

REPORT OF THE NATIONAL LABORATORIES SUBCOMMITTEE

July 19, 2018

ALLOCATION OF LOS ALAMOS NATIONAL SECURITY, LLC AND LAWRENCE LIVERMORE NATIONAL SECURITY, LLC FEE INCOME TO BE EXPENDED IN FISCAL YEAR 2018-19

The Subcommittee recommended that the President be authorized to expend an estimated \$24.6 million from the University's net share of Los Alamos National Security, LLC (LANS) and Lawrence Livermore National Security, LLC (LLNS) income earned between January 1, 2018 and December 31, 2018, as projected by the Limited Liability Companies (LLCs), for the purposes and in the amounts described below:

1. 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, estimated at \$2.2 million (\$2.2 million in fiscal year [FY] 2017-18).
2. An appropriation to the Office of the President's budget for federally unreimbursed costs of University oversight of its interests at Los Alamos National Laboratory (LANL) and Lawrence Livermore National Laboratory (LLNL), paid or accrued July 1, 2018 through June 30, 2019, 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, 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 \$5.2 million for FY 2018-19 (\$5.2 million in FY 2017-18). Any unspent funds allocated for this purpose will be transferred to the UC Laboratory Fees Research Program (paragraph E below).
3. An appropriation to the Post-Contract Contingency Fund (PCCF), in the amount of \$3.5 million for FY 2018-19 (\$2.9 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 PCCF. The balance in the PCCF as of May 31, 2018 is \$12.8 million, which does not reflect the \$2.9 million allocated in FY 2017-18. The target balance for the PCCF approved by the Regents in 2013 is \$27 million.

No further funds would be added to the Contract Bid and Proposal Reserve (CBPR) through approval of this Action Item. Any remaining CBPR funds unused in FY 2018-19 would be returned to the PCCF.

4. The Regents have approved a funding target for the LLC Fee Contingency Fund of \$7 million. The LLC Fee Contingency Fund is currently fully funded with a balance of \$8.1 million as of April 30, 2018. No allocation to the Fund is required for FY 2018-19. Funds remaining in the LLC Fee Contingency Fund will be carried over to FY 2019-20,

to maintain the \$7 million funding target. Any income generated by the LLC Fee Contingency Fund under the University's STIP shall be reserved exclusively for the LLC Fee Contingency Fund.

5. An appropriation in the amount of \$12.4 million for FY 2018-19 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 adjustment up or down required after the end of CY 2018 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 1 through 4 above and 6 and 7 below. In the event all or part of this funding for the UC Laboratory Fees Research Program is not needed in FY 2018-19, the funding will be carried over to FY 2019-20 for the same purpose.
6. An appropriation in the amount of \$300,000 for FY 2018-19 (\$300,000 in FY 17-18), to fund an affiliation agreement between the University and the Livermore Lab Foundation, a 501(c)(3) nonprofit organization formed in 2016 to support LLNL and other scientific and educational purposes. Unspent funds will be carried over for the same purpose.
7. An appropriation in the amount of \$1 million for FY 2018-19 for the Accelerating Therapeutic Opportunities for Medicine (ATOM) collaboration.

Subcommittee vote: Regents Morimoto, Napolitano, Ortiz Oakley, Tauscher, and Zettel voting "aye."

Board vote: Regents Anderson, Elliott, Graves, Kieffer, Lansing, Makarechian, Morimoto, Napolitano, Ortiz Oakley, Park, Pérez, Sherman, Tauscher, and Zettel voting "aye."