

THE REGENTS OF THE UNIVERSITY OF CALIFORNIA

November 19, 2015

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

Members present: Regents Blum, Davis, De La Peña, Elliott, Gorman, Gould, Island, Kieffer, Lansing, Lozano, Makarechian, Napolitano, Newsom, Ortiz Oakley, Oved, Pattiz, Reiss, Ruiz, Sherman, Torlakson, Varner, Wachter, and Zettel

In attendance: Regents-designate Brody, Ramirez, and Schroeder, Faculty Representatives Chalfant and Hare, Secretary and Chief of Staff Shaw, General Counsel Robinson, Chief Compliance and Audit Officer Vacca, Chief Investment Officer Bachher, Provost Dorr, Executive Vice President and Chief Financial Officer Brostrom, Executive Vice President and Chief Operating Officer Nava, Executive Vice President Stobo, Senior Vice Presidents Henderson and Peacock, Vice Presidents Brown, Budil, Duckett, Humiston, and Sakaki, Chancellors Block, Blumenthal, Dirks, Gillman, Hawgood, Katehi, Khosla, Leland, Wilcox, and Yang, and Recording Secretary Johns

The meeting convened at 9:40 a.m. with Chairman Lozano presiding.

1. **REPORT OF THE COMMITTEE ON GOVERNANCE**

The Committee presented the following from its meeting of November 19, 2015:

UC Health Governance: Amendment of Bylaw 12.7: Committee on Health Services and Standing Order 100.4: Duties of the President of the University, and Establishment of Policy on Committee on Health Services

The Committee recommended that:

- A. Bylaw 12.4 be amended, as shown in Attachment 1.
- B. Bylaw 12.7 be amended, as shown in Attachment 2.
- C. Standing Order 100.4 be amended, as shown in Attachment 3.
- D. A new Policy on UC Health be adopted, as shown in Attachment 4, to implement the above changes.

Upon motion of Regent Gould, duly seconded, the recommendation of the Committee on Governance was approved, Regent Elliott voting “no.”

2. REMARKS OF THE CHAIRMAN OF THE BOARD

Chairman Lozano noted that at this meeting the Regents would consider the budget for the next fiscal year, a three-year financial stability plan, and the UC Merced 2020 Project. The University was making efforts to increase the enrollment of California resident undergraduates. The Regents share this desire to expand access for California residents and for future California high school graduates.

She reflected on the tragic events that had recently occurred at UC Merced and expressed the Board's sympathy for the victims of the attack.

3. REMARKS OF THE PRESIDENT OF THE UNIVERSITY

President Napolitano referred to the Regents' approval, a moment earlier, of the recommendation of the Committee on Governance. This action would allow the Board to provide more effective oversight of and strategic guidance for UC Health.

President Napolitano recalled the stabbing incident at UC Merced on November 4 and reported that the four victims of the attack were recovering.

President Napolitano expressed condolences to the California State University Long Beach community, which had lost a student, killed in the terrorist attacks in Paris, France the previous week.

Public universities like UC represent the best hope for society. She outlined areas in which the University is active, such as efforts on climate change, shown by the recent UC Carbon and Climate Neutrality Summit meeting at UC San Diego. In the area of health care and medical research, UCSF had received \$177 million from the Atlantic Philanthropies for a new institute to study Alzheimer's disease. In December, the Prime UC competition would award \$300,000 to UC-affiliated start-up companies in the health sciences.

President Napolitano announced that ten faculty members had received the Award for Outstanding Faculty Leadership in Presidential Initiatives, which recognizes extraordinary efforts to reach goals of the Presidential initiatives. One awardee helped increase the number of African-American Ph.D. students in science, technology, engineering, and mathematics programs at UCLA, another has analyzed and evaluated urban agriculture in low-income neighborhoods, and a third has reinvigorated the Center for Innovation and Entrepreneurial Development at UC Santa Cruz. Besides innovative research, the University is exploring adaptive learning technologies for its students, more online learning options, and greater opportunities for summer enrollment.

President Napolitano recalled that the University had reached an important budget agreement with the State earlier in the year. This agreement provides UC with fiscal stability needed to expand access and to allow students to better plan for the future. The University would not increase in-state tuition in 2016-17. For six consecutive years,

California resident undergraduates at UC would have experienced no increase in tuition. Tuition increases in following years would be modest, predictable, and generally linked to the rate of inflation. The University's robust return-to-aid program would continue. UC wishes to increase the number of its California undergraduate students. It plans to boost this number by 10,000 students by the 2018-19 academic year. This number includes an initial 5,000 California freshmen and transfer students in 2016-17, and an additional 2,500 students in each of the two following years. This increased enrollment would be funded by the \$25 million allocated by the State budget for this purpose and funds generated in part through reductions in UC financial aid for future out-of-state undergraduates. In addition, UC was requesting \$6 million from the State to enroll 600 more graduate students in the 2016-17 year.

President Napolitano described public university campuses as living laboratories for addressing societal problems like racism and sexism. The issue of sexual assault on college campuses had received national attention. The University must identify problems and help develop new solutions; this is the best hope for creating a vigorous and dynamic future.

4. **REMARKS OF THE CHAIR OF THE ACADEMIC SENATE**

Faculty Representative Hare discussed the institution of faculty tenure. The reasons for this faculty privilege are sometimes questioned. The tenure system is not a "free pass" as averred by some outside observers, but a system to ensure excellence, innovation, and that the faculty member's actions are based on good cause shown. Tenure reflects principles of academic freedom, the freedom of inquiry, research, teaching, and expression. This includes exploration of non-traditional questions and controversial areas. The current concept of tenure arose about a century ago. An important episode in this history of academic freedom controversies was the dismissal of Professor Edward Alsworth Ross (1866-1951) from Stanford University in 1900. The tenure system and academic freedom protect teaching and research in controversial areas, economic, political, or other. Without the protection of tenure, researchers in such areas could lose jobs or funding. Mr. Hare underscored that UC tenured faculty have no immunity from review and dismissal, and that the University has effective means to deal with faculty who abuse the privilege of tenure. Faculty can be dismissed for incompetence or violations of the faculty code of conduct.

The Regents recessed at 9:55 a.m.

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The Regents reconvened at 3:50 p.m. with Chairman Lozano presiding.

Members present: Regents Davis, De La Peña, Elliott, Gorman, Island, Kieffer, Lansing, Lozano, Makarechian, Napolitano, Ortiz Oakley, Oved, Pattiz, Pérez, Ruiz, Sherman, and Zettel

In attendance: Regents-designate Brody, Ramirez, and Schroeder, Faculty Representatives Chalfant and Hare, Secretary and Chief of Staff Shaw,

General Counsel Robinson, Chief Investment Officer Bachher, Provost Dorr, Executive Vice President and Chief Financial Officer Brostrom, Executive Vice President and Chief Operating Officer Nava, Senior Vice Presidents Henderson and Peacock, Vice Presidents Budil, Duckett, and Sakaki, Chancellors Blumenthal, Hawgood, Khosla, and Yang, and Recording Secretary Johns

5. **APPROVAL OF MINUTES OF PREVIOUS MEETING**

Upon motion duly made and seconded, the minutes of the meeting of September 17 and the meetings of the Committee of the Whole of September 16 and 17, 2015 were approved.

6. **REPORT OF THE PRESIDENT**

The President presented her report concerning University activities and individuals. She began by noting the decease the previous month of the fifth chancellor of the Davis campus, Larry Vanderhoef. He served as Chancellor for 15 years, and his devotion to the campus was reflected in its maturation from a well-respected institution of higher learning to a world-class university. A memoir by Chancellor Vanderhoef had recently been published.

Nine faculty members from UC Davis, UC San Diego, and UCSF had been elected to the National Academy of Medicine. Since 1970, the Academy has elected more than 200 members affiliated with UC. The previous week, the Franklin Institute announced that Professor Shu Chien of UC San Diego would receive the 2016 Benjamin Franklin Medal in Mechanical Engineering. UC Berkeley mathematics Professor Ian Agol received a 2016 Breakthrough Prize. Recipients of the Breakthrough Prize in fundamental physics included the members of five experiment teams studying neutrino oscillation. The co-leader of one of these teams was Professor Kam-Biu Luk, also of UC Berkeley. Professors Agol and Luk planned to donate some of their Prize winnings for student scholarships. The National Academy of Engineering had honored Chancellor Katehi with the Simon Ramo Founders Award. In conclusion, President Napolitano recognized reporter Larry Gordon of the *Los Angeles Times*. This would be the last Regents meeting he would report on after 17 years.

7. **REPORT OF THE COMMITTEE ON COMPLIANCE AND AUDIT**

The Committee presented the following from its meeting of November 18, 2015:

Amendment of Internal Audit Charter

The Committee recommended that the Internal Audit Charter be amended as shown in Attachment 5.

Upon motion of Regent Zettel, duly seconded, the recommendation of the Committee on Compliance and Audit was approved.

8. **REPORT OF THE COMMITTEE ON COMPENSATION**

The Committee presented the following from its meeting of November 19, 2015:

A. ***Appointment of and Compensation Using Non-State Funds for Vincent L. Johnson as Executive Vice President – UCSF Health Operations and Chief Operating Officer, UCSF Health, San Francisco Campus***

The Committee recommended approval of the following items in connection with the appointment of and compensation for Vincent L. Johnson as Executive Vice President – UCSF Health Operations and Chief Operating Officer, UCSF Health, San Francisco campus:

- (1) Appointment of Vincent L. Johnson as Executive Vice President – UCSF Health Operations and Chief Operating Officer, UCSF Health, San Francisco campus at 100 percent time. This is a Level Two Senior Management Group position.
- (2) Per policy, an annual base salary of \$710,000.
- (3) Per policy, continued eligibility to participate in the Clinical Enterprise Management Recognition Plan (CEMRP) with a target award of 15 percent of base salary (\$106,500) and a maximum potential award of 25 percent of base salary (\$177,500). The actual award will be determined based on performance against pre-established objectives.
- (4) Per policy, continued monthly contribution to the Senior Management Supplemental Benefit Program.
- (5) Per policy, reimbursement for up to two house-hunting trips each for Mr. Johnson and his spouse or domestic partner, subject to the limitations under policy.
- (6) As an exception to policy, reimbursement of temporary housing expenses actually and reasonably incurred for up to 120 days, instead of the 90 days allowed under policy, subject to all other limitations under policy. This is necessary to help facilitate Mr. Johnson's family's relocation to the San Francisco Bay Area and to locate suitable accommodations in this highly competitive housing market.
- (7) Per policy, reimbursement of actual and reasonable expenses related to moving Mr. Johnson's household goods and personal effects from his

former primary residence to his new primary residence, subject to the limitations under policy.

- (8) Per policy, continued eligibility to participate in the UC Home Loan Program, subject to all program requirements.
- (9) Per policy, standard pension and health and welfare benefits and standard senior management benefits (including senior management life insurance and executive salary continuation for disability after five years of Senior Management Group service).
- (10) This action will be effective January 4, 2016.

The compensation described above shall constitute the University's total commitment until modified by the Regents, the President, or the Chancellor, as applicable under Regents policy, and shall supersede all previous oral and written commitments. Compensation recommendations and final actions will be released to the public as required in accordance with the standard procedures of the Board of Regents.

B. *Appointment of and Compensation Using Non-State Funds for Patricia Maysent as Interim Chief Executive Officer, UC San Diego Health System, San Diego Campus*

The Committee recommended approval of the following items in connection with the appointment of and compensation for Patricia Maysent as Interim Chief Executive Officer, UC San Diego Health System, San Diego campus:

- (1) Per policy, appointment of Patricia Maysent as Interim Chief Executive Officer, UC San Diego Health System, at 100 percent time.
- (2) Per policy, an annual base salary of \$430,000.
- (3) Per policy, eligibility to participate in the Clinical Enterprise Management Recognition Plan (CEMRP) with a target award of 20 percent of base salary (\$86,000) and a maximum potential award of 30 percent of base salary (\$129,000) for the period served as Interim Chief Executive Officer. The incentive opportunity for the balance of the year will be based on Ms. Maysent's incentive award opportunity as Executive Director, Strategic and Business Development. The actual award will be based on performance against pre-established objectives.
- (4) Per policy, standard pension and health and welfare benefits.

- (5) As an exception to policy, this action will be retroactive to August 8, 2015 and remain in effect through April 1, 2016, or until the appointment of a new Chief Executive Officer, whichever occurs first.

The compensation described above shall constitute the University's total commitment until modified by the Regents, the President, or the Chancellor, as applicable under Regents policy, and shall supersede all previous oral and written commitments. Compensation recommendations and final actions will be released to the public as required in accordance with the standard procedures of the Board of Regents.

C. ***Appointment of and Compensation for Michael J. Beck as Administrative Vice Chancellor, Los Angeles Campus***

The Committee recommended approval of the following items in connection with the appointment of and compensation for Michael J. Beck as Administrative Vice Chancellor, Los Angeles campus:

- (1) Per policy, appointment as Administrative Vice Chancellor, Los Angeles campus, at 100 percent time.
- (2) Per policy, an annual base salary of \$360,000.
- (3) Per policy, a hiring bonus of 20 percent of base salary (\$72,000) to be paid in a lump sum, subject to the following repayment schedule if Mr. Beck separates from the University within four years of his appointment: 100 percent if separation occurs within the first year of employment, 75 percent if separation occurs within the second year of employment, 50 percent if separation occurs within the third year of employment, and 25 percent if separation occurs within the fourth year of employment, subject to the limitations under policy.
- (4) Per policy, reimbursement for limited temporary housing-related expenses actually and reasonably incurred, not to exceed \$12,000 for a period of up to 90 days, subject to the limitations under policy.
- (5) Per policy, a monthly contribution to the Senior Management Supplemental Benefit Program.
- (6) Per policy, standard pension and health and welfare benefits and standard senior management benefits (including senior management life insurance and executive salary continuation for disability after five years of Senior Management Group service).
- (7) Per policy, eligibility to participate in the UC Home Loan Program, subject to all applicable requirements.

- (8) Per policy, reimbursement of actual and reasonable expenses associated with moving Mr. Beck's household goods and personal effects from his former primary residence to his new primary residence, subject to the limitations under policy.
- (9) This action will be effective on February 1, 2016.

The compensation described above shall constitute the University's total commitment until modified by the Regents, the President, or the Chancellor, as applicable under Regents policy, and shall supersede all previous oral and written commitments. Compensation recommendations and final actions will be released to the public as required in accordance with the standard procedures of the Board of Regents.

D. *Establishment of a New Position in the Senior Management Group of Associate Vice President – Energy And Sustainability, and the Market Reference Zone for the Position, Office of the President*

The Committee recommended approval of the following items in connection with the establishment of the new Senior Management Group position of Associate Vice President – Energy and Sustainability, and the Market Reference Zone for the position, Office of the President:

- (1) Establishment of the new Senior Management Group position of Associate Vice President – Energy and Sustainability, Office of the President. This will be a Level Two position in the Senior Management Group.
- (2) Establishment of a Market Reference Zone (MRZ) for the Associate Vice President – Energy and Sustainability, Office of the President, as follows: 25th percentile – \$193,000, 50th percentile – \$198,000, 60th percentile – \$247,000, 75th percentile – \$299,000, 90th percentile – \$417,000.
- (3) This action will be effective upon approval.

Upon motion of Regent Ortiz Oakley, duly seconded, the recommendations of the Committee on Compensation were approved.

9. REPORT OF THE COMMITTEE ON FINANCE

The Committee presented the following from its joint meeting with the Committee on Grounds and Buildings of November 19, 2015:

A. *Approval of Budget and Commercial Terms of the 2020 Project Agreement and Related Actions, Merced Campus*

The Committee recommended that:

- (1) The 2015-16 Budget for Capital Improvements and the Capital Improvement Program be amended to include the following project:
Merced: Merced 2020 Project (2020 Project) – \$1,142,850,000 to be funded from external financing (\$600 million), developer funding (\$385.76 million), and campus funds (\$157.09 million).
- (2) The minimum scope of the 2020 Project shall include the construction of approximately 918,900 assignable square feet of academic, administrative, research, recreational, student residence, and student services buildings, as well as infrastructure, outdoor recreation facilities and open space, landscaping, roadways, and parking.
- (3) The commercial terms of the 2020 Project Agreement be approved, contingent on minimum programmatic scope and a maximum annual payment not to exceed \$51 million in the first full year of operations, and escalated over the remaining term of the Project Agreement by provisions contained therein.
- (4) The President of the University, in consultation with the General Counsel, be authorized to approve and execute the Project Agreement materially consistent with the commercial terms approved by the Regents, and execute all documents necessary to implement the Project Agreement and the 2020 Project.
- (5) The proposed procurement method be determined to be in the best interest of the University pursuant to Section 10503(e) of the California Public Contract Code.
- (6) The 2020 Project Request for Proposals be released to the three teams that have been qualified for inclusion on the short list.

B. *Approval of University of California 2016-17 Budget for State Capital Improvements, Merced Campus*

The Committee recommended that the 2016-17 Budget for State Capital Improvements, as shown in Attachment 6, be approved.

The Committee presented the following from its joint meeting with the Committee on Long Range Planning of November 19, 2015:

C. *Approval of University of California 2016-17 Budget for Current Operations*

The Committee recommended that the budget plan included in the document, 2016-17 Budget for Current Operations, and summarized in Attachment 7, be approved.

The Committee presented the following from its meeting of November 19, 2015:

D. *University of California Financial Reports, 2015*

The Committee recommended that the Regents adopt the 2014-15 Annual Financial Reports for the University of California, the University of California Retirement System, and the five University of California Medical Centers.

E. *Authorization to Fund University of California Retirement Plan Annual Required Contributions for Fiscal Year 2015-16, Fiscal Year 2016-17, and Fiscal Year 2017-18 with Contribution from Short Term Investment Pool*

The Committee recommended that the Regents amend the Regents' July 2014 action, *Authorization to Fund University of California Retirement Plan Modified Annual Required Contribution with Contribution from Short Term Investment Pool*, as follows:

Additions shown by underscoring; deletions shown by strikethrough

The President of the University be delegated authority and discretion to make contributions to UCRP to supplement scheduled employer and employee contributions beginning FY 2010-11. The amount and timing of the contributions will be guided by the goal of putting the Plan on a path toward fully funded status, with consideration of the projected budgetary impact to the University. The President of the University may utilize borrowing from the Short Term Investment Pool (STIP); ~~restructuring of University debt~~, and other internal or external sources to make these contributions to UCRP, as follows:

G. Transfer funds from STIP to UCRP in FY 2015-16, FY 2016-17, and FY 2017-18, in amounts equal to the difference between the approved total UCRP contribution and ARC. Should STIP have insufficient funds, funds will be transferred from TRIP to STIP. These transfers shall satisfy the requirements below and will not exceed \$563,600,000 in FY 2015-16, \$481,000,000 in FY 2016-17, and \$391,800,000 in FY 2017-18:

(1) Maintenance of a minimum balance in STIP of \$5 billion at all times.

- (2) Receipt of State Proposition 2 funds for UCRP of \$96,000,000 in FY 2015-16, \$170,000,000 in FY 2016-17, and \$170,000,000 in FY 2017-18.
- (3) The creation of an internal note receivable (“STIP Note”) for the amounts above, owned by STIP participants.
- (4) The ability to set the repayment terms on the STIP Note, which will have a final maturity no later than FY 2041-42.
- (5) Assessment of all University fund sources making UCRP payments to include an additional amount for principal and interest payments on the STIP Note, divided proportionally based on covered compensation.
- (6) For funding sources, such as federal contracts and grants, where interest payments for the STIP Note are not billable as direct program costs, campuses will be required to pay these charges using non-federal sources.

F. ***Amendment to Formation of a Captive Insurance Company***

The Committee recommended that the following section in the Regents’ action of May 2012, *Formation of a Captive Insurance Company*, be revised as follows:

Additions shown by underscoring; deletions shown by strikethrough

- 2. Authorize the President, following consultation with the General Counsel, to create other captive insurance companies, as needed, with the Captive Insurance Company’s Board’s approval pursuant to the Captive Insurance Company’s Bylaws, and approve the University’s participation in such other companies provided that: a) they are established and operated for University-related purposes; and, b) each such company’s Bylaws give the University the right to appoint ~~all directors of such company~~ a sufficient number and class of directors of the company so as to maintain control of any activities related to the University’s reputation, control of services, and assumption / management of risk in the captive proposition.

G. ***University of California Mortgage Origination Program and Supplemental Home Loan Program – Proposed Revisions to Program Policies***

The Committee recommended:

- (1) Expansion of Mortgage Origination Program and Supplemental Home Loan Program (SHLP) eligibility to include UC Hastings College of the Law faculty.

- (2) Establishment of a centrally-funded pool available for SHLP loans, with an initial allocation of \$5.5 million from the Faculty Housing Programs Reserve Fund.
- (3) Rescission of the current SHLP policy for renovation loans.

H. ***Amendment of Ground Lease with U.S. Department of Energy, Wilson Tract, Integrative Genomics Building, Lawrence Berkeley National Laboratory***

The Committee recommended that:

- (1) The President of the University be authorized to approve and execute an amendment to the ground lease dated September 1, 1948, for the Wilson Tract (Parcel 1), Berkeley, California, between the Regents as lessor and the U.S. Department of Energy (DOE) as lessee, to extend the lease term of Parcel 1 for the purpose of allowing DOE to erect and use the Integrative Genomics Building (IGB) and associated improvements for fifty (50) years effective from the date of approval by DOE of the construction of IGB, currently anticipated for June 2016 (Amendment).
- (2) The President, after consultation with the General Counsel, be authorized to approve the legal description for the Amendment and execute any ancillary documents related to the Amendment described in (1) that do not substantially increase the Regents' obligations under the above ground lease.

Upon motion of Regent Ruiz, duly seconded, the recommendations of the Committee on Finance were approved.

10. **REPORT OF THE COMMITTEE ON GROUNDS AND BUILDINGS**

The Committee presented the following from its meeting of November 18, 2015:

A. ***Acceptance of the 2015-25 Capital Financial Plan***

The Committee recommended that the University of California 2015-25 Capital Financial Plan be accepted.

B. ***Acceptance of the 2015 Physical Design Framework, Merced Campus***

The Committee recommended that the UC Merced 2015 Physical Design Framework be accepted.

C. ***Approval of Design following Action Pursuant to the California Environmental Quality Act, North Addition Office Building, Sacramento, Davis Campus***

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

- (1) Certification of the Environmental Impact Report.
- (2) Adoption of the Mitigation Monitoring and Reporting Program and the CEQA Findings.
- (3) Approval of the design of the North Addition Office Building, UC Davis Health System, Sacramento, Davis campus.

D. *Amendment of the Budget and Approval of Change in Repayment Source for a Portion of External Financing, CHS South Tower Seismic Renovation, Los Angeles Campus*

The Committee recommended that:

- (1) The 2015-16 Budget for Capital Improvements and Capital Improvement Program be amended as follows:

From: Los Angeles: CHS South Tower Seismic Renovation – preliminary plans, working drawings, construction – \$219,902,000, to be funded from external financing.

To: Los Angeles: CHS South Tower Seismic Renovation – preliminary plans, working drawings, construction – \$203.29 million to be funded from external financing.
- (2) The President of the University be authorized to utilize external financing in an amount not to exceed \$128,953,000 to finance the CHS South Tower Seismic 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. The primary source of repayment for the external financing of \$128,953,000 shall be from State appropriations. Should State appropriations funds not be available, the President shall have the authority to utilize any legally available funds to make debt service payments.

- c. The general credit of the Regents shall not be pledged.
- (3) The President be authorized to utilize external financing in an amount not to exceed \$31,337,000 to finance the CHS South Tower Seismic 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, general revenues of the Los Angeles campus shall be maintained in amounts sufficient to pay the debt service and to meet the related requirements of the authorized financing.
 - c. The general credit of the Regents shall not be pledged.
- (4) The President be authorized to utilize external financing in an amount not to exceed \$43 million to finance the CHS South Tower Seismic 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, gross revenues of UCLA Medical Center 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.
- (5) The President, in consultation with the General Counsel, be authorized to execute all documents necessary in connection with the above and to make changes in the terms that do not materially increase the cost of the project or the obligations of the Regents.

The Committee presented the following from its joint meeting with the Committee on Finance of November 19, 2015:

E. ***Approval of Budget and Commercial Terms of the 2020 Project Agreement and Related Actions, Merced Campus***

The Committee recommended that:

- (1) The 2015-16 Budget for Capital Improvements and the Capital Improvement Program be amended to include the following project:

Merced: Merced 2020 Project (2020 Project) – \$1,142,850,000 to be funded from external financing (\$600 million), developer funding (\$385.76 million), and campus funds (\$157.09 million).

- (2) The minimum scope of the 2020 Project shall include the construction of approximately 918,900 assignable square feet of academic, administrative, research, recreational, student residence, and student services buildings, as well as infrastructure, outdoor recreation facilities and open space, landscaping, roadways, and parking.
- (3) The commercial terms of the 2020 Project Agreement be approved, contingent on minimum programmatic scope and a maximum annual payment not to exceed \$51 million in the first full year of operations, and escalated over the remaining term of the Project Agreement by provisions contained therein.
- (4) The President of the University, in consultation with the General Counsel, be authorized to approve and execute the Project Agreement materially consistent with the commercial terms approved by the Regents, and execute all documents necessary to implement the Project Agreement and the 2020 Project.
- (5) The proposed procurement method be determined to be in the best interest of the University pursuant to Section 10503(e) of the California Public Contract Code.
- (6) The 2020 Project Request for Proposals be released to the three teams that have been qualified for inclusion on the short list.

F. ***Approval of University of California 2016-17 Budget for State Capital Improvements, Merced Campus***

The Committee recommended that the 2016-17 Budget for State Capital Improvements, as shown in Attachment 8, be approved.

Upon motion of Regent Makarechian, duly seconded, the recommendations of the Committee on Grounds and Buildings were approved.

11. **REPORT OF THE COMMITTEE ON LONG RANGE PLANNING**

The Committee presented the following from its joint meeting with the Committee on Finance of November 19, 2015:

Approval of Three-Year Financial Sustainability Plan

The Committee recommended that the University of California Three-Year Financial Sustainability Plan shown in Attachment 9 be approved, as requested in the California State Budget Act of 2015.

Upon motion of Regent Kieffer, duly seconded, the recommendation of the Committee on Long Range Planning was approved.

12. **REPORT OF INTERIM AND CONCURRENCE ACTIONS**

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

- A. The Chairman of the Board, the Chair of the Committee on Compensation, and the President of the University approved the following recommendation:

Appointment of and Compensation for Karen Grimley, Using Non-State Funding, as Chief Nursing Executive, UCLA Hospital System, Los Angeles Campus

Background

Approval under interim authority was requested for the appointment of and compensation for Karen Grimley as Chief Nursing Executive, UCLA Hospital System, effective August 17, 2015. This action requires Regental approval because the proposed salary of \$368,000 is above the 75th percentile of the applicable Market Reference Zone (MRZ). Funding for this position comes from hospital revenue and no State funds will be used.

Following an extensive nationwide search, Ms. Grimley emerged as the top candidate to fill this role. Former Chief Nursing Officer Heidi Crooks retired on July 1, 2015. In view of the breadth and scope of this role for UCLA Health, the need to support a smooth leadership transition following Ms. Crooks' retirement is crucial. Interim action by the Regents was requested in order to provide leadership and bring Ms. Grimley on board at the earliest possible date. Ms. Grimley has served as the Chief Nursing Officer for the UC Irvine Medical Center since 2010. Ms. Grimley's working title in this new role at UCLA will be Chief Nursing Executive to reflect the full breadth and scope of her responsibilities, which, the campus reports, exceed those at the other UC Medical Centers.

UCLA Health is among the most comprehensive and advanced healthcare systems in the world. It is comprised of the Ronald Reagan UCLA Medical Center, Santa Monica UCLA Medical Center and Orthopedic Hospital, the Resnick Neuropsychiatric Hospital at UCLA, Mattel Children's Hospital UCLA, and the UCLA Medical Group with its wide-reaching system of primary care and

specialty-care offices throughout the region. The UCLA Medical Center is ranked as one of the top hospitals in the nation and has been ranked as the best hospital in the Western United States for 18 consecutive years, according to *U.S. News and World Report's* survey that reviews patient outcomes data, reputation among physicians, and other care-related factors.

At UCLA, Ms. Grimley will report to the Associate Vice Chancellor, Hospital System (a position currently under recruitment), where she will be responsible and accountable for the overall delivery and management of nursing professional practice, education, professional development, research, administration, and clinical services. She will also have staff accountability for enhancing a clinical practice environment that is patient-centered, with unsurpassed clinical quality and patient safety, while also providing significant contributions to education and research. Ms. Grimley will help support the existing high standards and goals for nursing practice and motivate UCLA nursing to achieve even higher levels of performance.

The most competitive external candidates for this position that were identified during the search process conducted by Korn Ferry are earning base salaries in the range of \$350,000 to \$400,000, and two are earning above \$600,000.

Given Ms. Grimley's highly specialized credentials, professional accomplishments and expertise that set her apart from her peers, a base salary of \$368,000 is appropriate and consistent with Regents' Policy 7701, Senior Management Group Appointment and Compensation. Based on Ms. Grimley's skills, experience, and qualifications, as well as the size and scope of the healthcare enterprise at UCLA, the recommended salary of \$368,000 is equitable and aligned with the market for healthcare organizations equivalent to UCLA's hospital system. The proposed salary is 9.9 percent above that of her predecessor, Heidi Crooks, who had a 25-year career as Chief Nursing Officer at UCLA. Ms. Crooks' salary was significantly below the market, due to UC senior managers not receiving regular salary increases over the years. The proposed salary represents an increase of 22.9 percent over Ms. Grimley's current salary (\$299,408) at UCI, which is a significantly smaller operation.

Ms. Grimley will continue to participate in the Clinical Enterprise Management Recognition Plan (CEMRP) with a target award of 15 percent of base salary (\$55,200) and a maximum potential award of 25 percent of base salary (\$92,000).

Funding for this appointment will come from Hospital System revenue (non-State funds).

Recommendation

The following items were approved in connection with the appointment of and compensation for Karen Grimley as Chief Nursing Executive, UCLA Hospital

System, Los Angeles campus:

- (1) Per policy, appointment as Chief Nursing Executive, UCLA Hospital System at 100 percent time.
- (2) Per policy, an annual base salary of \$368,000.
- (3) Per policy, continued eligibility to participate in the Clinical Enterprise Management Recognition Plan, with a target award of 15 percent of base salary (\$55,200) and a maximum potential award of 25 percent of base salary (\$92,000). The actual award will be determined based on performance against pre-established objectives.
- (4) Per policy, continuation of a monthly contribution to the Senior Management Supplemental Benefit program.
- (5) Per policy, continuation of standard pension and health and welfare benefits and standard senior management benefits (including senior management life insurance and executive salary continuation for disability after five years of Senior Management Group service).
- (6) Per policy, continued eligibility to participate in the UC Home Loan Program, subject to all applicable requirements.
- (7) Per policy, reimbursement of actual and reasonable expenses associated with moving Ms. Grimley's household goods and personal effects from her former primary residence to her new primary residence, subject to the limitations under policy.
- (8) This action will be effective August 17, 2015.

The compensation described above shall constitute the University's total commitment until modified by the Regents, the President, or the Chancellor, as applicable under Regents policy, and shall supersede all previous oral and written commitments. Compensation recommendations and final actions will be released to the public as required in accordance with the standard procedures of the Board of Regents.

- B. The Chairman of the Board, the Chair of the Committee on Compensation, the Chair of the Committee on Finance, and the President of the University approved the following recommendation:

Approval for a Loan in Support of Chief Investment Officer Jagdeep Bachher's Participation in the Mortgage Origination Program, Office of the President

Background

Per policy, Mortgage Origination Program (MOP) loan amounts greater than the Indexed Program Loan Amount require the approval of the President and the concurrence of the Chairman of the Board of Regents and the Chairs of the Committees on Finance and Compensation.

Following an international search, Jagdeep S. Bachher was appointed as the Chief Investment Officer of the Regents and Vice President – Investments in January 2014.

The Chief Investment Officer is responsible for managing over \$80 billion in assets for the University's pension, endowment, Short Term and Total Return investment pools. This position is critically important in meeting the University's pension obligations and guiding the growth of its endowment.

Chief Investment Officer Bachher received approval to participate in the Mortgage Origination Program as part of his hiring package. However, due to the high cost of housing in the San Francisco Bay Area, Chief Investment Officer Bachher has requested a MOP loan amount in excess of the current Indexed Program Loan Amount.

Except for the size of the loan requested, the proposed loan package will comply with all other normal MOP policies and procedures.

Recommendation

Authorization of a Mortgage Origination Program loan in the amount of up to \$1.8 million to Jagdeep Bachher, Chief Investment Officer of The Regents and Vice President – Investments, Office of the President.

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

Approval of Indemnification Terms in Agreement with the Embassy of Italy, Berkeley Campus

That UC Berkeley be authorized to execute an agreement for an event at the Italian Embassy (Embassy) in Washington D.C. on December 3, 2015 that contains an indemnification provision by which the University would assume third-party liability for the event, indemnifying and holding harmless the Embassy from any and all liabilities, claims, and losses resulting from the use and occupancy of the premises, regardless of the gross negligence or willful acts or omissions of others.

- D. The Chairman of the Board, the Chair of the Committee on Compliance and Audit, and the President of the University approved the following recommendation:

Approval to Engage KPMG to Perform an Independent Analysis of the UC Merced 2020 Project Cost Model and Assumptions

That the University engage KPMG, the University's external auditor, to perform an independent analysis of the UC Merced 2020 Project Cost Model and assumptions.

- E. The Chairman of the Board, the Chair of the Committee on Grounds and Buildings, and the President of the University approved the following recommendation:

Approval of Design Following Action Pursuant to California Environmental Quality Act, Mid-Coast Corridor Light Rail Transit Project, San Diego Campus

Following review and consideration of the environmental consequences of San Diego Association of Governments' (SANDAG) Mid-Coast Corridor Light Rail Transit Project, as proposed to be constructed and operated partially on University property, the Chairman of the Board and the Chair of the Committee on Grounds and Buildings:

- (1) Determine that the Supplemental Environmental Impact Statement/Subsequent Environmental Impact Report certified by SANDAG on November 21, 2014 adequately analyzes the environmental consequences of the project, and determine that no further California Environmental Quality Act documentation is required.
- (2) Adopt the CEQA Findings and Mitigation and Reporting Program.
- (3) Approve the design for the stations and improvements of the Mid-Coast Corridor Transit Project to be located on University property.

13. REPORT OF COMMUNICATIONS RECEIVED

Secretary and Chief of Staff Shaw reported that, in accordance with Bylaw 16.9, Regents received a summary of communications for the months of September and October in reports dated October 19 and November 6, 2015.

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 Members of the Committee on Finance

- A. From the Office of the General Counsel, the Bi-monthly Report of New Litigation for Reporting Period of June 8, 2015 to August 3, 2015. (September 10, 2015)

- B. From the President, the 2014-15 Annual Report of the Budget Expenditures for the Associates of the President and Chancellors. (October 13, 2015)

To the Members of the Committee on Grounds and Buildings

- C. From the President, the Annual Report on Approvals of Capital Projects for President's and Chancellors' Residences and Offices for the Fiscal Year Ending June 30, 2015. (September 29, 2015)

To the Regents of the University of California

- D. From the Chancellor of UC Merced, media packet with op-eds and articles marking UC Merced's first decade. (September 5, 2015)
- E. From the Secretary and Chief of Staff, a press release of university rankings from *U.S. News and World Report*. (September 9, 2015)
- F. From the President, a written briefing on the Thirty Meter Telescope project. (September 8, 2015)
- G. From the President, a copy of her keynote address given at the Association for Women in Science's National Summit on Innovation and Entrepreneurship. (September 22, 2015)
- H. From the President, report on the 2015-16 Fee Levels for Self-Supporting Graduate Professional Degree Programs. (September 24, 2015)
- I. From the President, a letter regarding the formation a Joint Committee of the University of California Administration and the Academic Senate to develop recommendations on how best to handle cases of sexual violence, assault, and harassment involving UC faculty. (October 15, 2015)
- J. From the President, a letter informing of the passing of UC Davis Chancellor Emeritus Larry Vanderhoef. (October 16, 2015)
- K. From the Secretary and Chief of Staff, Summary of Communications for September 2015. (October 19, 2015)
- L. From the President, letter reporting her approval of the recommendation of the UCPath UCOP Steering Committee to initiate deployment of the UCPath system at the Office of the President. (October 29, 2015)

The meeting adjourned at 4:00 p.m.

Attest:

Secretary and Chief of Staff

Additions shown by underscoring; deletions shown by strikethrough

BYLAW 12.4

RESPONSIBILITIES OF STANDING COMMITTEES

COMMITTEE ON GROUNDS AND BUILDINGS

The Committee on Grounds and Buildings shall:

- a. Consider matters relating to the grounds and buildings of all campuses, stations, observatories, and other real property of the University used for campus-related purposes as defined in Standing Order 100.4(ff).
- b. Approve plans for improvements, direct the taking of bids, and recommend to the Board the award and execution of construction and equipment contracts, except as otherwise provided in the Standing Orders.
- c. Consider capital improvement requests as defined in Standing Order 100.4(q) and make recommendations in connection therewith to the Board.
- d. Act in an advisory capacity to the President of the University with respect to appointments of such Officers of the University as may be appropriate for consideration by the Committee, as determined by the President.
- e. Require concurrence of the Committee on Health Services as a condition for: (i) approval of plans for improvements; and (ii) recommendations for consideration of capital improvement requests involving UC Health or any of its components.

Additions shown by underscoring; deletions shown by strikethrough

BYLAW 12.7

RESPONSIBILITIES OF STANDING COMMITTEES

COMMITTEE ON HEALTH SERVICES

- a. Scope / Jurisdiction: The Committee on Health Services shall be the Standing Committee with primary jurisdiction under Bylaw 10.1 over the following matters:
1. Strategic plans and budgets for the University's clinical enterprise (including the academic medical centers and health systems, non-hospital clinics, and student health and counseling centers)
 2. Patient care quality, cost and access throughout the clinical enterprise;
 3. System-wide UC Health initiatives;
 4. Business transactions primarily arising from or serving the programs and services of UC Health or any of its components, including, but not limited to, all acquisition of physician practices, hospitals, and other facilities, clinical and ancillary services, and participation or membership in joint ventures, partnerships, corporations, or any other entities; and
 5. Appointment and compensation of UC Health executives whose compensation is paid solely from sources other than State general fund support to the University (e.g. clinical revenues, charitable contributions, et al).

The Committee on Health Services may also advise the other Committees as to matters within their primary jurisdiction and/or the Board on all other matters that have a significant impact on UC Health or the University's clinical enterprise.

The Committee on Health Services shall consider proposals for plans for improvements and capital improvement requests involving UC Health or any of its components prior to or concurrent with consideration, recommendation, or approval by the Committee on Grounds and Buildings.

- b. Membership: The Committee shall include ~~six~~ seven¹ voting and eight non-voting members and no additional members.
1. Voting Members: The voting members shall be: seven Regents, including representatives of the Committees on Finance, Grounds and Buildings, and Compensation, and the President of the University and the President of the Board, both serving *ex officio*. The Regent members other than the President of the

¹ The text reflects correction of a typographical error.

University and the President of the Board shall be nominated by the Committee on Governance and approved by the Board according to the Bylaws and any applicable Regents Policy.

2. Non-Voting Members: The eight non-voting members shall be:

- i. The senior executive for health affairs in the Office of the President.
- ii. Two Chancellors, recommended by the President of the University.
- iii. One member in good standing of the Academic Senate who holds a clinical appointment at one of the University's schools of medicine, recommended by the President of the University.
- iv. Four additional Advisory Members recommended by the President of the University. Each Advisory Member shall demonstrate expertise in health care delivery management, academic health services, health care mergers and acquisitions, or any other related area of expertise the President of the University and the Board consider relevant to the particular planning and strategy issues affecting UC Health at the time of their appointment. The Advisory Members shall be subject to the same limitations on compensation and policies regarding reimbursement of costs applicable to Regent members, provided that any University employee serving as an Advisory Member shall be entitled to compensation and reimbursement of costs associated with their service on the Committee consistent with applicable University policies regarding compensation and reimbursement of employees.

Each non-voting member, other than the senior executive for health affairs, shall be nominated by the Committee on Governance and approved by the Board consistent with the Bylaws and any applicable Regents Policy governing the nomination and appointment of the Regents members of the Committee.

- 3. Quorum: Four voting members shall constitute a quorum of the Committee. Non-voting members shall not be considered for purposes of establishing a quorum to conduct business. Further, non-voting members may not be counted for purposes of establishing the majority required to approve an action in accordance with Bylaw 7.1.
- 4. Participation in Administrative Committees: Regent members of the Committee on Health Services may participate on standing administrative committees relevant to matters under the jurisdiction of the Committee.

c. Delegated Authority: The Committee on Health Services shall have the following authority:

1. Transactions: The Committee on Health Services is authorized, without further Regents action, to approve transactions, as defined in subsection a.4, otherwise requiring Regents approval that primarily arise from or serve the programs and services of UC Health or any of its components subject to thresholds specified in Regents Policy and reviewed regularly by the Board. Any transaction within the jurisdiction of the Committee, as defined in subsection a.4, and otherwise requiring Regents approval must be reviewed and approved by the Board of Regents, Committee on Health Services, or the Chair or Vice Chair of the Committee on Health Services. Notwithstanding this delegation, whenever a transaction, in the judgment of the President of the University or any sponsoring Chancellor, merits review and approval by the Regents, the transaction shall be approved by the full Board. Nothing in this Section 12.7 shall change any authority that the Committee on Finance may have over: (i) transactions where the predominant share of revenue committed or generated reflects the purchase, sale, or lease of real property; or (ii) the issuance of debt.
2. Compensation: When the appointment of or compensation for an employee serving UC Health or any of its components whose compensation is paid solely from sources other than State general fund support to the University otherwise requires approval from the Regents or a Committee of the Regents, the Health Services Committee shall have jurisdiction and exercise delegated authority to review and approve such appointment and/or compensation without further Regents action. While the Committee on Health Services may advise the Board, the Committee on Compensation shall retain primary jurisdiction over compensation for any employee whose compensation is paid in whole or in part from the State general fund.

Reports to the Board: All actions taken by the Committee pursuant to the authority delegated to the Committee shall be reported to the Board at its next following meeting.

- d. Rule of Interpretation: The terms of this Bylaw 12.7 shall prevail over any conflicting provision of the Bylaws, Standing Orders and Regents Policies.

~~The Committee on Health Services shall:~~

- a. ~~Consider and recommend to the Board strategic plans for University clinical enterprise activities and for each academic medical center.~~
- b. ~~Consider and act upon, except as otherwise provided in the Standing Orders, all matters related to business transactions affecting the clinical services of University academic medical centers and schools of health sciences including, but not limited to, acquisition of physician practices, hospitals, and other facilities, clinical and ancillary services, and participation or membership in joint ventures, partnerships, corporations, or any other entities, provided that transactions with a total purchase price or other financial commitment in excess of \$5 million per transaction or \$15 million cumulatively per health sciences institution per fiscal year, subject to an overall \$50 million per year~~

~~limitation, shall be considered and acted upon by the Board. Total purchase price or other financial commitment shall be determined in accordance with generally accepted accounting principles taking into account all consideration including cash paid and the net present value of liabilities assumed or incurred. All action taken by the Committee shall be reported to the Board at its next meeting.~~

- ~~e. Consider and recommend to the Board the academic medical center capital and operating budgets for each fiscal year. Where matters are presented to other committees concerning any aspect of projects included in the capital budget, the item shall also be placed on the agenda of the Committee on Health Services to permit the Committee to review the recommendation in relation to the strategic plan for the affected academic medical center.~~
- ~~d. Consider matters relating to the University hospitals' and student health and counseling clinical programs', including self-insured student health programs, licensure, accreditation, planning, patient care, medical staff matters, quality assurance, and relationships with schools of health sciences.~~
- ~~e. Consider and recommend to the Board policies in connection with the operation and governance of University hospitals and student health and counseling clinical programs, including self-insured student health programs.~~
- ~~f. Review, at appropriate intervals to be determined by the Committee, reports of financial matters relating to each hospital including expenses and revenue by source, patient days and visits, and other pertinent financial data and information and financial planning.~~
- ~~g. Consider developments, including pending legislation, involving significant changes in health care delivery and financing.~~
- ~~h. Act in an advisory capacity to the President of the University with respect to appointments of Directors of University hospitals.~~
- ~~i. As to each University hospital, review at least annually reports submitted by the President of the University and the Chancellor to the Committee relating to licensure, including special services, accreditation, planning, patient care, medical staff matters including quality assurance, and any appropriate corrective action, and relationships with schools of health sciences. The annual report for each University hospital shall set forth separately for the Committee's review:
 - ~~1. a mission statement with attention to the three basic functions of teaching hospitals: patient care, education, and research in the health sciences;~~
 - ~~2. medical staff bylaws;~~
 - ~~3. policies and procedures of the campus to implement hospital governing body responsibilities set forth in Title 22 of the California Administrative Code and the~~~~

~~Accreditation Manual for Hospitals of the Joint Commission on Accreditation of Hospitals.~~

- ~~j. Report periodically to the Board concerning the functions and activities of the Committee.~~

Additions shown by underscoring; deletions shown by strikethrough

STANDING ORDER 100.4

OFFICERS OF THE UNIVERSITY

DUTIES OF THE PRESIDENT OF THE UNIVERSITY

Standing Order 100.4: Duties of the President of the University

100.4 Duties of the President of the University

(rr)

Notwithstanding any provision in the Bylaws or Standing Orders to the contrary, including, without limitation, paragraphs (dd)(3) (loans of Corporation funds), (dd)(5) (certain affiliation agreements), (dd)(6) (agreements for the collection of fees), (dd)(9) (assumption of liability), and (oo) (participations) of this Standing Order, the President is authorized to approve and execute on behalf of the Corporation all contracts and documents relating to transactions that primarily arise from or serve the programs and services of UC Health or any of its components, as defined in Bylaw 12.7, where the transaction can reasonably be anticipated to commit or generate up to the lesser of (i) 1.5% of the relevant Medical Center's annual operating revenue for the previous fiscal year, or (ii) \$25 million. This approval authority may be exercised only with the review and approval of the Chair or Vice Chair of the Committee on Health Services, and does not extend to any transaction for a Medical Center that, when combined with other transactions approved by the President under this paragraph (rr) for that Medical Center during the fiscal year, would reasonably be anticipated to commit or generate more than the lesser of (i) 3% of the relevant Medical Center's annual operating revenue for the previous fiscal year, or (ii) \$50 million; nor to any transaction involving more than one Medical Center.

Additions shown by underscoring; deletions shown by strikethrough

REGENTS POLICY

COMMITTEE ON HEALTH SERVICES

- A. Thresholds for Delegation of Authority to Approve Transactions Pursuant to Bylaw 12.7:
1. The Committee on Health Services is authorized, without further Regents action, to approve transactions, as defined in Bylaw 12.7, otherwise requiring Regents approval that primarily arise from or serve the programs and services of UC Health or any of its components when:
 - i. the transaction can reasonably be anticipated to commit or generate up to 3% of the annual operating revenue for the relevant Medical Center(s) as reflected in the audited financial statement(s) for the most recent full fiscal year; and
 - ii. combined with the value of transactions previously approved by the Committee in the relevant fiscal year, the transaction can reasonably be anticipated to commit or generate up to 5% of the annual operating revenue for the relevant Medical Center(s) as reflected in the audited financial statement(s) for the most recent full fiscal year.
 2. The value of a transaction shall be determined on the basis of the cumulative value of UC's direct financial commitment, including both UC cash contributions and debt assumed, or the combined value of any assets or debt sold or otherwise disposed.
- B. Compensation Benchmarks: The Committee on Health Services shall develop a benchmarking framework for use in evaluating compensation proposals that may be approved under Bylaw 12.7. The benchmarking framework shall identify peer institutions against which UC Health competes for high level positions and identify external salary data for positions comparable to those that may be approved by the Committee under Bylaw 12.7. The benchmarking framework shall be reviewed and approved by the Committee on Health Services and the Committee on Compensation at least every two (2) years.
- C. Chancellor Committee Members: To the extent that an item on the agenda for a meeting of the Committee on Health Services primarily or substantially benefits the campus led by a Chancellor member of the Committee on Health Services, the member may present the item as an advocate for the campus but shall not otherwise participate in deliberation by the Committee. This limitation shall not be effective where an item is reasonably anticipated to provide direct benefit to all campuses with medical centers.

D. Conflict of Interest: Advisory Members shall not participate in deliberations of the Committee on any matter in which the member or an immediate family member has a financial interest.

E. UC Health Oversight:

1. Strategic Plan and Budget: The Committee shall report annually to the Board on the UC Health strategic plan and budget at the July meeting.
2. Quality, Cost and Access: The Committee shall oversee development of dashboards assessing quality of care, cost of service, and access to care across the UC Health clinical enterprise, and shall use the dashboards to monitor performance against established benchmarks.
3. Student Health Centers: The Committee shall report annually to the Board on the status of the University's student health and counseling centers and the UC Student Health Insurance Plan at the September meeting.
4. Transaction Review: The Committee shall annually review and assess the transactions approved in the previous three years and report in writing on its assessment to the Board for the March meeting.
5. Health Plan Contracts: The senior executive for health affairs in the Office of the President shall regularly brief the Committee on system-wide managed care and other health plan participation arrangements negotiated on behalf of the UC Health clinical enterprise.

F. Implementation: The amendments to Bylaw 12.7 approved at the November 2015 meeting shall be implemented as soon as practicable thereafter, subject to the following transition provisions:

1. The Chair and Vice-Chair of the Committee as approved by the Board in May, 2015, shall continue in such capacity. The initial term of the Chair shall be three years, extending through June 2019 to coincide with the regular committee appointment cycle.
2. Nothing shall prevent the Committee on Health Services from approving compensation for a proposed hire before completion of the initial benchmarking framework described in Section B above.
3. The provisions of this Section F shall expire on July 1, 2019 and the Secretary and Chief of Staff shall take all actions necessary to remove Section F from Regents Policy ____.

Proposed Revisions to Internal Audit Charter

Additions shown by underscoring; deletions shown by strikethrough

Internal Audit Charter

(Charter Revised ~~May 2011~~, Vision and Mission Sections Revised ~~March 2014~~)

Policy Statement

It is the policy of the University of California to maintain an independent and objective internal audit function to provide the Regents, President, and campus Chancellors with information and assurance on the governance, risk management and internal control processes of the University. Further, it is the policy of the University to provide the resources necessary to enable Internal Audit to achieve its mission and discharge its responsibilities under its Charter. Internal Audit is established by the Regents, and its responsibilities are defined by The Regents' Committee on Compliance and Audit as part of their oversight function.

Vision

UC Internal Audit will be a universally recognized knowledgeable, collaborative and trusted resource on governance, risk management and control.

Mission

The mission of the University of California (UC) internal audit (IA) is to provide the Regents, President, campus Chancellors, and Laboratory Director independent and objective assurance and consulting services designed to add value and to improve operations. We do this through communication and collaboration with management to assist the campus community in the discharge of their oversight, management, and operating responsibilities. IA brings a systematic and disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes.

Authority

IA functions under the policies established by the Regents of the University of California and by University management under delegated authority.

IA is authorized to have full, free and unrestricted access to information including records, computer files, property, and personnel of the University in accordance with the authority granted by approval of this charter and applicable federal and state statutes. Except where limited by law, the work of IA is unrestricted. IA is free to review and evaluate all policies, procedures, and practices for any University activity, program, or function.

In performing the audit function, IA has no direct responsibility for, nor authority over any of the activities reviewed. The internal audit review and approval process does not in any way relieve other persons in the organization of the responsibilities assigned to them.

Independence and Reporting Structure

To permit the rendering of impartial and unbiased judgment essential to the proper conduct of audits, internal auditors will be independent of the activities they audit. This independence is based primarily upon organizational status and objectivity and is required by external industry standards.

The Senior Vice President - Chief Compliance and Audit Officer (CCAO) has a direct, independent reporting relationship to The Regents, communicating directly with the Board of Regents and the Regents Committee on Compliance and Audit regarding all elements of meaningful compliance and audit programs, including providing annual reports on compliance with applicable laws, regulations, and University policies. The CCAO shall also consult with and advise the President on compliance and audit activities. The CCAO has established an active channel of communication with the Chair of The Regents' Committee on Compliance and Audit, as well as with campus executive managements, on audit matters. The CCAO has direct access to the President and The Regents' Committee on Compliance and Audit. In addition, the CCAO serves as a participating member on all campus compliance oversight/audit committees.

Campus/Laboratory Internal Audit Directors (IADs) report administratively to the Chancellor/Laboratory Director ~~(or designate)~~ and directly to The Regents' Committee on Compliance and Audit through the CCAO. IADs have direct access to the CCAO and to the President or The Regents' Committee on Compliance and Audit as circumstances warrant.

Campus IADs will report periodically to the campus compliance oversight/audit committees on the adequacy and effectiveness of the organization's processes for controlling its activities and managing its risks in the areas set forth under the mission and scope of work; the status of the annual audit plan, and the sufficiency of audit resources. The local audit functions will coordinate with and provide oversight of other control and monitoring functions involved in governance such as risk management, compliance, security, legal, ethics, environmental health & safety, external audit, etc.

IADs may take directly to the respective Chancellor or Laboratory Director, the CCAO, the President, or The Regents matters that they believe to be of sufficient magnitude and importance. IADs shall take directly to the CCAO who shall report to the President and The Regents' Committee on Compliance and Audit Chair, any credible allegations of significant wrongdoing (including any wrongdoing for personal financial gain) by or about a Chancellor, Executive Vice Chancellor or Vice President, or any other credible allegations that if true could cause significant harm or damage to the reputation of the University.

The Chancellors/Laboratory Director may delegate other IAD administrative oversight responsibilities such as time and expense approval and departmental budget oversight to a position no lower than the Vice Chancellor/Associate Laboratory Director or Chief Operating Officer level. To maintain organizational independence, this position should generally not have responsibility over key operating units routinely reviewed by internal audit. If Chancellors/Laboratory Director, when pursuant to their re-delegation authority, designate a position to whom the IAD shall report, that position shall be at least at the Vice

~~Chancellor/Deputy Laboratory Director level and the~~ The Chancellor/Laboratory Director shall retain responsibility for: approval of the campus/laboratory annual audit plan; approval of local audit committee/work group charter; and shall meet with the IAD ~~at least annually~~ regularly to review the state of the internal audit function and the state of internal controls locally. The Regents have the ultimate authority to approve and/or amend the systemwide audit plan, which is a consolidation of all campus and laboratory audit plans. ~~When reporting responsibility is re-delegated, IADs also have direct access to Chancellors/Laboratory Directors as circumstances warrant.~~

Scope of Work

The scope of IA work is to determine whether UC's network of risk management, control, and governance processes, as designed and represented by management at all levels, is adequate and functioning in a manner to ensure:

- Risk management processes are effective and significant risks are appropriately identified and managed.
- Ethics and values are promoted within the organization.
- Financial and operational information is accurate, reliable, and timely.
- Employee's actions are in compliance with policies, standards, procedures, and applicable laws and regulations.
- Resources are acquired economically, used efficiently, and adequately protected.
- Programs, plans, and objectives are achieved.
- Quality and continuous improvement are fostered in the organization's risk management and control processes.
- Significant legislative or regulatory compliance issues impacting the organization are recognized and addressed properly.
- Effective organizational performance management and accountability is fostered.
- Coordination of activities and communication of information among the various governance groups occurs as needed.
- The potential occurrence of fraud is evaluated and fraud risk is managed.
- Information technology governance supports UC strategies and objectives.

Opportunities for improving management control, quality and effectiveness of services, and the organization's image identified during audits are communicated by IA to the appropriate levels of management.

Nature of Assurance and Consulting Services

IA performs three types of projects:

Audits – are assurance services defined as examinations of evidence for the purpose of providing an independent assessment on governance, risk management, and control processes

for the organization. Examples include financial, performance, compliance, systems security and due diligence engagements.

Consulting Services – the nature and scope of which are agreed with the client, are intended to add value and improve an organization’s governance, risk management, and control processes without the internal auditor assuming management responsibility. Examples include reviews, recommendations (advice), facilitation, and training.

Investigations – are independent evaluations of allegations generally focused on improper governmental activities including misuse of university resources, fraud, financial irregularities, significant control weaknesses and unethical behavior or actions.

Mandatory Guidance

IA serves the University in a manner that is consistent with the standards established by the SVP/CCAO and acts in accordance with University policies and *UC Standards for Ethical Conduct*. At a minimum, it complies with relevant professional standards, and the Institute of Internal Auditors’ mandatory guidance including the *Definition of Internal Auditing*, the *Code of Ethics* and the *International Standards for the Professional Practice of Internal Auditing*. This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of the internal audit activity’s performance.

Certain Personnel Matters

Action to appoint, demote or dismiss the SVP/CCAO requires the approval of The Regents. Action to appoint an IAD requires the concurrence of the SVP/CCAO. Action to demote or dismiss an IAD requires the concurrence of the President and Chair of the Compliance and Audit Committee, upon the recommendation of the SVP/CCAO.

2016-17 BUDGET FOR STATE CAPITAL IMPROVEMENTS

MERCED 2020 PROJECT BUDGET

US\$ in millions	State Eligible									Non State-Eligible									Total Project								
	ASF	GSF	Site Prep	Site Development	Infrastructure	Construction	FF&E	Soft Costs	Total State Eligible	ASF	GSF	Site Prep	Site Development	Infrastructure	Construction	FF&E	Soft Costs	Total Non State Eligible	Total ASF	Total GSF	Site Prep	Site Development	Infrastructure	Construction	FF&E	Soft Costs	Total Project Cost
Academic Space																											
Research Laboratory	181,660	301,700	0.75	8.64	25.01	191.47	19.04	33.14	278.04	-	-	-	-	-	-	-	-	-	181,660	301,700	0.75	8.64	25.01	191.47	19.04	33.14	278.04
Academic Office	112,790	172,400	0.24	2.78	8.05	61.61	6.12	10.66	89.46	-	-	-	-	-	-	-	-	-	112,790	172,400	0.24	2.78	8.05	61.61	6.12	10.66	89.46
Classrooms	33,360	38,900	0.10	1.10	3.20	24.46	2.43	4.23	35.52	-	-	-	-	-	-	-	-	-	33,360	38,900	0.10	1.10	3.20	24.46	2.43	4.23	35.52
Classroom Laboratory	26,445	60,700	0.09	1.04	3.01	23.03	2.29	3.99	33.44	-	-	-	-	-	-	-	-	-	26,445	60,700	0.09	1.04	3.01	23.03	2.29	3.99	33.44
Chancellor Suite	9,769	15,000	0.02	0.19	0.54	4.13	0.41	0.72	6.00	-	-	-	-	-	-	-	-	-	9,769	15,000	0.02	0.19	0.54	4.13	0.41	0.72	6.00
Colloquy Space	10,000	16,700	0.03	0.33	0.96	7.33	0.73	1.27	10.65	-	-	-	-	-	-	-	-	-	10,000	16,700	0.03	0.33	0.96	7.33	0.73	1.27	10.65
Enrollment Center	22,785	35,100	0.05	0.52	1.51	11.57	1.15	2.00	16.80	-	-	-	-	-	-	-	-	-	22,785	35,100	0.05	0.52	1.51	11.57	1.15	2.00	16.80
Campus Operations	19,020	27,200	0.05	0.59	1.70	13.02	1.29	2.25	18.91	-	-	-	-	-	-	-	-	-	19,020	27,200	0.05	0.59	1.70	13.02	1.29	2.25	18.91
Student Housing	-	-	-	-	-	-	-	-	-	380,453	505,900	1.19	9.80	21.35	163.45	14.72	28.26	238.76	380,453	505,900	1.19	9.80	21.35	163.45	14.72	28.26	238.76
Student Activity	-	-	-	-	-	-	-	-	-	122,630	193,000	0.75	6.18	13.47	103.17	9.29	17.76	150.62	122,630	193,000	0.75	6.18	13.47	103.17	9.29	17.76	150.62
Parking	-	-	-	-	-	-	-	-	-	-	-	2.13	18.44	-	-	0.08	3.50	24.16	-	-	2.13	18.44	-	-	0.08	3.50	24.16
Owner Costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	88.34	88.34	-	-	-	-	-	-	-	88.34	88.34
Contingency	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	68.75	68.75	-	-	-	-	-	-	-	68.75	68.75
Total (\$2014)	415,829	667,700	1.31	15.18	43.97	336.62	33.47	58.27	488.82	503,083	698,900	4.07	34.42	34.82	266.62	24.09	206.61	570.63	918,912	1,366,600	5.38	49.61	78.79	603.24	57.56	264.88	1,059.45
Total (YOE)	415,829	667,700	1.42	16.38	47.43	363.12	36.10	62.86	527.30	503,083	698,900	4.39	37.13	37.56	287.61	25.99	222.87	615.55	918,912	1,366,600	5.81	53.51	84.99	650.73	62.09	285.73	1,142.85

Inflation Factor

1.08

Key

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	Separate Action: Approval of Budget and Commercial terms of the 2020 Project Agreement and Related Actions

2016-17 Budget Plan for Core Funds (Dollars in Millions)**2015-16 OPERATING BUDGET**

State General Funds	\$3,161.1
Less General Obligation Bond Debt Service	(205.6)
State General Funds (excluding GO Bond Debt Service)	<u>\$2,955.6</u>

Total Core Funds (State General Funds, Student Tuition and Fee Revenue, and UC General Funds) \$7,307.3

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

Asset Management	\$	40.0
Systemwide Contracts	\$	30.0
Fiat Lux / Risk Captive	\$	15.0
Philanthropy	\$	10.0
Repurposed Funds Formerly Used as Aid to Nonresident Undergraduates	\$	14.0
Subtotal	\$	<u>109.0</u>

State General Funds

Undergraduate Enrollment Growth	\$	25.0
Graduate Enrollment Growth	\$	6.0
4% Base Budget Increase	\$	125.6
Subtotal	\$	<u>156.6</u>

Fees

Student Services Fee Increase (5%)	\$	8.7
Mandatory Charges - Enrollment Growth	\$	55.2
Revenue for Financial Aid	\$	33.1
Subtotal	\$	<u>97.0</u>

UC General Funds

Nonresident Supplemental Tuition	\$	68.7
Indirect Cost Recovery		-
Subtotal	\$	<u>68.7</u>

One-Time Resources

Prior Year Enrollment Funding	\$	25.0
Deferred Maintenance	\$	25.0

TOTAL INCREASE IN REVENUE **\$ 481.3**

PROPOSED INCREASES IN EXPENDITURES

Enrollment Growth **\$ 56.0**

Mandatory Costs

Retirement Contributions	\$	24.1
Employee Health Benefits	\$	28.4
Annuitant Health Benefits	\$	4.2
Contractually Committed Compensation	\$	26.9
Faculty Merit Program	\$	32.0
Non-Salary Price Increases	\$	29.7
Subtotal	\$	<u>145.3</u>

Investment in Academic Quality

\$ 50.0

High-Priority Costs

Compensation	\$	129.4
Deferred Maintenance	\$	50.0
High-Priority Capital Needs	\$	15.0
Subtotal	\$	<u>194.4</u>

Financial Aid

Dream Loan	\$	5.0
Other Financial Aid	\$	30.6
Subtotal	\$	<u>35.6</u>

TOTAL INCREASE IN EXPENDITURES **\$ 481.3**

2016-17 BUDGET FOR STATE CAPITAL IMPROVEMENTS

MERCED 2020 PROJECT BUDGET

US\$ in millions	State Eligible									Non State-Eligible									Total Project								
	ASF	GSF	Site Prep	Site Development	Infrastructure	Construction	FF&E	Soft Costs	Total State Eligible	ASF	GSF	Site Prep	Site Development	Infrastructure	Construction	FF&E	Soft Costs	Total Non State Eligible	Total ASF	Total GSF	Site Prep	Site Development	Infrastructure	Construction	FF&E	Soft Costs	Total Project Cost
Academic Space																											
Research Laboratory	181,660	301,700	0.75	8.64	25.01	191.47	19.04	33.14	278.04	-	-	-	-	-	-	-	-	-	181,660	301,700	0.75	8.64	25.01	191.47	19.04	33.14	278.04
Academic Office	112,790	172,400	0.24	2.78	8.05	61.61	6.12	10.66	89.46	-	-	-	-	-	-	-	-	-	112,790	172,400	0.24	2.78	8.05	61.61	6.12	10.66	89.46
Classrooms	33,360	38,900	0.10	1.10	3.20	24.46	2.43	4.23	35.52	-	-	-	-	-	-	-	-	-	33,360	38,900	0.10	1.10	3.20	24.46	2.43	4.23	35.52
Classroom Laboratory	26,445	60,700	0.09	1.04	3.01	23.03	2.29	3.99	33.44	-	-	-	-	-	-	-	-	-	26,445	60,700	0.09	1.04	3.01	23.03	2.29	3.99	33.44
Chancellor Suite	9,769	15,000	0.02	0.19	0.54	4.13	0.41	0.72	6.00	-	-	-	-	-	-	-	-	-	9,769	15,000	0.02	0.19	0.54	4.13	0.41	0.72	6.00
Colloquy Space	10,000	16,700	0.03	0.33	0.96	7.33	0.73	1.27	10.65	-	-	-	-	-	-	-	-	-	10,000	16,700	0.03	0.33	0.96	7.33	0.73	1.27	10.65
Enrollment Center	22,785	35,100	0.05	0.52	1.51	11.57	1.15	2.00	16.80	-	-	-	-	-	-	-	-	-	22,785	35,100	0.05	0.52	1.51	11.57	1.15	2.00	16.80
Campus Operations	19,020	27,200	0.05	0.59	1.70	13.02	1.29	2.25	18.91	-	-	-	-	-	-	-	-	-	19,020	27,200	0.05	0.59	1.70	13.02	1.29	2.25	18.91
Student Housing	-	-	-	-	-	-	-	-	-	380,453	505,900	1.19	9.80	21.35	163.45	14.72	28.26	238.76	380,453	505,900	1.19	9.80	21.35	163.45	14.72	28.26	238.76
Student Activity	-	-	-	-	-	-	-	-	-	122,630	193,000	0.75	6.18	13.47	103.17	9.29	17.76	150.62	122,630	193,000	0.75	6.18	13.47	103.17	9.29	17.76	150.62
Parking	-	-	-	-	-	-	-	-	-	-	-	2.13	18.44	-	-	0.08	3.50	24.16	-	-	2.13	18.44	-	-	0.08	3.50	24.16
Owner Costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	88.34	88.34	-	-	-	-	-	-	-	88.34	88.34
Contingency	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	68.75	68.75	-	-	-	-	-	-	-	68.75	68.75
Total (\$2014)	415,829	667,700	1.31	15.18	43.97	336.62	33.47	58.27	488.82	503,083	698,900	4.07	34.42	34.82	266.62	24.09	206.61	570.63	918,912	1,366,600	5.38	49.61	78.79	603.24	57.56	264.88	1,059.45
Total (YOE)	415,829	667,700	1.42	16.38	47.43	363.12	36.10	62.86	527.30	503,083	698,900	4.39	37.13	37.56	287.61	25.99	222.87	615.55	918,912	1,366,600	5.81	53.51	84.99	650.73	62.09	285.73	1,142.85

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University of California
Three-Year Financial Sustainability Plan

Introduction

The University of California has maintained a remarkable track record of access, affordability, and excellence during periods of both economic growth and crisis. Most recently:

- UC campuses represent six of the seven top-ranked institutions according to the *New York Times* College Access Index 2015, which ranks universities on factors such as enrollment of low-income students, graduation rates, and net cost for needy students.
- Six of the top 13 national public universities are UC campuses according to the *U.S. News and World Report* 2016 college rankings, which are based on academic reputation, institutional resources, and selectivity in admissions.
- Four UC campuses rank among the top 20 best universities in the world according to the Academic Rankings of World Universities (ARWU), which is developed by the Shanghai Ranking Consultancy and considers factors such as faculty quality and research output.

This success is attributable to a historically strong and robust partnership between the State and the University. Despite shifting economic circumstances and competing priorities, the State of California continues to provide substantial support to the University's core budget. Combined with the State's commitment to the Cal Grant program, State support remains critical to the University's ability to serve California resident students.

The University, in turn, has continuously sought to serve more students while maintaining and enhancing the quality of instruction that it delivers at a lower overall cost per student. Examples of these cost-saving efforts include employing alternative instructional delivery models, streamlining paths to graduation, achieving administrative efficiencies, and adopting lower-cost models for procurement and insurance strategies. The University's financial aid programs, together with State and Federal programs, ensure that over one-half of California resident undergraduates have their systemwide tuition and fees fully covered by gift aid.

The University is determined to sustain this tradition of providing a world-class education to an increasingly diverse and talented cross-section of California students.

Context for the University's Sustainability Plan

The Budget Act of 2015 calls upon the University to develop a sustainability plan and associated projections and goals for the years 2016-17, 2017-18, and 2018-19, based upon a set of assumptions provided by the Department of Finance. The relevant statutory language appears in Appendix 1 of this report.

Financial sustainability at the University means having sufficient resources to support all three goals of access, affordability, and excellence.

The long-term funding framework established by the Governor and the University represents an integrated strategy to support all three pillars. The framework provides no specific funding level for California resident enrollment growth. Rather, the framework calls upon the University to explore strategies for increasing the number of students that it serves through other means – for example, by reducing students' time-to-degree. Such efforts may, indeed, enable the University to serve more students over time. By themselves, however, they are unlikely to significantly expand access to UC for graduating classes of high school students and California Community College transfer students in the near term.

The Budget Act of 2015 includes a provision to allocate an additional \$25 million to the University, beginning in 2015-16, to support enrollment growth of 5,000 California undergraduates by 2016-17 compared to 2014-15 levels. (The funding is contingent upon the University demonstrating by May 2016 that it will likely meet that target for 2016-17.) Together with other University resources, this funding will allow campuses to hire faculty members, to expand academic support services, and to provide other critical services associated with enrolling 5,000 more California resident students next year.

The University has developed a sustainability plan that incorporates both the funding and the expected 2016-17 enrollment growth reflected in the Budget Act of 2015 while also sustaining expanded access in future years. The University's plan also includes modest growth in graduate student enrollment, consistent with UC's role as the primary research enterprise for the State and recognizing the essential contributions that graduate students make to undergraduate education.

In addition, to meet the statutory requirement of the Budget Act of 2015, the University also developed an alternative sustainability approach that adheres to the Department of Finance assumptions although it does not reflect the University's intentions for the coming years. Consistent with those assumptions, the alternative approach reflects no State funding for enrollment growth in 2016-17 or subsequent years, resulting in limited growth in California resident undergraduate enrollment and no graduate enrollment growth. The alternative approach appears as Appendix 2 of this report.

Both the University's plan and the alternative approach based on Department of Finance assumptions reflect continued efforts to maximize operational efficiencies and to control costs. The primary difference between the University's plan and the alternative approach is the inclusion in the University's plan of projected enrollment growth and an associated – and essential – increase in State support for those additional students. Both the University's plan and the alternative approach reflect expenditures that are critical to the University's ability to continue to provide the type of education students seek from UC.

SECTION A. FINANCIAL PLAN

In developing its long-range financial plan, the University has looked carefully at the basic cost drivers of the institution and the resources available to cover those costs.

Expenditure Assumptions of UC's Financial Plan

The University's financial plan for 2016-17, 2017-18 and 2018-19 includes projected expenditures based on the following baseline expenditure assumptions:

- The plan includes an increase of 5,000 California resident undergraduate students and 600 graduate students in 2016-17 compared to 2014-15, followed by sustained enhanced access with annual increases of 2,500 resident undergraduates and 700 graduate students per year.
- Employer contributions to the University's retirement system will remain at the current 14% of compensation over the three-year period. (Note that while the framework calls for the University to receive one-time support over three years totaling nearly \$500 million to reduce the unfunded liability of its retirement plan, those funds will not impact annual employer contributions during this period.)
- The University assumes average annual increases in health benefit costs for active employees and retirees of 5.0% during the period covered by the plan.
- The financial plan assumes non-salary price increases of 2% in each of the next three years, with a slightly higher estimated rate of increase for energy-related purchased utilities.
- The plan assumes that \$96 million will be directed over the three-year planning horizon to the Faculty Merit Program. This program is a rigorous peer review of each faculty member every two to three years

to ensure that UC retains the best faculty for teaching and research. The program remains a cornerstone of UC's compensation program to recruit and retain high-quality faculty.

- The financial plan assumes compensation increases over the next three years equivalent to 3% each year, including represented and non-represented academic and non-academic staff. The latest faculty compensation study concluded that UC's faculty salaries are nearly 12% behind market. The proposed compensation increases are not expected to close UC's salary lag but to keep UC salaries from slipping further behind those of UC's principal competitor institutions.
- The plan includes permanent funds to meet a portion of the University's deferred maintenance needs. Addressing the deterioration of UC's aging buildings and supporting infrastructure is a very high priority of the President and the Regents, as the deferred maintenance backlog represents a growing life-safety and economic risk to the institution.
- The plan provides funding for the operating budget to support a modest capital program, consistent with the provisions set forth in AB 94 trailer bill language. This funding is essential to allow the Merced campus to build new facilities that will allow the campus to continue to grow and to address critical life-safety and other capital needs at the other campuses.
- The plan includes annual investments in critical elements of the academic program. These include improving the student-faculty ratio; funding for startup packages for new faculty, which is a major obstacle for many campuses seeking to hire new faculty; augmenting graduate student support to ensure that the level of support offered by UC is sufficient to attract top graduate students; and enhancing undergraduate instructional support (including instructional technology, libraries, instructional equipment replacement, and building maintenance).

Projections of Available Resources

The University's financial plan proposes to address its expenditure needs over the next three years through a combination of the resources shown below.

State General Funds and Student Tuition and Fees

The University's plan includes the following revenue projections, which reflect elements from both the funding framework, the Budget Act of 2015, and the State's historic practice of supporting expanded access at UC for California resident students:

- annual 4% base budget adjustments in State funding, consistent with the framework;
- \$25 million annually of State funding to support an additional 5,000 California resident undergraduate students beyond 2014-15 levels, consistent with the Budget Act of 2015, along with marginal cost funding for graduate enrollment growth and sustained, moderate California resident enrollment growth in future years;
- annual increases of 5% in the Student Services Fee, with one-half of the revenue (net of aid) to be set aside for enhanced student mental health services; and
- beginning in 2017-18, annual increases in Tuition pegged generally to inflation.

The plan does not address projected increases in Professional Degree Supplemental Tuition (PDST). Any increase in PDST revenue resulting from enrollment growth in programs that charge PDST and/or to increases in PDST levels would cover cost increases associated with those programs and hence would not affect other aspects of the University's budget plan.

Cost-Saving Measures, Efficiencies, and Alternative Revenue Sources

The University's financial plan assumes that the following further operational efficiencies and alternative revenues will also be available to help meet its funding needs.

- The plan assumes \$60 million of increased revenue over a three-year period available for operating budget purposes from philanthropy. While the University has been successful in increasing philanthropic giving, the vast majority of gifts to the University are restricted and not available to enhance the core operating budget. Achieving this goal will require the University not only to continue to increase existing levels of philanthropic support, but also to implement innovative new strategies to increase the flexibility of these funds.
- Nonresident Supplemental Tuition will continue to play an important role in the University's finances. Additional revenue is projected from increases in undergraduate Nonresident Supplemental Tuition of 8% in 2016-17 and 5% in subsequent years. The University's plan also includes a reduction in the growth of the University's nonresident undergraduate population each year.
- The plan also assumes that the University will secure additional funding for operating budget purposes from liquidity management strategies.
- In recent years, the strategic sourcing initiative, also known as procurement reform, has delivered substantial cost savings (much of which accrues to non-core funds). The financial plan assumes that the University will secure an additional \$30 million in permanent core fund savings from this systemwide initiative in 2016-17 alone.
- Although many campuses have experienced declines in federal research funding due to sequestration and other changes in the way federal research funding is awarded, a number of UC campuses have managed to partially mitigate the impact of these declines recently by renegotiating higher indirect cost recovery rates from the federal government, as well as by securing more nonfederal research funding. As a result of these efforts, the financial plan assumes that indirect cost recovery will remain flat during the next three-year period, despite potential decreases in federal funding for research.
- Under the plan, funding from the University's University Student Aid Program awarded to financially needy nonresident undergraduate students would be redirected to support enrollment growth. (This change would apply only to future cohorts of nonresident undergraduate students, not to students currently enrolled at UC.)

Other Efforts to Improve Student Access and Outcomes

Under the framework, the University has committed to a number of key reforms that have the potential, over time, to improve student success, to expand the University's capacity to serve students, and to reduce elements of the University's cost structure. These include, but are not limited to, the following:

- an enhanced commitment to the transfer function, reflected in both enrollment goals and efforts to clarify and streamline the transfer function;
- innovations to support student progress and improve time-to-degree, such as reviewing the number of undergraduate upper division major units required for graduation across the system, identifying three-year degree pathways, and piloting alternative pricing models in summer sessions;
- continued development of online undergraduate courses, with funding priority for bottleneck courses;
- supporting the innovative use of data to identify students at risk, to explore different methods for assessing costs of instruction, and to support student learning; and

- developing new options for benefits under the University of California Retirement Plan (UCRP) for future hires that incorporate the pensionable salary cap reflected in State's Public Employee Pension Reform Act (PEPRA) for defined benefit plans.

Collectively, these far-reaching reforms represent a University-wide effort to rethink key elements of the educational and support services provided by the University to students and how those services may be delivered more effectively. Working closely with the Academic Senate, the administration has convened task forces throughout the University that are working simultaneously to make progress in each of these areas.

Differences between the University's Plan and the Alternative Approach Using Department of Finance Figures

As noted earlier, an alternative approach that is consistent with Department of Finance planning assumptions is included as an appendix to this plan in order to meet the statutory requirements of the Budget Act of 2015. In contrast to the University's plan, the alternative approach assumes no State support for enrollment growth and hence projects no material growth in California resident undergraduates or graduate students. The University does not intend to follow that approach; instead, the University intends to significantly expand enrollment. The alternative approach based on Department of Finance parameters assumes that University Student Aid Program funding currently received by nonresident undergraduate students would instead be redirected to provide additional financial aid for California resident students.

Projections of Available Resources and Expenditures in 2016-17, 2017-18, and 2018-19

	Cumulative Change from 2015-16 Base (\$M)		
	University's Plan		
	2016-17	2017-18	2018-19
Revenue			
State General Funds	\$157	\$319	\$488
Tuition and Fees (Gross)	97	250	406
Redirection of Nonresident Aid	14	28	42
Nonresident Suppl. Tuition (net of instr. costs)	69	121	173
Other Alternative Revenue	95	160	210
Deferred Maintenance (One-time)	25	25	0
Enrollment Pre-Funding (One-time)	25	0	0
Total	\$481	\$903	\$1,319
Expenditures			
Employee & Retiree Benefits (incl. UCRP & health)	\$56	\$111	\$168
Academic Merit Program	32	64	96
Compensation	156	297	443
Non-Salary Price Increases	30	54	78
Resident Enrollment Growth	56	88	120
Deferred Maintenance and Capital Program	65	100	120
Financial Aid	36	89	144
Academic Quality	50	100	150
Total	\$481	\$903	\$1,319

Source: UC Budget Office

SECTION B. ENROLLMENT PLAN

B.1 ENROLLMENT

Under the University's plan, UC will be able to enroll substantially more California resident undergraduates over the next 3 years.

Under the University's plan, the enrollment of California undergraduates would increase by 5,000 over 2014-15 levels by 2016-17 and would continue to grow by 2,500 California undergraduates in each of the following 2 years. By 2018-19 – the last year included in the plan – UC will enroll 10,000 more California resident undergraduates than it did in 2014-15.

Graduate and professional student enrollment, essential for California's economy and societal needs and to support the additional undergraduates who would be enrolled under the University's plan, would grow by 600 students in 2016-17 and by 700 students in subsequent years, for a total growth of 2,000 during this same period.

In contrast, enrollment growth among nonresident undergraduates would steadily decline for several years. Year-to-year growth in nonresident enrollment would fall from 1,200 in 2016-17 to 800 in 2018-19, as compared to budgeted growth of 2,000 for 2015-16.

Enrollment Projections Under the University's Plan

FTE Enrollment	2014-15	2015-16	University's Plan		
			2016-17	2017-18	2018-19
CA res UG	175,034	175,052	180,034	182,534	185,034
Nonresident UG	25,053	28,532	29,732	30,732	31,532
Graduate/ Prof	49,792	50,952	51,552	52,252	52,952
% Nonresident UG (excludes summer)	13.4%	15.2%	15.3%	15.5%	15.7%

Note: 2015-16 are estimates. Figures are FTE and include summer, except for the nonresident calculation.

B.2 ENROLLMENT — UPPER DIVISION CCC TRANSFERS

Under the University's plan, the number of transfer students will increase.

Supporting California Community College transfers is fundamental to the University's mission. From 2008-09 through 2011-12, UC increased both the proportion and the number of new transfer students enrolled. This trend has reversed in recent years due to lack of funding for new enrollment as well as declining transfer applicants—which reflect enrollment reductions at the community college level during the state's economic crisis. It is expected that demand from community college transfer applicants will begin to grow again, as a result of substantial new funding directed to the California Community Colleges in recent years.

In recognition of the importance of providing access for CCC students to the UC system, President Napolitano launched a transfer initiative to identify ways to broaden access, ease the transfer pathways, and improve educational outcomes for transfer students. Under the University's plan, which allows for increased enrollment of new California students, UC would be able to make progress on these goals.

Upper-division transfer students enrolled annually from the California Community Colleges (CCC)

Academic Year FTE	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	University's Plan		
							2016-17	2017-18	2018-19
Number	32,523	34,041	33,807	33,615	34,086	34,344	35,756	36,980	37,531
% of all undergrads (FTE)	19.2	19.8	19.4	18.9	18.5	18.2	18.4	18.7	18.7

Note: 2015-16 are estimates. Excludes the summer term. Source: UC Corporate Student System. Upper-division CCC transfer students are those who enter UC from a California Community College with junior or senior standing. Postbaccalaureate teaching credential students are not counted as undergraduates.

B.3 ENROLLMENT — LOW-INCOME UNDERGRADUATES

Under the University's plan, UC's commitment to access for low-income students will be undiminished, although enrollment of low-income Pell-eligible students may decline slightly as a result of changes in the economy.

The University's track record for enrolling low-income students is unmatched by other research universities and is a strong engine for social mobility and economic equity in the state. Growth in Pell grant recipients over the past decade at UC reflects a combination of admission policies that seek out highly talented students from disadvantaged backgrounds, a robust financial aid program which keeps UC financially accessible for low income students, the poor economy (which lowered families' income and hence made more students eligible for Pell grants), and changes to the federal Pell program that expanded eligibility to more students.

Trends in the number of Pell-eligible students can reflect both changes in the economy and changes to Pell program requirements. As a result, change in the enrollment of Pell grant recipients *over time* is an imperfect measure of accessibility for low-income students. For example, UC projects that the proportion of Pell-eligible students will decline slightly at UC (and nationally) in the coming years. This change is due in part to the ongoing economic recovery, which should result in higher family incomes generally. This is good news and does not reflect any reduction in the University's financial accessibility for students from low-income families.

Enrollment of Undergraduate Pell Grant Recipients

Academic Year FTE	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	University's Plan		
							2016-17	2017-18	2018-19
Number	68,933	71,565	73,147	74,984	76,183	76,452	78,890	80,349	81,392
% of all undergrads (FTE)	41%	42%	42%	42%	41%	41%	41%	41%	40%

Note: 2015-16 are estimates. Excludes the summer term. Source: UC Corporate Student System.

B.4 ENROLLMENT — UNDERREPRESENTED MINORITY UNDERGRADUATES

Under the University's plan, UC will be able to enroll more California resident undergraduates, who are more likely to come from underrepresented groups. This enrollment growth will provide greater opportunities for populations like Latino students, who are growing rapidly in number and whose levels of academic preparation are also rising.

Undergraduate students from underrepresented minority groups (African American, Latino, and American Indian) have been steadily increasing in numbers and in share at UC even as, in the past few years, enrollment growth has slowed in response to the lack of funding for new enrollment. Under the University's plan, UC will be able to increase access for California students, and underrepresented students are likely to increase in both number and proportion over current levels.

Enrollment of Underrepresented Minority Undergraduate Students

Academic Year FTE	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	University's Plan		
							2016-17	2017-18	2018-19
Number	37,411	40,552	43,100	45,702	49,089	50,362	54,140	57,347	60,404
% of all undergrads (FTE)	22%	24%	25%	26%	27%	27%	28%	29%	30%

Note: 2015-16 are estimates. Excludes the summer term. Source: UC Corporate Student System.

SECTION C. PERFORMANCE METRICS

Introduction

The text and tables on the following pages display the outcomes the University projects would be associated with the financial and enrollment assumptions reflected in the University's plan. Most of these metrics move very slowly. For example, degree completions associated with enrollment growth generally will not be reflected until after two years for transfer entrants, and after four years for new freshmen. Similarly, program enhancements designed to increase graduation rates cannot show immediate results because the cohorts that benefit from these programs are often early in their student careers. In some cases, it is even possible that indicators will move in the opposite direction for several years after a positive change is implemented because earlier cohorts will continue to exhibit outcomes based on conditions that existed in previous years.

The University carefully tracks graduation rates and degree completions and works at all levels to produce improvements in these metrics.

C.1 STUDENT SUCCESS — FRESHMAN AND TRANSFER GRADUATION RATES

Graduation rates for both freshman and transfer entrants at UC have been rising steadily in recent years. UC expects the rate of increase to slow because several campuses have reached rates that leave little room for dramatic improvements, and the improvements that will be achieved will come more slowly. In addition, as noted earlier, most of the students who will graduate during this three-year period are already enrolled and new improvements in the academic programs on the campuses will have a limited effect on their graduate rate or time to degree.

Nonetheless, UC's campuses continue to aggressively pursue new ideas and programs to improve student success. As a result of these efforts, UC projects that four-year graduation rates for freshman entrants and two-year graduation rates for transfer entrants for both Pell and non-Pell students will increase by about 1% per year.

In comparing graduation rates below for Pell grant recipients and non-Pell recipients, note that while freshman four-year and transfer two-year rates show differences between Pell and non-Pell students, these gaps largely disappear when comparing six year (freshman) and four-year (transfer) rates. Put another way, Pell-eligible students graduate at roughly the same rate as non-Pell students, but their average time-to-degree is longer. These differences are associated with family education levels and high school preparation levels that are lower for Pell grant recipients, on average, than they are for students without Pell grants. Six-year freshman graduation rates and four-year transfer graduation rates are not included in the performance metrics requested for this report but can be found online at accountability.universityofcalifornia.edu/2015/chapters/chapter-3.html.

Graduation Rates

	Entering cohort	University's Plan								
		F'06	F'07	F'08	F'09	F'10	F'11	F'12	F'13	F'14
4 yr grad rate, freshman entrants		60%	60%	61%	63%	62%	63%	64%	65%	66%
4 yr grad rate, Pell freshman entrants		51%	52%	54%	57%	56%	57%	58%	59%	60%
	Entering cohort	F'08	F'09	F'10	F'11	F'12	F'13	F'14	F'15	F'16
2 yr grad rate, Up Div CCC transfer entrants		52%	54%	55%	55%	56%	57%	58%	59%	60%
2 yr grad rate, Pell Up Div CCC transfer entr		44%	47%	48%	51%	52%	53%	54%	55%	56%

Graduation rates include UC-intercampus transfers. Students who graduate in the summer term are included with the prior year. Low-income Pell students are those who received a Pell grant during their time at UC.

C.2 STUDENT SUCCESS — DEGREE COMPLETIONS

Differences completions are expected to increase steadily.

Degree completions have risen steadily at UC, particularly among undergraduates from low-income households. Degree completions are influenced by changes in the total number of students enrolled, as well as by completion rates. As with graduation rates, degree completions are lagging indicators that will not show dramatic change during the three-year horizon of this plan.

Degree Completions

	University's Plan									
	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	
Freshman entrants	31,673	32,778	32,608	31,866	33,123	34,312	35,478	36,177	36,270	
Up Div CCC transfer entrants	13,093	14,191	14,717	14,651	14,745	14,893	14,936	15,013	16,416	
STEM freshman entrants	11,745	12,403	12,921	12,496	14,558	15,080	15,593	15,900	15,941	
STEM Up Div CCC transfer entrants	3,381	3,724	3,961	3,831	4,482	4,526	4,540	4,563	4,990	
Pell recipients	19,437	21,634	23,154	21,469	23,999	24,658	25,250	25,632	26,423	
STEM Pell recipients	6,366	6,874	7,578	7,027	8,775	9,016	9,232	9,372	9,661	
Graduate (excludes self-supporting)	13,717	14,290	14,579	14,322	13,976	14,260	14,543	14,827	15,410	
STEM Graduate (excl self-supporting)	7,240	7,694	7,950	8,012	8,167	8,333	8,498	8,664	9,005	

2015-16 is an estimate. Source: UC Corporate Student System. Graduate degrees exclude self-supporting programs.

C.3 ADDITIONAL METRICS — FIRST-YEAR UNITS

About half of new students take 45 units or more in their first year at UC and we do not anticipate changes in this metric.

In fall 2012, 51% of freshman entrants and 44% of transfer entrants took 45 units or more their first year. UC analysis of this indicator shows that whether or not a student has completed 45 units at the end of his or her first year is a poor predictor of eventual graduation or time-to-degree. Many students are eventually awarded units for courses taken elsewhere that have not yet been recorded at this point or earn units in later years through summer enrollment or by enrolling in a greater number of units during the academic year.

Percentage of undergraduates who take 45 units in their first year at UC

	F'13	University's Plan				
		F'14	F'15	F'16	F'17	F'18
% of freshmen completing 45 qtr units	51%	51%	51%	51%	51%	51%
% of UD CCC transfers completing 45 qtr units	44%	43%	43%	43%	43%	43%

Source: UC Corporate Student System. Transferred units are not included. Semester units (Berkeley and Merced) are converted to quarter equivalents at the rate of 1 semester unit=1.5 quarter units. Includes the trailing summer term.

C.4 ADDITIONAL METRICS — UNITS AT GRADUATION

Efforts to review major requirements may, over time, reduce UC students' total units at graduation.

A UC bachelor's degree requires a minimum of 180 quarter units (120 semester units). Transfer students use units transferred from community college to complete their degree requirements. Students pursuing majors with high unit requirements (such as engineering/computer science) and those pursuing multiple majors graduate with higher units, on average, than those in other majors.

As noted earlier, the University is engaged in a systemwide effort to review the major unit requirements for its most popular undergraduate majors with the goal of streamlining those requirements where possible. This effort, which is to be completed by July 1, 2017, is likely to result in declines in students' total units at graduation for future cohorts of graduating students, as shown in the display below.

Average number of UC quarter units at degree completion

	2013-14	University's Plan				
		2014-15	2015-16	2016-17	2017-18	2018-19
Freshman entrants	187	187	187	187	185	183
Upper-div CCC entrants	97	97	97	97	95	93

Source: UC Corporate Student System. Only UC units are shown. AP/IB/transferred units are not included. Semester units (Berkeley and Merced) are converted to quarter equivalents at the rate of 1 semester unit=1.5 quarter units.

C.5 ADDITIONAL METRICS — CORE FUND EXPENDITURES PER DEGREE AWARDED

Dividing total funding by degrees awarded does not result in a useful metric.

In its March 2014 Performance Indicators Report, the University described its concerns with using a ratio of total funding to degrees awarded as an indicator of institutional performance. Such a ratio is a poor indicator of either productivity or quality, for example, because it cannot distinguish between reduced expenditures attributable to cost-cutting measures that should be applauded (e.g., operational efficiencies) and cost reductions that can reflect a genuine erosion of quality (e.g., a higher student-faculty ratio).

The University fully supports the goals of transparency and accountability in higher education. The University's *Annual Accountability Report*, for example, contains dozens of indicators that collectively provide insight into virtually every aspect of the University's mission – including student access, affordability, and success; undergraduate and graduate enrollment trends; faculty and staff demographics; student learning outcomes; research activities; and health sciences and services (along with many others). The most recent edition of the report is available at accountability.universityofcalifornia.edu.

Estimated Total Core Funds Expenditures (\$M) and Degrees Awarded

	University's Plan		
	2016-17	2017-18	2018-19
State General Funds	\$3,112	\$3,275	\$3,444
Tuition and Fees	3,326	3,479	3,635
NRST	927	995	1,061
Other UC General Funds	292	301	310
Total Core Funds	\$7,658	\$8,049	\$8,451
 Degree Completions	 66,276	 67,344	 69,548

Source: UC Budget Office

C.6 ADDITIONAL METRICS — CORE FUNDS FOR UNDERGRADUATE DEGREES AWARDED

Estimates of core fund support for undergraduate education are now available.

In its *Expenditures for Undergraduate and Graduate Instruction and Research Activities* report, published in February 2015, the University developed a methodology for allocating core fund expenditures for education between undergraduate and graduate instruction. For purposes of this sustainability plan, figures in that report have been adjusted to reflect projected changes in core funds and enrollment. Estimated core funds for undergraduate education are shown below, along with projected undergraduate degrees awarded, for the years 2016-17 through 2018-19. Expenditure figures are in millions of dollars.

Estimated Total Core Funds Expenditures for Undergraduate Instruction (\$M) and Undergraduate Degrees Awarded

	University's Plan		
	2016-17	2017-18	2018-19
State General Funds	\$1,408	\$1,481	\$1,556
Tuition and Fees	\$1,505	\$1,573	\$1,643
NRST	\$419	\$450	\$479
Other UC General Funds	\$132	\$136	\$140
Total Core Funds	\$3,465	\$3,640	\$3,819
 Undergraduate Degree Completions	 51,733	 52,517	 54,137

Source: UC Budget Office

APPENDIX 1

Provision 3 of Item 6440-001-0001 of the Budget Act of 2015 states the following:

2. (a) The Regents of the University of California shall approve a plan that includes at least all of the following:

(1) Projections of available resources in the 2016–17, 2017–18, and 2018–19 fiscal years. In projecting General Fund appropriations and student tuition and fee revenues, the university shall use any assumptions provided by the Department of Finance. The Department of Finance shall provide any assumptions no later than August 1, 2015.

(2) Projections of expenditures in the 2016–17, 2017–18, and 2018–19 fiscal years and descriptions of any changes to current operations necessary to ensure that expenditures in each of those years are not greater than the available resources projected for each of those years pursuant to paragraph (1).

(3) Projections of resident and non-resident enrollment in the 2016–17, 2017–18, and 2018–19 academic years, assuming implementation of any changes described in paragraph (2).

4) The university’s goals for each of the measures listed in subdivision (b) of Section 92675 of the Education Code for the 2016–17, 2017–18, and 2018–19 academic years, assuming implementation of any changes described in paragraph (2). It is the intent of the Legislature that these goals be challenging and quantifiable, address achievement gaps for underrepresented populations, and align the educational attainment of California’s adult population to the workforce and economic needs of the state, pursuant to the legislative intent expressed in Section 66010.93 of the Education Code.

(b) The plan approved pursuant to subdivision (a) shall be submitted no later than November 30, 2015, to the Director of Finance, the chairpersons of the committees in each house of the Legislature that consider the State Budget, the chairpersons of the budget subcommittees in each house of the Legislature that consider appropriations for the University of California, the chairpersons of the committees in each house of the Legislature that consider appropriations, and the chairpersons of the policy committees in each house of the Legislature with jurisdiction over bills relating to the university.

California Education Code, Title 3, Division 9, Part 57, Chapter 6, Article 7.7, Section 92675: Reporting of Performance Measures

(a) For purposes of this section, the following terms are defined as follows:

(1) The “four-year graduation rate” means the percentage of a cohort that entered the university as freshmen that successfully graduated within four years.

(2) The “two-year transfer graduation rate” means the percentage of a cohort that entered the university as junior-level transfer students from the California Community Colleges that successfully graduated within two years.

(3) “Low-income students” means students who receive a Pell Grant at any time during their matriculation at the institution.

(b) Commencing with the 2013-14 academic year, the University of California shall report, by March 1 of each year, on the following performance measures for the preceding academic year, to inform budget and policy decisions and promote the effective and efficient use of available resources:

- (1) The number of transfer students enrolled annually from the California Community Colleges, and the percentage of transfer students as a proportion of the total undergraduate student population.
- (2) The number of low-income students enrolled annually and the percentage of low-income students as a proportion of the total student population.
- (3) The systemwide four-year graduation rates for each cohort of students and, separately, for each cohort of low-income students.
- (4) The systemwide two-year transfer graduation rates for each cohort of students and, separately, for each cohort of low-income students.
- (5) The number of degree completions annually, in total and for the following categories:
 - (A) Freshman entrants.
 - (B) Transfer students.
 - (C) Graduate students.
 - (D) Low-income students.
- (6) The percentage of first-year undergraduates who have earned sufficient course credits by the end of their first year of enrollment to indicate they will complete a degree in four years.
- (7) For all students, the total amount of funds received from all sources identified in subdivision (c) of Section 92670 for the year, divided by the number of degrees awarded that same year.
- (8) For undergraduate students, the total amount of funds received from the sources identified in subdivision (c) of Section 92670 for the year expended for undergraduate education, divided by the number of undergraduate degrees awarded that same year.
- (9) The average number of course credits accumulated by students at the time they complete their degrees, disaggregated by freshman entrants and transfers.
- (10) (A) The number of degree completions in science, technology, engineering, and mathematics (STEM) fields, disaggregated by undergraduate students, graduate students, and low-income students.
(B) For purposes of subparagraph (A), "STEM fields" include, but are not necessarily limited to, all of the following: computer and information sciences, engineering and engineering technologies, biological and biomedical sciences, mathematics and statistics, physical sciences, and science technologies

APPENDIX 2

Alternative Approach Submitted Pursuant to the Budget Act of 2015 and Department of Finance Planning Assumptions

The tables in this section are included in order to satisfy the University's requirement, under the Budget Act of 2015, to submit a three-year sustainability plan that is based upon assumptions provided by the Department of Finance.

The assumptions provided by the Department of Finance included no additional funding for California resident enrollment growth – either in 2015-16 (as provided in the Budget Act of 2015) or in subsequent years. As a result, the alternative financial approach, enrollment strategy, and student outcomes depicted below differ from those in the University's plan in several ways. Specifically,

- Under the alternative approach, UC's enrollment of California resident students would remain largely unchanged from what it is today.
- Because UC's enrollment of California resident students would remain relatively flat under the alternative approach, UC would enroll a smaller number and a smaller percentage of students from underrepresented minority families and from low-income families compared to student enrollment under the University's plan.
- UC would not be able to grow enrollment among graduate students, who are critical to the University's research enterprise and to meeting State workforce needs.
- Absent enrollment growth, several categories of enrollment-related expenditures would be lower under the alternative approach. However, with no anticipated increase in State support beyond an annual budget adjustment of 4% in State General Funds, other aspects of the University's budget plan would be affected as well. For purposes of this approach, the impact is shown as annual shortfalls in spending to address the University's deferred maintenance needs compared to the University's plan.
- Rather than redirect revenue currently used for nonresident financial aid to support California resident enrollment growth, the University would consider other users for such funds, such as providing additional financial aid to California resident students.

The same assumptions regarding alternative revenue sources, cost-cutting initiatives, and cost drivers unrelated to enrollment growth that were included in the University's plan would apply to the alternative approach as well.

Projections of Available Resources and Expenditures in 2016-17, 2017-18, and 2018-19

	Cumulative Change from 2015-16 Base (\$M)		
	Alternative Approach		
	2016-17	2017-18	2018-19
Revenue			
State General Funds	\$124	\$254	\$388
Tuition and Fees (Gross)	36	154	275
Nonresident Suppl. Tuition (net of instr. costs)	69	121	173
Other Alternative Revenue	95	160	210
Total	\$324	\$689	\$1,046
Expenditures			
Enrollment Growth	\$7	\$13	\$20
Employee & Retiree Benefits (incl. UCRP & health)	47	96	146
Academic Merit Program	32	64	96
Compensation	114	231	349
Non-Salary Price Increases	29	52	76
Deferred Maintenance and Capital Program	33	80	115
Financial Aid	13	53	94
Academic Quality	50	100	150
Total	\$324	\$689	\$1,046

Source: UC Budget Office

Enrollment Projections Under the Alternative Approach

			Alternative Approach		
			2016-17	2017-18	2018-19
FTE Enrollment	2014-15	2015-16			
CA res UG	175,034	175,052	175,702	176,352	177,002
Nonresident UG	25,053	28,532	29,732	30,732	31,532
Graduate/ Prof	49,792	50,952	50,952	50,952	50,952
% Nonresident UG (excludes summer)	13.4%	15.2%	15.7%	16.1%	16.5%

Note: 2015-16 are estimates. Figures are FTE and include summer, except for the nonresident calculation.

Upper-division transfer students enrolled annually from the California Community Colleges (CCC)

							Alternative Approach		
							2016-17	2017-18	2018-19
Academic Year FTE	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16			
Number	32,523	34,041	33,807	33,615	34,086	34,344	34,254	34,307	34,425
% of all undergrads (FTE)	19.2%	19.8%	19.4%	18.9%	18.5%	18.2%	18.1%	18.0%	18.0%

Note: 2015-16 are estimates. Excludes the summer term. Source: UC Corporate Student System. Upper-division CCC transfer students are those who enter UC from a California Community College with junior or senior standing. Postbaccalaureate teaching credential students are not counted as undergraduates.

Enrollment of Undergraduate Pell Grant Recipients

Academic Year FTE	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	Alternative Approach		
							2016-17	2017-18	2018-19
Number	68,933	71,565	73,147	74,984	76,183	76,452	76,571	76,648	76,708
% of all undergrads (FTE)	41%	42%	42%	42%	41%	41%	40%	40%	40%

Note: 2015-16 are estimates. Excludes the summer term. Source: UC Corporate Student System.

Enrollment of Underrepresented Minority Undergraduate Students

Academic Year FTE	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	Alternative Approach		
							2016-17	2017-18	2018-19
Number	37,411	40,552	43,100	45,702	48,976	50,407	52,689	54,938	57,174
% of all undergrads (FTE)	22%	24%	25%	26%	27%	27%	28%	29%	30%

Note: 2015-16 are estimates. Excludes the summer term. Source: UC Corporate Student System.

Graduation Rates

	Entering cohort	F'06	F'07	F'08	F'09	F'10	Alternative Approach				
							F'11	F'12	F'13	F'14	
4 yr grad rate, freshman entrants		60%	60%	61%	63%	62%	63%	64%	65%	66%	
4 yr grad rate, Pell freshman entrants		51%	52%	54%	57%	56%	57%	58%	59%	60%	
	Entering cohort	F'08	F'09	F'10	F'11	F'12	F'13	F'14	F'15	F'16	
2 yr grad rate, Up Div CCC transfer entrants		52%	54%	55%	55%	56%	57%	58%	59%	60%	
2 yr grad rate, Pell Up Div CCC transfer entr		44%	47%	48%	51%	52%	53%	54%	55%	56%	

Graduation rates include UC-intercampus transfers. Students who graduate in the summer term are included with the prior year. Low-income Pell students are those who received a Pell grant during their time at UC.

Degree Completions

	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	Alternative Approach			
							2016-17	2017-18	2018-19	
Freshman entrants	31,673	32,778	32,608	31,866	33,123	34,312	35,478	36,177	36,270	
Up Div CCC transfer entrants	13,093	14,191	14,717	14,651	14,745	14,893	14,936	15,013	15,080	
STEM freshman entrants	11,745	12,403	12,921	12,496	14,558	15,080	15,593	15,900	15,941	
STEM Up Div CCC transfer entrants	3,381	3,724	3,961	3,831	4,482	4,526	4,540	4,563	4,583	
Pell recipients	19,437	21,634	23,154	21,469	23,999	24,658	25,250	25,632	25,660	
STEM Pell recipients	6,366	6,874	7,578	7,027	8,775	9,016	9,232	9,372	9,382	
Graduate (excludes self-supporting)	13,717	14,290	14,579	14,322	13,976	14,260	14,543	14,827	15,110	
STEM Graduate (excl self-supporting)	7,240	7,694	7,950	8,012	8,167	8,333	8,498	8,664	8,830	

2015-16 is an estimate. Source: UC Corporate Student System. Graduate degrees exclude self-supporting.

Percentage of undergraduates who take 45 units in their first year at UC

	Alternative Approach					
	F'13	F'14	F'15	F'16	F'17	F'18
% of freshmen completing 45 qtr units	51%	51%	51%	51%	51%	51%
% of UD CCC transfers completing 45 qtr units	44%	43%	43%	43%	43%	43%

Fall 2014 is an estimate. Source: UC Corporate Student System. Transferred units are not included. Semester units (Berkeley and Merced) are converted to quarter equivalents at the rate of 1 semester unit=1.5 quarter units.

Average number of UC quarter units at degree completion

	Alternative Approach					
	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Freshman entrants	187	187	187	187	185	183
Upper-div CCC entrants	97	97	97	97	95	93

Source: UC Corporate Student System. Only UC units are shown. AP/IB/transferred units are not included. Semester units (Berkeley and Merced) are converted to quarter equivalents at the rate of 1 semester unit=1.5 quarter units.

Estimated Total Core Funds Expenditures (\$M) and Degrees Awarded

	Alternative Approach		
	2016-17	2017-18	2018-19
State General Funds	\$3,080	\$3,209	\$3,344
Tuition and Fees	3,265	3,384	3,504
NRST	927	995	1,061
Other UC General Funds	292	301	310
Total Core Funds	\$7,565	\$7,889	\$8,219
Undergraduate Degree Completions	66,276	67,344	67,684

Source: UC Budget Office

Estimated Total Core Funds Expenditures for Undergraduate Instruction (\$M) and Undergraduate Degrees Awarded

	Alternative Approach		
	2016-17	2017-18	2018-19
State General Funds	\$1,392	\$1,454	\$1,517
Tuition and Fees	\$1,476	\$1,532	\$1,589
NRST	\$419	\$450	\$481
Other UC General Funds	\$132	\$136	\$141
Total Core Funds	\$1,392	\$1,454	\$1,517
Degree Completions	51,733	52,517	52,574

Source: UC Budget Office