.g., SAPEP, UC Press, UC research and astronomy programs.

Last year UCOP also created definitions for systemwide initiatives and campus programs. Outside of the Strategic Priorities Fund, the FY19-20 budget does not contain either of these.

## Forecast and Budget Variances

UCOP forecasts quarterly, and the table below reflects the third quarter FY18-19 forecast which shows a small variance between the FY18-19 budget and forecast. Projected variances for the current year and a comparison to the FY19-20 budget are shown in Figure 13 below and on **Schedule C**.

**Figure 13: Programs and Initiatives Budget Variances**

(Summary of Schedule C)

\$ in millions

Uses	FY18-19			FY19-20		
	Budget	Forecast	Incr/(Decr) <sup>3</sup>	Budget	Incr/(Decr) Forecast	Incr/(Decr) Budget <sup>4</sup>
Campus Programs	\$ 0.9	\$ 0.9	\$ (0.0)	\$ -	\$ (0.9)	\$ (0.9)
State/Federal Programs <sup>1</sup>	\$ 269.2	\$ 281.5	\$ 12.3	\$ 290.1	\$ 8.6	\$ 20.9
Systemwide Programs <sup>2</sup>	\$ 117.9	\$ 111.0	\$ (6.9)	\$ 118.2	\$ 7.1	\$ 0.2
<b>Total Uses</b>	<b>\$ 388.1</b>	<b>\$ 393.5</b>	<b>\$ 5.4</b>	<b>\$ 408.2</b>	<b>\$ 14.7</b>	<b>\$ 20.1</b>

<sup>1</sup> State / Federal Programs includes ANR and TRDRP (Tobacco Research) which make up 71% of the total.

<sup>2</sup> Systemwide Programs include UC Press, UC Astronomy, Laboratory Fees Research, CA HIV/Aids research and SAPEP programs.

<sup>3</sup> The FY18-19 forecast to budget variances are due to:

- \$12.3M increase in revenues and funding for grants in ANR and Tobacco-Related Disease Research

- \$6.9M decrease in research awards for Laboratory Fees Research Programs and lower than budgeted expenses for UC Washington Center

<sup>4</sup> The FY19-20 budget to FY18-19 budget differences are due to:

- \$18.9M increase in State/Federal revenue in ANR and Tobacco-Related Disease Research funding
- 0.9M decrease by moving Hayes Bautista and Drew Medical School funding to the systemwide budget

The majority (96%) of pass-through programs are contained within the Programs and Initiatives Budget. Figure 14 below compares FY18-19 to FY19-20. **39% of the UCOP budget is not spent at UCOP.**

**Figure 14: Pass-through Funds Programs**

\$ in millions

	FY18-19 Budget	FY19-20 Budget
<b>Pass-Throughs</b>		
Agriculture & Natural Resources	\$ 158.5	\$ 173.2
Research Grant Programs	88.0	93.2
UC Observatories	22.2	22.2
National Laboratory Programs	14.1	14.0
UC Libraries	8.5	11.8
Public Service Programs	12.8	11.6
UC Research Initiative	6.4	9.7
Public Service & Law Fellowship	4.0	5.2
Diversity Initiatives	3.0	5.0
Online Education Initiatives	5.1	4.0
Other Academic Pass-Throughs	3.8	2.5
Undocumented Students	0.9	2.2
UC Health Initiatives	1.9	1.9
All Others	6.1	8.1
<b>Total Pass-Throughs</b>	<b>\$ 335.2</b>	<b>\$ 364.5</b>
Year-Over-Year Increase \$	\$	29.3
Year-Over-Year Increase %		8.7%

*The top three pass-through programs account for 79% of the total.*

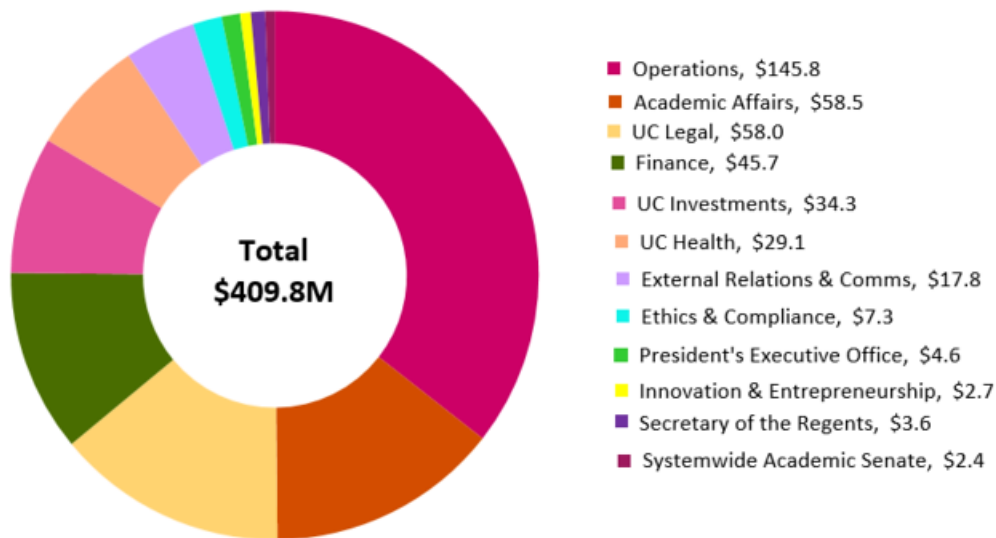
#### Key Takeaways

1. State and Federal Programs make up **71%** of the Programs & Initiatives budget.
2. **Growth in ANR and Prop 56 tax revenues** are reflected in the State and Federal Programs.
3. **96%** of pass-through funds are tied to the Programs and Initiatives budget.
4. **39% of the UCOP budget is not spent at UCOP.**

## Central and Administrative Services

Central and Administrative Services make up \$409.8M, or 44% of the total budget. Figure 15 below and **Schedule D** provide an overview of the budget by division. The Central and Administrative Services budget supports critical systemwide campus services and UCOP internal operations. The Operations division, which makes up a third of the Central and Administrative Services budget, provides systemwide HR, benefits and retirement management, technology services, and energy programs, and oversees internal UCOP operations.

**Figure 15: Central and Administrative Services**  
\$ in millions



## Forecast and Budget Variances

The third quarter FY18-19 forecast projects UCOP will end the year \$10.4M or 2.7% below budget. In FY19-20, total Central and Administrative Services activities are projected to be \$19.3M above the FY18-19 budget. Variances are shown in Figure 16 below and in **Schedule D**.

**Figure 16: Central and Administrative Services Budget Variances**

\$ in millions

Uses	FY18-19			FY19-20		
	Budget	Forecast <sup>1</sup>	Incr/(Decr)	Budget	Incr/(Decr) Forecast	Incr/(Decr) Budget <sup>2</sup>
Academic Affairs	\$ 55.7	\$ 53.2	\$ (2.5)	\$ 58.5	\$ 5.3	\$ 2.8
Ethics & Compliance	\$ 6.6	\$ 6.2	\$ (0.4)	\$ 7.3	\$ 1.1	\$ 0.7
External Relations & Communications	\$ 18.1	\$ 16.3	\$ (1.8)	\$ 17.8	\$ 1.5	\$ (0.3)
Finance	\$ 46.0	\$ 45.8	\$ (0.2)	\$ 45.7	\$ (0.0)	\$ (0.3)
Innovation & Entrepreneurship	\$ 4.0	\$ 1.7	\$ (2.3)	\$ 2.7	\$ 0.9	\$ (1.3)
Operations	\$ 139.9	\$ 136.9	\$ (3.0)	\$ 145.8	\$ 8.9	\$ 5.9
President's Executive Office	\$ 4.0	\$ 3.5	\$ (0.5)	\$ 4.6	\$ 1.1	\$ 0.6
Secretary of the Regents	\$ 3.1	\$ 2.9	\$ (0.2)	\$ 3.6	\$ 0.7	\$ 0.5
Systemwide Academic Senate	\$ 2.1	\$ 2.4	\$ 0.3	\$ 2.4	\$ 0.0	\$ 0.3
UC Legal	\$ 56.6	\$ 56.8	\$ 0.2	\$ 58.0	\$ 1.2	\$ 1.4
UC Health	\$ 21.1	\$ 22.6	\$ 1.6	\$ 29.1	\$ 6.5	\$ 8.0
UC Investments	\$ 33.3	\$ 31.8	\$ (1.6)	\$ 34.3	\$ 2.6	\$ 1.0
<b>Total (excluding UC Path Center)</b>	<b>\$ 390.6</b>	<b>\$ 380.1</b>	<b>\$ (10.4)</b>	<b>\$ 409.8</b>	<b>\$ 29.7</b>	<b>\$ 19.3</b>

<sup>1</sup> FY18-19 variances between the third quarter forecast and budget include:

- \$2.5M decrease in Academic Affairs due to movement of patent royalty income to systemwide revenues
- \$1.8M decrease in ER&C due to open positions during a FY18-19 reorganization. Positions will be filled in FY19-20
- \$2.3M decrease in I&E due to open positions pending strategic organizational review. Positions to be filled in FY19-20
- \$3.0M decrease in Operations due to timing differences in energy efficiency biogas programs
- \$1.6M increase in UC Health for expenses related to the new resident and fellows health plan
- \$1.6M decrease in UC investments due to savings from vacant positions

<sup>2</sup> FY19-20 budget differences to FY18-19 budget include:

- \$2.8M increase in Academic Affairs for investments in Faculty Diversity Programs and the California Digital Library
- \$5.9M increase Operations related to inflationary cost increases for rent, security and the new retirement administration system.
- \$1.4M increase to UC Legal due to the increasing costs of outside counsel, offset by increasing internal staffing and negotiating value-based pricing
- \$8M increase to the UC Health Collaborative funded by and in partnership with the UC health centers, and for self-funded health insurance program management such as the resident and fellows insurance plan

The majority of **UCOP Fee-for-Service activities**, shown in Figure 17 below, are contained within the Central and Administrative Services budget.

**Figure 17: Fee-for-Service Activities**

\$ in millions

	FY18-19 Budget	FY2018-19 Forecast	FY19-20 Budget
<b>Fee-for-Service</b>			
UCPath	\$ 67.8	\$ 73.1	\$ 93.7
Office of the General Counsel	44.5	42.6	45.4
Investments & Asset Management	36.2	34.8	37.6
UC Retirement System	27.2	25.7	29.4
Employee Benefits Administration	19.8	21.5	21.8
UC Health Collaborative	12.9	11.4	20.2
Risk Management	6.2	6.1	6.9
Information Technology Services	8.1	9.9	6.2
Health Insurance Programs	5.3	6.8	6.0
Bond Management	4.4	2.5	3.4
Patent Royalty Administration	3.5	2.3	2.7
UC Mortgage Origination Plan	2.1	2.1	2.1
Other Services	1.4	1.6	1.6
<b>Total Fee-for-Service</b>	<b>\$ 239.4</b>	<b>\$ 240.2</b>	<b>\$ 276.9</b>
	Year over Year Increase \$		37.5
	Year over Year Increase %		15.7%

*The top five fee-for-service activities account for 82% of the total.*

### Key Takeaways

1. The **Central and Administrative Services (CAS) budget supports critical systemwide services** in finance, human resources, legal, investments, health, compliance and others.
2. Most **Fee-for-Service activities** are in the CAS budget and **make up 29%** of the total budget.
3. **Budgeted increases** in CAS are **due to increasing operating costs**, such as rent, contracts, and benefits **and strategic growth**, such as the UC Health Collaborative funded by the health centers.



## UCPath Center

The UCPath Center, located in Riverside, is now providing HR and payroll services to eight UC locations and over 100,000 employees. In the next fiscal year, the ***UCPath Center is projected to grow from \$68M to \$94M as it prepares to bring all remaining locations and 125,000+ employees on-line.*** Currently, UC Davis and ANR will go live in October; UC Irvine and UC Santa Cruz in January; UC San Francisco, LBNL and UC Hastings in March; and UC San Diego in April.

The January 2019 Governor's budget kept the UCPath appropriation flat from two years ago at \$52.4M. However, in FY18-19 the Department of Finance permitted UCOP to use of a fee-for-service model for UCPath to fund the difference between the appropriation and the actual cost. In April 2019, UC submitted a request to the Department of Finance to increase the UCPath appropriation by 3% to \$54.0M, and again allow UCOP to use the fee-for-service model to fund the difference. In FY19-20, the budget total of \$93.7M assumes \$39.7M will be collected from the campuses via the fee-for-service model.

Key drivers of the FY19-20 budget growth for UCPath include:

- \$7.5M for data processing and storage due to more-than-doubling the employee base
- \$6.4M to bring the UCPath Center up to full 440 FTE staffing by November 2019
- \$5.1M for temporary labor to ensure successful transition of the remaining UC locations
- \$2.7M for ongoing support of the existing legacy system

Without full funding, the UCPath effort will not be able to support the additional 125,000+ UC employees transitioning to UCPath by May 2020. Looking ahead, UC will advocate restoring the fee-for-service model for the entire UCPath budget, as this model allocates the costs more appropriately across all funding sources. The current hybrid model, combining State General Funds and approved fee-for-service funding, is unnecessarily complex.

## Strategic Priorities Fund (SPF)

Established in FY18-19, the Strategic Priorities Fund (SPF) replaced the past practice of using temporary, one-time, unrestricted fund balances with a line item in the operating budget of \$30M annually. The SPF funds short-term programmatic needs, administrative projects, emergent or urgent priorities, and the President's initiatives. The \$30M target in the FY19-20 budget is flat to FY18-19.

**Schedule F** details the projected FY18-19 forecast and FY19-20 known commitments of approximately \$17.5M. Committed funds include the presidential initiatives and several OP, campus and systemwide projects and initiatives. The remaining \$12.5M uncommitted balance will fund short-term projects or emergent or urgent priorities identified during the fiscal year. A detailed description of the presidential initiatives can be found in Appendix 3. For the second consecutive year UCOP proposes utilizing unspent SPF funds and additional unrestricted fund balances, for a total of \$17M, to fund the SPF.

### Key Takeaways

1. The **UCPath Center budget will grow to accommodate all remaining campuses.** UCOP is requesting the fee-for-service model to fund the budget over the State appropriation.
2. The **FY19-20 SPF budget will remain at \$30M**, consistent with FY18-19.

## RESERVES

UCOP reserves are funds intentionally allocated and accrued from fund sources for use in the event of revenue disruption, increased expenses, maintenance of assets including buildings and infrastructure, or in anticipation of a large expense, such as preparing an RFP response for the Department of Energy. UCOP completed a comprehensive review of best practices and peer benchmarking and established target funding levels for all reserves.

Reserves are not fund balances. While a reserve is intentionally accrued to manage risk, a fund balance is the net position, or the cumulative revenues (sources) received in excess of expenditures (uses) for a fund at any given time. Beginning in FY19-20, reserve funds will be maintained separately from operating funds in order to manage each more effectively and transparently.

### Reserve Target Funding Levels

In March 2019, UCOP established and reviewed [guiding principles](#) for UCOP reserves with the Board of Regents. The guiding principles include target funding levels, and controls for monitoring, reporting, and drawing on funds. In January, 2018 the Regents adopted the [Policy on a Central Operating Reserve for the University of California Office of the President](#). The policy and presidential guidelines establish the size, funding source and circumstances for drawing on the Central Operating Reserve. This reserve target is set at \$15M or at least 3.5% of covered funds and expenses against the principle of the President's Endowment Fund. The \$15M target for the Central Operating Reserve is unchanged for FY19-20.

### Forecasted Reserves

UCOP reports reserve balances and target funding levels to the Regents twice annually, during the presentation of the budget, and after fiscal year close. At the time the budget is presented, the fiscal year is not yet finalized, and therefore reserve balances are forecasted. Figure 18 projects a total reserve balance of \$103.9M as of June 30, 2019, which is within the established target funding range minimum of \$90.1M and maximum of \$115.8M. Details are in **Schedule H**.

**Figure 18 – UCOP Reserve Balances**

\$ in millions

	Reserve Target Minimum	Reserve Target Maximum	6/30/19 Forecasted Reserve	Variance: 6/30/19 Reserve Over Max / (Under Min)
<b>UCOP RESERVES</b>				
Building and Capital Assets Reserves	\$ 3.0	\$ 8.5	\$ 4.4	\$ -
Program Reserves	49.9	67.3	54.0	1.0
Other Required Reserves	20.0	25.0	30.5	5.5
<b>Sub-Total Program and Non-Operating Reserves</b>	<b>\$ 72.9</b>	<b>\$ 100.8</b>	<b>\$ 88.9</b>	<b>\$ 6.5</b>
Central Operating Reserve	15.0	15.0	15.0	-
<b>TOTAL UCOP RESERVES</b>	<b>\$ 87.9</b>	<b>\$ 115.8</b>	<b>\$ 103.9</b>	<b>\$ 6.5</b>

<sup>1</sup> See Schedule H for additional details. Total reserve balances are under the target maximum, however some reserves may be slightly over the target maximum.

### Key Takeaways

1. **Guiding principles were published for all UCOP reserves**, establishing target funding levels and controls for funding, reporting, monitoring, and drawing from all UCOP reserves.
2. **Reserves are maintained separately from operating fund balances**, in order to manage each more effectively and transparently.
3. **UCOP projects a total reserve balance of \$103.9M**, below the maximum target of \$115.8M.

## FUND BALANCES

Fund balances reflect the difference at a point in time between sources and uses, less any known encumbrances and commitments. Because fund balances are one-time non-recurring funding streams, they cannot be relied upon to fund recurring operations. **Schedule I, UCOP Fund Balances by Fund Type**, provides additional detail to the fund balances described below.

UCOP has taken several steps to improve the management and transparency of fund balances including development of:

- Clearer definitions and a decision tree used to revalidate the categorization of all funds
- Reports providing actual and forecasted fund balances and commitments at year-end (June 30)
- Repeatable processes to categorize funds, assess all potential needs or uses, and reallocate funds to the campuses, as available

### Actual and Forecast Balances

To develop the FY19-20 budget, UCOP analyzed actual fund balances as of February 28, 2019 and then forecasted fund balances for June 30, 2019. UCOP also reviewed known commitments identified for next year. Restricted or designated fund balances are committed for their intended purpose.

In FY18-19, UCOP initiated the CSA recommendation to reallocate fund balances back to the campuses. Balances are forecasted to be much lower this year, so UCOP intends to review final year-end balances before identifying reallocation opportunities. Figure 19 shows a breakdown of fund balance by fund type, forecasted as of June 30, 2019. Overall, fund balances are projected to decrease by \$65.9 million or 37% compared to last year, the largest reduction of 81% taking place in the unrestricted fund.

**Figure 19: UCOP Fund Balances**

*\$ millions*

	6/30/19						
	6/30/18 Balance	Forecasted Balance	Commitments	Remaining Balance	Change in Fund Balance	% Change	
Unrestricted	\$ 62.5	\$ 38.9	\$ 27.1	\$ 11.8	\$ (50.7)	-81.1%	
Designated	99.9	88.3	3.0	85.3	(14.6)	-14.6%	
Restricted	13.6	13.0	-	13.0	(0.6)	-4.2%	
<b>Total Fund Balance</b>	<b>\$ 176.0</b>	<b>\$ 140.2</b>	<b>\$ 30.1</b>	<b>\$ 110.2</b>	<b>\$ (65.9)</b>	<b>-37.4%</b>	

**Unrestricted Fund Balances** afford the most flexibility for use. Unrestricted balances total \$11.8M or 11% of the total remaining fund balance. Historically, UCOP relied on these balances to address emergent priorities, but this practice was replaced last year with the establishment of the Strategic Priorities Fund. Some of the key causes of the change in unrestricted fund balances include:

- \$17.0M committed for the FY19-20 UCOP Strategic Priorities Fund
- \$7.1M committed to campus-specific seismic work using GO bond income balances
- \$12M of GO bond income for campus housing strategies paid in FY18-19
- \$6M investment income paid to the UC Riverside School of Medicine in FY18-19

**Designated Funds Balances** total \$85.3M or 77% of the forecasted remaining fund balance. A designated balance is considered committed by the Regents or Administration for an intended purpose. The largest balance, \$55.6M, is Regents-designated for the UC National Laboratories and the Lab Fees Research Program. The Office of National Labs provides a spending and reserves plan to the Labs Committee each July for approval.

Designated fund balances also include balances for self-funded programs such as the UC Washington Center. The causes of change are due to:

- \$15.3M reduction in Housing Loan Program funds reallocated to the campuses in FY19-20
- \$11.9M decrease in the Lab LLC program, offset by a \$7.8M increase in the Lab Fees Research program to fund additional research opportunities
- \$6.9M decrease in UC Health funds for two strategic initiatives (CHQI and LSFV)
- Other changes including a \$2.6M increase in iCAMP capital asset planning funding, \$1.7M increase in endowment cost recovery funds and a \$3M increase in Energy and Sustainability funds related to the biogas program.

**Restricted Fund Balances** by definition, cannot be reallocated for other purposes. Contracts and grants are funded on a reimbursement basis and thus carry no balances. Federal and special State appropriations are forecasted to be slightly lower based on disbursements to the campuses and laboratories. Restricted balances represent only 12% of the forecasted remaining fund balance.

At this time, given the uncertainty in State funding for the FY19-20 year, UCOP is not recommending a reallocation of unrestricted fund balances. Balances will be reviewed by UCOP in consultation with the Executive Budget Committee after the June 30, 2019 fiscal close and reported in the FY18-19 Budget-to-Actuals item to be presented at the November 2019 Regents Meeting.

#### Key Takeaways

1. Unrestricted fund balances are forecasted to **decline by 81%**.
2. Overall, fund balances are forecasted to **decline by 37%**
3. Given the uncertainty of forecasted fund balances and UCOP's FY19-20 constraints, UCOP will **review fund balances and evaluate reallocation opportunities after fiscal year end.**

**PRESIDENT’S RECOMMENDATION**

The proposed budget is comprehensive, transparent and clearly demonstrates UCOP’s contributions to the University’s teaching, research, and public service mission. The UCOP budget was reviewed in its entirety by the Executive Budget Committee, which includes campus, Academic Senate and UCOP leaders. All of the Committee’s recommendations were accepted by the President.

Pursuant to Regents Policy 5101, the President of the University recommends approval of the UCOP FY19-20 budget by the Board of Regents.



# Appendices

APPENDIX 1: UCOP SCHEDULES

Schedule A

Sources & Uses by Year

Overall UCOP

\$ in millions

\$ in millions

				Variance: Increase/(Decrease)		
	FY18-19	FY18-19	FY19-20	FY18-19	FY18-19	FY18-19
	Budget <sup>1</sup>	Forecast	Budget	Forecast vs FY18-19 Budget	Forecast vs FY19-20 Budget	Budget vs FY19-20 Budget
SOURCES						
Unrestricted Sources						
Undesignated						
State General Funds <sup>2</sup>	\$ 215.6	\$ 215.7	\$ 216.3	\$ 0.1	\$ 0.7	\$ 0.8
Investment Income	25.4	23.4	25.2	(2.0)	1.8	(0.2)
Other Unrestricted Sources	17.0	8.8	17.0	(8.2)	8.2	(0.0)
UCOP Campus Assessment	-	-	7.3	-	7.3	7.3
Undesignated Fund Balance	20.3	20.3	17.0	(0.0)	(3.3)	(3.3)
Subtotal - Undesignated	278.2	268.1	282.8	(10.1)	14.7	4.6
Designated						
Regents-Designated	24.6	19.6	24.5	(5.1)	4.9	(0.2)
Program-Designated	218.3	211.8	233.9	(6.4)	22.1	15.6
UCPath Fee-For-Service	18.8	23.7	39.7	4.9	16.0	20.9
UCPath State General Funds	52.4	52.3	54.0	(0.1)	1.7	1.6
UC ANR State General Funds	72.6	72.6	75.8	(0.0)	3.3	3.2
Designated Fund Balance	-	-	3.0	-	3.0	3.0
Subtotal - Designated	386.7	379.9	430.9	(6.8)	51.0	44.2
Subtotal - Unrestricted Sources	664.9	648.0	713.7	(16.9)	65.7	48.8
Restricted Sources						
Gifts and Endowments	10.6	12.9	12.5	2.2	(0.4)	1.8
Contracts and Grants	44.4	51.9	51.6	7.5	(0.3)	7.2
Federal and State Appropriations/Regulations	156.5	161.3	164.0	4.8	2.7	7.5
Subtotal - Restricted Sources	211.5	226.0	228.0	14.5	2.0	16.5
TOTAL SOURCES	\$ 876.4	\$ 874.1	\$ 941.7	\$ (2.4)	\$ 67.6	\$ 65.3
USES						
Programs and Initiatives						
Campus Program	\$ 0.9	\$ 0.9	\$ -	\$ (0.0)	\$ (0.9)	\$ (0.9)
State/Federal Programs	269.2	281.5	290.1	12.3	8.6	20.9
Systemwide Program	117.9	111.0	118.2	(6.9)	7.1	0.2
Subtotal - Programs and Initiatives	388.1	393.5	408.2	5.4	14.7	20.1
Central and Administrative Services						
Academic Affairs	55.7	53.2	58.5	(2.5)	5.3	2.8
Ethics & Compliance	6.6	6.2	7.3	(0.4)	1.1	0.7
External Relations & Communications	18.1	16.3	17.8	(1.8)	1.5	(0.3)
Finance	46.0	45.8	45.7	(0.2)	(0.0)	(0.3)
Innovation & Entrepreneurship	4.0	1.7	2.7	(2.3)	0.9	(1.3)
Operations	139.9	136.9	145.8	(3.0)	8.9	5.9
President's Executive Office	4.0	3.5	4.6	(0.5)	1.1	0.6
Secretary of the Regents	3.1	2.9	3.6	(0.2)	0.7	0.5
Systemwide Academic Senate	2.1	2.4	2.4	0.3	0.0	0.3
UC Health	21.1	22.6	29.1	1.6	6.5	8.0
UC Investments	33.3	31.8	34.3	(1.6)	2.6	1.0
UC Legal	56.6	56.8	58.0	0.2	1.2	1.4
Subtotal - Central and Administrative Services (excl UCPath Center Operations)	390.6	380.1	409.8	(10.4)	29.7	19.3
Strategic Priorities Fund	30.0	24.5	30.0	(5.5)	5.5	0.0
SUBTOTAL USES	\$ 808.6	\$ 798.1	\$ 848.0	\$ (10.5)	\$ 50.0	\$ 39.4
UCPath Center Operations	67.8	76.0	93.7	8.2	17.7	25.9
TOTAL USES	\$ 876.4	\$ 874.1	\$ 941.7	\$ (2.4)	\$ 67.6	\$ 65.3
NET MARGIN SURPLUS (DEFICIT)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Included in Sources and Uses Above						
Fee-For-Service	\$ 239.4	\$ 240.2	\$ 276.9	0.8	36.7	37.5
Pass-Throughs	335.2	331.6	364.5	(3.5)	32.8	29.3
Total Fee-For-Service and Pass-Throughs	\$ 574.6	\$ 571.9	\$ 641.4	\$ (2.7)	\$ 69.5	\$ 66.8

<sup>1</sup> The FY18-19 Budget includes an allocation of the UCOP Vacancy Factor at the Division Level for comparability purposes with FY19-20 but remains constant at \$876.4M.

<sup>2</sup> Excluded from the \$216.3M in State General Funds listed under Undesignated sources are \$5.8M in campus programs previously budgeted at UCOP, but administered on the campuses, that will be permanently budgeted on their home campuses beginning in FY19-20.



## Schedule B

### Expenditures by Fund

#### Overall UCOP

\$ in millions

	Unrestricted Funds		Restricted Funds	FY19-20 Budget
	Undesignated	Designated		
<b>Programs and Initiatives</b>				
Campus Program	\$ -	\$ -	\$ -	\$ -
State/Federal Programs	1.0	117.4	171.7	290.1
Systemwide Program	46.5	69.6	2.1	118.2
<b>Total - Programs and Initiatives</b>	<b>47.5</b>	<b>187.0</b>	<b>173.7</b>	<b>408.2</b>
<b>Central and Administrative Services</b>				
Academic Affairs	49.0	6.5	3.1	58.5
Ethics & Compliance	7.3	0.0	-	7.3
External Relations & Communications	12.3	4.7	0.8	17.8
Finance	25.3	18.0	2.5	45.7
Innovation & Entrepreneurship	2.6	0.0	0.0	2.7
Operations	87.3	11.6	46.8	145.8
President's Executive Office	4.2	0.3	0.1	4.6
Secretary of the Regents	3.6	0.0	-	3.6
Systemwide Academic Senate	2.3	0.0	0.1	2.4
UC Health	4.0	25.1	-	29.1
UC Investments	0.0	34.3	-	34.3
UC Legal	10.4	46.7	0.9	58.0
<b>Subtotal - Central and Administrative Services (excl UCPATH Center Operations)</b>	<b>208.3</b>	<b>147.3</b>	<b>54.3</b>	<b>409.8</b>
<b>Strategic Priorities Fund</b>	<b>27.0</b>	<b>3.0</b>	<b>-</b>	<b>30.0</b>
<b>SUBTOTAL USES</b>	<b>\$ 282.8</b>	<b>\$ 337.2</b>	<b>\$ 228.0</b>	<b>\$ 848.0</b>
UCPATH Center Operations	-	93.7	-	93.7
<b>TOTAL USES</b>	<b>\$ 282.8</b>	<b>\$ 430.9</b>	<b>\$ 228.0</b>	<b>\$ 941.7</b>
<b>Included in Sources and Uses Above</b>				
Fee-For-Service	\$ -	\$ 225.7	\$ 51.2	\$ 276.9
Pass-Throughs	61.9	139.3	163.2	364.5
<b>Total Fee-For-Service and Pass-Throughs</b>	<b>\$ 61.9</b>	<b>\$ 365.1</b>	<b>\$ 214.4</b>	<b>\$ 641.4</b>

<sup>1</sup> Schedule B includes the impact to fund designations resulting from further fund definition reviews undertaken in FY18-19.



## Schedule C

### Budget by Programs and Initiatives Programs and Initiatives

\$ in millions

	FY18-19 Budget <sup>1</sup>	FY18-19 Forecast	FY19-20 Budget	Variance: Increase/(Decrease)		
				FY18-19 Forecast vs FY18-19 Budget	FY18-19 Forecast vs FY19-20 Budget	FY18-19 Budget vs FY19-20 Budget
<b>PROGRAMS AND INITIATIVES</b>						
<b>Campus Program</b>	\$ 0.9	\$ 0.9	\$ -	\$ (0.0)	\$ (0.9)	\$ (0.9)
<b>State/Federal Programs</b>						
Agriculture and Natural Resources (ANR)	163.7	171.8	178.7	8.1	7.0	15.0
California Breast Cancer Research Program	11.9	8.6	12.8	(3.3)	4.2	1.0
California Subject Matter Project (CSMP)	8.6	9.5	8.6	0.8	(0.8)	(0.0)
Gaining Early Awareness and Readiness for Undergraduate Programs	3.5	3.4	3.5	(0.1)	0.1	(0.0)
Graduate Medical Education	-	-	2.0	-	2.0	2.0
Mathematics Diagnostic Testing Project (MDTP)	1.0	1.0	-	0.0	(1.0)	(1.0)
Office of the National Laboratories (UCNL)	4.8	4.4	5.4	(0.4)	0.9	0.6
Other State/Federal Programs	1.7	1.2	0.5	(0.5)	(0.7)	(1.2)
Tobacco-Related Disease Research Program (TRDRP)	71.7	79.2	76.2	7.5	(2.9)	4.5
UC Research Initiatives: Cancer Research Coordinating Committee (CRCC)	2.2	2.4	2.3	0.2	(0.2)	0.0
<b>Subtotal - State/Federal Programs</b>	<b>269.2</b>	<b>281.5</b>	<b>290.1</b>	<b>12.3</b>	<b>8.6</b>	<b>20.9</b>
<b>Systemwide Program</b>						
California HIV/AIDS Research Program (CHRP)	8.8	8.8	8.8	0.1	(0.1)	(0.0)
Eligibility in the Local Context (ELC)	1.0	1.0	1.0	(0.0)	0.0	0.0
Historically Black Colleges and Universities (HBCU) Fellowship Initiative	1.0	1.0	1.8	-	0.8	0.8
Historically Black Colleges and Universities (HBCU) Summer Research Initiative	1.0	1.0	1.8	-	0.8	0.8
Innovative Learning Technology Initiative (Online Education)	10.3	8.9	9.0	(1.5)	0.2	(1.3)
Natural Reserve System (NRS)	2.2	2.8	3.0	0.5	0.2	0.7
Other Systemwide Programs	4.2	4.2	2.4	(0.0)	(1.7)	(1.8)
San Joaquin Valley PRIME program	1.9	1.9	1.9	-	-	-
SAPEP	1.9	1.8	1.9	(0.1)	0.1	0.1
SAPEP - ASSIST	1.9	2.2	2.2	0.4	(0.1)	0.3
SAPEP - Mathematics, Engineering, Science Achievement (MESA)	4.3	4.0	4.3	(0.3)	0.4	0.0
UC Astronomy Programs: UC Observatories (UCO)	7.6	7.4	7.5	(0.2)	0.2	(0.1)
UC Astronomy Programs: W.M. Keck Observatory (Keck)	14.6	14.6	14.6	0.0	0.0	0.0
UC Institute for Mexico and the United States (UC MEXUS)	3.3	3.3	-	0.0	(3.3)	(3.3)
UC Press	23.7	22.5	23.9	(1.1)	1.4	0.3
UC Research Initiatives: Laboratory Fees Research Program (LFRP)	15.0	11.1	14.9	(4.0)	3.9	(0.1)
UC Research Initiatives: Multi-Campus Research Programs and Initiatives (MRPI)	7.4	8.4	8.0	1.0	(0.4)	0.6
UC Washington Center (UCDC)	7.9	6.3	8.2	(1.7)	1.9	0.3
Valley Fever Research	-	0.0	2.9	0.0	2.9	2.9
<b>Subtotal - Systemwide Program</b>	<b>117.9</b>	<b>111.0</b>	<b>118.2</b>	<b>(6.9)</b>	<b>7.1</b>	<b>0.2</b>
<b>TOTAL USES</b>	<b>\$ 388.1</b>	<b>\$ 393.5</b>	<b>\$ 408.2</b>	<b>\$ 5.4</b>	<b>\$ 14.7</b>	<b>\$ 20.1</b>

<sup>1</sup> The FY2018-19 Budget includes an allocation of the UCOP Vacancy Factor at the Division Level for comparability purposes with FY2019-20. The total FY2018-19 Regents Budget remains constant at \$876.4M.

## Schedule D

### Budget by Division and Sub-Division Central and Administrative Services

\$ in millions

in millions

				Variance: Increase/(Decrease)		
	FY18-19 Budget <sup>1</sup>	FY18-19 Forecast	FY19-20 Budget	FY18-19 Forecast vs FY18-19 Budget	FY18-19 Forecast vs FY19-20 Budget	FY18-19 Budget vs FY19-20 Budget
CENTRAL AND ADMINISTRATIVE SERVICES USES						
Academic Affairs						
Academic Personnel and Programs	\$ 25.2	\$ 26.7	\$ 29.4	\$ 1.5	\$ 2.8	\$ 4.2
Diversity and Engagement	1.1	1.1	0.8	0.1	(0.3)	(0.2)
Immediate Offices	6.8	6.4	6.5	(0.5)	0.2	(0.3)
Institutional Research and Academic Planning	4.1	4.0	4.1	(0.1)	0.2	0.1
Research and Graduate Studies	9.0	6.4	7.9	(2.6)	1.5	(1.1)
Student Affairs	9.6	8.7	9.7	(0.9)	1.0	0.0
Subtotal - Academic Affairs	55.7	53.2	58.5	(2.5)	5.3	2.8
Ethics & Compliance	6.6	6.2	7.3	(0.4)	1.1	0.7
External Relations & Communications						
Alumni and Constituent Affairs	1.0	0.8	0.7	(0.2)	(0.2)	(0.4)
Executive Communications & Engagement	0.9	0.7	0.8	(0.2)	0.1	(0.1)
Federal Government Relations	2.6	2.5	2.8	(0.2)	0.4	0.2
Immediate Office	1.5	1.6	0.6	0.1	(1.0)	(0.9)
Institutional Advancement	1.9	1.7	2.0	(0.2)	0.3	0.1
Legislative Analysis	0.8	0.7	0.8	(0.1)	0.1	0.0
Marketing and Communications	5.9	5.3	6.3	(0.6)	1.0	0.4
Media Relations	0.9	0.7	0.9	(0.2)	0.2	0.0
State Government Relations	2.5	2.2	2.9	(0.4)	0.7	0.3
Subtotal - External Relations & Communications	18.1	16.3	17.8	(1.8)	1.5	(0.3)
Finance						
Budget Analysis and Planning	2.5	2.0	2.3	(0.5)	0.4	(0.2)
Capital Asset Strategies & Finance	12.8	13.9	12.4	1.1	(1.4)	(0.4)
Financial Accounting	10.2	10.2	10.5	0.0	0.4	0.4
Immediate Office	1.4	1.1	1.3	(0.3)	0.1	(0.1)
Risk Services	7.8	7.7	8.3	(0.1)	0.6	0.5
Strategic Sourcing/Procurement	11.4	11.0	10.9	(0.4)	(0.1)	(0.5)
Subtotal - Finance	46.0	45.8	45.7	(0.2)	(0.0)	(0.3)
Innovation & Entrepreneurship	4.0	1.7	2.7	(2.3)	0.9	(1.3)
Operations						
Energy and Sustainability	4.7	2.9	4.4	(1.8)	1.6	(0.3)
Immediate Office	1.3	1.1	1.1	(0.2)	0.1	(0.2)
Information Technology Services	50.6	48.9	51.5	(1.7)	2.6	0.9
Operational Expenses	6.1	4.7	8.0	(1.4)	3.3	1.9
Strategic Program Management Office	2.0	1.9	1.8	(0.1)	(0.1)	(0.2)
Systemwide Human Resources	45.1	46.7	48.2	1.6	1.5	3.0
UCOP Operations	30.2	30.8	30.8	0.6	0.0	0.7
Subtotal - Operations	139.9	136.9	145.8	(3.0)	8.9	5.9
President's Executive Office	4.0	3.5	4.6	(0.5)	1.1	0.6
Secretary of the Regents	3.1	2.9	3.6	(0.2)	0.7	0.5
Systemwide Academic Senate	2.1	2.4	2.4	0.3	0.0	0.3
UC Health						
Self-Funded Health Plans	3.8	5.2	4.6	1.4	(0.6)	0.9
UC Health Core	4.4	5.9	4.3	1.6	(1.7)	(0.1)
UC Healthcare Collaborative	12.9	11.5	20.2	(1.4)	8.7	7.3
Subtotal - UC Health	21.1	22.6	29.1	1.6	6.5	8.0
UC Investments	33.3	31.8	34.3	(1.6)	2.6	1.0
UC Legal	56.6	56.8	58.0	0.2	1.2	1.4
SUBTOTAL USES	\$ 390.6	\$ 380.1	\$ 409.8	\$ (10.4)	\$ 29.7	\$ 19.3
UCPath Center Operations	67.8	76.0	93.7	8.2	17.7	25.9
TOTAL USES	\$ 458.4	\$ 456.1	\$ 503.5	\$ (2.2)	\$ 47.4	\$ 45.1

<sup>1</sup> The FY2018-19 Budget includes an allocation of the UCOP Vacancy Factor at the Division Level for comparability purposes with FY2019-20. The total FY2018-19 Regents Budget remains constant at \$876.4M.

## Schedule E

### UC ANR Budget within UCOP

#### Budget by Program and Unit - All Funds

\$ in millions

\$ in millions			Variance: Increase/(Decrease)			
	FY18-19 Budget	FY18-19 Forecast	FY19-20 Budget	FY18-19 Forecast vs FY18-19 Budget	FY18-19 Forecast vs FY19-20 Budget	FY18-19 Budget vs FY19-20 Budget
SOURCES						
UC ANR Budget within UCOP						
Federal AES	\$ 7.3	\$ 7.3	\$ 7.3	\$ 0.0	\$ (0.0)	\$ (0.0)
State UCCE	72.6	72.6	75.8	0.0	3.2	3.2
Federal UCCE	12.2	12.1	12.1	(0.1)	(0.0)	(0.1)
Endowment Payout	8.4	9.5	9.9	1.1	0.4	1.5
Extramural Funding	34.0	40.0	42.1	6.0	2.1	8.1
Other Sources	29.2	30.2	31.5	1.0	1.2	2.3
TOTAL UC ANR Budget within UCOP	\$ 163.7	\$ 171.8	\$ 178.7	\$ 8.1	\$ 7.0	\$ 15.0
USES						
UC ANR Budget within UCOP						
AES Campuses						
UC Berkeley	\$ 6.9	\$ 7.1	\$ 7.4	\$ 0.2	\$ 0.3	\$ 0.5
UC Davis	22.6	23.3	24.2	0.6	0.9	1.6
UC Riverside	6.5	6.5	6.7	0.0	0.2	0.2
Other Campus-Based Academics	0.1	0.2	0.2	0.0	0.0	0.0
Subtotal - AES Campuses	36.1	37.0	38.5	0.9	1.4	2.3
Statewide Programs & Institutes						
Agriculture Issues Center	0.3	0.3	0.3	0.0	0.0	0.0
California Institute for Water Resources	0.7	0.7	0.8	0.0	0.0	0.0
Elkus Ranch Youth Development Center	0.6	0.8	0.8	0.2	0.0	0.3
Informatics & Geographic Information Systems	0.7	0.7	0.7	0.0	0.0	0.1
Integrated Pest Management	4.0	4.5	4.5	0.4	0.1	0.5
Nutrition Policy Institute	7.8	9.4	9.2	1.6	(0.2)	1.4
Statewide Programs & Initiatives	3.5	3.9	4.1	0.5	0.2	0.7
Sustainable Agriculture Research & Education	0.8	0.8	0.8	0.0	0.0	0.0
Volunteer Based Programs (MFP, MG, Naturalist)	1.1	1.5	1.5	0.3	0.1	0.4
Youth, Family & Communities	7.0	4.1	4.0	(2.9)	(0.1)	(3.1)
Subtotal - Statewide Programs & Institutes	26.5	26.7	26.7	0.2	0.1	0.3
Research and Extension Centers (RECs)	20.8	15.4	16.1	(5.4)	0.7	(4.7)
County-Based Research and Extension	54.5	68.2	72.0	13.8	3.7	17.5
Administration						
General Administration	17.5	17.1	17.8	(0.4)	0.7	0.4
UCPath	1.5	1.5	1.6	0.1	0.1	0.1
Subtotal - Administration	19.0	18.6	19.4	(0.3)	0.8	0.5
Institutional Support	6.9	5.7	6.0	(1.1)	0.2	(0.9)
TOTAL UC ANR Budget within UCOP	\$ 163.7	\$ 171.8	\$ 178.7	\$ 8.1	\$ 7.0	\$ 15.0
NET MARGIN SURPLUS (DEFICIT)						
	\$ -	\$ 0.0	\$ 0.0	\$ 0.0	\$ -	\$ 0.0

<sup>1</sup> The UC ANR state fund allocation reflects an outstanding budget change proposal submitted to the State of California to request additional funding for cost increases. These funds are pending State approval and may not reflect final state funding.

## Schedule F

### Strategic Priorities Fund

#### Overall UCOP

\$ in millions

millions			Variance: Increase/(Decrease)			
	FY18-19 Budget	FY18-19 Forecast	FY19-20 Budget	FY18-19 Forecast vs FY18-19 Budget	FY18-19 Forecast vs FY19-20 Budget	FY18-19 Budget vs FY19-20 Budget
COMMITMENTS						
Campus Program						
Alzheimer's Research	\$ -	\$ 2.0	\$ -	\$ 2.0	\$ (2.0)	\$ -
Clean Energy Research Center - Energy & Water	-	0.2	0.2	0.2	-	0.2
Subtotal - Campus Program	-	2.2	0.2	2.2	(2.0)	0.2
Central & Administrative						
Audit Response - Finance Resource	-	0.2	0.3	0.2	0.0	0.3
Audit Response - Oversight	0.3	0.1	-	(0.2)	(0.1)	(0.3)
Audit Response - Salary Workstream	-	0.3	-	0.3	(0.3)	-
Audit Response - Workforce Plan	-	0.1	0.3	0.1	0.2	0.3
College Signing Day	-	0.3	-	0.3	(0.3)	-
Corporate Financial System Replacement	3.0	0.3	0.6	(2.7)	0.3	(2.4)
eBilling SW Implementation	-	0.2	0.1	0.2	(0.1)	0.1
Financial Info System (FIS) Project	-	0.9	2.1	0.9	1.2	2.1
Intellectual Property Asset Management System	0.3	0.2	-	(0.1)	(0.2)	(0.3)
OP Restructuring Effort	-	1.1	-	1.1	(1.1)	-
PPS Maintenance	-	2.7	-	2.7	(2.7)	-
Procurement Legal Support	0.4	0.3	0.4	(0.0)	0.0	0.0
Supply Chain 500	-	0.2	0.3	0.2	0.1	0.3
SW Compliance/Audit Symposium	-	0.0	0.1	0.0	0.1	0.1
Transfer Guarantee Implementation	-	0.1	0.3	0.1	0.2	0.3
UCLA Chancellor's Residence Renovation	-	0.2	-	0.2	(0.2)	-
UCOP Budget Development System (BDS) Improvement Project	-	0.2	-	0.2	(0.2)	-
UCPath Guided Onboarding	-	0.3	-	0.3	(0.3)	-
UCSC Chancellor Search	-	0.2	-	0.2	(0.2)	-
Windows10/Off2016 Hardware Refresh Project	0.4	0.4	-	0.0	(0.4)	(0.4)
Subtotal - Central & Administrative	4.2	8.4	4.4	4.2	(4.0)	0.2
Presidential Initiatives						
Carbon Neutrality Initiative (CNI)	0.9	0.9	1.4	(0.0)	0.5	0.5
Global Food Initiative (GFI)	0.3	0.3	0.5	0.0	0.2	0.2
Presidential Public Service Fellowship	0.1	0.1	0.2	(0.0)	0.1	0.1
Public Service Law Fellowship	3.9	3.9	5.1	-	1.2	1.2
UC National Center for Free Speech	1.0	1.0	0.6	-	(0.4)	(0.4)
UC-Mexico Initiative	0.8	0.8	-	-	(0.8)	(0.8)
Undocumented Students Initiative	0.9	0.9	-	-	(0.9)	(0.9)
Subtotal - Presidential Initiatives	7.8	7.8	7.7	(0.0)	(0.1)	(0.1)
Systemwide Initiative						
Diversity Pipeline Initiative	-	0.7	0.7	0.7	0.0	0.7
Subtotal - Systemwide Initiative	-	0.7	0.7	0.7	0.0	0.7
Systemwide Program						
ASSIST Program	-	0.5	0.6	0.5	0.1	0.6
CDL UC Open Access Policy Support	-	0.2	0.2	0.2	(0.0)	0.2
Faculty Diversity (HBCU)	-	0.6	-	0.6	(0.6)	-
MRPI Critical Mission Studies @ CA Crossroads	-	0.3	0.5	0.3	0.3	0.5
President's Postdoctoral Fellowship Program	0.3	0.6	0.3	0.3	(0.3)	-
Research Catalyst Awards	-	0.8	-	0.8	(0.8)	-
UC-Mexico Program	-	-	0.8	-	0.8	0.8
Undocumented Students - Campus Student Svcs & Financial Aid	-	2.5	2.2	2.5	(0.3)	2.2
Subtotal - Systemwide Program	0.3	5.4	4.6	5.1	(0.8)	4.3
Committed SPF Funds	12.3	24.5	17.5	12.2	(7.0)	5.2
Uncommitted SPF Funds <sup>1</sup>	17.7	5.5	12.5	(12.2)	7.0	(5.2)
Total Strategic Priorities Fund	\$ 30.0	\$ 30.0	\$ 30.0	\$ -	\$ 0.0	\$ 0.0

<sup>1</sup> The FY18-19 Forecast includes commitments of \$24.5M to be funded from the Strategic Priorities Fund. The Uncommitted amount of \$5.5M preserves the residual fund balance to be applied towards the FY19-20 SPF.

## Schedule G

### FY19-20 BUDGET Cause of Change - Sources

#### Overall UCOP

\$ in millions

<b>FY18-19 Budget</b>	<b>\$</b>	<b>876.4</b>	
	<b>FY19-20</b>	<b>% of Total</b>	
<b>Changes to Sources of Funds</b>	<b>Incr / (Decr)</b>	<b>Incr / (Decr)</b>	<b>Comments:</b>
<b>I. Unrestricted Fund Increase</b>			
<b>1 State General Funds</b>			
Increase from State of CA	6.5	9.9%	Pending BCP approval of 3% increase over \$215M State General Funds (SGF) base
Campus Programs	(2.5)	-3.8%	Funding for campus programs Drew, Hayes-Bautista, PFPF, UCCS transferred to SGF Set-Asides
UC Mexus	(3.3)	-5.0%	Per optimization review, transfer UC Mexico fundig to UC Riverside via SGF Set-Asides
Investment Income / Other	0.1	0.1%	
<b>Sub-total State General Funds</b>	<b>0.8</b>	<b>1.2%</b>	
<b>2 Undesignated Fund Balance</b>	<b>(3.3)</b>	<b>-5.0%</b>	Reduce dependence of SPF on fund balances from \$20.3M in FY18-19 to \$17.0M in FY19-20
<b>3 Campus Assessment</b>	<b>7.3</b>	<b>11.2%</b>	Pending BCP approval, UCOP to utilize a campus assessment for investments approved by the EBC
<b>4 Investments, Other</b>	<b>(0.2)</b>	<b>-0.3%</b>	
<b>Sub-Total Unrestricted Funds</b>	<b>\$ 4.6</b>	<b>7.0%</b>	
<b>II. Designated Fund Increase</b>			
<b>5 UCPath Fee-For-Service</b>	<b>20.9</b>	<b>32.0%</b>	Supports onboarding new campuses and employees to UCPath
<b>6 UCPath State General Funds</b>	<b>1.5</b>	<b>2.3%</b>	Pending BCP approval of 3% over \$52.4M SGF base
<b>7 Program Designated</b>			
ANR	2.0	3.1%	Sales and service revenues generated by the ANR Division
UC Health Collaborative	7.2	11.0%	Strategy approved by the campuses and funded by the UC health centers
Diversity	2.3	3.4%	Investment in HSI - Doctoral Diversity, HBCU Summer Research Initiative and HBCU Fellowship Initiative
UC National Laboratories	0.8	1.1%	Lab management growth strategy
Other	3.6	5.5%	Offset to FY18-19 Path vacancy factor
<b>Sub-Total Program Designated</b>	<b>15.8</b>	<b>24.2%</b>	
<b>7 ANR State General Funds</b>	<b>3.2</b>	<b>4.9%</b>	Pending BCP approval of \$3.2M over \$72.6M in SGF base per corridor model
<b>8 Designated Fund Balance</b>	<b>3.0</b>	<b>4.6%</b>	Use of fund balance for iCamp operations
<b>9 Regents Designated</b>	<b>(0.2)</b>	<b>-0.2%</b>	
<b>Sub-Total Increase in Designated Funds</b>	<b>\$ 44.2</b>	<b>67.7%</b>	
<b>III. Restricted Fund Increase</b>			
<b>10 Federal and State Appropriations/Regulations</b>			
RGPO: Tobacco-Related Disease Research	5.0	7.6%	Tobacco-Related Disease Research from State Prop 56 funds of \$4.5M
UC Health - Graduate Med Education	2.0	3.1%	Graduate Medical Education funded by State Prop 56 funds
California Digital Library	0.7	1.0%	Growth in CDL grant awards
Other	(0.1)	-0.2%	
<b>Sub-Total Fed/State Appropriations/Regulations</b>	<b>7.5</b>	<b>11.5%</b>	
<b>11 Contracts and Grants</b>			
ANR	8.1	12.5%	Federal / State grant award revenue growth
AA - Diversity & Engagement	(1.0)	-1.5%	Math Diagnostic Testing Program (MDTP) funding moved to UCSD
<b>Sub-Total Contracts and Grants</b>	<b>7.2</b>	<b>11.0%</b>	
<b>12 Gifts and Endowments</b>	<b>1.8</b>	<b>2.8%</b>	Increased ANR revenues of \$1.5M
<b>Sub-Total Restricted Funds</b>	<b>\$ 16.5</b>	<b>25.3%</b>	
<b>Total FY19-20 BUDGET INCREASE TO FUND SOURCES</b>	<b>65.3</b>	<b>100.0%</b>	
<b>Total FY19-20 BUDGET SOURCES</b>	<b>\$ 941.7</b>		

## Schedule G

### FY19-20 BUDGET Cause of Change - Uses

#### Overall UCOP

\$ in millions

<b>FY18-19 Budget</b>	<b>\$ 876.4</b>		
	<b>FY19-20</b>	<b>% of Total</b>	
<b>Changes to Uses of Funds</b>	<b>Incr / (Decr)</b>	<b>Incr / (Decr)</b>	<b>Comments:</b>
<b>I. Programs and Initiatives:</b>			
1 Campus Programs	(0.9)	-1.4%	Funding for campus programs Drew, Hayes-Bautista, PPFP, UCCS transferred to SGF Set-Asides
<b>2 State / Federal Programs</b>			
ANR	15.0	23.0%	Federal / State grant award revenue growth
Tobacco-Related Disease Research	4.5	6.9%	Increased Tobacco-Related Disease Research grants
Breast Cancer Research	1.0	1.5%	
UCNL	0.6	0.9%	Lab management growth strategy
Other	(0.2)	-0.4%	Math Diagnostic Testing Program (MDTP) funding moved to UCSD, \$1.2M other
<b>Sub-Total State / Federal Programs</b>	<b>20.9</b>	<b>32.0%</b>	
<b>3 Systemwide Programs</b>			
Valley Fever Research	2.9	4.5%	UCOP administration of State-funded Valley Fever grants program
Diversity (HBCU - Fellowship, Summer Research)	1.5	2.3%	Increased investment in faculty pipeline diversity programs
Natural Reserve System	0.7	1.1%	Increase due to additional grant and gift income
Multi-Campus Research Program	0.6	1.0%	Increase of \$500K for additional research grants to the campuses
SAPEP	0.4	0.6%	Public service program to improve college preparedness
UC Washington Program (UCDC)	0.3	0.4%	Increased building occupancy costs
Other	0.1	0.2%	
ILTI	(1.3)	-2.0%	Reduction to ILTI at UCOP funds increase to MRPI
Other Systemwide Programs	(1.8)	-2.7%	Funding for campus programs Drew, Hayes-Bautista, PPFP, UCCS transferred to SGF Set-Asides
UC Mexus	(3.3)	-5.0%	Per optimization review, transfer UC Mexico fundig to UC Riverside via SGF Set-Asides
<b>Sub-Total Systemwide Programs</b>	<b>0.2</b>	<b>0.3%</b>	
<b>SUB-TOTAL PROGRAMS AND INITIATIVES</b>	<b>\$ 20.1</b>	<b>30.9%</b>	
<b>II. Central and Administrative Services</b>			
<b>8 Academic Affairs</b>			
California Digital Library	3.7	5.6%	\$2.5M for new/existing subscriptions; \$1.3M restricted funds for shared print membership coalition
Research & Graduate Studies	(1.1)	-1.6%	Patent royalties transferred to systemwide revenue
Other	0.1	0.2%	
<b>Sub-Total Academic Affairs</b>	<b>2.8</b>	<b>4.2%</b>	
9 Ethics & Compliance	0.7	1.1%	Increased volume of systemwide investigations
10 External Relations & Communications	(0.3)	-0.4%	SGR rent, offset by savings from org changes
11 Finance	(0.3)	-0.4%	
12 Innovation & Entrepreneurship	(1.3)	-2.0%	
<b>13 Operations</b>			
Systemwide Human Resources	3.0	4.6%	Increased Retirement Administration System (Redwood) operational support
Information Technology Systems & Infrastructure	0.9	1.3%	Change is primarily attributed to UCOP transition to UCLA mainframe
Building / Occupancy Costs	0.9	1.4%	Cost increases related to Rent, Janitorial, and Security
Other Operations	1.4	2.2%	Other Operating cost increases including net impact of vacancy factor
Energy & Sustainability, Immediate Office	(0.4)	-0.6%	
<b>Sub-Total Operations</b>	<b>5.9</b>	<b>9.0%</b>	
14 President's Executive Office	0.6	0.9%	Increased investment in Title IX office
15 Secretary of the Regents	0.5	0.8%	Increased number of off-cycle meetings and campus visits travel
16 Systemwide Academic Senate	0.3	0.4%	
17 UC Health	8.0	12.3%	UC Health Collaborative strategy approved by the campuses and funded by the UC health centers
18 UC Investments	1.0	1.5%	
19 UC Legal	1.4	2.1%	Offset rising outside council expense with internal resources
<b>TOTAL CENTRAL AND ADMINISTRATIVE EXCL. UCPATH</b>	<b>\$ 19.3</b>	<b>29.5%</b>	
20 UCPath Center Operations	25.9	39.6%	Supports onboarding new campuses and employees to UCPath
<b>TOTAL CENTRAL AND ADMINISTRATIVE INCL UCPATH</b>	<b>\$ 45.1</b>	<b>69.1%</b>	
<b>TOTAL FY19-20 BUDGET INCREASE TO FUND USES</b>	<b>65.3</b>	<b>100.0%</b>	
<b>TOTAL FY19-20 BUDGET USES</b>	<b>\$ 941.7</b>		

## Schedule H

### UCOP Reserves

\$ in millions

					Variance:							
					6/30/18	6/30/19	6/30/19					
					Actual vs	Forecasted	Reserve					
					6/30/19	Reserve	Target					
					Forecast		Over Max /					
							(Under Min)					
UCOP RESERVES												
Building and Capital Assets Reserves												
Capital Maintenance and Renewal	\$	2.6	\$	7.9	\$	6.2	\$	4.0	\$	(2.2)	\$	-
UCOP IT Infrastructure		0.4		0.6		0.4		0.4		-		-
Sub-Total Building and Capital Assets Reserves	\$	3.0	\$	8.5	\$	6.6	\$	4.4	\$	(2.2)	\$	-
Program Reserves												
UC National Laboratories												
LANS and LLNS-LLC Post Contract Contingency <sup>1</sup>		23.0		23.0		14.0		17.2		3.2		-
LANS and LLNS-LLC Fee Contingency <sup>1</sup>		7.0		7.0		7.9		7.8		(0.1)		0.8
LBNL Post Contract Contingency <sup>2</sup>		4.0		4.0		2.7		3.3		0.6		-
LBNL Building Commitment <sup>2</sup>		10.0		23.0		14.2		16.2		2.0		-
LBNL Guest House Renewal & Replacement <sup>2</sup>		1.5		2.5		1.4		1.5		0.1		-
UC Press		1.5		1.5		1.5		1.5		-		-
UC Washington Center (UCDC) <sup>3</sup>		2.9		6.3		6.3		6.6		0.3		0.3
Sub-Total Program Reserves	\$	49.9	\$	67.3	\$	48.0	\$	54.0	\$	6.0	\$	1.0
Other Required Reserves												
Housing Loan Program <sup>4</sup>		20.0		25.0		39.4		30.5		(8.9)		5.5
Sub-Total Other Required Reserves	\$	20.0	\$	25.0	\$	39.4	\$	30.5	\$	(8.9)	\$	5.5
SUB TOTAL NON-OPERATING AND PROGRAM RESERVES <sup>5</sup>	\$	72.9	\$	100.8	\$	94.0	\$	88.9	\$	(5.1)	\$	6.5
Central Operating Reserve <sup>6</sup>		15.0		15.0		15.0		15.0		-		-
TOTAL UCOP RESERVES	\$	87.9	\$	115.8	\$	109.0	\$	103.9	\$	(5.1)	\$	6.5

<sup>1</sup> UCNL LANS and LLNS-LLC reserves and reserve targets are established by the UC Regents.

<sup>2</sup> LBNL reserves targets are established by LBNL and UCNL management.

<sup>3</sup> UCDC reserve includes \$1M in reserves and \$5.5M in TRIP.

<sup>4</sup> \$14.5M of reserve balance was redistributed to campuses during FY18-19.

<sup>5</sup> Pursuant to this guidance, UCOP will not maintain a systemwide benefits reserve for fully-insured health benefit plans.

<sup>6</sup> Central Operating Reserve is held in the President's Endowment Fund. Per the established Presidential guidelines, the Central Operating Reserve may be supplemented with up to an additional \$100M or three months of covered funds from a variety of sources.

## Schedule I

### UCOP Fund Balances by Fund Type <sup>1, 2, 3</sup>

\$ in millions

	6/30/18		6/30/19							
	Balance		Forecasted Balance		Commitments <sup>4</sup>	Remaining Balance	Change in Fund Balance			
UNRESTRICTED										
Undesignated - UCOP										
Investment Income	\$	20.4	\$	6.7	\$	3.0	\$	3.7	\$	(16.7)
UC General Funds		12.6		20.9		17.0		3.9		(8.7)
Legal Settlements		6.3		4.0		-		4.0		(2.3)
Department Deficits		(3.3)		-		-		-		3.3
Other		-		0.2		-		0.2		0.2
Sub-Total Undesignated - UCOP	\$	36.0	\$	31.8	\$	20.0	\$	11.8	\$	(24.1)
Undesignated - Systemwide										
General Obligation Bond Income	\$	26.5	\$	7.1	\$	7.1	\$	-	\$	(26.5)
Sub-Total Undesignated - Systemwide	\$	26.5	\$	7.1	\$	7.1	\$	-	\$	(26.5)
Sub-Total Undesignated	\$	62.5	\$	38.9	\$	27.1	\$	11.8	\$	(50.7)
DESIGNATED										
Regents Designated										
DOE Laboratories <sup>5</sup>										
LLC	\$	14.4	\$	2.5	\$	-	\$	2.5	\$	(11.9)
LBNL		11.0		14.0		-		14.0		3.0
Lab Fees Research		31.4		39.2		-		39.2		7.8
Housing Loan Programs		15.3		-		-		-		(15.3)
Programs and Initiatives										
UC Healthcare Collaborative	\$	10.2	\$	3.4	\$	-	\$	3.4	\$	(6.9)
California Digital Library		2.4		2.7		-		2.7		0.3
ICAMP		-		5.6		3.0		2.6		2.6
UC Washington Center		2.1		2.1		-		2.1		0.0
Procurement Initiatives		0.9		1.7		-		1.7		0.9
Writing Placement Exam		1.3		0.8		-		0.8		(0.5)
Other		(0.3)		1.4		-		1.4		1.6
Central Services Designated										
Endowment cost recovery		6.8		8.5		-		8.5		1.7
Energy and sustainability		2.5		5.5		-		5.5		3.0
UC Path		0.1		0.0		-		0.0		(0.1)
Other		1.9		1.0		-		1.0		(0.9)
Sub-Total Designated	\$	99.9	\$	88.3	\$	3.0	\$	85.3	\$	(14.6)
RESTRICTED										
Federal and Special State Appropriations/Regu	\$	10.0	\$	9.4	\$	-	\$	9.4	\$	(0.6)
Gifts and Endowments		3.6		3.6		-		3.6		(0.0)
Sub-Total Restricted	\$	13.6	\$	13.0	\$	-	\$	13.0	\$	(0.6)
TOTAL BALANCES	\$	176.0	\$	140.2	\$	30.1	\$	110.2	\$	(65.9)

<sup>1</sup> Fund balances are exclusive of Reserve amounts

<sup>2</sup> Systemwide and pass-through fund balances are excluded, such as health and welfare benefits balances, wholesale power program funds, systemwide procurement incentives and patent royalty income

<sup>3</sup> Through additional reviews of fund designations, certain funds have shifted from Undesignated to Designated and from Designated to Restricted, such as health benefit and retirement funds which are restricted due to IRS oversight.

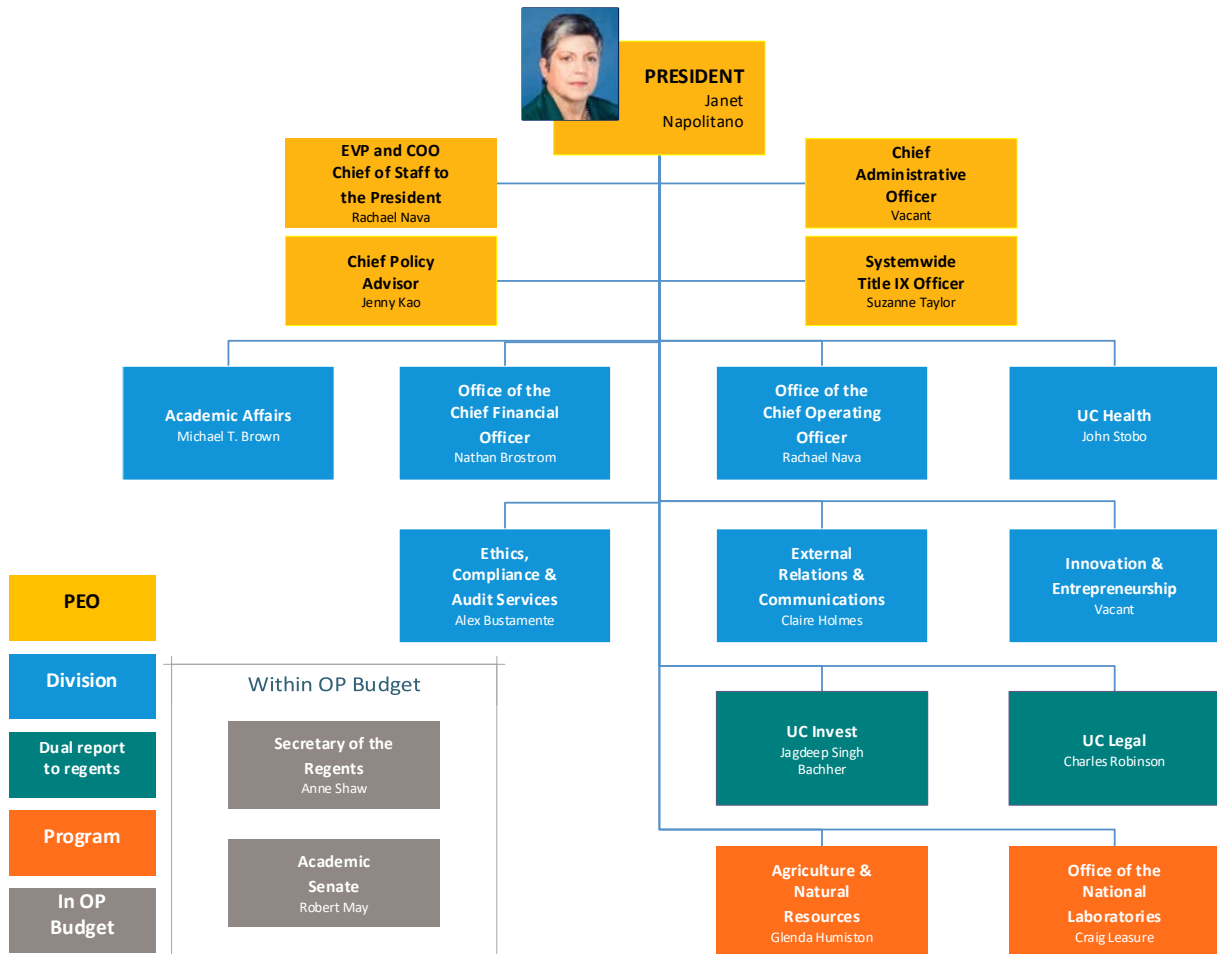
<sup>4</sup> Commitments include \$3M in year-end accruals, \$17M for the FY19-20 SPF, \$7.1M for campus seismic work and interest expense and \$3M for ICAMP.

<sup>5</sup> DOE Laboratories fund balances include DOE fee income from the three UC-run national labs, for lab oversight and building operations.

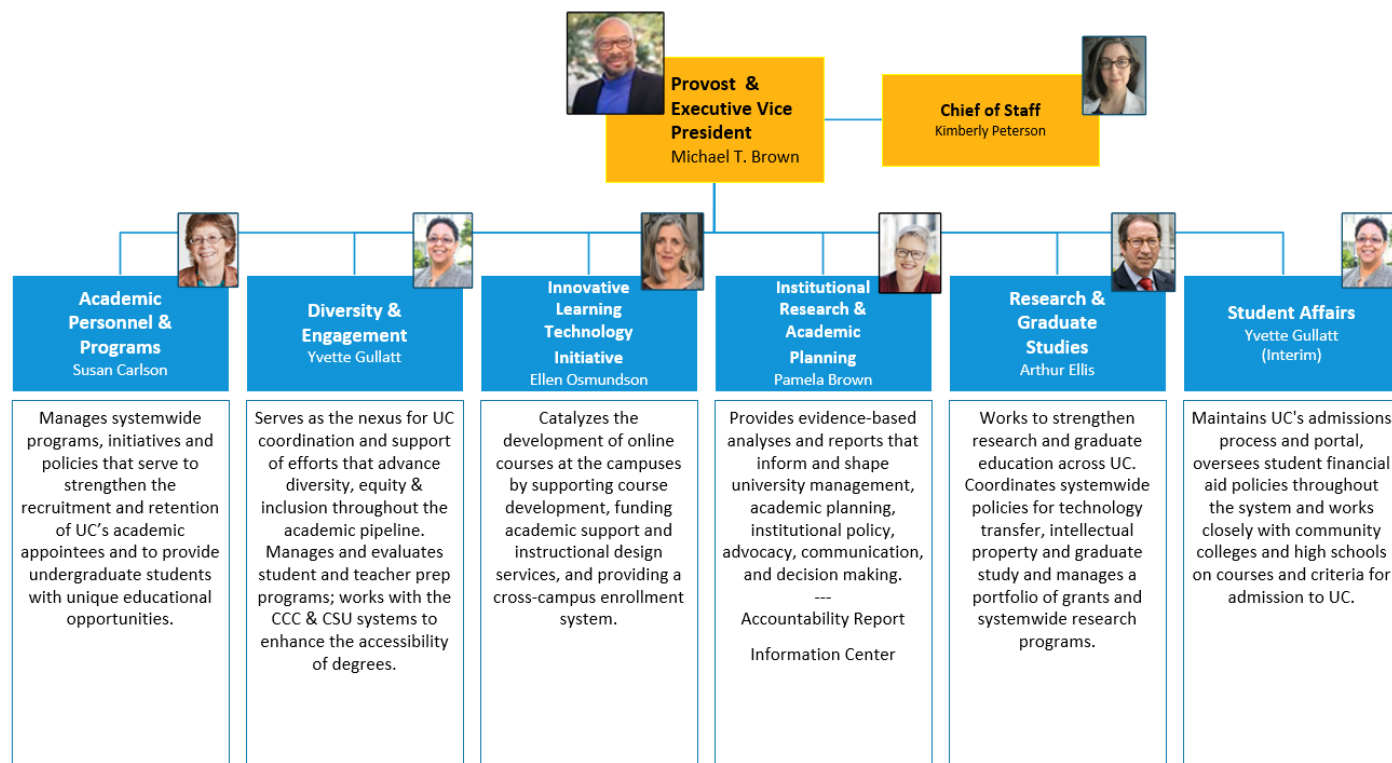


APPENDIX 2: UCOP ORGANIZATION CHARTS

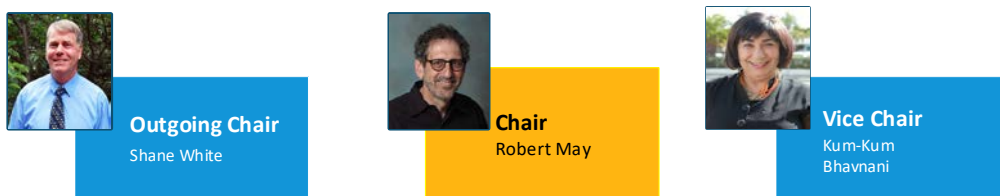
## UC Office of the President



## Academic Affairs

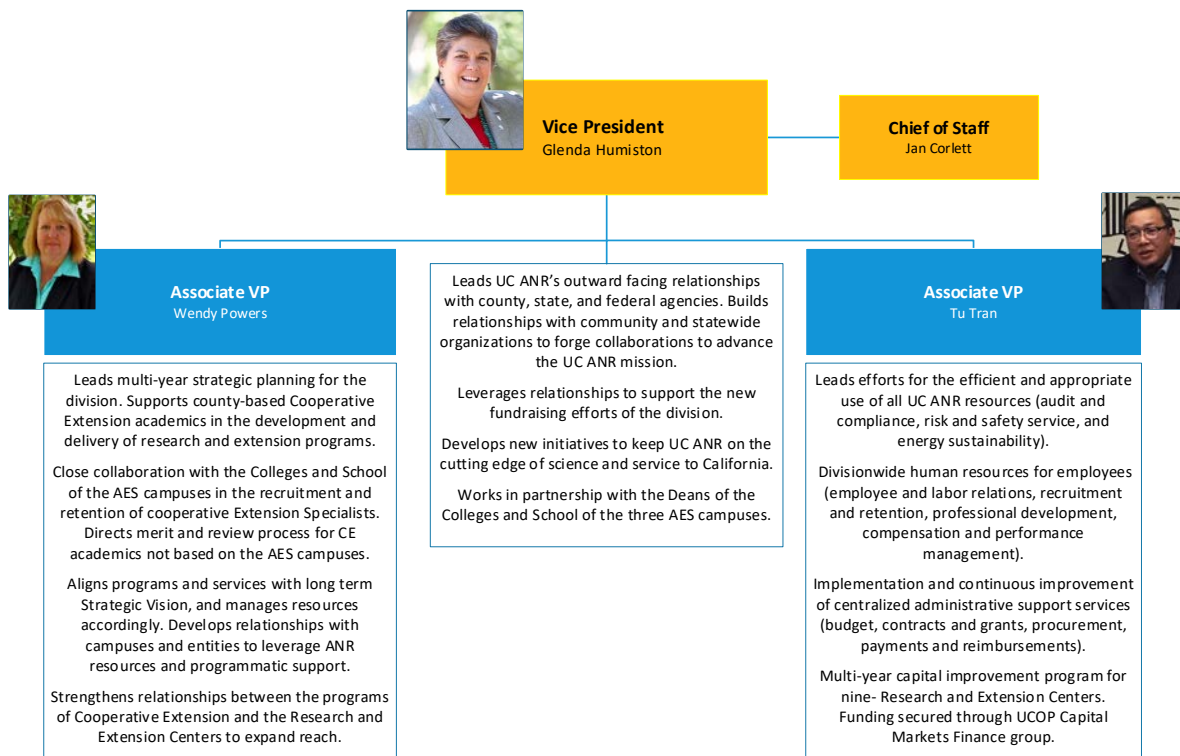


## Academic Senate Leadership

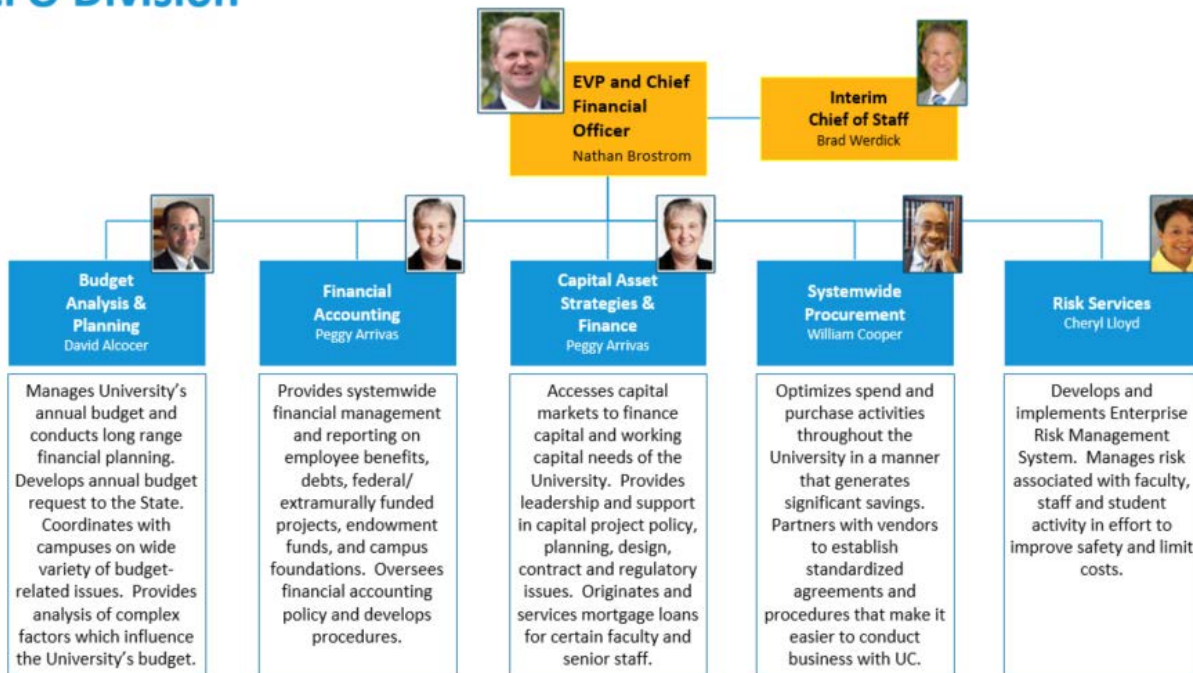


The Systemwide Academic Senate and the ten Divisional Senates provide the organizational framework that enables the faculty to exercise its right to participate in the University's governance. The faculty voice is formed through a deliberative process that includes the Standing Committees of the Senate, the Academic Council, the Assembly of the Academic Senate, and their Divisional counterparts. Consultation with the senior administration occurs in a parallel structure: at the systemwide level between the Academic Council Chair and the President; and on the campus level between the Divisional Senate Chairs and the Chancellors.

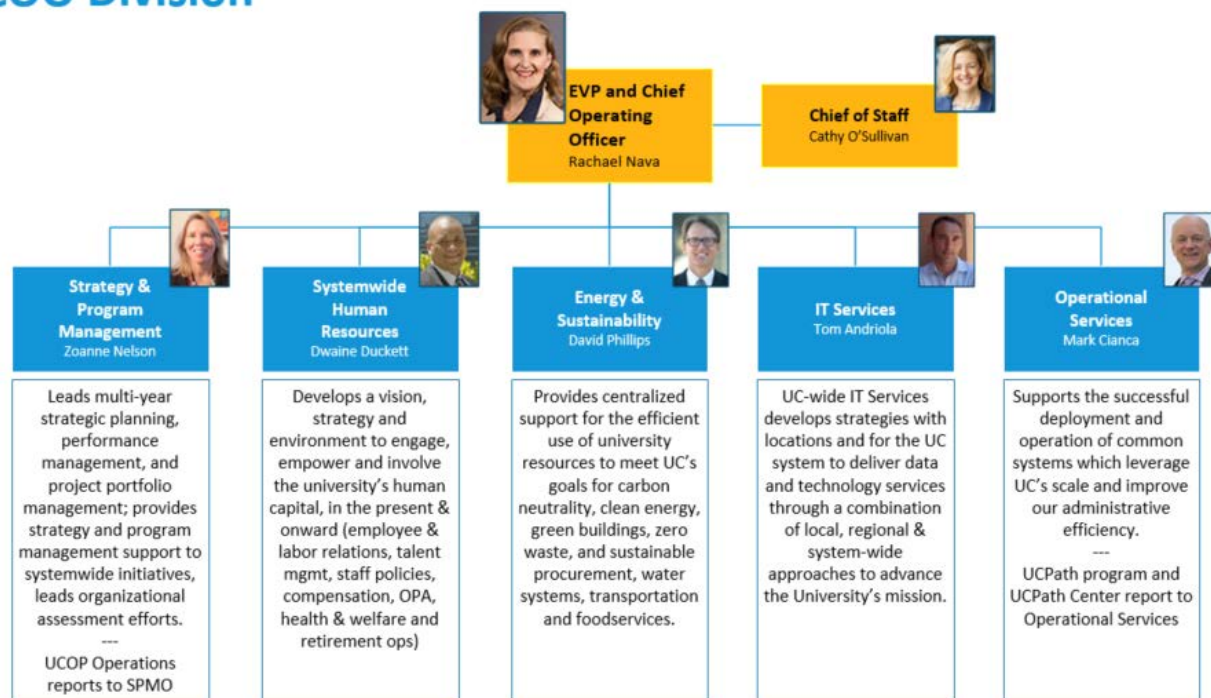
## Agriculture and Natural Resources



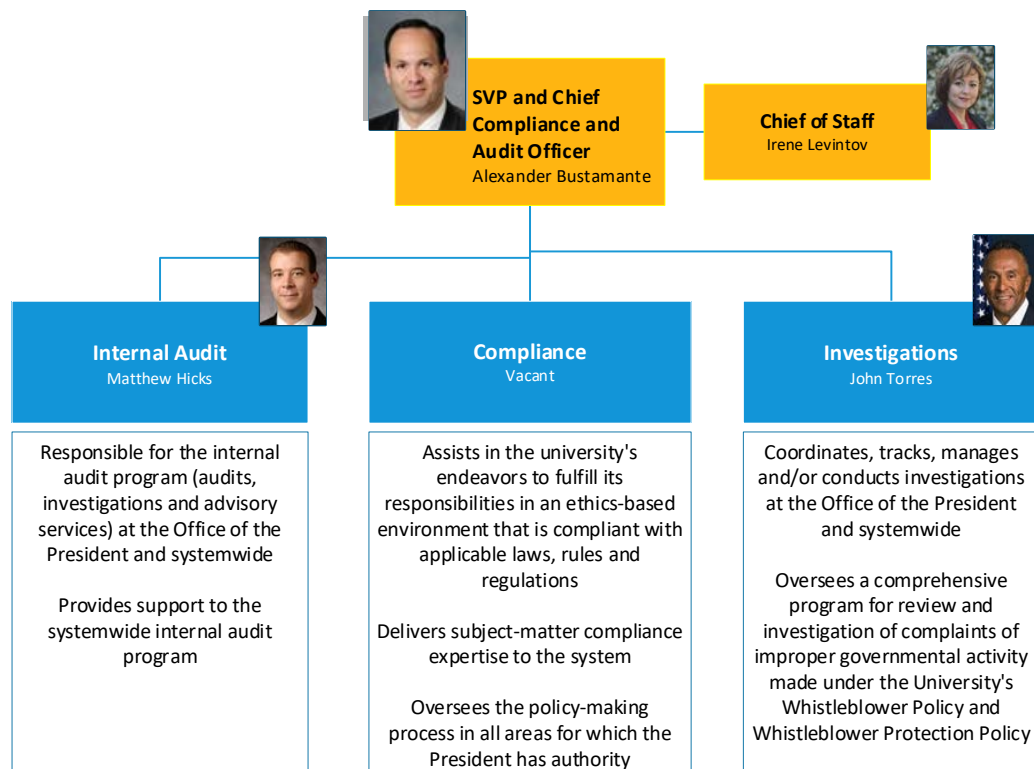
## CFO Division



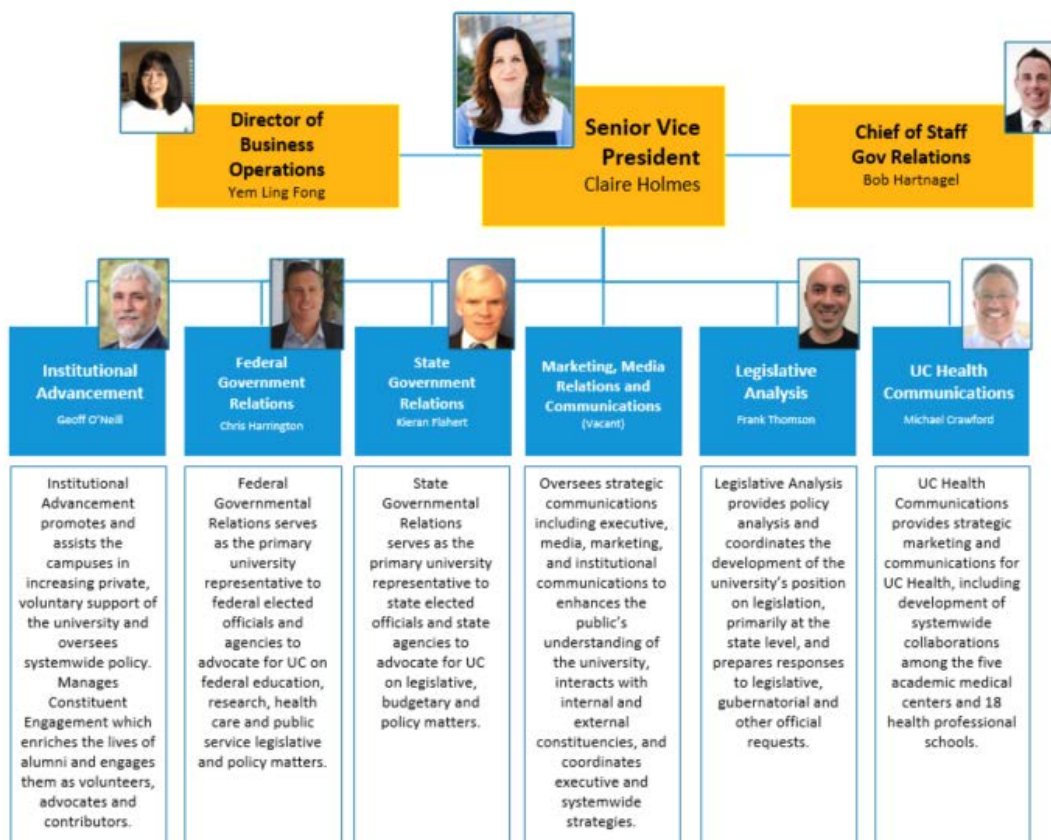
## COO Division



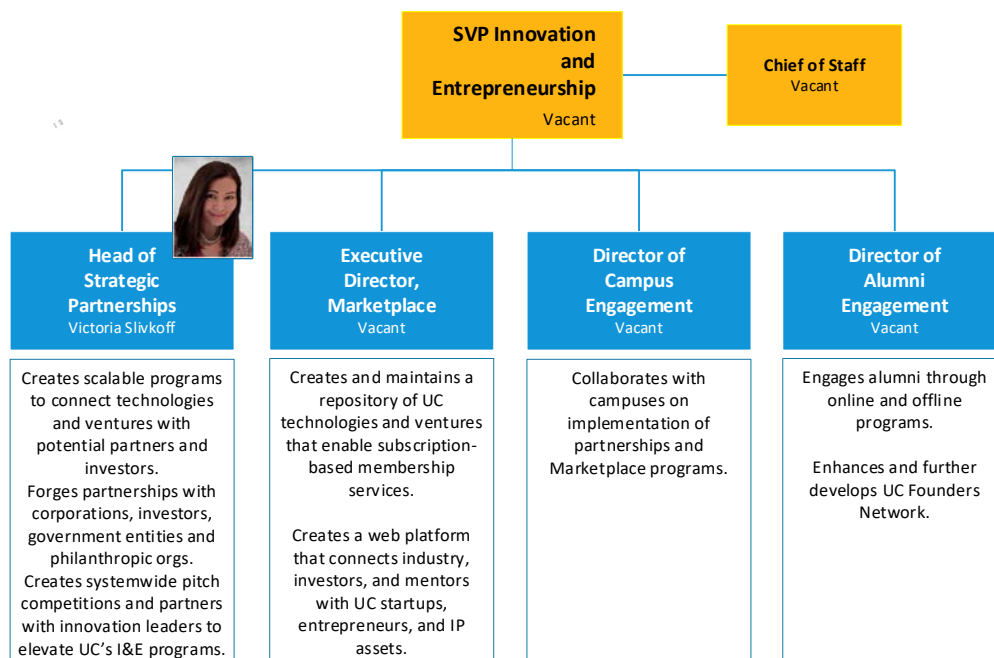
## Ethics, Compliance and Audit



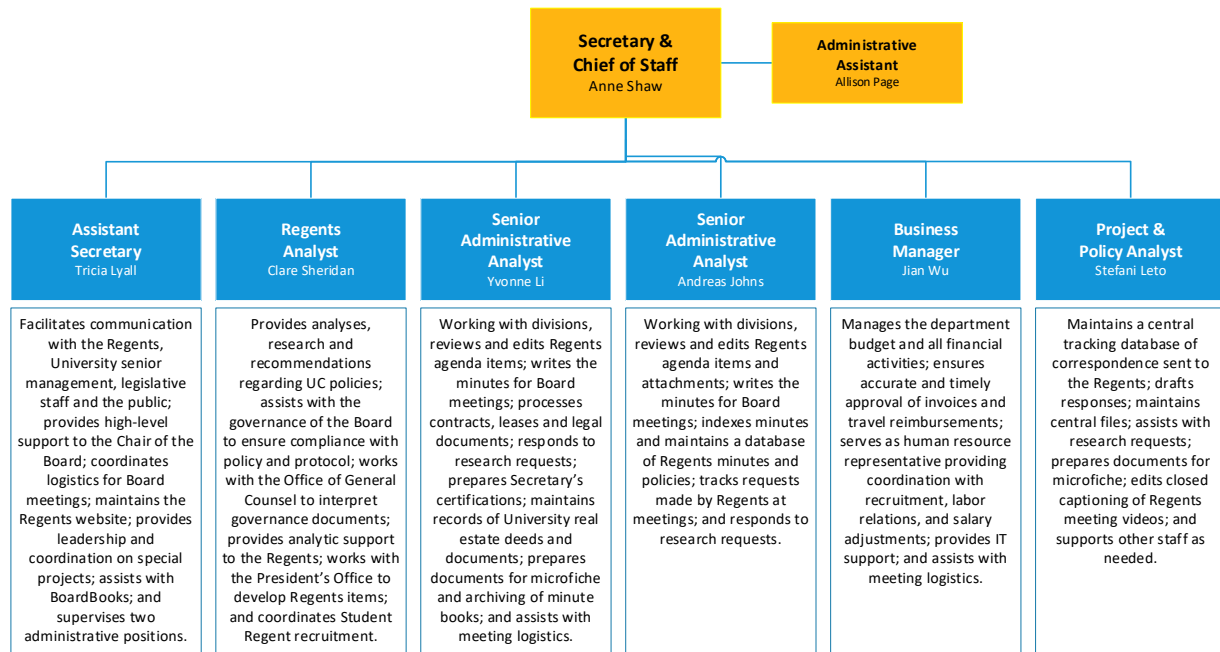
## External Relations and Communications



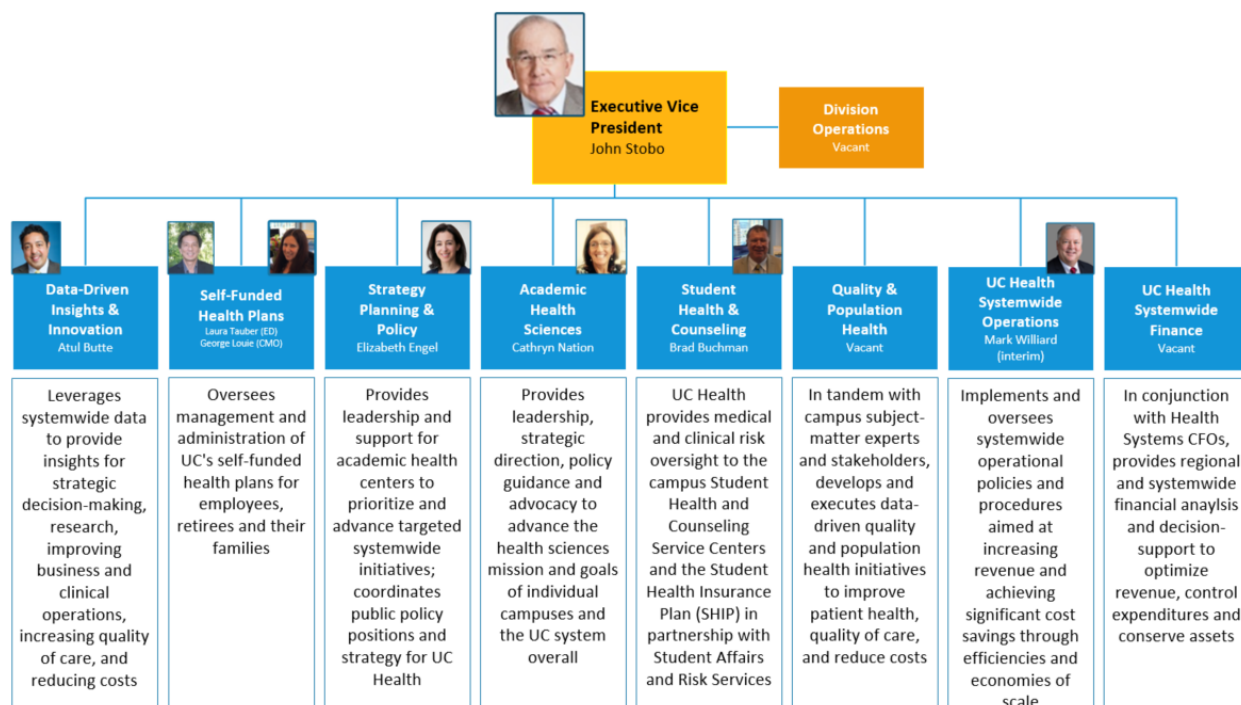
## Innovation and Entrepreneurship



## Secretary and Chief of Staff to the Regents

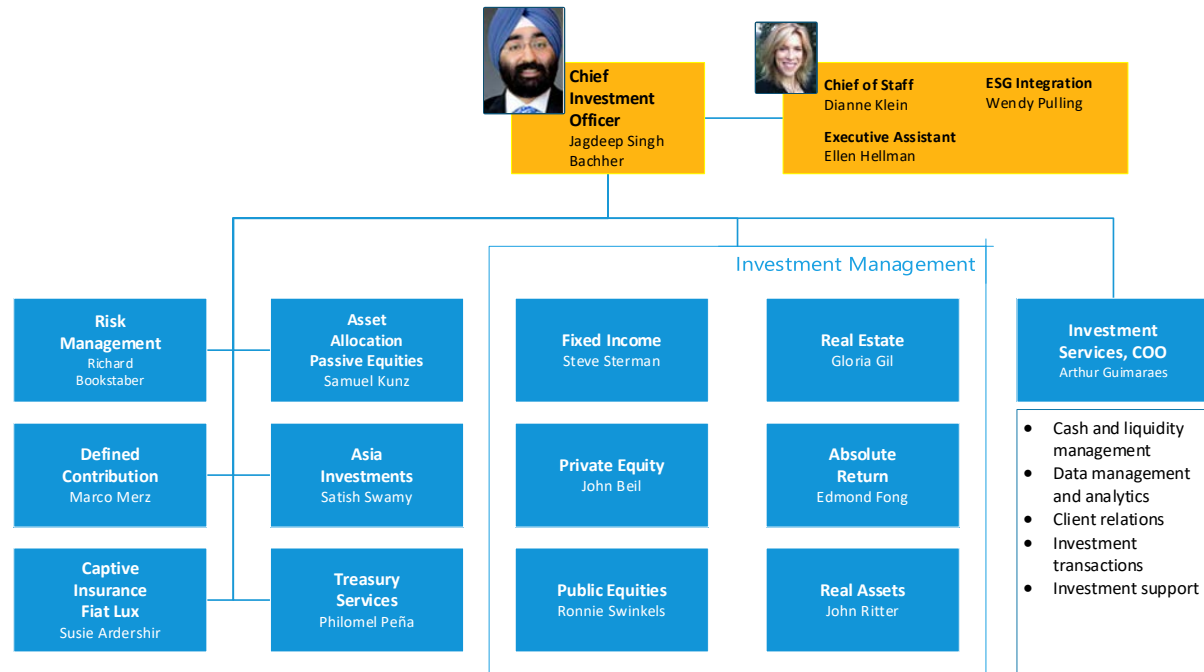


## UC Health

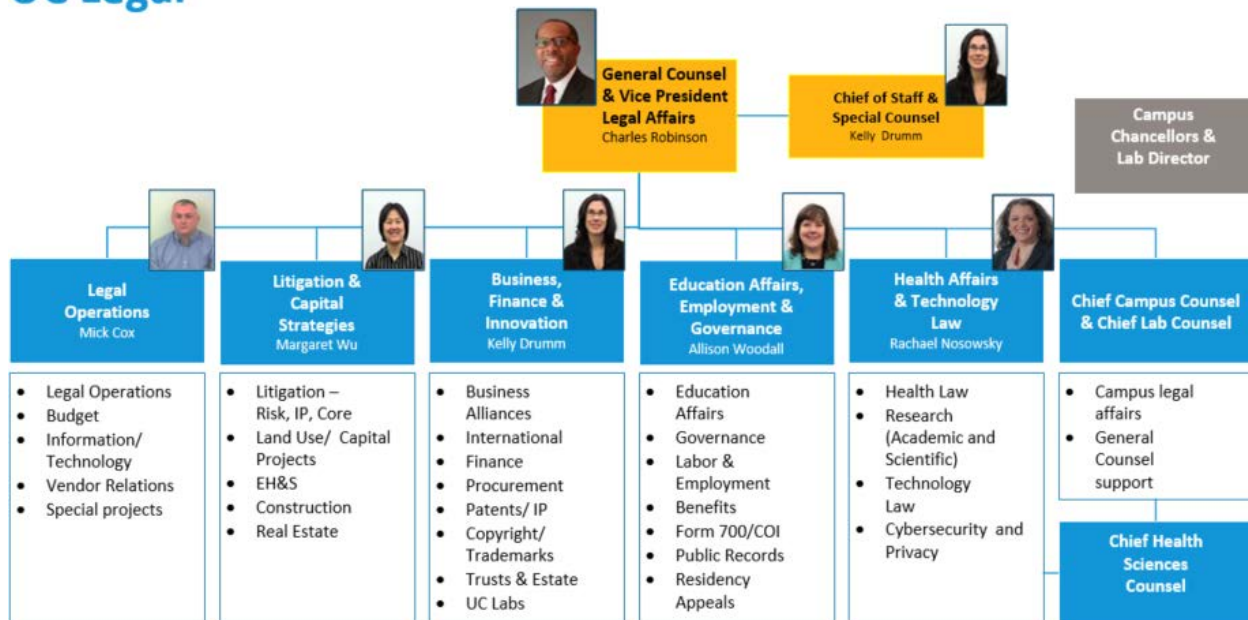




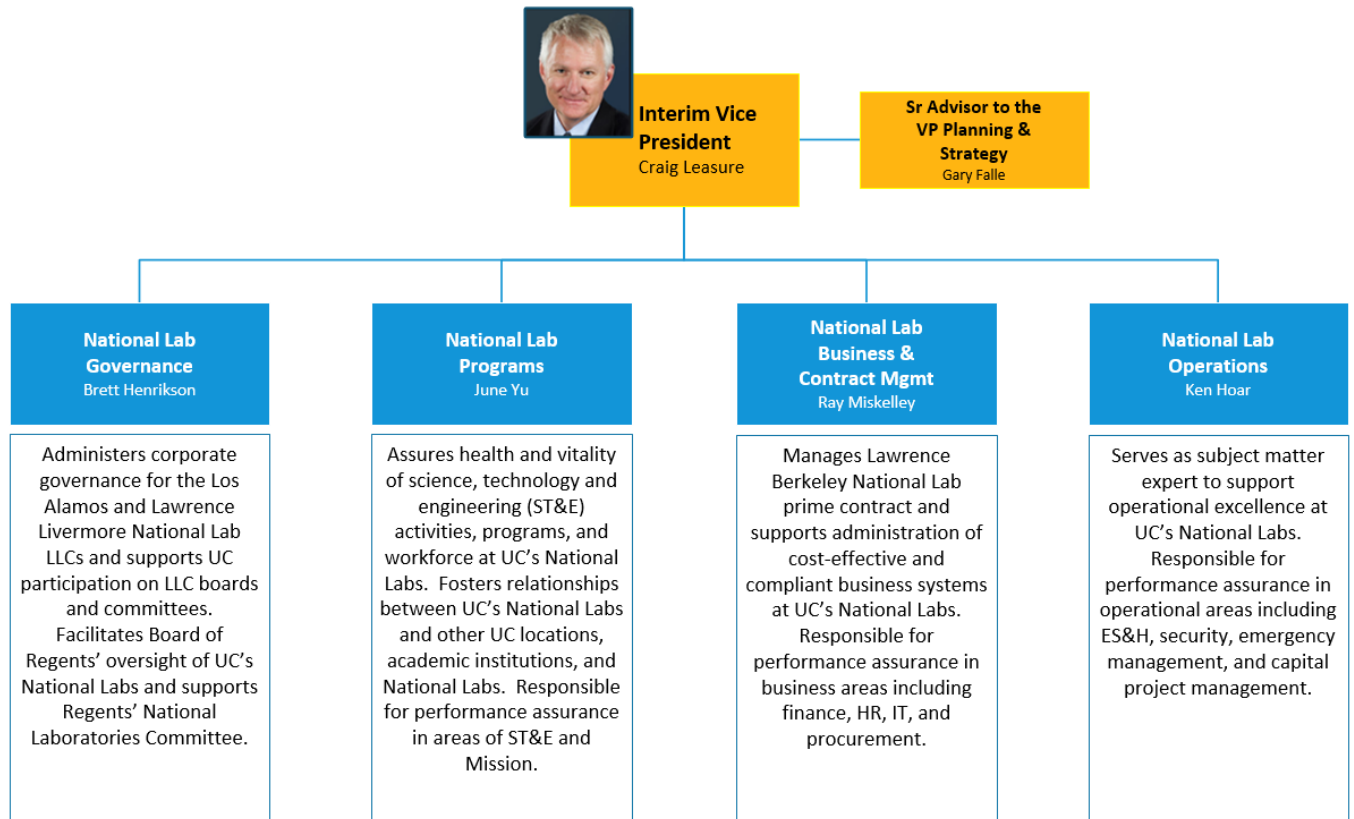
## UC Investments



## UC Legal



## UC National Laboratories





### APPENDIX 3: FY19-20 PRESIDENTIAL INITIATIVES

The following provides a description of each UC Presidential Initiative including how it furthers the mission of the University.

#	Presidential Initiative	FY18-19 Budget	FY19-20 Budget	Increase/ (Decrease)
1	Carbon Neutrality Initiative (CNI)	\$ 900,000	\$ 1,380,383	\$ 480,383
2	Global Food Initiative (GFI)	250,000	496,000	246,000
3	Presidential Public Service Fellowship	82,000	168,142	86,142
4	Public Service Law Fellowships	3,920,000	5,080,000	1,160,000
5	UC-Mexico Initiative	770,000	0	(770,000)
6	UC National Center for Free Speech and Civic Engagement	1,000,000	565,000	(435,000)
7	Undocumented Students Initiative – UCIMM <sup>1</sup>	900,000	0	(900,000)
<b>Sub-Total Presidential Initiatives</b>		<b>\$ 7,822,000</b>	<b>\$ 7,689,525</b>	
<b>Remaining Balance</b>		<b>-</b>	<b>132,475</b>	<b>132,475</b>
<b>Total Budget Presidential Initiatives</b>		<b>\$ 7,822,000</b>	<b>\$ 7,822,000</b>	<b>\$ 0</b>

<sup>1</sup> In FY19-20, the State will directly fund the UCIMM at \$1.3 million per year and UCOP support for the UCIMM and Campus Student Services and Financial Aid will be combined into the Undocumented Students Campus Program.

#### 1. Carbon Neutrality Initiative (CNI)

The Carbon Neutrality Initiative (CNI) launched in 2013, committing UC to emit net zero greenhouse gases from its buildings and vehicle fleet by 2025 – something no other major university system has done. This initiative advances the **public service** component of the University’s mission by helping both California and the world to curb the forces that are driving global warming. This initiative also furthers the University’s mission to provide **instruction** by giving undergraduate and graduate students the opportunity to study issues and fund student-generated projects that support the UC system’s carbon neutrality goal through its Carbon Neutrality Student Fellowship Program. By bringing together a Global Climate Leadership Council to advance both teaching and research about climate change and sustainable business practices, this initiative also furthers the **instruction** and **research** components of the University’s mission.

#### 2. Global Food Initiative (GFI)

The Global Food Initiative (GFI) was launched in 2014 to address how to sustainably and nutritiously feed a world population expected to reach 8 billion by 2025. By working to increase food access and security among communities across the ten UC campuses, this initiative furthers the **public service** component of the University’s mission. This initiative also furthers the University’s mission to provide **instruction** by giving undergraduate and graduate students the opportunity to study issues such as food security and food waste through the GFI Fellowship Program. Additionally, by conducting systemwide studies about UC student food access and security through the Healthy Campus Network, and by providing development-oriented graduate students from multiple UC campuses the opportunity to engage in planning and implementing projects related to international food systems and agriculture, this initiative furthers the **research** component of UC’s mission.

3. **Presidential Public Service Fellowship**

The Presidential Public Service Fellowship launched in FY15-16. This need-based fellowship catalyzes student interest in public service careers and encourage more undergraduate students to apply for public service internships in D.C. and Sacramento. By providing educational opportunities to UC students and encouraging students to become agents of change in the public arena, this initiative advances UC's **instruction** and **public service** mission components.

4. **Public Service Law Fellowships**

The Public Service Law Fellowship launched in FY16-17 to support approximately 425 summer and 60 post-graduate fellowships annually at all four UC law schools for students pursuing opportunities in public service. Post-graduate fellowships provide up to \$45,000 for graduates entering public service plus an additional \$2,500 to help defray bar-related costs. Summer fellowships provide approximately \$4,000 to subsidize summer public interest law jobs. The second UC National Public Service Law Conference was held in March 2019 to showcase important legal scholarship and practice and contribute to the national conversation on public interest law. By making post-graduate work and summer positions accessible for students who want to pursue public service legal careers, this initiative advances UC's **instruction** and **public service** missions.

5. **UC-Mexico Initiative**

The UC-Mexico Initiative launched in FY13-14 to enhance UC's relationships with academia, government, and the private sector in Mexico and create the ability for UC to respond quickly to emerging issues. By supporting academic and student exchanges and collaborating with Mexican universities, governmental agencies, and foundations on projects pertaining to arts and culture, education, energy, the environment, and public health, this initiative furthers the **instruction** and **research** components of UC's mission. Going forward, the Initiative is broadening into a systemwide program encompassing UC-Mexico, UC Mexus and Casa de California, and will no longer be classified as a Presidential Initiative.

6. **UC National Center for Free Speech and Civic Engagement**

The UC National Center for Free Speech and Civic Engagement launched in FY17-18 to explore how the fundamental democratic principles of free speech and civic engagement must adapt to the challenges and opportunities of modern society. By bringing together people of various academic and experiential background from across the country to inform free speech and civic engagement policies on college campuses, in State legislatures, and in Washington, D.C., this initiative furthers the **public service** mission of the University. Through this initiative, the UC National Center for Free Speech and Civic Engagement supports a fellowship program wherein fellows research First Amendment issues and present their findings at a national conference. The output of this Center also furthers the **research** component of the University's mission.

7. **Undocumented Students Initiative**

Launched in FY16-17, this purpose of this initiative is to strengthen programs and services aimed at improving access and success for undocumented students at the University through support for the UCIMM at UC Davis, support for Campus Student Services and Financial Aid, and the DREAM Loan Program. This initiative furthers the **instruction** component of UC's mission by lowering barriers to entry into the UC system for undocumented students. By enabling every campus to provide support services for undocumented students, this initiative also advances the **public service** component of UC's mission. Beginning in FY19-20, the State will directly fund the UCIMM at \$1.3 million per year and UCOP support for the UCIMM and Campus Student Services and Financial Aid will be combined into the Undocumented Students Campus Program.

APPENDIX 4: KEY TO ACRONYMS

Acronym	Description
AAU	Association of American Universities
ANR	Agriculture and Natural Resources
BCP	Budget Change Proposal
CAS	Central and Administrative Services
COO	Chief Operating Officer
CSA	California State Auditor
CSU	California State University
EBC	Executive Budget Committee
FY	Fiscal Year
GAAP	Generally Accepted Accounting Principles
GFOA	Government Finance Officers Association
GO Bond	General Obligation Bond
HSI	Hispanic Serving Institutions
HR	Human Resources
Incr/(Decr)	Increase/(Decrease)
IT	Information Technology
LANL	Los Alamos National Laboratory
LBL	Lawrence Berkeley National Laboratory
LLNL	Lawrence Livermore National Laboratory
NACUBO	National Association of College and University Business Officers
SAPEP	Student Academic Preparation and Academic Partnerships
SPF	Strategic Priorities Fund
SUNY	State University of New York
TRDRP	Tobacco-Related Disease Research Program
UC	University of California
UCDC	University of California Washington Center
UCNL	University of California National Laboratories
UCOP	University of California Office of the President



## UCOP FY19-20 BUDGET ADDENDUM IN RESPONSE TO THE FINAL STATE BUDGET AND INPUT FROM THE JUNE UC GOVERNANCE COMMITTEE MEETING

The FY19-20 State of California budget was enacted in June 2019. For the University of California Office of the President (UCOP), the state budget holds direct state fund appropriations flat to FY18-19 levels for UCOP, Agriculture and Natural Resources (ANR) and UCPATH. The budget also continues to enable UCPATH to use a fee-for-service model as was deployed in FY18-19. UCOP is explicitly precluded from using a campus assessment model to support UCOP operations.

The proposed FY19-20 budget of **\$941.7 million** is the outcome of a rigorous evaluation of all funding sources and uses, and was developed through collaboration with and endorsement by the UCOP Executive Budget Committee, the Academic Senate and the UC Chancellors. Funding sources included in the \$941.7 million plan included \$18.6 million now known not to be available to UCOP, as per the approved state budget.

The UCOP FY19-20 total budget originally assumed incremental state funding totaling \$11.3 million:

- \$6.5M increase for the UCOP general budget
- \$3.2M increase for ANR
- \$1.6M increase for UCPATH

The UCOP unfunded request for \$11.3 million represents 1.2 percent of the total proposed budget of \$941.7 million; by comparison, UC systemwide incurred a \$183 million shortfall in requested state funds or 0.5 percent of the total systemwide budget of \$36.5 billion.

In addition, the UCOP budget included \$7.3M in a campus assessment, supported by all campus Chancellors. The impact of these two changes result in a total fund source deficit of \$18.6 million in the UCOP FY19-20 budget.

To address the \$18.6M budget gap, UCOP proposes the following changes to sources of funds:

- Replace the requested increase of \$1.6M in State General Funds for UCPATH with an increase to the service fee; and
- Utilize the entire \$11.8M in forecasted unrestricted fund balances. This will bring forecasted unrestricted fund balances to \$0.

The result above leaves a remaining \$5.2 million budget deficit. UCOP commits to finalizing the unrestricted fund balances as part of the fiscal year-end close process and identifying specific actions to balance the budget by eliminating the remaining deficit.

## AMENDED PRESIDENT'S RECOMMENDATION

The President recommends the Board of Regents approve a total FY19-20 UCOP budget of **\$941.7M**, assuming UCOP will address the changes in funding as noted in the addendum above.

## Schedule C - 1: Designated Funds Detail \*

\*Note - Restricted Funds are restricted for specific purposes by external, third parties (see page 10 of Attachment 1 for more information), therefore additional descriptions are not captured here

## Budget by Programs and Initiatives

## Programs and Initiatives

\$ in millions

	FY19-20 Budget	Unrestricted Funds		Restricted Funds	Designated by	Description of Designation	Notes
		Undesignated	Designated				
<b>PROGRAMS AND INITIATIVES</b>							
<b>Campus Program</b>	\$ -	\$ -	\$ -	\$ -			
<b>State/Federal Programs</b>							
Agriculture and Natural Resources (ANR)	178.7	0.3	107.0	71.4	Systemwide/State Budget	Budget bill specifically designates this funding for ANR (\$75M); other funding such as sales & service income and program revenues are UC designated	
California Breast Cancer Research Program	12.8	-	-	12.8			
California Subject Matter Project (CSMP)	8.6	0.2	5.0	3.4	Systemwide	State General Funds allocated as a set-aside for the CSMP program	
Gaining Early Awareness and Readiness for Undergraduate Programs	3.5	-	-	3.5			
Graduate Medical Education	2.0	-	-	2.0			
Mathematics Diagnostic Testing Project (MDTP)	-	-	-	-			
Office of the National Laboratories (UCNL)	5.4	-	5.4	0.0	Regents	Lab fee income (DOE), designated by the Regents based on the annual spending plan for the labs	
Other State/Federal Programs	0.5	0.5	-	(0.0)			
Tobacco-Related Disease Research Program (TRDRP)	76.2	-	-	76.2			
UC Research Initiatives: Cancer Research Coordinating Committee (CRCC)	2.3	-	-	2.3			
<b>Subtotal - State/Federal Programs</b>	<b>290.1</b>	<b>1.0</b>	<b>117.4</b>	<b>171.7</b>			
<b>Systemwide Program</b>							
California HIV/AIDS Research Program (CHRP)	8.8	-	8.8		Systemwide	State General Funds allocated as a set-aside for the HIV/AIDS research	
Eligibility in the Local Context (ELC)	1.0	1.0	-				
Historically Black Colleges and Universities (HBCU) Fellowship Initiative	1.8	1.0	0.8		Systemwide	State General Funds allocated as a set-aside for faculty diversity	
Historically Black Colleges and Universities (HBCU) Summer Research Initiative	1.8	1.0	0.8		Systemwide	State General Funds allocated as a set-aside for faculty diversity	
Innovative Learning Technology Initiative (Online Education)	9.0	-	9.0		Systemwide	State General Funds allocated as a set-aside for ILTI	
Natural Reserve System (NRS)	3.0	1.9	-	1.1			
Other Systemwide Programs	2.4	2.3	0.1	0.1	Systemwide	Fee-for-service funds collected from high schools for transcript evaluation services	
San Joaquin Valley PRIME program	1.9	1.9	1.9	-	Systemwide	State General Funds allocated as a set-aside for medical education (PRIME)	
SAPEP	1.9	0.4	-	-			
SAPEP - ASSIST	2.2	4.3	0.9	0.9	Systemwide	State General Funds allocated as a set-aside for SAPEP	
SAPEP - Mathematics, Engineering, Science Achievement (MESA)	4.3	7.5	-				
UC Astronomy Programs: UC Observatories (UCO)	7.5	14.6	-				
UC Astronomy Programs: W.M. Keck Observatory (Keck)	14.6	-	-				
UC Institute for Mexico and the United States (UC MEXUS)	-	-	-				
UC Press	23.9	1.0	22.9		Systemwide	Revenue generated from the sale of books and journals, used for the operations of UC Press	
UC Research Initiatives: Laboratory Fees Research Program (LFRP)	14.9	-	14.9		Regents	DOE lab fees set aside via the Regents-approved spending plan for the lab-campus research program	
UC Research Initiatives: Multi-Campus Research Programs and Initiatives (MRPI)	8.0	7.9	0.1	(0.0)	Systemwide	Funds set aside for administrative overhead on research initiatives	
UC Washington Center (UCDC)	8.2	1.6	6.6	0.0	Systemwide	Fee-for-service funds collected for the operations of UCDC from student fees, conferences and dorm rentals	
Valley Fever Research	2.9	-	2.9	-	Systemwide	State General Funds allocated as a set-aside for Valley Fever research	
<b>Subtotal - Systemwide Program</b>	<b>118.2</b>	<b>46.5</b>	<b>69.6</b>	<b>2.1</b>			
<b>TOTAL USES</b>	<b>\$ 408.2</b>	<b>\$ 47.5</b>	<b>\$ 187.0</b>	<b>\$ 173.7</b>			

## Schedule D - 1: Designated Funds Detail\*

\*Note - Restricted Funds are restricted for specific purposes by external, third parties (see page 10 of Attachment 1 for more information), therefore additional descriptions are not captured here

### Budget by Division and Sub-Division

#### Central and Administrative Services

\$ in millions

		Unrestricted Funds					
	FY19-20 Budget	Undesignated	Designated	Restricted Funds	Designated by	Description of Designation	
<hr/>							
CENTRAL AND ADMINISTRATIVE SERVICES USES							
Academic Affairs							
Academic Personnel and Programs	\$ 29.4	\$ 24.3	\$ 2.4	\$ 2.8	Systemwide	State General Funds set-aside for Faculty Diversity (\$750K); fee-for-service funds collected from 3rd parties for service agreements in CDL (\$1.6M)	
Diversity and Engagement	0.8	0.6	-	0.3			
Immediate Offices	6.5	6.5	0.0	-			
Institutional Research and Academic Planning	4.1	4.1	0.0	-			
Research and Graduate Studies	7.9	5.2	2.7	-	Systemwide	Fee-for-service funds designated for patent administration	
Student Affairs	9.7	8.3	1.3	0.0	Systemwide	Fee-for-service funds collected from participants for conferences (\$450K) and from students for the writing placement exam (\$850K)	
Subtotal - Academic Affairs	58.5	\$ 49.0	\$ 6.5	\$ 3.1			
Ethics & Compliance	7.3	7.3	-	-			
External Relations & Communications							
Alumni and Constituent Affairs	0.7	0.2	0.5	-	Systemwide	Endowment cost recovery funds designated for fundraising and development	
Executive Communications & Engagement	0.8	0.8	-	-			
Federal Government Relations	2.8	2.2	0.7	0.0	Regents	DOE Lab fee funding for federal government relations	
Immediate Office	0.6	0.8	(0.1)	(0.1)			
Institutional Advancement	2.0	-	2.0	-	Regents/Systemwide	Lab Fees for LBNL and LLNL Foundations; Endowment cost recovery funds designated for fundraising and development	
Legislative Analysis	0.8	0.8	-	-			
Marketing and Communications	6.3	3.8	1.7	0.8	Systemwide	Endowment cost recovery funds designated for fundraising and development	
Media Relations	0.9	0.9	-	0.1			
State Government Relations	2.9	2.9	-	-			
Subtotal - External Relations & Communications	17.8	12.3	4.7	0.8			
Finance							
Budget Analysis and Planning	2.3	2.3	-	-			
Capital Asset Strategies & Finance	12.4	5.5	6.9	-	Systemwide	Fee-for-service for bond and home loan program operations(\$4.4M); and set-aside for capital planning(\$2.2M)	
Financial Accounting	10.5	6.3	2.0	2.3	Systemwide	Fee-for-service for asset management and bond operations; lab admin funds for program operations	
Immediate Office	1.3	0.5	0.5	0.2	Systemwide	Fee-for-service for asset management and bond operations	
Risk Services	8.3	-	8.3	-	Systemwide	Fee-for-service for the management of UC's risk and insurance programs	
Strategic Sourcing/Procurement	10.9	10.7	0.2	-	Systemwide	Fee-for-service collected from CSU for procurement services	
Subtotal - Finance	45.7	25.3	18.0	2.5			
Innovation & Entrepreneurship	2.7	2.6	0.0	0.0			
Operations							
Energy and Sustainability	4.4	3.3	1.1	-	Systemwide	Fee-for-service for the administration of wholesale power and gas programs	
Immediate Office	1.1	0.5	0.0	0.7			
Information Technology Services	51.5	40.7	7.0	3.7	Systemwide	Fee-for-service funds for IT services	
Operational Expenses	8.0	6.6	1.4	-	Systemwide	Various designated funds set aside for equities and promotions across UCOP	
Strategic Program Management Office	1.8	1.8	-	-			
Systemwide Human Resources	48.2	7.2	0.0	41.0			
UCOP Operations	30.8	27.3	2.0	1.5	Systemwide	Endowment cost recovery funds designated for fundraising and development	
Subtotal - Operations	145.8	87.3	11.6	46.8			
President's Executive Office	4.6	4.2	0.3	0.1	Systemwide	Fee-for-service for asset management operations; lab admin funds for program operations	
Secretary of the Regents	3.6	3.6	-	-			
Systemwide Academic Senate	2.4	2.3	0.0	0.1			
UC Health							



	FY19-20 Budget	Unrestricted Funds		Restricted Funds	Designated by	Description of Designation
		Undesignated	Designated			
Self-Funded Health Plans	4.6	-	4.6		Systemwide	Fee-for-service for the administration of several self-funded plans (UC Care, Blue & Gold and Residents/Fellows plan)
UC Health Core	4.3	4.0	0.3		Systemwide	Fee-for-service from medical schools for the anatomical materials program
UC Healthcare Collaborative	20.2	-	20.2		Systemwide	Fee-for-service from the medical centers for key UC Health initiatives such as leveraging scale for value (LSV)
Subtotal - UC Health	29.1	4.0	25.1	-		
UC Investments	34.3	-	34.3		Systemwide	Fee-for-service to administrer the operations of the Office of the Chief Investment Officer
UC Legal	58.0	10.4	46.7	0.9	Systemwide	Fee-for-service to pay for legal resources housed or managed at UCOP
SUBTOTAL USES	\$ 409.8	\$ 208.3	\$ 147.3	\$ 54.3		
UCPath Center Operations	93.7	-	93.7	-	Systemwide/State Budget	Fee-for-service and State general funds specifically allocated for UCPC in the budget bill
TOTAL USES	\$ 503.5	\$ 208.3	\$ 240.9	\$ 54.3		



## Schedule I - 1: Designated Funds Detail

### UCOP Fund Balances by Fund Type<sup>1, 2, 3</sup>

\$ in millions

	6/30/19			Designated by	Description of Designation
	Forecasted Balance	Commitments	Remaining Balance		
<b>DESIGNATED</b>					
<b>Regents Designated</b>					
DOE Laboratories <sup>4</sup>					
LLC	\$ 2.5	\$ -	\$ 2.5	Regents	Regents approve annual spending plan
LBNL	14.0	-	14.0	Regents	DOE Lab fees for the operation of LBNL
Lab Fees Research	39.2	-	39.2	Regents	Regents approve annual spending plan
Housing Loan Programs	-	-	-	Regents	Regents approve balances and reserves
<b>Programs and Initiatives</b>					
UC Healthcare Collaborative	\$ 3.4	\$ -	\$ 3.4	Systemwide	Fee-for-service collected from UC medical centers for UC Health initiatives
California Digital Library	2.7	-	2.7	Systemwide	Fee-for-service from 3rd parties for CDL service agreements (with Google, DOE labs, etc)
ICAMP	5.6	3.0	2.6	Systemwide	GO Bond funds set-aside for the asset management program work
UC Washington Center	2.1	-	2.1	Systemwide	Fee-for-service for the operations of UCDC from student fees, space rentals and dorm rentals
Procurement Initiatives	1.7	-	1.7	Systemwide	Fee-for-service for CSU procurement work and P200 initiative
Writing Placement Exam	0.8	-	0.8	Systemwide	Fee-for-service collected from incoming students for the writing placement exam
Other	1.4	-	1.4	Systemwide	Fee-for-service from non-UC students for online courses; revenue from CASA; interest income on ANR funds
<b>Central Services Designated</b>					
Endowment cost recovery	8.5	-	8.5	Systemwide	Endowment cost recovery funds designated for fundraising and development
Energy and sustainability	5.5	-	5.5	Systemwide	Income from biogas facilities for operations; energy efficiency partnership funds
UC Path	0.0	-	0.0		
Other	1.0	-	1.0	Systemwide	Fee-for-service to support employee benefits administration
<b>Sub-Total Designated</b>	<b>\$ 88.3</b>	<b>\$ 3.0</b>	<b>\$ 85.3</b>		

<sup>1</sup> Fund balances are exclusive of Reserve amounts

<sup>2</sup> Systemwide and pass-through fund balances are excluded, such as health and welfare benefits balances, wholesale power program funds, systemwide procurement incentives and patent royalty income

<sup>3</sup> Through additional reviews of fund designations, certain funds have shifted from Undesignated to Designated and from Designated to Restricted, such as health benefit and retirement funds which are restricted due to IRS oversight.

<sup>4</sup> DOE Laboratories fund balances include DOE fee income from the three UC-run national labs, for lab oversight and building operations.

#### UCOP FY19-20 BUDGET ADDENDUM IN RESPONSE TO THE GOVERNOR'S MAY REVISE

The FY19-20 budget for the University of California Office of the President (UCOP) was submitted to the Board of Regents on May 6<sup>th</sup>, and assumed the following requests in State General Funds would be approved in the Governor's May Revised budget:

- Each of the three appropriated line items in the UCOP budget would receive an increase over the existing "base budget," commensurate with the Governor's January budget assumptions for the systemwide appropriation, for a total of \$11.3M:
  - \$1.6M increase for UCPATH
  - \$3.2M increase for Agriculture and Natural Resources (ANR)
  - \$6.5M increase for the UCOP general budget
- In addition, UCOP would utilize the existing fee-for-service model for the remaining UCPATH funding gap of \$39.7M and the former campus assessment model to fund the remaining \$7.3M unrestricted funding gap.

The Governor's May Budget Revise released on May 9<sup>th</sup> excluded the \$11.3M of the requested State General Funds. However, it did acknowledge that existing budget bill language permits the service fee for UCPATH but expressly does not permit a campus assessment for the remaining UCOP operations. The result of the May Revise is an \$18.6M funding deficit for the UCOP FY19-20 budget.

The proposed FY19-20 budget of **\$941.7M** was the outcome of a rigorous assessment of all funding sources and uses and was achieved through collaboration with and endorsement by the UCOP Executive Budget Committee and the UC Chancellors. However, in light of the current situation, UCOP proposes the following changes to sources of funds:

- Replace the requested increase of \$1.6M in State General Funds for UCPATH with an increase to the service fee
- Utilize the entire \$11.8M in forecasted unrestricted fund balances to replace the requested increase of \$9.7M in State General Funds, and offset \$2.1M of the campus assessment, bringing forecasted unrestricted fund balances to \$0

Regarding the remaining \$5.2M proposed campus assessment, the UC Chancellors have voiced their support for the replacing the State General Funds appropriation with the campus assessment. Pending Regents approval of the proposed FY19-20 budget, UCOP would, over the next few weeks, continue to work with the Department of Finance and the Legislature to request allowing the \$5.2M assessment.

If these efforts are not successful, UCOP will address the remaining unfunded \$5.2M in the budget through the quarterly forecast process and will commit to a balanced budget.

#### AMENDED PRESIDENT'S RECOMMENDATION

The President recommends the Board of Regents approve a total FY19-20 UCOP budget of **\$941.7M**, assuming UCOP will address the changes in funding as noted in the addendum above.

## **RESOLUTION**

Pursuant to the *Policy on Security Clearance for Access to Federal Classified Information* adopted on March 29, 2012, and amended on December 30, 2015 and March 16, 2017, and this Resolution, the following named Key Management Personnel member as defined in Regents Policy 1600 shall not require, shall not have, and can be effectively excluded from access to all classified information and/or special nuclear material released to the Regents of the University of California until such individual is granted the required access authorization from the cognizant security agency. And, as a consequence of this Resolution, such individual does not occupy a position that would enable him to adversely affect the policies or practices of the University of California, or its subsidiary, regarding the performance of classified contracts for the United States Government.

### **NAME**

### **TITLE**

John A. Pérez

Chair of the Board of Regents

**Additions shown by underscoring; deletions shown by strikethrough**

**SCHEDULE OF REPORTS TO THE REGENTS**  
**[Pursuant to the Policy on Reports to Regents]**

<b>Amended <del>May 2018</del> <u>July 2019</u></b>	<b>Month(s) Provided to Regents</b>
<b>BOARD</b>	
Annual University of California Accountability Report	July
UC Health Strategic Plan and Budget	<del>November</del> <u>May</u>
Health Systems Transactions Approved by Health Services Committee ( <i>mbm</i> )	July
<b>GOVERNANCE AND COMPENSATION COMMITTEE</b>	
Annual Reports on Executive Compensation for Calendar Year ____: (a) Incumbents in Senior Management Positions and (b) Deans and Certain Faculty Administrators ( <i>mbm</i> ) <sup>1</sup>	July
Annual Report on Compensated Outside Professional Activities for Calendar Year ____: Incumbents in Senior Management Positions	July
Semi-Annual Report on Outside Professional Activities Approved in the Preceding Six Month Period: Incumbents in Senior Management Positions ( <i>mbm</i> )	January July
Annual Report on Compensated Outside Professional Activities for Calendar Year ____: Deans and Faculty Administrators ( <i>mbm</i> )	January
Annual Compensation Monitoring Report for Calendar Year ____: Actions for Certain Athletic Positions and Coaches Systemwide ( <i>mbm</i> )	July
<b>COMPLIANCE AND AUDIT COMMITTEE</b>	
Biennial Report on Risk Management ( <i>mbm</i> )	November
Annual Report on Use of Outside Counsel ( <i>mbm</i> )	January
Annual Report on Settlements and Separation Agreements ( <i>mbm</i> )	January

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<sup>1</sup> *mbm*: Report is sent to all Regents as a mailing between meetings (*mbm*)

Bi-Monthly Report on New Litigation (mbm)	January March May July September November
Internal Audit Plan	July
Annual Review of External Audit of Hastings College of the Law (mbm)	March
<u>Summary of Results of the University's A-133 Audit Report on Financial Statements and Expenditures of Federal Awards in Accordance with Uniform Guidance</u> (mbm)	March
Annual Ethics and Compliance Plan	July
Annual Report on Ethics and Compliance	September
Annual Report of External Auditors for the Year Ended June 30, ____	November
Annual Report on Internal Audit Activities	November

#### **ACADEMIC AND STUDENT AFFAIRS COMMITTEE**

Annual Report on Student Financial Support (mbm)	March
Annual Report on Undergraduate Admissions Requirements and Comprehensive Review (mbm)	March
Annual Report on Self-Supporting Professional Degree Programs (mbm)	August
Annual Accountability Sub-Report on Diversity at the University of California	May
University of California Technology Commercialization Report (mbm)	May
Annual Report on Implementation of Regents Policy on Student-Athletes and the Guiding Principles to Enhance Student-Athlete Welfare	September

#### **FINANCE AND CAPITAL STRATEGIES COMMITTEE**

Annual Report on University Housing Assistance Programs (mbm)	January
University of California Financial Reports	November
Annual University of California Retirement Plan-Actuarial Valuation Report	November

Annual Actuarial Valuation of the University of California Retiree Health Benefit Program	November
Annual Report on Debt Capital and External Finance Approvals (mbm)	<del>January</del> <u>February</u>
Annual Report on Major Capital Projects Implementation (mbm)	October
<del>Ten-Year Consolidated State and Non-State</del> <u>Capital Financial Plan</u>	November
Significant Information Technology Projects	March July (mbm) November (mbm)

#### **HEALTH SERVICES COMMITTEE**

University of California Medical Centers Reports (mbm)	March <u>June</u> November
Annual Report on Health Sciences Compensation Plan Participants' Compensation that Exceed the Reporting Threshold (mbm)	November
Annual Report on Student Health and Counseling Centers and UC Student Health Insurance Plan (mbm)	March

#### **INVESTMENTS ~~SUB~~ COMMITTEE**

Annual Endowment Investment Report (mbm)	December
Annual Report of the Chief Investment Officer	September
<del>Annual Report on UC Ventures</del>	<del>September</del>

#### **PUBLIC ENGAGEMENT AND DEVELOPMENT COMMITTEE**

Annual Report on Private Support, Major Donors, and Namings and Endowed Chairs	November
Annual Report on Sustainable Practices	January