

THE REGENTS OF THE UNIVERSITY OF CALIFORNIA

May 24, 2018

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

Members present: Regents Anguiano, Blum, Elliott, Guber, Kieffer, Lansing, Lemus, Makarechian, Mancina, Monge, Napolitano, Newsom, Ortiz Oakley, Park, Sherman, Tauscher, and Zettel

In attendance: Regents-designate Anderson, Graves, and Morimoto, Faculty Representatives May and White, Secretary and Chief of Staff Shaw, General Counsel Robinson, Chief Compliance and Audit Officer Bustamante, Provost Brown, Executive Vice President and Chief Financial Officer Brostrom, Executive Vice President and Chief Operating Officer Nava, Executive Vice President Stobo, Vice Presidents Brown, Budil, Holmes-Sullivan, and Humiston, Chancellors Blumenthal, Christ, Gillman, Hawgood, Leland, May, and Wilcox, and Recording Secretary McCarthy

The meeting convened at 8:55 a.m. with Chair Kieffer presiding.

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

Upon motion duly made and seconded, the minutes of the meeting of March 15, 2018, and the special meeting of April 17-19, 2018 were approved.

2. **PUBLIC COMMENT**

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

- A. Ms. Rebecca Ora, UC Santa Cruz Ph.D. student, stated that UC undergraduate students would welcome campus visits from President Napolitano or the Regents. She commented that the two roads accessing the UC Santa Cruz campus were closed during the recent American Federation of State, County and Municipal Employees and United Auto Workers strike. She urged the University to bargain in good faith to arrive at fair contracts.
- B. A recent graduate of UCLA advocated opening another UC campus in central California, given the growing demand for a UC education. He also expressed support for establishing another student Regent position.

3. **REMARKS OF THE UC GRADUATE AND PROFESSIONAL COUNCIL AND UC STUDENT ASSOCIATION PRESIDENTS**

President Napolitano introduced Becky Grady, President of the UC Graduate and Professional Council (UCGPC), a systemwide representative group of graduate and professional students founded in the current year. Ms. Grady asked that this be the beginning of a regular, formal relationship between the UCGPC and the Board of Regents. She noted that graduate and professional students were treated at various times as students, teachers, workers, or employees. In areas such as navigating complex Title IX reporting policies, the lines between these students' various roles can be blurred. The UCGPC would advocate to ensure that UC's graduate and professional students have the support and resources to continue their research and other duties vital to the University's progress. In the current year, UCGPC had already organized as a non-profit in California, held a successful systemwide climate conference for graduate students, sent dozens of students to Sacramento to lobby for UC budget requests and other bills, advocated on the federal level against a proposed tax on tuition waivers and against the Promoting Real Opportunity, Success, and Prosperity through Education Reform (PROSPER) Act, and developed a task force to support the demands of mothers of color in academia. In the upcoming year, UCGPC's advocacy would continue to grow.

President Napolitano then introduced UC Student Association (UCSA) President Judith Gutierrez. Ms. Gutierrez thanked the Regents for postponing consideration of a tuition increase while the possibility existed of a State buyout of the tuition increase. Since January, UCSA students had travelled to Sacramento more than a dozen times to meet with Legislators, speak at hearings, and organize press conferences to advocate for UC funding. UCSA organized students to make more than 1,000 phone calls to ten key State lawmakers and leaders who shape the UC budget. UCSA had collected more than 6,000 student stories demonstrating why there should not be a tuition increase and why the State should fund UC. Ms. Gutierrez thanked student leaders for their efforts. UCSA's organizing had been effective. While the Governor's May budget revision failed to provide UC's full budget request, UCSA was heartened to see the Legislature respond to its call to fund UC in the final State budget and prevent a tuition increase. Ms. Gutierrez expressed hope that the Regents would continue to recognize students' contributions and willingness to spearhead this joint advocacy. Should the necessary State funding not be approved, Ms. Gutierrez expressed UCSA's view that the burden of funding UC should not fall on students.

On the State level, UCSA had advocated to extend the Cal Grant program to the summer session; AB 3153 had passed the Assembly Higher Education Committee and would be heard by the Appropriations Committee the following day. Passage of this bill would allow low-income students to continue their education through the summer to shorten their time-to-degree. UCSA advocated on the federal level, organizing the first annual UC Hill Day in partnership with the UC Office of Federal Government Relations. More than 60 UC students from across the system went to Washington D.C. on the same day to advocate collectively for systemwide student federal priorities.

Ms. Gutierrez expressed UCSA's support for fair wages, stable health and retirement benefits, and insourcing of jobs. UCSA did not accept that, to prevent tuition increases, UC must outsource jobs and undercompensate its workers.

Regent Makarechian commented that it is a misperception that UC was outsourcing jobs. In response to his question the prior day, he was told that UC had not outsourced any jobs for the past five years.

4. **NOTABLE HONORS AND ACHIEVEMENTS**

President Napolitano reported that UCLA led the *Forbes* list of America's Best Value Colleges, with UC Berkeley ranked second. Four of the top ten Best Value Colleges were UC campuses; six UC campuses ranked in the top 25 and five UC campuses ranked higher in 2018 than in 2017.

Twelve UC scholars won 2018 Guggenheim Fellowships, three from UC Berkeley, three from UC Davis, three from UCLA, two from UC Irvine, and one from UC San Diego. Earlier in the current month, 14 UC faculty members from seven UC campuses were elected to the National Academy of Sciences, one of the highest honors a U.S. scientist can achieve, bringing UC's total number of members to 616.

UC's fourth annual Grad Slam was held earlier in May. The winner was Joseph Charbonnet, UC Berkeley environmental engineering Ph.D. student, whose three-minute talk described his research using sand to make storm water safe for drinking.

President Napolitano thanked Student Advisor Sands, the first in that new position, who helped convene a UC systemwide student forum on tuition, public funding, and the UC budget, and helped launch the UC Advocacy Network Student Ambassador program, forming a group of students highly engaged in budget advocacy who in turn mobilize several hundred students to advocate for UC.

President Napolitano awarded the 2018 President's Awards for Outstanding Student Leadership. Valeria Jacqueline Alonso Blanco, a senior at UC Santa Cruz, strengthened academic pathways for first-generation and undocumented students. As an assistant coordinator for the Cultivamos Excelencia Hispanic Serving Institution Initiative at UC Santa Cruz, Ms. Blanco developed and implemented an undergraduate research program to help prepare San Jose City College students to transfer to a UC campus. Chancellor Blumenthal introduced Ms. Blanco, who was being honored for her efforts to create a diverse pipeline of students for higher education through her work preparing first-generation and undocumented students to transfer to UC. She had facilitated cooperative programs between San Jose City College and UC Santa Cruz in support of UC's two-to-one transfer initiative. Ms. Blanco also provided academic and emotional support to migrant youth in Watsonville through her work with UC Santa Cruz's Educational Partnership Center. Her work had improved and would continue to improve the educational experience of first-generation, undocumented, and Latino/a students throughout UC.

Ms. Blanco expressed appreciation for this award. She acknowledged the collective effort of UC Santa Cruz staff and faculty, and expressed appreciation for their support. She expressed hope that this work would be continued. She also acknowledged her family, who had made many sacrifices so she could attend UC Santa Cruz.

President Napolitano awarded the second President's Award for Outstanding Student Leadership to the UC San Diego Student Foundation, represented at this meeting by its president-elect Rohan Bhargava and vice president of development Sara Tan. These student leaders used crowdfunding to raise money for the Triton Food Pantry. The UC San Diego Student Foundation raised more than \$2,000 to stock the Triton Food Pantry with dry goods, raising awareness and addressing student food insecurity. UC San Diego Foundation trustee Wendy Kwok said the philanthropic UC San Diego Student Foundation was comprised of students who give back to their community and seek to inspire other students and alumni to raise money to enhance areas of UC San Diego, such as their focus in the current year of reducing food insecurity.

Mr. Bhargava thanked the UC Office of the President for this honor. He affirmed the UC San Diego Student Foundation's commitment to engage UCSD students in student philanthropy on campus in the hope that they would continue such engagement as alumni. Since 25 percent of UC San Diego students reported skipping meals because of budget constraints, the UC San Diego Student Foundation partnered with the Triton Food Pantry in the current year to raise money. Ms. Tan, who spearheaded this initiative, reported that the group partnered with other student organizations to host dozens of events to encourage their fellow students to give even a small amount. The Student Foundation raised \$3,000, which would stock the Triton Food Pantry for five months. The UC San Diego Student Foundation would continue these efforts in the upcoming year.

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

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

Report of the Academic and Student Affairs Committee

Regent Tauscher reported that the Committee considered one action item and five discussion items, one of which was deferred to a future meeting.

A. ***Amendment of Regents Policy 3105: Policy on Residency; Rescission of Regents Policy 3106: Policy on Waiver of Tuition and Fees; and Rescission of Standing Order 110.2: Matters Relating to Residency***

The Committee recommended that the Regents:

- (1) Amend and rename Regents Policy 3105: Regents Policy on Residency and Waiver of Tuition and Fees, as shown in Attachment 1 with definitions in Attachment 2, to be effective for residency determinations applicable in the 2019-20 academic year.
- (2) Rescind Regents Policy 3106: Policy on Waiver of Tuition and Fees effective for residency determinations applicable for the 2019-20 academic year, as shown in Attachment 3.
- (3) Rescind Standing Order 110.2, as shown in Attachment 4, following service of appropriate notice.

B. ***Transfer Task Force Update***

This discussion item was not summarized at the Board meeting.

C. ***University of California Extension***

This discussion item was not summarized at the Board meeting.

D. ***Instructional Innovation and Digital Academic Programming at the University Of California***

This discussion item was not summarized at the Board meeting.

E. ***The Student Experience at the University Of California***

This discussion item was not summarized at the Board meeting.

F. ***Future Enrollment and Capacity Needs***

This discussion item was deferred to a future meeting.

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

Report of the Compliance and Audit Committee

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

A. ***Regents Policy on Use of the University's External Accounting Firm***

The Committee recommended that the Regents adopt a Regents Policy on Use of the University's External Accounting Firm as shown in Attachment 5.

B. *Draft Internal Audit Plan for 2018-19*

Regent Zettel reported that the Committee requested a presentation at a future meeting on the results of internal audits regarding cyber security and actions to address deficiencies.

C. *Update on One-Year Status Report on Implementation of Recommendations from State Audit of University of California Office of the President Administrative Expenditures*

Regent Zettel reported that the Committee had expressed concern that, according to the State Auditor, some recommendations of the State Audit had not been fully implemented. Committee members suggested that the University work to achieve better communication and alignment in the future with the State Auditor on the status of recommendations.

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

This discussion item was not summarized at the Board meeting.

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

Report of the Finance and Capital Strategies Committee

Regent Makarechian reported that the Committee considered four action items, one item for action by the Governance and Compensation Committee, and one item for discussion:

A. *Establishment of a Compensation and Personnel Subcommittee*

The Committee recommended that the Governance and Compensation Committee establish a Compensation and Personnel Subcommittee of the Finance and Capital Strategies Committee.

B. *Consent Agenda*

(1) *Approval of Preliminary Plans Funding, Triton Pavilion for Student Resources and Community Engagement, San Diego Campus*

The Committee recommended that the 2017-18 Budget for Capital Improvements and the Capital Improvement Program be amended to include the following project:

San Diego: Triton Pavilion for Student Resources and Community Engagement – preliminary plans – \$15.45 million, to be

funded from campus funds (\$12 million) and UC San Diego Extension reserves (\$3.45 million).

(2) ***Approval of External Financing Supported by State General Funds, Ridge Walk Academic Complex, San Diego Campus and Northern Regional Library Facility, Systemwide***

The Committee recommended that:

- a. The President of the University be authorized to obtain external financing not to exceed \$80 million plus related interest expense and financing costs for the following projects included in the 2018-19 Budget for State Capital Improvements:

Campus	Project	State General Funds Financed (\$000s)	2018-19 State Phase
San Diego	Ridge Walk Academic Complex	\$50,000	Construction
Systemwide	Northern Regional Library Facility Phase 4 Expansion	\$30,000	Construction Equipment
TOTAL STATE FUNDS FINANCED		\$80,000	

- b. The President shall require that:
- i. Interest only, based on the amount drawn down, shall be paid on the outstanding balance during the construction period.
 - ii. The primary source of repayment for the external financing of \$80 million plus related interest expense and financing costs shall be from State General Fund appropriations, pursuant to the Education Code Section 92493 et seq. Should State General Fund appropriation funds not be available, the President shall have the authority to use any legally available funds to make debt service payments.
 - iii. The general credit of the Regents shall not be pledged.

(3) ***Adoption of Endowment Administration Cost Recovery Rate***

The Committee recommended that the endowment administration cost recovery rate remain at 55 basis points (0.55 percent)¹ and apply to distributions from the General Endowment Pool (GEP) to be made after July 1, 2018, from the eligible assets invested in the GEP. The funds recovered shall be used to defray, in part, the cost of administering and carrying out the terms of endowments on the campuses and at the Office of the President.

(4) ***Adoption of Expenditure Rate for the General Endowment Pool***

The Committee recommended that the expenditure rate per unit of the General Endowment Pool (GEP) for expenditure in the 2018-19 fiscal year remain at 4.75 percent of a 60-month moving average of the market value of a unit invested in the GEP.

C. ***Update on Governor's May Revision to the 2018-19 Budget***

This discussion item was not summarized at the Board meeting.

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

Report of the Governance and Compensation Committee

Regent Sherman reported that the Committee considered three items for action:

A. ***Amendment of Bylaws and Certain Committee Charters Regarding the Governance and Compensation Committee and the Investments Subcommittee***

The Committee recommended that:

- (1) Following service of appropriate notice, the Bylaws of the Regents of the University of California be amended as shown in Attachment 6.
- (2) The Charter of the Governance and Compensation Committee be amended as shown in Attachment 7, effective upon final approval of the Bylaw amendments in paragraph (1).
- (3) The Charter of the Finance and Capital Strategies Committee be amended as shown in Attachment 8, effective upon final approval of the Bylaw amendments in paragraph (1).

¹ One basis point is 0.01 percent of yield (i.e., one hundred basis points equals one percent); 55 basis points are the equivalent of \$55 on endowment assets with a 60-month average market value of \$10,000.

- (4) The Charter of the Health Services Committee be amended as shown in Attachment 9, effective upon final approval of the Bylaw amendments in paragraph (1).
- (5) The Charter of the Investments Committee as shown in Attachment 10 be adopted, effective upon final approval of the Bylaw amendments in paragraph (1).

Regent Sherman explained that the Investments Subcommittee would become a standing committee; the Finance and Capital Strategies Committee would be renamed the Finance, Capital Strategies, and Compensation Committee; and the Governance and Compensation Committee would be renamed the Governance and Personnel Committee and would have oversight of the Board's direct reports, governance issues, and personnel policies that are appropriately reviewed by the Board. The Chair of the Board would be the Chair of the Governance and Personnel Committee, which would be comprised of the Chair and Vice Chair of the Board, the Chairs of all standing committees, the President of the Board, and the President of the University. This motion was passed in the Committee on a six-to-two vote. Revised Bylaws reflecting these changes would be brought to the Board for consideration at the July meeting.

B. *Amendment of Regents Policy 1203: Policy on Emeritus Title for Former Regents, Senior Leadership, and Staff and Rescission of Standing Order 103.5*

The Committee recommended:

- (1) Amendment of the Policy on Emeritus Title for Former Regents, Senior Leadership, and Staff, as shown in Attachment 11, with new policy language, the Policy on Emerita/Emeritus Title Suffix, as shown in Attachment 12.
- (2) Following service of appropriate notice, rescission of Standing Order 103.5, as shown in Attachment 13.

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

The Committee recommended that the Schedule of Reports be amended, as shown in Attachment 14.

D. *Appointment of Advisory Member to the Health Services Committee*

The Committee recommended that Timothy Goldfarb be appointed as an Advisory Member to the Health Services Committee for the year commencing July 1, 2018.

E. ***Recommendations for Election of Officers and Appointments to Standing Committees and Subcommittees for 2018-19***

- (1) The Committee recommended that the following appointments of Board officers and Standing Committee Chairs, Vice Chairs and members for 2018-19 be approved:
 - a. Regent George Kieffer be elected Chair of the Board of Regents for the year commencing July 1, 2018.
 - b. Regent John A. Pérez be elected Vice Chair of the Board of Regents for the year commencing July 1, 2018.
 - c. Standing Committee Chairs, Vice Chairs and members, including non-voting advisory members, be appointed for the year commencing July 1, 2018 as shown in Attachment 15.
- (2) The Committee reported the appointment of the following members of the Academic and Student Affairs Committee to the National Laboratories Subcommittee: Regents Tauscher (Chair), Zettel (Vice Chair), Morimoto, Napolitano, Newsom, and Oakley; and as non-voting advisory members Chancellors Block, Christ, and Yang for the year commencing July 1, 2018, contingent upon their appointment to the Academic and Student Affairs Committee.
- (3) The Committee reported the appointment of the following members of the Finance and Capital Strategies Committee to the Investments Subcommittee: Regents Sherman (Chair), Anguiano (Vice Chair), Anderson, and Park; and as non-voting advisory members Chancellors Hawgood and Khosla, contingent upon their appointment to the Finance and Capital Strategies Committee.

Upon motion of Regent Sherman, duly seconded the recommendations of the Governance and Compensation Committee were approved, Regent Elliot voting “no” on item A.

Report of the Health Services Committee (meeting of April 13, 2018)

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

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

Regent Lansing reported that Executive Vice President Stobo discussed recommendations of the recent report by Huron Consulting. Regent Lansing emphasized that that the Committee was only considering these recommendations along with other options, as part of trying to meet the challenges facing the UC

Health system including accountability, transparency, agility, and flexibility. President Napolitano had formed a UC Health advisory committee to examine the Huron Report's recommendations.

Regent Sherman, a member of the advisory committee, said the UC Health advisory committee was chaired by Health Committee advisory member Steven Lipstein, to develop a set of objective, data-driven recommendations that would best position the UC Health system's central office to support UC's health enterprise. The advisory committee had one meeting to date and its first goal was to validate any issues, concerns, and problems affecting UC Health's central office and its ability to serve its stakeholders. All possible solutions would be weighed, including Huron Consulting's recommendations, with the goal of better positioning UC Health to compete in the current marketplace. Input would be solicited from all stakeholders.

Chair Kieffer added that the Board would hear a future presentation about UC Health, UC's medical centers, clinical practices, medical schools, and their interrelation.

Regent Ortiz Oakley inquired about the process for approving any change in the structure of UC Health. Regent Sherman said the advisory group would make a recommendation to the President of the University, who would bring a recommendation to the Board of Regents. President Napolitano added that the advisory group would independently analyze the Huron recommendations and make a recommendation to her; simultaneously the Health Services Committee would make a recommendation to the President. Regent Ortiz Oakley asked under what circumstances the Board would be required to act. President Napolitano responded that any changes recommended in the organization of the UC Office of the President with the establishment of a separate location for UC Health as recommended in the Huron report would be brought to the full Board of Regents for approval. Regent Lansing invited all Regents to attend the Health Services Committee meetings. Dr. Stobo clarified that the Huron report referred only to the relationship between UC Health and the Office of the President. The recommendations did not involve the UC campus medical centers or health professional schools. This process was only to determine the best organizational and functional position of the UC Health central office in relation to the UC Office of the President.

Regent Park asked why the Health Services Committee had only five Regent members, other than the ex officio Regents. Dr. Stobo described the Committee's membership. Regent Park expressed her view that the number of Regents on the Health Services Committee should be revisited if more Regents express interest in serving on that Committee.

B. ***Clinical Quality Dashboard for University of California Medical Centers***

Regent Lansing said the Committee received information on central line-associated bloodstream infections and discussed ways in which UC could further reduce such incidents.

C. ***Health Care Vendor Relations Policy Update***

Regent Lansing stated that Deputy General Counsel Rachel Nosowsky presented a number of policy recommendations the University is considering regarding conflict of interest in clinical operations. A draft policy would be presented to the Committee at an upcoming meeting. The University would clarify what constitutes a conflict of interest for doctors.

D. ***Proposed Request for Approval of Hillcrest Campus Redevelopment Phase 1, San Diego Campus***

The Health Services Committee approved the San Diego campus' proposed discussion of the Hillcrest Campus Redevelopment Phase 1 with the Finance and Capital Strategies Committee at a future Regents meeting and the San Diego campus' proposed requests to the Finance and Capital Strategies Committee for: (1) approval of preliminary plans funding at a future meeting, (2) approval of the budget and external financing by early 2019, and (3) approval of design pursuant to the California Environmental Quality Act (CEQA) by spring 2019.

Regent Lansing explained that the Hillcrest facility was outdated, not seismically compliant, and required to be replaced by 2030. After reviewing various economic models, the Committee unanimously approved the recommendation for a new facility.

Report of the Public Engagement and Development Committee

Regent Lansing reported that the Committee considered three items for discussion:

A. ***Federal Issues Update***

This discussion item was not summarized at the Board meeting.

B. ***State Government Issues Update***

Regent Lansing reported that she and several other Committee members expressed appreciation for the successful partnership among UC students, faculty, chancellors, alumni, and staff, which led to much more effective advocacy. The Regents appreciated being asked to engage directly with State legislators. Regent Lansing highlighted the important advocacy of UC students. Several students and chancellors expressed a desire for increased clarity about how State funding would

be spent on the campuses, and the importance of transparency and seeking student input in financial planning.

C. *Community Outreach and Impacts, Santa Cruz Campus*

The Committee heard a presentation about several exceptional community outreach programs at UC Santa Cruz, some of which involved the campus' housing shortage. Chancellor Blumenthal was continuing to engage with the local community about efforts to address this problem.

Report of the Investments Subcommittee

Regent Sherman reported that the Subcommittee considered two items for discussion and one item for action:

A. *Update on Investment Products*

Regent Sherman reported that the Office of the Chief Investment Officer (CIO) managed \$118.3 billion in assets as of March 31, 2018. Both the Endowment and the Pension returned 7.3 for the nine months of the fiscal year to date; the Total Return Investment Pool (TRIP) returned four percent and the Short Term Investment Pool returned 1.2 percent. The Office of the CIO currently had a significant cash position and there was discussion of using some of that cash to finance UC projects such as student housing, energy assets, and other UC real assets. Another discussion involved the possibility of creating an investment product in between the Endowment and TRIP to provide additional return for campus funds.

B. *Investments and Engagement with Stakeholders around Sustainability*

The Committee heard two presentations, one from the Armenian Youth Federation Western Region about excluding investments in the Turkish government, and another from Fossil Free UC. Discussion ensued about basing investment decisions on a variety of financial, political, environmental, social, and governance considerations.

C. *Appointment of Advisory Member to the Investments Subcommittee*

The Subcommittee reported that it appointed Drew Zager as an Advisory Member to the Investments Subcommittee for three years commencing July 1, 2018.

Report of the National Laboratories Subcommittee

Regent Tauscher reported that the Subcommittee considered two discussion items:

A. ***Update on the National Laboratories***

Regent Tauscher reported that the Subcommittee heard an update from Vice President Budil. The National Nuclear Security Administration decision on the Los Alamos National Laboratory contract award was anticipated shortly. The Board would be advised of the result.

B. ***Applying Supercomputing to Develop More Effective Treatments for Traumatic Brain Injury***

Regent Tauscher expressed hope that, as this collaboration using high-performance computing to develop more effective treatments for traumatic brain injury progressed, a presentation could be made to the full Board.

6. **UNFINISHED BUSINESS**

A. ***Amendment and Rescission of Certain Regents' and Other Policies Pertaining to Senior Management Group Compensation***

At its meeting of March 14, 2018, the Governance and Compensation Committee recommended the following item for action.¹

- (1) Amend Regents Policy 7709: Senior Management Group Automobile Allowance, Regents Policy 7710: Senior Management Group Moving Reimbursement, and PPSM II-71: Senior Management Supplemental Benefit Program, as shown in Attachments 16 through 18; and
- (2) Rescind Regents Policy 7711: Senior Management Group Relocation Allowance, as shown in Attachment 19.

B. ***Amendment of Bylaw 22.2(c) and Rescission of Certain Standing Orders Pertaining to Capital, External Financing, and Employee Housing Assistance Program Matters***

At the March 2018 meeting of the Regents, notice was served that at the next regular meeting the Regents:

- (1) Amend Bylaw 22.2 (c) as shown in Attachment 20.
- (2) Rescind Standing Orders: 100.4 (o), (q)(1), (q)(2), (y), (z), (aa), (cc), (dd)(1), (dd)(8), (ff), (gg), (hh), (jj)(1), (jj)(2), (kk), (ll)(1), (ll)(2), (ll)(3), (nn)(1), and (nn)(2), as shown in Attachment 21.

¹ Regents Policy 7201: Principles for Review of Executive Compensation requires final action must occur in open session of a Board meeting held at least 20 days following the meeting at which the Committee makes a recommendation.

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

7. **RESOLUTIONS IN APPRECIATION**

A. *Resolution in Appreciation of Albert Lemus*

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

WHEREAS, the Board of Regents prepares to bid a reluctant farewell to Albert Lemus as he concludes his term as Alumni Regent, having faithfully and steadfastly discharged his duties as a Regent, giving of his time and talent in service to the highest ideals of the University; and

WHEREAS, he earned his Bachelor of Arts degree from UCLA and a Master's degree from Stanford University, was involved in the Latino Business Association and Barrio Youth Alternative at UCLA, and after graduation continued to provide leadership to his alma mater, serving as the President of the UCLA Alumni Association as well as the Vice President of the Alumni Associations of the University of California, in which he focused on engaging alumni and supporting students in meaningful ways; and

WHEREAS, as a member of the Board of Regents, his commitment to the University of California's financial health and well-being was amply demonstrated through his insightful comments and penetrating questions during Regents meetings; and

WHEREAS, the Regents of the University of California express their appreciation and admiration of Albert Lemus, who has enriched the University in countless ways from his days as a dedicated alumni volunteer to his service as a member of the Board of Regents, and in the hope of his continued contributions to the welfare and success of the University;

NOW, THEREFORE, BE IT RESOLVED that in recognition of his devoted service as a member of the Board of Regents of the University of California, the Regents do hereby confer upon Albert Lemus the title Regent Emeritus;

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

B. ***Resolution in Appreciation of Fran Mancía***

Upon motion of Regent Elliott, duly seconded, the following resolution was adopted.

WHEREAS, Fran Mancía will conclude his term on the Board of Regents having provided exemplary service and leadership as an Alumni Regent, ably representing the alumni on the Academic and Student Affairs and Public Engagement and Development Committees, and the National Laboratories Subcommittee, the Board of Regents wish to extend their deep appreciation to him; and

WHEREAS, having received a bachelor's and a master's degree, respectively, from the University of California, Santa Barbara and the University of San Francisco, served at every level of alumni leadership, positively influencing students' lives through his work with alumni networks, including as the President of the Alumni Associations of the University of California, the Advocacy Chair of the UC Santa Barbara Alumni Association, and on the University of California, Santa Barbara's Department of Communications Alumni Council; and

WHEREAS, he brought his significant experience in government relations to bear in countless conversations with state legislators in Sacramento, advocating to ensure that the University of California remains the preeminent public institution of higher education in the nation; and

WHEREAS, in the hope that he will continue as an active and vital participant in the life of the University, the Regents of the University of California express their sincerest gratitude and admiration to Fran Mancía for his highly visible, articulate, and enthusiastic advocacy for his beloved alma mater;

NOW, THEREFORE, BE IT RESOLVED that in recognition of his devoted service as a member of the Board of Regents of the University of California, the Regents do hereby confer upon Fran Mancía the title, Regent Emeritus;

AND BE IT FURTHER RESOLVED that the Regents direct that a suitably inscribed copy of this resolution be presented to Fran Mancía as an expression of the Board's high regard, appreciation, and best wishes for the future.

Regent Elliott thanked Regent Mancía for his able representation of UC alumni, bringing his significant experience in government relations to bear in countless conversations with State legislators in Sacramento, advocating for the University.

C. ***Resolution in Appreciation of Paul Monge***

On motion of Regent Ortiz Oakley, duly seconded, the following resolution was adopted.

WHEREAS, on June 30, 2018, Paul Monge, a graduate of the University of California, Santa Barbara and a newly minted graduate of the University of California, Berkeley, will complete his term as the forty-third Student Regent, having earned the admiration and respect of his colleagues for his wholehearted commitment to his Regental duties, his keen intelligence, and his passionate advocacy of greater accessibility and diversity in public higher education; and

WHEREAS, he has contributed immeasurably to the University community, as a student at Berkeley Law, where he authored State legislation to automatically register students to vote during enrollment, as an undergraduate at UC Santa Barbara, where he was student body President and led an initiative to assess food insecurity and establish a food bank, and as an advocate for students and youth on issues such as educational equality; and

WHEREAS, he is regarded by his colleagues on the Board as a reflective, conscientious, and articulate Regent, one whose balanced judgments, perceptive insights, and common sense have made him a valued member of the Academic and Student Affairs and Public Engagement and Development Committees, serving as a steward of the University of a California as a whole, while giving voice to the lived experience of all students; and

WHEREAS, he has wielded his wealth of knowledge and policy experience in addressing the most complex and challenging issues faced by the Board and the University during his tenure, including housing affordability, food insecurity, mental health services, sexual harassment, and support for undocumented students, reflected by his indefatigable efforts on behalf of communities that are not traditionally represented in the halls of power; and

WHEREAS, his concern for the welfare of the University's 240,000 students has been reflected in the precious time he has taken from his own studies for visits to the campuses and in meetings with students, faculty, and administrators, where he has shown heartfelt compassion and deep concern for a wide range of issues, including the need for student and faculty diversity, as well as the necessity of making colleges and universities affordable for all who seek an educational pathway to a better life;

NOW, THEREFORE, BE IT RESOLVED that the Regents of the University of California convey to Paul Monge their appreciation and gratitude for his devotion to public higher education and committed service he has rendered as a member of the Board of Regents, and hereby do convey upon Paul Monge the title, Regent Emeritus;

AND BE IT FURTHER RESOLVED that the Regents extend to Paul their very best wishes for continued success in the future, secure in the knowledge that he will continue to be an effective advocate for youth and underserved students, aid efforts to increase access to higher education, and improve his community in myriad ways

in the years ahead, and direct that a suitably inscribed copy of this resolution be presented to him as a token of the Regents' high regard and enduring friendship.

Regent Ortiz Oakley said there was nothing more rewarding than seeing the talent of UC students, exemplified by Regent Monge, who would have a bright future as an attorney. Regent Monge commented on the transformative undergraduate education he received at UC Santa Barbara, which led to his interest in social justice, community service, and public policy. As a first-generation college student from a low-income, single-parent family, Mr. Monge said he never dreamed he would be able to serve as a UC Regent. He expressed appreciation to UC students for their confidence in him and affirmed his intention to be a life-long champion of the UC system.

D. ***Resolution in Memory of Bonnie Reiss***

On motion of Regent Lansing, duly seconded, the following resolution was adopted.

WHEREAS, the Regents of the University of California are profoundly sorrowful at the untimely death of Bonnie Reiss, a true public servant, beloved colleague, and staunch friend of the University; and

WHEREAS, throughout her life she was a passionate advocate for so many causes, building a career championing children, access to education, and a clean environment, among other causes, as founder of the Earth Communications Office, President of the After-School All-Stars, California Secretary of Education, a member of the California State Board of Education, Senior Advisor to Governor Arnold Schwarzenegger, and Director of the Schwarzenegger Institute for State and Global Policy at the University of Southern California; and

WHEREAS, during her ten years of service on the Board, the University benefitted tremendously from her enthusiasm, wise counsel and social conscience, particularly in her service on the Committees on Educational Policy and Compensation, as Vice Chair of the Board, and in her indefatigable service on numerous special committees, most notably on sexual violence and sexual harassment, campus climate, and carbon neutrality; and

WHEREAS, in her memory, the University has named the Bonnie Reiss Carbon Neutrality Student Fellows Program in an effort to honor one of Bonnie's passions, to inspire future generations of scholar-activists to aim high, as Bonnie did and to recognize the legacy she leaves; and

WHEREAS, those who had the great fortune to have known and worked with Bonnie will remember her boundless energy and indomitable spirit, her warmth and compassion, her deep and abiding sense of social justice and her commitment to making a high-quality education accessible to all;

NOW, THEREFORE, BE IT RESOLVED in recognition of her devoted service as a member of the Board of Regents of the University of California, the Regents do hereby confer upon Bonnie Reiss the title Regent Emerita;

AND BE IT FURTHER RESOLVED that the Regents of the University of California express their gratitude for the many outstanding contributions that earned Bonnie a place in the University's history and in its heart, and convey the deep sense of loss that they, and the University community, feel at the death of this cherished friend and esteemed colleague.

AND BE IT FURTHER RESOLVED that the Regents convey to Bonnie's family their heartfelt condolences and direct that an inscribed copy of this resolution be sent to them as a token of the Regents' admiration and great regard for Bonnie.

Regent Lansing expressed her honor in speaking about former Regent Reiss, who is deeply missed by the Regents. Regent Lansing described Regent Reiss' passion, integrity, and pureness of purpose. She inspired her fellow Regents to be better and was the moral conscience of the Regents. Regent Reiss had a unique ability to listen to both sides and find consensus. She cared most deeply about the students and the environment. It was a fitting tribute to name the Carbon Neutrality Student Fellowship Program in honor of Regent Reiss, who worked so hard to make that program a reality. Regent Lansing said there was comfort in the knowledge that students in that program would carry on Regent Reiss' work.

8. **FISCAL YEAR 2018-19 BUDGET FOR THE OFFICE OF THE PRESIDENT**

The President of the University recommended that the Regents approve the Fiscal Year 2018-19 Budget for the University of California Office of the President as shown in Attachment 22.

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

President Napolitano commented that, although she had dealt with public budgets her entire professional life, the budget for the UC Office of the President (UCOP) was the most complex, with its multiplicity of sources of funds and expenditures. The proposed 2018-19 UCOP budget was aligned with best practices, recommendations of the State Auditor, and guidance from the Regents. The budget was developed in accordance with Assembly Bill 97, the Budget Act of 2017, within the constraints of reduced unrestricted State funding, and with a commitment to absorbing cost increases by cutting operational spending and carefully minimizing strategic investments. UCOP's goal was to clarify and simplify the financial operations of UCOP and to make them more transparent. By approving this recommendation, the Regents would satisfy a key condition required for the State's release of \$50 million sequestered from UC's 2017-18 funding in the Budget Act of 2017. Excluding UCPath, the proposed budget was \$33 million less than the prior year. Even though UC had enrolled more California undergraduates than ever, UCOP had reduced its operating expenditures and permanently redirected \$8.5 million toward further

increases in undergraduate enrollment. More than \$500 million of the proposed UCOP \$876 million budget, or 58 percent of the total, were pass-through funds or fees for services. Pass-through funds, 37 percent of UCOP's total budget, do not stay at UCOP, but flow through the budgeted campus programs to researchers and public service. Fee-for-services, 21 percent of the budget, are services that UCOP provides the campuses on a fee basis, such as benefits administration, legal, and risk services. Each fee-for-service area had its own methodology arrived at with oversight of various committees and councils.

In addition to approval of the budget, President Napolitano said she was recommending that the Regents approve redirection of various fund balances to the UC Riverside School of Medicine and campus housing, and from General Funds to eliminate historical department deficits. She was also recommending that \$20.3 million from General Funds be used to eliminate the budget for one-time funds, the so-called temporary budget used in the past, and establish the UCOP Strategic Priorities Fund as a line item in the permanent UCOP budget. The UCOP team that worked on the budget had accomplished a great deal on a multi-year journey of continuing to iterate and improve the budget process in collaboration with the Executive Budget Committee. The most significant changes were already reflected in this budget presentation. Chair Kieffer added that the prior year's UCOP budget had been produced in a form that had been used for many years.

Executive Vice President and Chief Operating Officer Nava provided context for the role of UCOP within the UC system. The budget of UCOP represents 2.5 percent of the total \$34 billion UC systemwide budget. When the funds that flow through directly to the campuses, to state-wide researchers, and to the public are considered, the UCOP budget is less than two percent of UC's systemwide budget. Ms. Nava displayed a graph showing that, compared with 11 other public university system offices, UCOP used a relatively moderate percentage of systemwide expenses and a relatively small percentage of systemwide employees, even though the \$34 billion UC budget was twice as large as the next largest system, the University of Texas.

UCOP is organized into three major categories that account for 90 percent of its overall budget: Academic and Programs, which supports UC's research and student preparation; Systemwide Operations, which supports functions such as benefits administration; and Finance. The remaining ten percent includes functions such as advocacy, compliance, legal, health services, support of the Board of Regents, the President, and the Academic Senate.

Ms. Nava said this revised budget presentation represented the culmination of several budget improvements designed to align with industry best practices, to be simplified, clarified, and more transparent. Further improvements would be made in future years. Goals for the fiscal year (FY) 2018-19 budget were to: keep the budget flat or reduced; absorb unavoidable cost increases; apply non-payroll zero-based budgeting; redirect \$8.5 million for undergraduate enrollment growth; budget sources and uses of all funds; and eliminate the use of the temporary, one-time, funds budget.

Associate Vice President Zoanne Nelson explained that the proposed UCOP FY 2018-19 budget was \$876.4 million, a \$33 million reduction from the current year's budget excluding \$14 million for UCPath. This budget was the result of efforts to absorb cost increases, cut costs, and minimize UCOP's strategic investments. The proposed budget would reduce funding for short-term projects and priorities by 38 percent from the current year and would allocate \$40 million to the campuses for specific purposes. For the first time, the proposed budget would show sources for the inflow of \$876.4 million to UCOP to support its expenses and, at the recommendation of the State Auditor, the budget would show UCOP's fees for services provided to campuses and pass-throughs, or those funds distributed to campuses and external entities.

Sources of UCOP funding include 19 percent sources restricted by an external entity for a specific purpose; 32 percent designated by UC for a specific purpose such as retirement administration, management fees, and revenues from sales; and unrestricted funds, including State General Funds and investment income.

Ms. Nelson reviewed four main categories of UCOP fund uses. The Program and Initiatives category supports teaching, research, and public service. Most of these funds pass through UCOP to the campuses and researchers throughout California. Central and Administrative Services support systemwide operations across the UCOP divisions. Those two categories combined constitute almost 90 percent of the UCOP budget. The UCPath Center is eight percent of the budget and the Strategic Priorities Fund is proposed to be three percent of the budget.

Detailed information about the Programs and Initiatives category of UCOP uses, 45 percent of the UCOP budget, was presented to the Board at its March meeting, including definitions of the underlying categories and a detailed list of the more than 40 programs and initiatives supported and managed through UCOP to support access and college preparedness, research, diversity, and public service. State and Federal Programs is the largest subcategory with its biggest components being Agriculture and Natural Resources and tobacco-related disease research. UCOP systemwide programs include the Student Academic Preparation and Educational Partnerships, Online Education, and many others.

UCOP Central and Administrative Services constitute 43 percent of its budget and support systemwide services and UCOP internal operations. Examples of supported systemwide services include the retirement center, which disbursed \$3 billion annually in retirement benefits to 73,000 recipients; the Apply UC portal through which 220,000 students applied to UC the prior year; the investments division, which managed a portfolio of \$120 billion in assets at a cost of three basis points; and patent administration services, which managed 12,000 patents and disbursed more than \$50 million annually in patent royalties.

Ms. Nelson explained that the UCPath Center was growing as it was being rolled out to various UC campuses. UCPath was implemented successfully during the past year at UC Merced and UC Riverside, and was planned to expand to six new locations in the upcoming year, including UCLA and UC Santa Barbara in September 2018, and UC Davis, UC Berkeley, UC Irvine, and the Agriculture and Natural Resources (ANR) division in March

2019. The UCPath budget was expected to increase to \$71 million to support the hiring of staff, the first full year of transitioning information technology costs from capital to operations, and its first full year of debt service repayment.

UCOP's Strategic Priorities Fund, three percent of the proposed UCOP budget, would replace the eliminated temporary, one-time unrestricted budget used in the past. The Strategic Priorities Fund includes \$7.8 million for seven Presidential initiatives, a \$2 million reduction from the current year and two fewer initiatives than previously. The remainder would be for strategic priorities and projects such as the replacement of UCOP's corporate financial system, and for other purposes.

Executive Director David Baltaxe explained that during the past year UCOP began to implement more robust budgeting practices, including leveraging current year actuals as the basis of the proposed budget and implementing a forecasting process through which the budget is reviewed against actual expenses. These new processes would improve the accuracy of the budget in FY 2018-19 and continue to improve its accuracy in the future.

The proposed FY 2018-19 budget was a \$14 million decrease from the FY 2017-18 budget, including the planned growth of the UCPath Center. Excluding the \$19 million increase for UCPath, UCOP achieved budget savings of \$33 million. Achieving these savings was challenging, requiring offsetting normal cost increases such as employee benefits and other increases. Savings were determined through consultation with key stakeholders including UCOP leadership, the Executive Budget Committee, and the Council of Chancellors.

Mr. Baltaxe said the overall UCOP \$33 million budget decrease included a \$4.6 million net decrease in operational expenses, achieved by offsetting \$18.7 million in increases in employee salaries, benefits, and contractual increases, with \$23.3 million in savings by eliminating vacancies, applying a higher vacancy factor, reorganizing two divisions, cutting travel, meeting, memberships, other administrative costs, and contingency costs. The Strategic Priorities Fund was added as a permanent \$30 million line item to the budget, replacing the prior use of temporary one-time budgets, resulting in savings of \$48.6 million captured by eliminating the unrestricted temporary budget and the President's initiative fund of \$7.8 million, \$2 million of which was allocated to fund enrollment growth and the balance incorporated into the Strategic Priorities Fund. Net savings of \$18.6 million were achieved. Changes in accounting and reporting to ensure consistent, transparent budgets aligned with generally accepted accounting principles included additions of \$117 million for the ANR temporary restricted contracts and grants budget, and campus legal costs for internal and external counsel. Accounting and reporting changes also drove large offsetting budget decreases of \$127 million, including patent royalties that pass directly to the campuses, and moving the budget for the Education Abroad Program to UC Santa Barbara where it was physically located and operated. The accounting and reporting changes yielded a net reduction of \$10.1 million. The total net change from all categories in the budget, excluding UCPath, was a decrease of \$33.3 million.

Chair Kieffer pointed out that many of these changes were accounting practices raised by the State Auditor. Executive Vice and Chief Financial Officer President Brostrom

commented that changes in the operational funds and Strategic Priorities Fund represented actual operational savings, while the changes in the accounting and reporting were changes only in where certain revenues were booked.

Ms. Nelson discussed UCOP reserve balances, which are funds accrued to maintain assets, manage revenue fluctuation and risk, and prepare for large periodic investments. In January 2018 the Regents adopted a policy on the UCOP central operating reserve. This policy along with Presidential guidelines established the size and funding source of the central reserve and the circumstances for drawing on those funds in the event of significant revenue disruption. In FY 2018-19, \$15 million was designated for the central reserve and funded from the President's Endowment Fund. These reserve funds would be held in the President's Endowment Fund where they would earn a greater return, and could be utilized if needed. In addition, specific programs maintain appropriate reserves based on Government Finance Officers Association best practices. These reserves are typically a subset of fund balances, and these programs' reserves were identified and documented as part of the budget process. They would be examined in more detail in the upcoming year. During the past year, UCOP identified and reviewed in detail 466 funds and classified them into three categories: restricted, designated, and unrestricted. That analysis was presented to the Regents at their March meeting. Remaining fund balances for restricted and designated funds are considered committed to their intended purpose. The current budget proposes an initial allocation to the campuses from available undesignated funds. At the close of the fiscal year when current balances would be available, the remaining fund balances would be further analyzed. The State Auditor specified that reallocation to campuses where appropriate should be completed in 2020.

Ms. Nelson discussed proposed uses of forecasted reserve fund balances. The UC Riverside School of Medicine would receive \$10 million to fulfill a prior UCOP commitment of \$2 million per year for ten years, half of which was outstanding. Also \$3 million would be allocated to each campus from capital-related funds, specifically \$14.5 million from the housing loan program and \$15.5 million from general obligation bond investment income, to address campus housing strategies, mirroring a similar allocation in 2017-18. Another \$20.3 million from General Funds would be used to replace the prior temporary budget and establish the Strategic Priorities Fund. The budget also proposed to eliminate historical deficits using \$14.4 million from General Fund balances. UCOP would continue to commit the remaining restricted and designated balances, and would commit the benefits reserve balance to systemwide employee benefits programs in consultation with the campuses after the 2017-18 balances were finalized and a plan was developed for reallocation.

Regent Ortiz Oakley expressed appreciation for this presentation, which he said would dispel the false notion of a UCOP "slush fund." He asked for clarification of the true decrease in the overall UCOP budget and whether the decrease would be one-time or permanent. Ms. Nelson responded that the ongoing decreases were the \$4.6 million decrease in operational funds and the \$18.6 million decrease in the Strategic Priorities Fund, totaling \$23 million of UCOP operating budget. Regent Ortiz Oakley asked if those decreases were from reducing personnel. Ms. Nelson said UCOP conducted a

reconciliation of all positions and eliminated a number of vacancies and a couple of positions.

Regent Ortiz Oakley asked whether the Regents-designated budget of \$24.6 million would address the concerns of the State Auditor with respect to the Regents' approving funds that are designated by the Regents and Presidential initiatives. Ms. Nelson confirmed that it was the intention of UCOP that this budget would satisfy that recommendation.

Regent Ortiz Oakley asked about the total projected budget for UCPATH once all campuses were online. Mr. Brostrom commented that UCPATH was currently live at UC Riverside, UC Merced, UCOP, and the Associated Students of UCLA. Not all the 2017-18 operating budget for UCPATH was spent, as that budget anticipated that UCLA would be online. However, because of problems with data conversion, UCLA's activation on UCPATH had been postponed. UCLA and UC Santa Barbara would join UCPATH in September, and UC Berkeley, UC Davis, UC Irvine, and ANR in March 2019. The following year there would be a slight increase in UCPATH's operating costs. The projected total staff at the UCPATH Center was 440, although current metrics indicated a lesser number might be sufficient as indicators regarding accuracy and call volume had been more favorable than anticipated. In addition, \$20 million a year would be added to UCPATH's operating budget to cover the \$220 million capitalized portion of the cost of UCPATH financed through a seven-year bond. When this cost is included, UCPATH's operating budget would be about \$100 million. Regent Ortiz Oakley asked if UC would request another line item in the 2019-20 State budget for UCPATH. Mr. Brostrom expressed hope that UCPATH would eventually operate on a fee-for-service basis, which he considered most appropriate, as more than two-thirds of UC's employees were not State funded, but were funded through medical centers, housing, or contracts and grants. The State Department of Finance had suggested in the current year that UCPATH's budget be kept flat at \$52.4 million, with the balance being recouped through an assessment. Mr. Brostrom would recommend that UCPATH be returned to a fee-for-service model once all the campuses were running on UCPATH.

Regent Makarechian commented that in prior years the UCOP budget was presented to the Finance and Capital Strategies Committee for recommendation to the full Board, but in the current year, because of the State Audit, it was brought directly to the full Board. As Chair of that Committee, Regent Makarechian, Vice Chair Sherman, and Chair Kieffer had spent a great deal of time in conference calls reviewing this proposed budget. He noted that the \$876 million UCOP budget was only 2.5 percent of the UC budget. UCOP's \$131 million operating budget was extremely low for operating a \$34 billion entity. Background documents were available that provide great detail about the components of the budget. Regent Makarechian thanked the UCOP staff for their effort on this budget presentation.

Regent-designate Anderson expressed appreciation for the transparency of this budget presentation. He asked how UCOP fee-for-service programs were reviewed for efficiency and their value to the campuses. Ms. Nava recalled that in the current year President Napolitano had formed the Executive Budget Committee, which has a representative of leadership from each campus as well as from the Academic Senate. That forum is used to ensure that the allocation of UCOP resources align with the priorities of the campuses. In

addition, leaders of UCOP functional areas communicate with staff in those areas on each campus to receive input on the types of services, the amount of resources, and the response time of services provided by UCOP. UCOP would continue to seek campus feedback in order to provide services that the campuses need. Regent-designate Anderson emphasized the importance of maintaining objective communication with the chancellors about their view of the value of services provided by UCOP. Chair Kieffer noted that the Regents engaged Sjoberg Evashenk Consulting to review UCOP services provided to the campuses. President Napolitano planned to convene a small group of chancellors, which Chair Kieffer would also join, to follow up.

Regent Park expressed appreciation for the increased transparency of the budget and the presentation, and for UCOP's responsiveness to questions about the budget. She agreed with the importance of reviewing specific programs' reserve policies and fee-for-service methodologies. She remarked that UCOP's Office of Innovation and Entrepreneurship was an area noted by Sjoberg and Evashenk for review of its structure so that it would provide value to the campuses. That discussion would be ongoing. Regent Park said she had questioned aspects of the Strategic Priorities Fund and some line items for undesignated, uncommitted funds and whether they were one-time or ongoing. She underscored the importance of clarifying who would benefit from reductions in UCOP budget line items. She said it would be beneficial to highlight future planned uses of the Strategic Priorities Fund, which had some prior commitments to Presidential initiatives.

Ms. Nelson noted the importance of keeping a portion of the Strategic Priorities Fund uncommitted. Some future expenses were known, but not yet in detail, and other unanticipated events arise to which UCOP must respond. In arriving at this proposed budget, UCOP reviewed the past three years of such expenses and then reduced that amount to arrive at the proposed \$30 million. UCOP would continue to review this area over the upcoming few years.

Regent Park asked where legal services were budgeted. Ms. Nelson responded that the Office of the General Counsel (OGC) was its own division with a budget for its expenses. In the past, OGC, the Office of the Secretary and Chief of Staff to the Regents, and the Office of Ethics, Compliance, and Audit Services were reported under the combined category Regents Offices. However, in the current proposed budget, these offices were represented as individual divisions.

Regent Park asked if the total reduction in the UCOP budget would result in a reduction to the campus assessment. Ms. Nelson said that the campus assessment would not be in place in 2018-19 because of the State General Fund allocation for UCOP. If the campus assessment were to be used again, it would be in the following year. Mr. Brostrom added that the UCOP budget had been flat for the prior two years when the campus assessment was used and the assessment had been reduced because the formula was a combination of total expenditures at the campus, total number of students, and total number of staff. Because the number of students and staff were growing at a much faster rate than UCOP's flat budget, the campus assessment had been dropping. If the campus assessment had been used for the 2018-19 budget being proposed, it would have dropped further.

While Regent Park appreciated UCOP's need to have funds for unforeseen events in the Strategic Priorities Fund, she underlined her preference for increasing funds for the Presidential Initiative that supports faculty diversity, which could be greatly increased to good benefit.

Regent Newsom asked for the difference in the number of employees at UCOP between FY 2017-18 and 2018-19, excluding UCPath. Ms. Nelson responded that, excluding UCPath, the number of employees at UCOP was reduced by 22. Regent Newsom asked about the source of other savings in the UCOP budget. Mr. Baldaxe said the 2018-19 budget included a vacancy factor, which is an offset to salaries and payroll. The vacancy factor had been increased over the past few years. The total vacancy factor increased in the 2018-19 budget by more than \$11 million. Regent Newsom asked how UCOP funds redirected to enrollment support would be allocated. Mr. Brostrom said that AB 97, the Budget Act of 2017, required UC to reallocate \$15 million from UCOP or systemwide funds to support enrollment growth. UCOP funds of \$8.5 million and other funds such as an increase in lottery funds, totaling \$15 million were reallocated to support 15,000 resident undergraduates.

Regent Newsom also asked about housing strategies supported by \$3 million per campus. Mr. Brostrom explained that UC was building as much student housing as possible and would add 19,000 beds in the next few years. In the meantime, there had been large effects of enrollment increases on students' housing costs. The prior year UCOP gave \$30 million to the campuses. Campuses had discretion in how these funds are spent, but each campus had to report back on its use of the funds. UCSF used the funds for graduate student stipends to help students with high rents. The proposed budget would implement the same plan in FY 2018-19.

Regent Newsom asked about the initial capital projections for UCPath. Mr. Brostrom said its initial capital projection in 2011 was \$189 million, which had grown to the current \$547 million. Regent Newsom observed that the transition from capital to operations would be a move in a positive direction. Mr. Brostrom pointed out that, because the capital costs were being amortized, the cost would be absorbed over time.

Regent Newsom complimented Chair Kieffer, President Napolitano, and UCOP staff on their responsiveness in making changes to the proposed UCOP budget and its presentation to provide the desired transparency.

Regent Sherman asked if there had been cost reductions on the campuses as a result of UCPath. Mr. Brostrom commented that UC campuses' aged payroll systems had to be replaced. The decision was made to replace these systems with one systemwide payroll application that would offer added benefits of standardization and common business practices. That process was much harder than anyone had anticipated, primarily because of the needed business transformations and standardization of campus practices. Currently UC had achieved standard business practices and terminology across ten different areas, which should lead to campuses' having to devote fewer full-time equivalent (FTE) staff to

human resources and payroll transactions. Savings had not been gained yet. Campus staff would be able to focus their work to be more strategic and less transactional.

Regent Makarechian noted that UCPath had expanded from the original concept as just a payroll system to its current much broader information technology and business system function.

Chair Kieffer commended President Napolitano and her staff for the extraordinary amount of work done on the budget and the real turnaround achieved. He requested a review in March 2019 of the FY 2018-19 UCOP budget and fiscal-year-to-date spending on Presidential programs, so that the Regents could evaluate those programs for the 2019-20 budget.

Upon motion duly made and seconded, the recommendation of the President of the University was approved.

9. **A REVIEW OF THE UNIVERSITY OF CALIFORNIA'S UNDERGRADUATE FINANCIAL AID STRATEGY**

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

Chair Kieffer commented that it was important for the Regents to understand UC's financial aid program and to consider whether it was sufficiently easy for students to navigate.

Provost Brown noted the importance to the Regents of affordability and access to UC. Stewards of a world-class public university should indeed place these issues at the heart of its mission. UC's affordability and access are critical for social mobility. This presentation would focus on California undergraduate students.

Vice President Holmes-Sullivan said this presentation would provide information about the relationship between tuition and affordability; that relationship was sometimes counterintuitive. She had chaired the Total Cost of Attendance Working Group, which had examined the assumptions, policies, and practices around undergraduate financial aid. Although there was room for improvement, UC was a national leader in affordability and access. The recommendations of the Working Group were presented to the Regents at a prior meeting. Some would require a partnership with the State to implement. Ms. Holmes-Sullivan's office along with the Education Financing Model (EFM) Steering Committee was working to implement those recommendations. UC had strong support in these efforts from the State through the Cal Grant and Middle Class Scholarship programs. UC students received \$888 million in Cal Grants in the current year, more than twice the amount of federal Pell Grants received by UC students. Also, Regents policy very clearly outlined that the goal of UC's systemwide undergraduate financial aid policy was affordability, meaning that family finances should not be a barrier to a student's deciding to come to UC or selecting among UC campuses. Regents policy was implemented through the EFM,

which provides a framework for allocation of financial aid resources across the system in a consistent and fair manner, and for assessing the adequacy of UC's programs.

Ms. Holmes-Sullivan reviewed the core principles underlying UC's financial aid strategy. First, and most importantly, the total cost of attendance, rather than tuition alone, is the context for affordability of an undergraduate degree. Second, a three-way partnership covers the total cost of attendance: parents, based on their family resources; students, regardless of their parents' income, by working part-time or by taking advantage of student loans if needed; and State, federal, and University grants to cover the rest of the cost. Another core principle is that students' need to work and borrow should be manageable. As a testament to UC's commitment to access, UC enrolls a significantly higher percentage of Pell Grant recipients than any other comparable public university. More importantly, UC also helps those students graduate. On average, UC undergraduates with similar academic preparation levels have similar persistence and graduation rates, regardless of family income level. UC undergraduates who borrow graduate with less debt on average than college students nationally.

Director Chris Carter displayed a graph showing how parents' contributions, students' work and loan contributions, and student aid work together. The self-help expectation of all students is \$10,000, which students can fulfil by working, or through loans or scholarships. Scholarships offset directly a student's need to work or borrow, and would offset grant awards only if the scholarship exceeds the \$10,000 a year self-help expectation. Parents' expected contribution is calculated according to the federal methodology that accounts for family income, assets, family size, and the number of family members in college. The two major grant programs that assist UC students are the State Cal Grant and the federal Pell Grant programs. Mr. Carter stressed how vital the State's generous Cal Grant program is to UC's ability to meet the financial needs of UC students. The Cal Grant program is the single largest source of grant funding for UC students. Campuses then use UC Grants, which totaled more than \$770 million in 2016-17, to fill in the remaining gap. The State's Middle Class Scholarship program extends aid eligibility beyond the range of traditional financial aid programs. In the current year, families earning up to \$165,000 can qualify for a Middle Class Scholarship award that partially offsets tuition expenses; families can decide whether this award offsets the parent contribution or the student self-help expectation.

In response to a question from Chair Kieffer, Mr. Carter explained that total grant sources would vary by student. For example, if a student had used up his or her four years of Cal Grant eligibility, that portion would be back-filled with a UC Grant. The UC Grant is funded largely through UC's one-third return to aid and \$52 million in State General Funds. Chair Kieffer noted that, if UC philanthropy could raise funds for student aid, it might be possible to reduce UC's return-to-aid gradually over time. Mr. Brown commented that campuses find it difficult to raise funds for student aid compared with philanthropy for other purposes.

Regent Makarechian commented that if UC reduced its tuition, the amounts of Cal Grants and Pell Grants would be reduced. Mr. Carter confirmed that understanding.

Regent-designate Anderson asked about the stability of State funding of the Cal Grant Program over time. Mr. Carter said that Cal Grant levels were tied statutorily to tuition levels. The State's funding of Cal Grants had been very consistent.

Regent Makarechian asked if financial aid staff had flexibility in assembling aid packages. Mr. Carter commented that UC Grants do not have a single income cut-off, while the Cal Grant program had strict income caps, which could be slightly flexible for differences in family size. The University uses its financial aid to smooth out what otherwise could be abrupt changes in aid because of strict income cut-offs in other programs.

Mr. Carter described how aid is adjusted to account for differences in total cost of attendance at UC campuses. Each campus uses a similar methodology to develop a total cost of attendance for that campus, reflecting actual local costs. The University distributes financial aid dollars across the nine undergraduate campuses to meet the financial need with the same student self-help level at all campuses. UC Grant levels adjust to higher total cost of attendance to keep the net cost for a student's family similar.

Mr. Carter discussed the relationship between tuition and financial aid. UC estimates the total cost of attendance each year. In 2017-18, the non-tuition components of the total cost of attendance increased by about \$500, based on inflation, changing rental rates, and new information from student surveys. Without a tuition increase and the resulting increase in financial aid, students and families would have seen their net cost increase by \$500. With a tuition increase, both UC and the State provided a combined total of \$57 million of additional financial aid to UC students. Cal Grants automatically increase with tuition increases and UC puts one-third of the tuition increase back into financial aid. This more than offsets tuition increases for the 58 percent of UC students who receive either a Cal Grant or a UC Grant, and provided additional funds to help mitigate a part of the \$500 increase in non-tuition costs. The net price for these students was lower than it would have been without a tuition increase.

Student Advisor Sands asked about the effect of tuition increases on students with higher family incomes. Mr. Brown said that such students would feel the full impact of increases in tuition and cost of living.

Regent Makarechian recalled that the State had restricted UC from providing need-based financial aid to nonresident students. He asked if the University had any program to provide aid to needy nonresident students. Ms. Holmes-Sullivan said nonresident students were able to access all UC programs such as food pantries and other support services. Regent Makarechian expressed his view that the Regents should focus on raising some funds to assist needy nonresident students. UC students should not be left food-insecure just because they are nonresident students. Chair Kieffer said this would involve a policy change and the Board could consider this subject at a future meeting, including the possible effects of such a change. Regent Makarechian added that UC nonresident students can be under great financial pressure.

Regent Park inquired whether increases in the cost of living raise the self-help expectation for some students to more than \$10,000, and whether the self-help expectation was differentiated by need, or was the same for all UC students. Mr. Carter explained that UC maintained a generally consistent self-help expectation, but the level of the self-help expectation could vary from year to year. UC sets the self-help level for those students to whom UC provides grant assistance. Students not receiving need-based aid and their families have to pay the increased cost-of-living expenses.

Regent Park also asked how many UC undergraduates received merit aid and the aggregate amount of such aid. Mr. Carter advised that UC undergraduates received \$133 million in merit-based financial aid in 2016-17 distributed across about 23,000 students.

Regent Ortiz Oakley recalled prior Regents' discussions as a result of the work of the Total Cost of Attendance Working Group. While UC should be proud of its financial aid policies compared with other universities', it is not the case that UC is covering the needs of all its low-income students. In fact, as expressed by students in public comment sessions, many students were feeling a tremendous amount of financial pressure. UC assumes a \$10,000 self-help contribution, but many first-generation, low-income students provide help to their families who are then expected to provide a parent contribution to their students' education. The cost of housing in California is devastating families. The Regents should not think the financial needs of these students are completely addressed by UC financial aid. Regent Ortiz Oakley said that UC chancellors and development organizations should be expected to raise money to support these students. He expressed his view that financial pressure had increased on students at UC, California State University, and the California Community Colleges. Ms. Homes-Sullivan agreed that the realities of many students' situations must be kept in mind when the Regents are faced with decisions about tuition increases.

Regent Lansing agreed with Regent Ortiz Oakley. She acknowledged that nonresident students bring beneficial diversity to UC campuses, but said that California students must be UC's highest priority. She emphasized the financial burden on the underserved population as well as on the middle class. These must be UC's highest priorities.

Regent Lemus asked how UC's financial aid policies affect whether middle class students chose to attend UC or peer public and private universities. Ms. Holmes-Sullivan commented that UC has a significantly higher percentage of low-income students than any other public university in the nation; the comparison would be much more drastic with public universities. The combination of Cal Grants and UC grants is unique in the nation. Mr. Brown added that while UC's financial model works very well, it is based on assumptions that are not tenable for every student. UC makes assumptions, as it must base its aid on some formula, but there is still need beyond UC's current resources. It would be appropriate to focus attention on how those resources could be augmented.

Regent-designate Morimoto asked how merit-based scholarships affect students' financial aid awards. Mr. Carter explained that students' merit-based scholarships would not have an effect on their financial aid package, but rather would reduce the students' expected

self-help contribution, offsetting the need for the students to work or borrow, so that students were incentivized to earn merit-based scholarships. In the few instances of students having scholarships that exceed the \$10,000 self-help expectation, the amount above \$10,000 would have an impact on their financial aid award.

Regent Anguiano commented on the expected parent contribution for families earning between \$70,000 and \$100,000. For families earning \$70,000 the expected parent contribution is about 11 percent of their income; for families earning more than \$170,000, the expected parent contribution is 14 percent or less; for families earning \$110,000, the expected parent contribution is almost 20 percent of family income. She asked how the high 20 percent expected contribution for those families was calculated. Mr. Carter said the expected parent contribution was determined by a federal formula, with adjustments made for families with greater assets, more children, or more children in college. The federal formula makes certain assumptions about what it costs a family to live, with no adjustment if the family lives in an area with a high cost of living. He agreed this creates questions of equity that UC had tried to raise on the federal level. UC had succeeded in having home equity excluded from consideration in the federal formula, since Californians typically had more home equity. The question of whether parents can actually afford their expected contribution is different for areas with higher costs of living. He agreed this was an important area for UC to continue to address.

Chair Kieffer commented that this discussion should be revisited when the Regents are again faced with a decision about raising tuition, to understand the impact of potential tuition increases on students and their families.

Mr. Carter discussed the less than ten percent of UC undergraduates eligible for aid under the Middle Class Scholarship program. Award increases would mitigate, but not fully offset, tuition increases, as those awards were a percentage of tuition. Such students would see their costs increase as a result of increases in the total cost of attendance, even without a tuition increase. When tuition is increased, these students face both increased cost of living and a portion of the tuition increase not covered by the Middle Class Scholarship. The remaining one-third of California undergraduates receive no financial aid or Middle Class Scholarship would be responsible for all increases in cost of attendance and tuition.

Mr. Carter concluded by stating that UC was successful in enrolling California undergraduates from across the income spectrum. By maintaining a strong systemwide policy on affordability, UC strives to ensure that family resources were not a barrier for admitted California students to enroll and succeed at UC. The actions the Regents and President Napolitano had been taking to control costs and efforts to increase aid were important.

Student Advisor Sands said he had requested information about UC's nonresident students. He said that a tuition increase for nonresident students was approved by the Regents despite their lacking information about the effect of that tuition hike. Ms. Holmes-Sullivan commented that this presentation involved California undergraduates, but she would provide requested information.

Regent-designate Graves asked if an undergraduate could receive both a UC Grant and a Middle Class Scholarship. Mr. Carter responded that a UC Grant or any other need-based grant, offset the Middle Class Scholarship, dollar-for-dollar. If a student's UC Grant were small enough, it might not fully offset the Middle Class Scholarship. A relatively small number of students would have both. Regent-designate Graves said it would be helpful for a future presentation to provide more detailed information about what awards students were receiving and the timing of award disbursements to ensure that UC campuses were being as effective as possible when administering financial aid.

10. **REPORT OF INTERIM, CONCURRENCE AND COMMITTEE ACTIONS**

Approvals under Concurrence Action

- A. The Chair of the Board, the Chair of the Committee on Finance and Capital Strategies, and the President of the University approved the following concurrence item:

Authorization to Execute Predevelopment Agreement, West Village Transfer Student Housing Project, Davis Campus

- (1) The President of the University be authorized, after consultation with the General Counsel, to approve and execute a Predevelopment Agreement with University Student Living LLC (USL) to reimburse certain costs incurred by USL in the predevelopment planning and design of the West Village Transfer Student Housing Project, Davis Campus, in an amount not to exceed \$13.01 million.
- (2) The President, or her designee, after consultation with the General Counsel, be authorized to approve and execute all amendments and modifications to the Predevelopment Agreement provided such amendments and modifications do not materially reduce the consideration to, or increase the obligations of the Regents.

Approvals Under Health Services Committee Authority

- B. At its April 13 meeting, the Health Services Committee approved the following recommendation:

Proposed Request for Approval of Hillcrest Campus Redevelopment Phase 1, San Diego Campus

The San Diego campus' proposed discussion of the Hillcrest Campus Redevelopment Phase 1 with the Finance and Capital Strategies Committee at the May 2018 Regents meeting and the San Diego campus' proposed requests to the Finance and Capital Strategies Committee for: (1) approval of preliminary plans funding at the July 2018 meeting, (2) approval of the budget and external financing

by early 2019, and (3) approval of design pursuant to the California Environmental Quality Act by the spring 2019.

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

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

To the Regents of the University of California

- A. From the Secretary and Chief of Staff, articles from *The Daily Cal*, “Regent Gets Regional: A Q&A with UC Regents Chair George Kieffer” and from *Berkeley News*, “Celebrating 150 years of UC and of Berkeley, ‘its shining jewel.’” March 24, 2018.
- B. From the Chair of the Board, an email with an attached letter from Assemblymember Medina and others to Assemblymembers Ting and McCarty requesting that full funding of the University of California and California State University be a budget priority for the Assembly Budget Committee. March 28, 2018.
- C. From the Chair of the Board and the President of the University, emails memorializing Regent Bonnie Reiss. April 3, 2018.
- D. From the Secretary and Chief of Staff, the Summary of Communications received for March, 2018. April 5, 2018.
- E. From the President of the University, an email with a link to a *Detroit News* article regarding allegations about a Michigan State University Dean, noting that at the time of the alleged harassment, the current UC Riverside Chancellor was the Michigan State University Provost. April 5, 2018.
- F. From the President of the University, an email announcing an agreement on a transfer guarantee between California Community Colleges and the University of California. April 11, 2018.
- G. From the President of the University, a fact sheet and letter outlining the University’s implementation of a wage increase and benefits for American Federation of State, County, and Municipal Employees (AFSCME), despite not reaching agreement on a contract. April 18, 2018.
- H. From the President of the University, a press release in response to a federal court ruling on the Deferred Action for Childhood Arrivals (DACA) program. April 25, 2018.

- I. From the President of the University, a letter regarding the one-year update to the State Auditor on implementation of recommendations from last year's audit; the one-year update on recommendations to the Office of the President; the one-year update on recommendations to the Board of Regents; and the one-year update on recommendations to the Office of the President List of Documents. April 25, 2018.
- J. From the Secretary and Chief of Staff, a press release regarding the Chair and President's announcement that the issue of an in-State tuition increase will not be taken up at the May Regents meeting and that the University will continue to advocate for full State funding. April 26, 2018.
- K. From the Compliance and Audit Committee Chair, the quarterly report from Sjoberg Evashenk Consulting, Inc. on their independent assessment of the California State Auditor's recommendations regarding the UC Office of the President audit. April 27, 2018.
- L. From the Chair of the Board, a report from Sjoberg Evashenk Consulting, Inc., entitled "University of California 10 Campus Study." April 27, 2018.
- M. From the Associate Director, Federal Governmental Relations, the Federal Update and Report on Congressional and Administration Activities. April 30, 2018.
- N. From the President of the University, an email providing an update on the California State Auditor's assessment of the one-year progress in the University's implementation of the recommendations from the 2017 audit of the Office of the President and a chart outlining the University's response. May 2, 2018
- O. From the President of the University, a letter regarding planned strike activities by the AFSCME union and other unions intending to strike in sympathy with AFSCME. May 4, 2018.
- P. From the Faculty Representative to the Regents, a testimony presented to a meeting of the State Assembly Select Committee on the Master Plan for Higher Education in California. May 8, 2018.
- Q. From the Chair of the Board, an email announcing the passing of former Governor and Regent Emeritus George Deukmejian. May 8, 2018.
- R. From the Secretary and Chief of Staff, the Summary of Communications received for April, 2018. May 8, 2018.

To the Members of the Health Services Committee

- S. From the UC Health Executive Vice President, an email and a *Nature* journal article regarding a pilot research project between UCSF and Google using de-identified

electronic health records to try to predict future adverse events for patients. May 8, 2018.

To the Members of the Public Engagement and Development Committee

- T. From the Federal Governmental Relations Associate Vice President, the Federal Update and Report on Congressional and Administration Activities. April 30, 2018.

The meeting adjourned at 12:05 p.m.

Attest:

Secretary and Chief of Staff

Additions shown by underscoring; deletions shown by strikethrough**Proposed amendments to Regents Policy 3105: Policy on Residency****Regents Policy on Residency and Payment or Waiver of Tuition, Nonresident Supplemental Tuition and Mandatory Systemwide Fees****POLICY SUMMARY/BACKGROUND**

As a state-supported institution, the University of California confers on California students the benefit of attending the University at lower cost than students who attend from outside the state. Students classified as California residents are not charged Nonresident Supplemental Tuition (NRST). For most students, determining whether they qualify as a California resident is very straightforward. For a minority of students, the determination requires close examination. State law and University policy authorize some students to be considered California residents based on social policy considerations consistent with the mission of the University even if they don't meet the standard criteria for determining residency. This policy identifies the criteria for being classified as a California Resident (either by meeting standard Residency Requirements or special circumstances residency requirements) or for being classified as otherwise eligible for waiver of NRST. Further details are provided in Residence Policy Guidelines (Guidelines), maintained by the Office of the President (with the assistance of the Office of General Counsel) to facilitate implementation of this policy. Terms that are capitalized in this policy are defined in the Guidelines. This policy is informed by both the California Education Code and financial aid standards issued by the U.S. Department of Education. In light of the combined effect of a Student's Residency Classification and financial aid eligibility on the cost to attend UC and resources available to support attendance, wherever possible, this policy seeks to maximize consistency between University financial aid determinations and Residency Classifications to improve transparency for Students. All references to the California Education Code are for informational purposes only.

POLICY TEXT

- A. **Principles Governing Residency Determinations:** A Student's Classification for purposes of the Student's responsibility for payment of Nonresident Supplemental Tuition ("NRST") as either Resident, Nonresident or NRST Exempt ("Residency Classification") shall be made based on information provided by the Student before initial Enrollment, upon re-Enrollment, or as may otherwise be required. Each Residency Classification shall be made by authorized University employees on the basis of this Policy and the implementing Guidelines adopted by the President pursuant to this Policy. Consistent with Regents Policy on Admissions Decisions, Residency Classifications shall not be motivated by development considerations or financial, political or other such benefit to the University. The Board recognizes that correspondence or inquiries received from individual Regents or from elected officials may be appropriate, but efforts to inappropriately influence the outcome of individual residency classifications are not.

- B. The burden is on each Student to demonstrate eligibility for classification as a resident or as NRST Exempt. A Student initially classified as a nonresident will retain that status unless and until the Student is deemed eligible for Resident Classification or an NRST

Exempt Classification in a subsequent quarter or semester. A Student initially classified as a Resident who becomes a Nonresident by virtue of acts of the Student or a Qualifying Individual is required to notify the Student's campus registrar immediately.

C. The University may request that information submitted by a Student or a Qualifying Individual to support a Resident Classification or NRST Exempt Classification be sworn under penalty of perjury. The University may reconsider a Resident Classification or NRST Exempt Classification upon good cause. Where a Resident Classification or NRST Exempt Classification is found to have been based on inaccurate or incomplete information, the University may:

1. bill the Student for NRST for periods of previous Enrollment in which NRST was not charged;
2. hold a Student's registration until full payment of amounts due has been received;
3. hold release of Student records until full payment of amounts due has been received;
4. notify appropriate regulatory agencies;
5. initiate discipline under the Policy on Student Conduct and Discipline ("PACAOS 100");
6. impose an administrative penalty no greater than the amount of NRST for each affected quarter or semester where a Student, Parent, or Qualifying Individual intentionally misrepresented or withheld relevant information, and/or
7. pursue any civil, criminal or other remedies that may be appropriate under the circumstances.

I. Residency Classifications and Tuition Policy

A. Each Student shall be charged Nonresident Student Tuition except as provided in this policy. A Student shall not be subject to payment of NRST if the Student and one Parent (or other Qualifying Individual, as applicable):

1. satisfy the Residency Requirements identified in Section B below; or
2. demonstrate(s) at least one of the special circumstances warranting a Resident Classification identified in Section D below; or
3. otherwise demonstrate(s) eligibility for exemption from payment of NRST as identified in Section E below.

B. Residency Requirements. A Resident Classification at the University of California shall be granted where the Student and one Parent or other Qualifying Individual as applicable demonstrate that they have established a primary and permanent home in California by providing evidence that they satisfy the following Residency Requirements:

1. Physical Presence: Continuous physical presence in California for more than one year immediately before the Residence Determination Date, as further defined and explained in the Guidelines. Physical presence in California solely for educational purposes does not constitute the establishment of California

residence, regardless of length of stay. The impact of absences from California on a Student's Residency Classification shall be addressed in the Guidelines.

2. Intent: Except as otherwise provided in the Guidelines, intent for more than one year immediately before the Residence Determination Date to make a primary and permanent home in California, as demonstrated by indicia of intent identified in the Guidelines.

Evidence to demonstrate satisfaction of Residency Requirements for Students (and, where relevant, Parents or other Qualifying Individuals) who are not U.S. citizens or permanent residents are addressed in the Guidelines.

C. Who Must Satisfy Residency Requirements:

1. Student and Qualifying Individual: Except as provided in Subsection 2, undergraduates who will not reach the age of 24 by December 31 of the academic year for which Resident Classification is sought must demonstrate that the Student and a Parent (or other Qualifying Individual as applicable) satisfy the Residency Requirements.
2. Student Alone: The following Students may demonstrate satisfaction of the Residency Requirements on their own without regard to information about a Parent or other Qualifying Individual:
 - a. Graduate Students, regardless of their age;
 - b. Undergraduates who have reached the age of 24 by December 31 of the academic year for which Resident Classification is sought;
 - c. Undergraduates who are married as of the Residence Determination Date, regardless of their age;
 - d. Undergraduates who otherwise meet the independence standard for purposes of eligibility for federal financial aid; and
 - e. Undergraduates who demonstrate that they have been Self-Supporting for at least one year before the Residence Determination Date according to criteria set forth in the Guidelines.

D. Special circumstances resident classification: A Resident Classification (or Contingent or Limited Duration Resident Classification, as specified below) at the University of California shall be granted where a Student demonstrates any of the following Special Circumstances:

1. Student Member of the U.S. Armed Forces: A Student who is a member of the U.S. Armed Forces stationed in California on active duty, except if assigned for educational purposes, is eligible for a Contingent Resident Classification. Such a Student may retain a Contingent Resident Classification if the Student is transferred outside of California pursuant to military orders, so long as the

Student remains continuously enrolled at a California public post-secondary institution. See section 68075.

2. Student Dependent of Member of the U.S. Armed Forces: A Student who is a dependent of a member of the U.S. Armed Forces stationed in California on active duty is eligible for a Contingent Resident Classification. Such a Student may retain a Contingent Resident Classification if the member of the armed forces is transferred outside of California pursuant to military orders, or retires from the armed forces, so long as the Student remains continuously enrolled at a California public post-secondary institution. See section 68074.
3. Ward of the Court: A Student who resides in California and who is currently a dependent or ward of the state through California's child welfare system, or was a dependent or ward of the state and is no longer being served either due to emancipation or aging out of the California child welfare system, is eligible for a Resident Classification. See section 68085.
4. Nonresident Dependent of a California Resident: A Student who does not satisfy the Residency Requirements but who has a Parent who both satisfies the Residency Requirements and either claimed the Student as a tax dependent or continually contributed court-ordered child support for the Student during the one year immediately before the Residence Determination Date shall be eligible for a limited duration Resident Classification for one academic year. Such a Student may thereafter be eligible to receive a Resident Classification if the Parent continues to satisfy the Residency Requirements and the Student demonstrates timely satisfaction of the Residency Requirements. See section 68076.
5. Student Under Care of An Adult Qualifying Individual Other than a Parent: An undergraduate Student who was under the continuous direct care and control of an adult Qualifying Individual other than a Parent for at least two years before reaching the age of 19 is eligible for a Resident Classification when both the Student and Qualifying Individual(s) demonstrate that they met the Residency Requirements for more than one year immediately before the Residence Determination Date. See section 68073.
6. California Public School Teacher: A Student who is employed by a California school district in a full-time position requiring certification qualifications shall be eligible for a contingent Resident Classification while completing course work to meet credential requirements according to the additional conditions set forth in the Guidelines. See section 68078.
7. Graduate of Bureau of Indian Affairs School: A Student who is a graduate of a school located in California run by the United States Bureau of Indian Affairs is eligible for a Resident Classification. See section 68082.

8. Amateur Student Athlete Training at a U.S. Olympic Training Center: A Student who is an amateur student athlete training at a U.S. Olympic Training Center in California is eligible for a limited duration Resident Classification for one academic year. Such a Student may thereafter be eligible to receive a Resident Classification if the Student demonstrates timely satisfaction of the Residency Requirements. See section 68083.
 9. Refugees / Victims of Trafficking, Domestic Violence or Other Crimes: A Student who has been classified as a refugee, as specified in the Guidelines, or who holds a visa provided for victims of trafficking, domestic violence or other serious crimes (any “T” or “U” visa) is eligible for a limited duration Resident Classification for one academic year. Such a Student may thereafter be eligible to receive a Resident Classification if the Student demonstrates timely satisfaction of the Residency Requirements.
 10. University / Laboratory LLC Employees: An individual who is a full-time employee of the University assigned to work outside the state of California or a full-time employee of an LLC holding a contract to manage a university laboratory, as well as the dependent spouse, registered domestic partner or Child of such an individual, shall be eligible for a contingent Resident Classification. The Contingent Resident Classification shall expire at the end of any quarter or semester in which the Qualifying Individual no longer has an employment relationship that qualifies the Student for this contingent Resident Classification.
 11. Dependent of Member of Academic Senate: A Student who is the spouse or registered domestic partner or unmarried dependent Child of a member of the University faculty who is a member of the Academic Senate shall be eligible for a Resident Classification. See section 68078.
- E. Students Exempt from Payment of NRST (“NRST Exempt”): A Student who does not qualify for a Resident Classification under Section B or D above may nonetheless be eligible for exemption from payment of NRST under the following circumstances:
1. “AB 540”: A Student who qualifies under the provisions of section 68130.5 of the California Education Code (commonly known as AB 540) is eligible for an NRST Exempt Classification.
 2. Student Discharged from U.S. Armed Forces: Subject to limitations set forth in the Guidelines, a Student who was a member of the U.S. Armed Forces stationed in California on active duty for more than one year immediately prior to being discharged is eligible for NRST Exempt Classification for one academic year so long as the Student files an affidavit stating the Student’s intent to establish California residence at the time the Student seeks the NRST Exempt Classification. The one year NRST Exemption must be used within two years of being discharged. Such a Student may thereafter be eligible to receive a Resident

Classification if the Student demonstrates timely satisfaction of the Residency Requirements. See Education Code section 68075.5.

3. Federal Law Addressing Veteran Higher Education Access: A Student who meets the definition of “covered individual” in section 702 of the U.S. Veterans Access, Choice and Accountability Act of 2014 (Public Law 113-146; 38 U.S.C. §3679(c)) or the eligibility requirements of the U.S. Higher Education Opportunity Act (20 U.S.C. §1015d) (or any other federal law addressed in the Guidelines regarding access to higher education for veterans of the U.S. Armed Forces) is eligible for an NRST Exempt Classification.

II. Tuition / Mandatory Systemwide Fee Policy

Each Student shall be charged Tuition and other Mandatory Systemwide Fees except where they demonstrate any of the following circumstances, subject to further details in the Guidelines:

1. Recipient of Congressional Medal of Honor: A Student who has a Resident Classification and received or is the Child of someone who received the Congressional Medal of Honor and satisfies all requirements set forth in the Guidelines is eligible for exemption from payment of Tuition and Mandatory Systemwide Fees. See section 66025.3.
2. Student Dependent of Deceased or Disabled Veteran/CA National Guard: A Student who has a Resident Classification and who is the Child or dependent or surviving spouse or registered domestic partner (who has not subsequently married or registered as a domestic partner) of a deceased or disabled veteran or member of the California National Guard who was killed or permanently disabled while in active service of the United States Military or California National Guard, shall be exempt from payment of Tuition and Mandatory Systemwide Fees so long as the Student satisfies all requirements set forth in the Guidelines. See section 66025.3.
3. Student Survivor of Law Enforcement or Fire Suppression Personnel: An undergraduate Student who is the surviving spouse or registered domestic partner or Child of a California resident whose principal duties consisted of active law enforcement service or active fire suppression and prevention and who was killed on active duty shall be exempted from Tuition and Mandatory Systemwide Fees. See section 68120.

COMPLIANCE/DELEGATION

The President or designee, in consultation with the General Counsel, or designee, is authorized to adopt and amend implementing Guidelines consistent with this policy. The President or designee may delegate responsibility for applying and implementing this policy.

NO RIGHT OF ACTION

This policy is not intended to, and does not, create any right or benefit, substantive or procedural, enforceable at law or in equity by any party against the University of California or its Board of Regents, individual Regents, officers, employees, or agents.

Regents Policy 3105: Policy on Residency

Approved March 29, 2012

- ~~1. The residence of each student at the University of California shall be determined in accordance with rules governing residence as set forth below. (All statutory references herein, unless otherwise noted, are to the California Education Code.)~~
 - ~~A. Legislative Matters: Legislative intent, Legal action, and Applicability to the University: as provided in Sections 68000, 68133, and 68134.~~
 - ~~B. Residence Procedures: Student classification; Information and evidence concerning residence; Oath or affirmation; Person administering oath or affirmation; Nonresident not obtaining residence as a result of maintaining continuous attendance; and Nonresident tuition: as provided in Sections 68040-68043, and 68050.~~
 - ~~C. Residence Definitions: "Institution"; "District"; "District governing board"; "Governing board"; "Parent"; "Student"; "Continuous attendance"; "Resident"; "Nonresident"; "Resident classification"; "Residence determination date": as provided in Sections 68011-68012, 68014-68018, and 68022-68023.~~
 - ~~D. Physical Presence and Intent: Every person has a residence; Residence of persons who are married or 18 years of age; Determination of place of residence: as provided in Sections 68060-68062.~~
 - ~~E. Financial Independence: Rules and regulations concerning student's classification:
 - ~~1. As provided in Section 68044, but excluding the words "classified as a nonresident seeking reclassification" from Paragraph 1 and substituting the words "seeking classification," and excluding Paragraph 3 of Section 68044.~~
 - ~~2. In addition to the provisions of Section 68044, as amended by this policy, a student shall be considered financially independent if the applicant:
 - ~~a. is at least 24 years of age by December 31 of the year the applicant requests residence classification;~~
 - ~~b. is a veteran of the U.S. Armed Forces;~~
 - ~~c. is a ward of the court or both parents are dead;~~
 - ~~d. has legal dependents other than a spouse or registered domestic partner;~~
 - ~~e. is married, or in a registered domestic partnership, or a graduate student or professional student, and will not be claimed as an income tax deduction by any individual other than his or her spouse or domestic partner for the tax year immediately preceding the request for residence classification; or~~
 - ~~f. is a single undergraduate student, and was not claimed as an income tax deduction by his or her parents or any other individual for the two years immediately preceding the request for residence classification, and demonstrates self-sufficiency for~~~~~~

two years. The two years used to demonstrate self-sufficiency are the two years immediately preceding the request for residence classification.

2. Each nonresident student at the University shall pay a nonresident tuition fee for each term of attendance at the University, except that such fee, with the approval of the President of the University, may be remitted or waived in whole or in part in the case of any student who qualifies as a graduate student with a distinguished record, a foreign student, a teaching assistant or teaching fellow, or a research assistant; or in the case of a nonresident student who is an unmarried dependent son or daughter under age twenty-one, or a spouse or registered domestic partner, of a member of the University faculty who is a member of the Academic Senate.
3. The following exceptions shall grant students a resident classification for purposes of tuition and fees:
 - A. Minor under age 18 who is a student who remains in California after his or her parent moves elsewhere; Self-supporting student; Minor who has not been an adult more than one year preceding residence determination date; Student under care of adult: as provided in Sections 68070-68073.
 - B. Dependent of member of the Armed Forces; Member of Armed Forces; Armed Forces members; Remaining in state following discharge: as provided in Sections 68074-68075.5.
 - C. Dependent of California resident of more than one year; Parent residing in California for one year and contributing court-ordered support for student: as provided in Section 68076.
 - D. Graduate of California school operated by the United States Bureau of Indian Affairs: as provided in Section 68077.
 - E. Student holding credential; Other conditions: as provided in Section 68078.
 - F. Amateur student athlete in training at a U.S. Olympic Training Center: as provided in Section 68083.
 - G. Student 19 years of age or under; Current or former dependent or ward of state: as provided in Section 68085, amended to read: "Notwithstanding any other provisions, a student who resides in California and is 19 years of age or under at the time of enrollment, and who is currently a dependent or ward of the state through California's child welfare system, or was served by California's child welfare system and is no longer being served either due to emancipation or aging out of the system, shall be entitled to a resident classification as long as he or she remains continuously enrolled."

Definitions of Terms used in the Proposed Amended Regents Policy on Residency

The following is a subset of definitions in the Residence Policy Guidelines, which are published by the Office of the President for the campuses to use in implementing the Regents Policy on Residency. The terms defined here appear in the proposed amended Regents Policy on Residency (Attachment 1).

Term	Definition
Adult	Any person who is 18 years of age or older
Child/Children	A natural or adopted son or daughter. The term “child” does not include stepchild unless expressly noted.
Contingent Resident Classification	A California resident classification that is contingent on factors other than residency requirements as specified in Regents Policy
Enrollment	The date the student has actually signed up for classes, or the date the student’s fees are paid, whichever occurs first.
Graduate Student	Includes graduate academic students, graduate professional degree students, and students enrolled in a teacher credential program.
Mandatory Systemwide Fees	Uniform fees assessed to all registered students; fees under this definition include Tuition, the Student Services Fee, and any other mandatory fees that may be adopted.
Nonresident Supplemental Tuition (NRST)	The university-wide mandatory charge assessed across all campuses of the University against each student who has not obtained a resident classification or an NRST exempt classification

NRST Exempt Classification	A classification provide to students who have demonstrated that they are not subject to payment of NRST in accordance with the Regents Policy on Residency.
Parent	The natural or adoptive father or mother or, if both parents are deceased, the legal guardian with whom a minor resides. The term “parent” does not include step-parents or foster parents, unless expressly noted.
Qualifying Individual	An adult whose presence, intent, or other relevant characteristics contribute to a student’s classification as resident, nonresident, or NRST-exempt. While a qualifying individual is typically a student’s parent, other individuals may also be a qualifying individual.
Residence Determination Date (RDD)	The day instruction begins for the term.
Residency Classification	Classification that determines whether a student is charged nonresident supplemental tuition. Residency classifications include: resident, resident who satisfies special circumstances, nonresident exempt, and nonresident.
Resident Classification	The residency classification associated with being a California resident and that results in no nonresident supplemental tuition being charged
Residency Requirements	The standards of physical presence and intent needed to establish classification as a resident
Self-Supporting	The ability to totally support oneself financially without support or assistance from others
Student	A person applying for admission, admitted to, or enrolled at the University of California
Tuition	A university-wide mandatory charge assessed against each student (resident and nonresident) uniformly across all campuses of the University

Additions shown by underscoring; deletions shown by strikethrough

~~Regents Policy 3016: Policy on Waiver of Tuition and Fees~~

1. ~~The University of California shall exempt students from tuition and/or fees or waive tuition and/or fees, as set forth below. (All statutory references herein, unless otherwise noted, are to the California Education Code.)~~
 - A. ~~Tuition and fees excused; Surviving spouses or children of employed or contracted law enforcement and fire suppression personnel: a student who is the surviving spouse or registered domestic partner or child of a resident law enforcement officer or fire fighter killed on active duty shall be exempted from nonresident tuition and mandatory systemwide fees in accordance with Section 68120.~~
 - B. ~~Dependents, children, or surviving spouse of deceased or disabled veterans: a student who is the child or dependent of a deceased or disabled veteran, or who is the dependent of or the surviving spouse who has not remarried or registered domestic partner (who has not subsequently married or registered as a domestic partner) of any member of the California National Guard who was killed or permanently disabled while in active service of the state, shall not be exempted from nonresident tuition fees, but may be exempted from mandatory systemwide fees in accordance with Section 66025.3.~~
 - C. ~~Nonresident tuition at California State University and California Community Colleges; Payment exemptions; Requirements: as provided in Section 68130.5 (AB 540).~~
 - D. ~~Students who have obtained a "T" or "U" nonimmigrant visa and otherwise would meet the requirements of Section 68130.5 shall be exempt from paying nonresident tuition at the University until they are eligible to establish a resident classification pursuant to Regents Policy 3401.~~
 - E. ~~In the case of out of state employees and non University employees at Los Alamos and Lawrence Livermore National Laboratories (LANL and LLNL):~~
 1. ~~An individual who is a full-time University employee assigned to work outside the State of California, or the dependent child, spouse, or registered domestic partner of such an employee, shall be entitled to resident classification for tuition purposes.~~
 2. ~~So long as the University continues to participate as a member of a limited liability company holding the contract for the management of LANL or LLNL, an individual who is an employee of such company, or a dependent child, spouse, or registered domestic partner of such an employee, shall be entitled to resident classification for tuition purposes to the same extent as if the employee were an employee of the University assigned to work outside of California.~~
 3. ~~An individual who is a full-time employee of the University assigned to work at LANL or elsewhere outside of California, or who is a full-time employee of a company described in (2) above in which the University is a principal, and~~

~~who transfers without a break in service to full-time University employment within the State of California, shall be entitled to resident classification for tuition purposes. Any dependent child, spouse or registered domestic partner of such an employee also would be entitled to resident classification for tuition purposes.~~

~~4. An individual who is a full-time University employee at LANL or LLNL, or any dependent child, spouse or registered domestic partner of such an employee, and who is enrolled as a student in a degree-granting program at a UC campus at such time as the University contract to manage LANL or LLNL expires and the University's participation in the management of LANL or LLNL ceases, shall be exempted from payment of nonresident tuition fees for the remainder of the current quarter or semester.~~

~~F. A student who meets the definition of "covered individual" as defined in federal law in Section 702 of the Veterans Access, Choice, and Accountability Act of 2014 (Public Law 113-146) shall be exempt from paying nonresident tuition at the University~~

Additions shown by underscoring; deletions shown by strikethrough

~~Standing Order 110.2: Matters Relating to Residency~~

~~The Regents shall establish policies governing the determination of California residence for purposes of University of California's tuition and fees and the exemption or waiver of such tuition and fees. The President, in consultation with the General Counsel of The Regents, shall implement such policies by establishing all necessary regulations.~~

Regents Policy on Use of the University's External Accounting Firm

POLICY SUMMARY/BACKGROUND

The Regents' external accounting firm shall be authorized to perform audit and audit-related services for the University. Certain services which would create a conflict of interest will not be provided to the University by the Regents' external accounting firm. Other services may be performed by the Regents' external accounting firm only if they do not create the appearance of a conflict of interest, are competitively bid, and are approved by the Compliance and Audit Committee.

POLICY TEXT

The Regents' external accounting firm will be authorized to perform audit and audit-related services to the University. For the purposes of this policy, audit-related is deemed to be federal audit support, internal control reviews and investigations, implementation of new accounting standards, review of income and other tax matters, internal financial reviews, due diligence procedures related to public debt offerings and other transactions and audits of affiliated entities or special purpose audits.

The University will not retain the Regents' external accounting firm to perform services that create a conflict of interest under the Government Accounting Office independence standards and the American Institute of Certified Public Accountants ethical standards. For the purposes of this policy, services that create a conflict of interest under these standard are bookkeeping, financial information systems design and implementation, appraisal or valuation services, actuarial services, internal audits, management and human resource services, broker/dealer and investment banking services and legal services ("Prohibited Services").

The Regents' external accounting firm is permitted to competitively bid for services that do not create a conflict of interest or appearance of such a conflict, and are allowable under the General Accounting Office independence standards for audit and the American Institute of Certified Public Accountants ethics standards ("Additional Services"). The Regents' external accounting firm would only be retained to perform such services upon the approval of the Regents' Compliance and Audit Committee.

COMPLIANCE/DELEGATION

Prior to engaging the Regents' external accounting firm, the Office of the President – Chief Financial Officer will determine whether the services are audit or audit-related, Prohibited Services or Additional Services. This responsibility may be further delegated by the Chief Financial Officer.

NO RIGHT OF ACTION

This policy is not intended to, and does not, create any right or benefit, substantive or procedural, enforceable at law or in equity by any party against the University of California or its Board of Regents, individual Regents, officers, employees, or agents.

Additions shown by double underscoring; deletions shown by strikethrough

Bylaws of the Regents of the University of California

21. Duties and Requirements

Each member of the Board (“Regent”) shall be subject to the duties and requirements specified below.

21.11 Breach of Conduct

Upon recommendation of the Governance and ~~Compensation~~ Personnel Committee, the Board shall adopt procedures to consider any allegation that a Regent, Committee member, Regent-Designate or advisor to a Board Committee has not fulfilled their duties as set forth in University Bylaws, policy or applicable law, and to implement appropriate response(s) when such allegation is found to have merit.

23. Officers of the Corporation

23.1 Designation

The persons holding the following offices shall serve as Officers of the Corporation: the President of the Board; the Chair of the Board; the Vice Chair of the Board; and the following officials, who, collectively, shall be known as the Principal Officers of the Regents (“Principal Officers”): the Secretary and Chief of Staff, the General Counsel; the Chief Compliance and Audit Officer, and the Chief Investment Officer. Officers of the Corporation also shall include those persons who have been recommended by a Principal Officer of the Regents and approved by the Board (“Principal Officer Delegates”).

23.2 Appointment and Qualifications

(a) President of Board

The President of the Board is the Governor of the State of California, and serves in that Board position as President in an ex officio capacity.

(b) Chair and Vice Chair of Board

The Chair of the Board and Vice Chair of the Board shall be appointed to their respective positions by election of the Regents in accordance with procedures set forth in the charter of the Governance and ~~Compensation~~ Personnel Committee. No Regent may serve consecutively in the position of Chair or in the position of Vice Chair for more than two terms. Terms shall commence on July 1 and shall continue for one year.

(c) Principal Officers

The Principal Officers each shall be appointed by the Board on the occurrence of a vacancy and shall continue in service at the pleasure of the Board. Each of the Principal Officers other than the Secretary and Chief of Staff, in addition to serving as Principal Officers, shall serve as Officers of the University. None of the Principal Officers shall be Regents.

Appointment (including temporary appointment or acting or interim status) of the General Counsel, the Chief Compliance and Audit Officer and the Chief Investment Officer, shall be voted by the Board upon joint recommendation of the Chair of the Board and the President of the University, following consultation with an appropriate Standing Committee or Subcommittee of the Board, as determined jointly by the Chair of the Board and the President, or with a special committee established for that purpose.

23.4 Authority and Duties of Board Officers

(d) Inability to Act

During any period that an officer of the Board is unable to perform the duties assigned under these bylaws, the next officer or member in order of precedence shall perform those duties. For these purposes, the order of precedence is as follows: President of the Board; Chair of the Board; Vice Chair of the Board; ~~Chair of the Governance and Compensation Committee;~~ the Vice Chair of the Governance and ~~Compensation~~ Committee; the next most senior member of the Governance and ~~Compensation~~ Personnel Committee, as determined by seniority. ~~appointment date.~~

24. Standing Committees

24.2 Committee Charters

Each Standing Committee shall operate in accordance with a committee charter that shall set forth the purpose and primary responsibilities of the committee. The charter shall be approved by the Board, on recommendation of the Governance and ~~Compensation~~ Personnel Committee. The charters for each of the Standing Committees identified below in paragraph 24.3 are attached as appendices to these Bylaws. In the case of any conflict between the terms of a Committee Charter with these Bylaws, the terms of these Bylaws shall control.

24.3 Designation of Standing Committees

The following Standing committees are hereby established and shall provide strategic direction and oversight on matters within their respective areas of responsibility, as described below and in the Committee Charters (attached to these Bylaws as appendices):

(c) The Finance, ~~and~~ Capital Strategies and Compensation Committee

The Finance, ~~and~~ Capital Strategies and Compensation Committee shall provide strategic direction and oversight, make recommendations to the Board, and take action pursuant to delegated authority, on matters pertaining to the University's fiscal and financial affairs, business operations, land use, ~~and~~ capital facilities and strategies, employee compensation and compensation benchmarks. (See Appendix C)

(d) The Governance and ~~Compensation~~ Personnel Committee

The Governance and ~~Compensation~~ Personnel Committee shall provide strategic direction and oversight, make recommendations to the Board, and take action pursuant to delegated authority, on matters pertaining to the organization and management of the Board, on matters pertaining to the appointment and performance evaluation of the ~~University's senior leadership, the Principal Officers and the President of the University, and personnel policies.~~ and on matters pertaining to the development, review and amendment of employee compensation and benefits programs and policies. (See Appendix D)

(e) The Health Services Committee

The Health Services Committee shall provide strategic direction and oversight, make recommendations to the Board, and take action pursuant to delegated authority, on matters pertaining to the University's schools of health, academic medical centers, health systems, clinics and student health and counseling centers ("UC Health"). (See Appendix E)

(f) The Investments Committee

The Investments Committee shall provide strategic direction and oversight, make recommendations to the Board, and take action pursuant to delegated authority, on matters pertaining to investment strategy and operations, and pertaining to the review and reporting of investment results. (See Appendix F)

(g) The Public Engagement and Development Committee

The Public Engagement and Development Committee shall provide strategic direction and oversight, make recommendations to the Board, and take action pursuant to delegated authority, on matters pertaining to the University's engagement with key constituents, fundraising, and the development of effective advocacy programs for University stakeholders. (See Appendix FG)

24.5 Appointment

Unless otherwise specified in a Committee Charter, the members (except for ex officio members) of a Standing Committee, and those chosen to serve as Chair and Vice Chair, shall be nominated by the Governance and ~~Compensation~~ Personnel Committee, and approved by the Board. The Chair of the Board shall not also concurrently serve as the Chair of any Standing Committee, except the Chair of the Board shall serve as Chair of the Governance Committee. Candidates for the Chancellor position(s) on Standing Committees, and any other proposed advisory member candidates, shall be forwarded for consideration to the Governance and ~~Compensation~~ Personnel Committee by the President of the University. Vacancies of members shall be filled in the same manner, to serve the unexpired term created by the vacancy.

24.6 Term

Unless otherwise specified in a committee charter, voting members of Standing Committees, other than ex officio members, shall be appointed for a term of one year. No Regent may serve consecutively in the position of Committee Chair or in the position of Committee Vice Chair for more than four terms. Advisory members may serve for such terms as recommended by the Governance and ~~Compensation~~ Personnel Committee, and approved by the Board, and shall not be subject to any term limits.

24.10 Committee Charter Amendments

The charter of a Standing Committee may be amended by majority vote of the Board. Portions of Committee Charters that pertain to the establishment and roles of a Subcommittee may be amended by the Governance and ~~Compensation~~ Personnel Committee, except that any delegation of authority to a Subcommittee or change in plenary authority delegated to a Subcommittee shall be approved by the Board.

25. Subcommittees

25.1 Establishment

A Standing Committee may seek to establish one or more subcommittees to assist in the effective conduct of its business. A subcommittee shall be formed, following a recommendation of a Standing Committee, on approval by the Governance and ~~Compensation~~ Personnel Committee of a Subcommittee Charter, which shall be incorporated into the charter of the related Standing Committee.

25.2 Authority

The authority of a Subcommittee shall be no greater in scope than the responsibilities assigned, and the authority delegated, to the related Standing Committee. Any delegation of plenary authority to a Subcommittee, and any change in such authority so delegated, shall require the approval of the Board, on recommendation of the Governance and ~~Compensation~~ Personnel Committee. Except for matters handled under plenary authority and except as otherwise specified in a Subcommittee charter, the work of the Subcommittee shall be advisory to the related Standing Committee.

25.3 Membership

Unless otherwise specified in its charter, a Subcommittee shall consist of no fewer than three Regents, all of whom must be members of the related Standing Committee. The Chair of the related Standing Committee shall serve ex officio as an additional member of the Subcommittee. Subcommittees may include advisory members of the related Standing Committee (including Chancellors) with expertise relevant to the work of the Subcommittee. Subcommittees may also include additional advisory members with expertise relevant to the work of the Subcommittee, who shall be forwarded for consideration to Chair of the related Standing Committee by the President of the University.

25.4 Appointment

Except for the ex officio member, all members of a Subcommittee, and those chosen to serve as Chair and Vice Chair, shall be approved by the Governance and ~~Compensation~~ Personnel Committee, following a recommendation by the Chair of the related Standing Committee.

25.5 Term

Unless otherwise specified in a subcommittee charter, voting members of Subcommittees, other than the ex officio member, shall be appointed for a term of one year. No Regent may serve consecutively in the position of Subcommittee Chair or in the position of Subcommittee Vice Chair for more than four terms. Advisory members may serve for such terms as determined by the Board or the Governance and ~~Compensation~~ Personnel Committee, in consultation with the Chair of the related Standing Committee, and shall not be subject to any term limits. Notwithstanding the foregoing, no voting members of a Subcommittee shall serve beyond their term on the related Standing Committee.

25.6 Voting and Quorum

Only the Regent members of a Subcommittee may vote on Subcommittee business. Advisory members (including Chancellors) may participate in all respects on matters brought before the Subcommittee, except voting. A quorum of a Subcommittee shall be three Regent members.

25.7 Subcommittee Charter Amendments

Except as provided in Paragraph 25.2 above, the portions of a Committee Charter governing the Subcommittee may be amended on approval of the Governance and ~~Compensation~~ Personnel Committee, following a recommendation by the related Standing Committee.

26 Special Committees

26.1 Establishment and Authority

The Board may establish Special Committees to assist in the effective conduct of its business. A Special Committee shall be formed on approval by the Board of a Special Committee charter, following the recommendation of the Governance and ~~Compensation~~ Personnel Committee. Without limiting the discretion of the Board, Special Committees will be established for purposes of providing more focused review and analysis of a specific issue or event, and will be established for a limited duration determined at the time of formation. Unless the Special Committee charter provides otherwise, the provisions of Sections 24.1 through 24.12 shall apply to all Special Committees.

Additions shown by double underscoring; deletions shown by strikethrough

Appendix D - Charter of the Governance and ~~Compensation~~ Personnel Committee

- A. Purpose. The Governance and ~~Compensation~~ Personnel Committee shall provide strategic direction and oversight, make recommendations to the Board, and take action pursuant to delegated authority, on matters pertaining to the organization and management of the Board, and ~~and~~ pertaining to the appointment and compensation and performance evaluation of the President of the University's and the Principal Officers of the Regents and personnel policies. senior leadership, and pertaining to the development, review and amendment of employee compensation and benefits programs and policies.
- B. Membership and Terms of Service.¹ The Committee shall consist of the President of the Board, the Chair and Vice Chair of the Board, the President of the University, and the Chairs of the Standing Committees. The Chair of the Board shall be the Chair of the Committee, and other Regents, appointed by the Chair of the Board, no later than March of each year for the ensuing year.
- C. ~~Consent Responsibilities~~Delegated Authority. The Committee may establish a Subcommittee of a Standing Committee upon recommendation of that Standing Committee and shall appoint the members of the Subcommittee upon recommendation of the Chair of the related Standing Committee. The Committee may amend the portions of a Committee Charter governing the Subcommittee, following a recommendation by the related Standing Committee, provided that any change in plenary authority delegated to a Subcommittee shall require the approval of the Board, on recommendation of the Governance Committee. The Committee shall be charged with recommending action on the following matters, which, on approval, shall be placed on the consent agenda of the Board for approval without discussion, unless removed from the consent agenda by motion of any member for separate consideration:
- ~~the formation of Subcommittees~~
 - ~~the appointment of Subcommittee members~~
 - ~~those portions of a Committee Charter governing a Subcommittee, provided however that any additions or other changes to the authority delegated to a subcommittee shall be considered and acted upon by the Board in a separate item apart from the consent agenda.~~
- D. Board Leadership and Committee Assignments. The Committee shall be responsible for presenting to the Board no later than May of each fiscal year a slate of candidates for Chair and Vice Chair of the Board, Chair and Vice Chair of each Standing Committee (other

¹ As amended 3-16-17

than the Governance and Personnel Committee), and the remaining members of each Standing Committee ~~(except the Governance and Compensation Committee, whose members are selected by the Chair of the Board)~~, for the following fiscal year.

E. Other Oversight Responsibilities. In addition to the responsibilities assigned to the Committee described above, and to the extent not otherwise within such responsibilities, the charge of the Committee shall include reviewing and making recommendations to the Board with regard to the following matters and/or with regard to the following areas of the University's business:

- Review and amendment of the University's Bylaws, Regents Policies and other governing documents
- Formation and organization of the Board's Standing Committees, subcommittees and special committees, and development of committee charters
- Appointments in Board leadership or on Board committees
- Review and oversight of the Board code of conduct and other Board policies
- Oversight of member compliance with laws, regulations and University policy
- Development of Board training and performance assessment programs
- Development of Board meeting and other processes
- Appointment and performance evaluation assessment of the President of the University senior leadership and the Principal Officers of the Regents, in accordance with University policy
- Review of University personnel policies
- ~~Approval of senior executive compensation, in accordance with University policy~~
- ~~Review of University compensation and benefit plans and programs~~
- ~~Development of compensation benchmarks and other tools to assess the efficiency and competitiveness of the University's compensation and benefits plans and programs~~
- ~~Oversight of University collective bargaining practices~~
- Assuring that appropriate subject matter expertise is available to the Board and its Committees
- Recommending to the Board procedures to consider any allegation that a Regent, Committee member, Regent Designate or advisor to a Board Committee has not fulfilled their duties as set forth in University Bylaws, policy or applicable law; to implement appropriate response(s) when such allegation is found to have merit, and to determine levels of authority to act on such matters.

The assignment of responsibility to this Standing Committee under Paragraphs C and E signifies that it is the Committee to which matters otherwise appropriate for Board consideration generally will be referred and does not create an independent obligation to present a matter to this Standing Committee, to the Board or to any other Committee.

~~F. Consultation With Other Committee Chairs on Compensation Matters. The Governance and Compensation Committee shall consult with the Chairs of other Standing Committees or Subcommittees, as appropriate, in making determinations and recommendations regarding the appointment and compensation of employees within the jurisdiction of those other committees.~~

Additions shown by double underscoring; deletions shown by strikethrough

Appendix C - Charter of the Finance, ~~and~~ Capital Strategies and Compensation Committee

A. Purpose. The Finance, ~~and~~ Capital Strategies and Compensation Committee shall provide strategic direction and oversight, make recommendations to the Board, and take action pursuant to delegated authority, on matters pertaining to the University's fiscal and financial affairs, business operations, land use, capital facilities and strategies, compensation and compensation benchmarks.

B. Membership/Terms of Service. The identity, appointment and terms of service of Committee members shall be as specified in Bylaws 24.4 through 24.6.

C. Delegated Authority. The benchmarking framework for the Health MRZs shall be reviewed and approved by the Health Services Committee and the Finance, Capital Strategies and Compensation Committee at least every two (2) years.

~~C. Consent Responsibilities. The Committee shall be charged with recommending action on the following matters which, on approval, shall be placed on the consent agenda of the Board for approval without discussion, unless removed from the consent agenda by motion of any Regent for separate consideration.~~

- ~~• Determination of asset classes (exercised through the Investments Subcommittee)~~
- ~~• Asset and risk allocation policy (exercised through the Investments Subcommittee)~~
- ~~• Selection of benchmarks (exercised through the Investments Subcommittee)~~

D. Other Oversight Responsibilities. In addition to the consent responsibilities assigned to the Committee described above, and to the extent not otherwise within such authority, the charge of the Committee shall include reviewing and making recommendations to the Board with regard to the following matters and/or with regard to the following areas of the University's business:

- Annual financial statements
- Expenditures and appropriation of funds
- Cash management
- Bank accounts and banking relationships
- External financing
- Capital Financial Plans (e.g. 10 Year Capital Financial Plan)
- Capital planning and capital budget requests
- University Budget and planning
- State Budget requests
- Review of operating and capital budgets on a campus by campus basis
- Indirect cost recovery
- Financial Performance of Insurance programs

- Captive insurance affiliates and programs
- Procurement
- Significant financial programs (e.g. Fiat Lux, Procurement, asset management)
- Large-scale enterprise systems (e.g. UC PATH)
- Annual valuations for UCRP and the retiree health program
- ~~University Investments~~
- University of California Employee Housing Assistance Program
- Real estate sales, purchases and leases, easements, licenses, mineral rights
- Physical design framework
- Design approvals
- Facilities Operations
- Long Range Development Plans (LRDPs) and environmental policy matters
- Energy matters
- Sustainability matters
- Approval of appointment and compensation of University senior leadership, other than individuals within the express jurisdiction of another Committee, in accordance with University policy
- Development of compensation benchmarks (MRZs), unless otherwise specified in a committee charter

The assignment of responsibilities to this Standing Committee under Paragraphs C and D signifies that it is the Committee to which matters otherwise appropriate for Board consideration generally will be referred and does not create an independent obligation to present a matter to this Standing Committee or its Subcommittee, to the Board or to any other Committee.

E. Consultation with Other Committees. The Committee shall consult with the Chair of the National Laboratories Subcommittee in advance of, or concurrent with, consideration, recommendation, or approval, of projects of strategic importance to the National Laboratories. The Committee shall consult with the Health Services Committee on 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 Finance and Capital Strategies Committee. This requirement applies only to those capital projects that are related to patient care or research, or are otherwise of strategic importance to UC Health.

The Finance, Capital Strategies and Compensation Committee shall consult with the Chairs of other Standing Committees or Subcommittees, as appropriate, in making determinations and recommendations regarding the appointment and compensation of employees within the jurisdiction of those committees.

~~F. Investments Subcommittee. The Committee hereby establishes the Investments Subcommittee to assist the Committee in discharging its oversight responsibilities with regard to University investments. The duties and responsibilities of the Subcommittee are set forth as follows.~~

- ~~1. Purpose.~~ In support of the Finance and Capital Strategies Committee (the “related Standing Committee”), the Investments Subcommittee shall consider, make recommendations, and act pursuant to consent responsibilities on matters pertaining to University investment strategy and operations, and pertaining to the review and reporting of investment results.
- ~~2. Membership/Terms of Service.~~ The identity, appointment and terms of service of Subcommittee members shall be as specified in Bylaws 25.3 through 25.5.
- ~~3. Special Requirements for Members/Advisors.~~ Except as specifically provided in this Charter, neither the Subcommittee nor any of its members or advisors shall direct or attempt to direct the University’s internal or external investment managers with regard to the selection of specific investments, specific funds or specific investment managers. The role and authority of such members and advisors shall be limited to providing general direction though policy and to monitoring and reporting investment results.
- ~~4. Subcommittee consent Responsibilities.~~ Unless otherwise specified in the Committee Charter, the Subcommittee shall be charged with recommending action on the following matters which, on approval, shall be placed on the consent agenda of the Board, on the terms specified in section C, above, as though approved by the Standing Committee, unless any Regent requests that the matter be taken up for discussion and/or action by the Standing Committee. Unless otherwise specified, any approval authority for these matters that falls outside parameters expressly reserved to the Board or a Committee is delegated to the President or the Chief Investment Officer, within their respective jurisdictions.
 - Determination of asset classes
 - Asset and risk allocation policy
 - Selection of benchmarks
- ~~5. Other Oversight Responsibilities.~~ In addition to the responsibilities assigned to the Subcommittee described above, and to the extent not otherwise within such responsibilities, the charge of the Subcommittee shall include reviewing and making recommendations to the related Standing Committee with regard to the following matters and/or with regard to the following areas of the University’s business:
 - Investment policy and strategy
 - Physical asset management (e.g. real estate held as investments)
 - Investment accounts/custodian relationships
 - Retirement system investments
 - Endowment funds investments
 - Short term and liquidity investments
 - Investment operations
 - Investment results and reporting
 - Endowment administration cost recovery
 - Endowment total return expenditure
 - Campus Foundations investment reporting

~~6. Expert Advisors. The Subcommittee shall have the authority to retain independent investment experts and advisors, as necessary to conduct the business of the Subcommittee. The Subcommittee shall include at least three and no more than five non-voting advisory members (in addition to Chancellors) with expertise relevant to the work of the Subcommittee. One advisory member shall be a represented employee of the University of California with expertise in investments and one shall be from a campus foundation. Any advisors not otherwise subject to University policy, shall be subject to the laws and policies applicable to Regents governing compensation and reimbursement of expenses, and shall be subject to conflict of interest disclosure and recusal obligations as specified in the University's Conflict of Interest Code and other applicable policies.~~

~~7. Reporting. In addition to the reports required under Bylaw 25.8, the Subcommittee shall report to the related Standing Committee any material developments in the University's investments operation and in the University's investment portfolio.~~

Additions shown by double underscoring; deletions shown by strikethrough

Appendix E - Charter of the Health Services Committee

- A. Purpose. The Health Services Committee shall provide strategic direction and oversight, make recommendations to the Board, and take action pursuant to delegated authority, on matters pertaining to the University's health professions schools, academic health centers, health systems, non-hospital clinics and student health and counseling centers ("UC Health").
- B. Membership. The Committee shall consist of sixteen members, constituted as follows:
- The President of the Board, serving in an ex officio capacity
 - The Chair of the Board, serving in an ex officio capacity
 - The President of the University, serving in an ex officio capacity
 - A member of the Regents Finance, ~~and~~ Capital Strategies and Compensation Committee
 - A member of the Regents Governance and ~~Compensation~~ Personnel Committee
 - Three other Regents
 - The senior executive in the Office of the President charged with overseeing UC Health, serving in an ex officio capacity
 - Two Chancellors of University of California campuses
 - One member in good standing of the Academic Senate, holding a clinical appointment at one of the University's schools of medicine
 - Four additional advisory members, demonstrating expertise in health care delivery management, academic health services, health care mergers and acquisitions or other relevant expertise
- C. Appointment. Except for ex officio members, all members of the Committee, and those chosen to serve as Chair and Vice Chair, shall be nominated by the Governance and ~~Compensation~~ Personnel Committee, and approved by the Board. Candidates for the Chancellor, Academic Senate, and Advisory Member positions on the Committee shall be forwarded for consideration to the Governance and ~~Compensation~~ Personnel Committee by the President of the University.
- D. Term. Unless otherwise specified by action of the Board, voting members of the Committee, other than ex officio members, shall be appointed for a term of one year. Advisory members may serve for such terms as recommended by the Governance and ~~Compensation~~ Personnel Committee, and approved by the Board, and shall not be subject to any term limits.
- E. Voting and Quorum. Only the Regent members of the Committee shall be permitted to vote on Committee business. Nonvoting members may be permitted to participate in all

respects on matters brought before the Committee, except for participating in the vote. A quorum of the Committee shall be four Regent members.

- F. Special Requirements for Chancellors/Advisory Members. A Chancellor member of the Committee shall be permitted to participate on a matter primarily affecting or benefitting their campus only to the extent of presenting or assisting in the presentation of the matter to the Committee, and shall not otherwise participate in the Committee's deliberations. This limitation shall not apply when the matter is expected to affect or benefit all or substantially all UC Health campuses.
- G. Delegated Authority Over Transactions.
1. General Delegation: Subject to the limitations and other requirements specified below, the Committee shall have plenary authority to approve the following UC Health business transactions, which, on approval, shall require no further action or authorization from the Board or any other committee:
 - alliances and affiliations involving University financial commitments, use of the University's name, research resources, and the University's reputation;
 - acquisitions of physician practices, hospitals and other facilities and clinics and ancillary services providers;
 - participation or membership in joint ventures, partnerships, corporations or other business entities; and
 - other business transactions primarily arising from or serving the programs or services of UC Health.
 2. Further Delegation: With review and approval of the Chair or Vice Chair of the Health Services Committee, the President may approve any UC Health transaction that can reasonably be anticipated to commit or generate no more than the lesser of (i) 1.5% of the relevant Medical Center's annual operating revenue for the previous fiscal year, or (ii) \$25 million and when combined with other transactions approved by the President for a particular Health Center in the current fiscal year, would reasonably be anticipated to commit or generate no more than the lesser of (i) 3% of the relevant Health Center's annual operating revenue for the previous fiscal year, or (ii) \$50 million; nor to any transaction involving more than one Medical Center.
 3. Exclusions From Delegations:
 - When a transaction is predominantly (by revenue committed or generated) a real estate transaction; or
 - when a transaction includes issuance of debt; or
 - when a transaction is anticipated to generate or commit more than 3% of the annual operating revenue of the sponsoring health center(s), as reflected in the audited financial statement(s) for the most recent fiscal year; or
 - when a transaction, when combined with the value of other transactions approved by the Committee in the current fiscal year, reasonably is anticipated

to generate or commit more than 5% of the annual operating revenue of the sponsoring health center(s), as reflected in the audited financial statements for the most recent fiscal year.

H. Delegated Authority Over Appointments and Compensation.

1. 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 may review and approve such appointment and/or compensation without further Regents action.
2. The Committee shall develop a benchmarking framework for use in evaluating compensation proposals that may be approved under the authority delegated in paragraph H(1). 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. The benchmarking framework shall be reviewed and approved by the Health Services Committee and the ~~Governance and Compensation~~ Finance, Capital Strategies and Compensation Committee-at least every two (2) years.

I. Other Oversight Responsibilities. In addition to the authority described above, the Committee may review and make recommendations with regard to the following matters and/or with regard to the following areas of the University's business:

- The general operation of UC Health
- Functions and operations of the governing body of each of the academic health centers
- Systemwide or regional UC Health initiatives
- Patient care and the cost, quality and accessibility of service
- Development of health system performance dashboards
- Strategic plans and budgets for UC Health
- Issuance of debt that may affect UC Health clinical strategy
- Real estate transactions that may affect UC Health clinical strategy
- Capital improvements that may affect UC Health clinical strategy
 - The Health Services Committee 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 Finance, ~~and~~ Capital Strategies and Compensation Committee. This requirement applies only to those capital projects that are related to patient care or research, or are otherwise of strategic importance to UC Health.
- Health system acquisitions, affiliations and alliances (for matters not covered by the Committee's delegated authority)
- Health system procurement

- Health system appointments and compensation (for matters not covered by the Committee's delegated authority)
- Health system incentive compensation programs
- Participation in government health care programs and contracts with private health plans
- University health benefits self-insurance programs under UC Health (e.g., UC Care)
- Health information privacy, security and data protection
- Regulatory compliance
- All other matters significantly affecting UC Health

The delegation and assignment of responsibilities to this Standing Committee under Paragraphs G through I signifies that it is the Committee to which matters otherwise appropriate for Board consideration generally will be referred and does not create an independent obligation to present a matter to this Standing Committee, to the Board or to any other Committee.

- J. Administrative Committees. Notwithstanding any other University policy, the Regent members of the Committee shall be permitted to serve on committees or work groups established by the President of the University or other University administrators for the conduct of the business of UC Health.
- K. Reporting. In addition to the reports required under Bylaw 24.11, the Committee shall deliver to the Board the following reports, which may be in writing, on at least an annual basis:
- The UC Health strategic plan and budget
 - A report on the status of the University student health and counseling centers
 - A written report on the status of all health system transactions approved under the Committee's delegated authority during the previous three years

Additions shown by double underscoring; deletions shown by strikethrough

Appendix F – Charter of the Investments Committee

~~Charter of the Investments Subcommittee~~ Committee. The Committee hereby establishes the ~~Investments Subcommittee to assist the Committee in discharging its oversight responsibilities with regard to University investments. The duties and responsibilities of the Subcommittee are set forth as follows.~~

- A. Purpose. ~~In support of the Finance and Capital Strategies Committee (the “related Standing Committee”), the~~ The Investments Subcommittee Committee shall provide strategic direction and oversight, consider, make recommendations to the Board, and take action ~~act pursuant to delegated authority~~ ~~consent responsibilities~~ on matters pertaining to University investment strategy and operations, and pertaining to the review and reporting of investment results.
- B. Membership/Terms of Service. The identity, appointment and terms of service of ~~Subcommittee~~ Committee members shall be as specified in Bylaws ~~25.3, 24.4~~ through ~~25.5-24.6~~.
- C. Special Requirements for Members/Advisors. Except as specifically provided in this Charter, neither the ~~Subcommittee~~ Committee nor any of its members or advisors shall direct or attempt to direct the University’s internal or external investment managers with regard to the selection of specific investments, specific funds or specific investment managers. The role and authority of such members and advisors shall be limited to providing general direction though policy and to monitoring and reporting investment results.
- D. Subcommittee Committee Consent Responsibilities. ~~Unless otherwise specified in the Committee Charter, the~~ The Subcommittee Committee shall be charged with recommending action on the following matters which, on approval, shall be placed on the consent agenda of the Board for approval without discussion, ~~on the terms specified in section C, above, as though approved by the Standing Committee, unless any Regent requests that the matter be taken up for discussion and/or action by the Standing Committee~~ unless removed from the consent agenda by motion of any member for separate consideration. Unless otherwise specified, any approval authority for these matters that falls outside parameters expressly reserved to the Board or a Committee is delegated to the President or the Chief Investment Officer, within their respective jurisdictions.
- Determination of asset classes
 - Asset and risk allocation policy
 - Selection of benchmarks

E. Other Oversight Responsibilities. In addition to the consent responsibilities assigned to the ~~Subcommittee~~ Committee described above, and to the extent not otherwise within such responsibilities, the charge of the ~~Subcommittee~~ Committee shall include reviewing and making recommendations to the ~~related Standing Committee Board~~ with regard to the following matters and/or with regard to the following areas of the University's business:

- Investment policy and strategy
- Physical asset management (e.g. real estate held as investments)
- Investment accounts/custodian relationships
- Retirement system investments
- Endowment funds investments
- Short term and liquidity investments
- Investment operations
- Investment results and reporting
- Endowment administration cost recovery
- Endowment total return expenditure
- Campus Foundations investment reporting

The assignment of responsibilities to this Standing Committee under Paragraphs D and E signifies that it is the Committee to which matters otherwise appropriate for Board consideration generally will be referred and does not create an independent obligation to present a matter to this Standing Committee, to the Board or to any other Committee.

F. Expert Advisors. The ~~Subcommittee~~ Committee shall have the authority to retain independent investment experts and advisors, as necessary to conduct the business of the ~~Subcommittee~~ Committee. The ~~Subcommittee~~ Committee shall include at least three and no more than five non-voting advisory members (in addition to Chancellors) with expertise relevant to the work of the ~~Subcommittee~~ Committee. One advisory member shall be a represented employee of the University of California with expertise in investments and one shall be from a campus foundation. Any advisors not otherwise subject to University policy, shall be subject to the laws and policies applicable to Regents governing compensation and reimbursement of expenses, and shall be subject to conflict of interest disclosure and recusal obligations as specified in the University's Conflict of Interest Code and other applicable policies.

G. Reporting. In addition to the reports required under Bylaw 25.8, the ~~Subcommittee~~ Committee shall report to the ~~related Standing Committee Board~~ any material developments in the University's investments operation and in the University's investment portfolio.

Additions shown by underscoring; deletions shown by strikethrough

Regents Policy 1203: Policy on Emeritus Title for Former Regents, Senior Leadership, and Staff

~~Adopted November 15, 2007~~

~~Amended March 16, 2017~~

~~The title "Regent Emeritus" or "Regent Emerita" shall be conferred on all appointed and alumni Regents at the completion of their terms on the Board of Regents, or at the conclusion of their service as Regents provided that they serve for at least five years. Regents who are unable to complete their terms due to illness shall also be eligible for the title. The title also shall be conferred on all former Regents who completed the term to which they were appointed or served at least five years.~~

~~Emeritus status may be conferred by the Board on Principal Officers of the Regents upon retirement or completion of service, on the basis of their contributions to the University.~~

~~Emeritus status may be conferred by the President on Chancellors and systemwide senior leaders, upon retirement or completion of service, based on criteria established by the Board.~~

~~Emeritus status may be conferred by the President on University employees, at the time of their retirement, who meet criteria established by the President~~

REGENTS POLICY ON EMERITA/EMERITUS TITLE SUFFIX

POLICY SUMMARY/BACKGROUND

This Regents Policy consolidates University policies on the conferral of Emerita/Emeritus titles suffix and makes the criteria for conferral consistent for all staff employees.

POLICY TEXT

- A. Conferral on Regents.** The title "Regent Emerita" or "Regent Emeritus" shall be conferred on all appointed and alumni Regents at the completion of their terms on the Board of Regents, or at the conclusion of their service as Regents provided that they serve for at least five years. Regents who are unable to complete their terms due to illness shall also be eligible for the title. The title also shall be conferred on all former Regents who completed the term to which they were appointed or served at least five years. The Board may rescind emerita/emmeritus title for Regents if serious reputational or other issues arise that have impact on the University.
- B. Conferral on Senior Management Group Appointees.** For Senior Management Group appointments, emerita/emmeritus title suffix may be conferred if the employee has served at least five years in the position for which the title is being conferred and has made meritorious contributions to the fulfillment of the mission and programs of the University. Serious breaches of policy or law, dismissal from service, or serious discipline while holding the position for which emerita/emmeritus title is requested disqualifies the employee from conferral of the title.
1. Emerita/Emeritus title suffix may be conferred by the Board on the President and the Principal Officers of the Regents upon retirement or resignation from the position. The Board may rescind such emerita/emmeritus titles suffix if serious reputational or other issues arise that have impact on the University.
 2. Emerita/Emeritus title suffix may be conferred by the President of the University or designee on all other Senior Management Group appointments, upon retirement or resignation from the position. The President may rescind such emerita/emmeritus title suffix if serious reputational or other issues arise that have impact on the University.
 3. For those academic appointees who also hold a Senior Management Group appointment, the criteria in paragraph B will apply to the Senior Management Group appointment only. The criteria for emerita/emmeritus title suffix in their academic appointment is governed by section C, below.
- C. Conferral on Academic Appointees**
1. The title suffix Emerita/Emeritus shall be conferred, upon retirement, on every Professor and Associate Professor.

2. Upon recommendation of the Academic Senate to the President of the University or designee, the title suffix Emerita/Emeritus for positions held at the time of retirement may be conferred, upon retirement, on those members of the Academic Senate who are not included in section (C)(1).
3. Upon recommendation of the Academic Senate to the President of the University or designee, the title suffix Emerita/ Emeritus may be conferred, upon retirement, on other academic appointees who are not members of the Academic Senate but who meet specific criteria established by the President.

COMPLIANCE/DELEGATION

The Regents delegate to the President of the University authority for conferring emerita/emeritus title on all Senior Management Group members, excluding the President and the Principal Officers, who are under the Regents' authority. The President retains authority over direct reports but may re-delegate this authority to the Chancellors, Laboratory Director, and Executive Vice President-Chief Operating Officer for Senior Management Group members at their respective locations. This authority may not be delegated further.

The Regents delegate to the President of the University authority for conferring the title suffix emerita/emeritus on academic appointees as described in sections (C)(2) and (C)(3) above. The President or their designee may re-delegate this authority to the Chancellors for academic appointees at their respective locations. This authority may not be delegated further.

Exceptions should be rare and must be approved by the Regents for positions where the President has retained authority and by the President for positions where authority has been re-delegated.

NO RIGHT OF ACTION

This policy is not intended to, and does not, create any right or benefit, substantive or procedural, enforceable at law or in equity by any party against the University of California, its officers, employees, or agents.

PROCEDURES AND RELATED DOCUMENTS

See APM 120 – Academic Personnel Manual – Emeritus Titles for procedures for conferral of emerita/emeritus title on faculty and other academic appointees.

See APM 016 – Academic Personnel Manual – University Policy on Faculty Conduct and the Administration of Discipline for procedures on the denial or curtailment of emerita/emeritus titles for faculty.

Changes to procedures and related documents do not require Regents approval, and inclusion or amendment of references to these documents can be implemented administratively by the Office of the Secretary and Chief of Staff upon request by the unit responsible for the linked documents.

Additions shown by underscoring; deletions shown by strikethrough

STANDING ORDER 103.5 – EMERITUS STATUS

~~103.5: Emeritus Status~~

- a. ~~The title Professor Emeritus shall be conferred, upon retirement, on every Professor and Associate Professor. The title suffix Emeritus for positions held at the time of retirement shall be conferred, upon retirement, on every member of the Academic Senate. With the approval of the President, Emeritus status shall be conferred, upon retirement, on every academic appointee who is not a member of the Academic Senate but who meets specific criteria established by the President.~~

- b. ~~Emeritus status may be conferred by the Board on Principal Officers of The Regents and Officers of the University, upon retirement or completion of service, on the basis of their contributions to the University. For Officers of the University, Emeritus status, upon retirement or completion of service, may be conferred by the President based on criteria established by the Board.~~

~~For positions held at the time of their retirement, Emeritus status may be conferred by the President on University employees who meet criteria established by the President.~~

Additions shown by underscoring; deletions shown by strikethrough**SCHEDULE OF REPORTS TO THE REGENTS
[Pursuant to the Policy on Reports to Regents]****Amended ~~March 2017~~ May 2018****Month(s) Provided
to Regents****BOARD**

Annual University of California Accountability Report	July
UC Health Strategic Plan and Budget	July <u>November</u>
Health Systems Transactions Approved by Health Services Committee (<i>mbm</i>)	March <u>July</u>

GOVERNANCE AND COMPENSATION COMMITTEE

Annual Reports on Executive Compensation for Calendar Year ___: (a) Incumbents in Senior Management Positions and (b) Deans and Certain Faculty Administrators (<i>mbm</i>) ²	July
Annual Report on Compensated Outside Professional Activities for Calendar Year ___: Incumbents in Senior Management Positions	July
Semi-Annual Report on Outside Professional Activities Approved in the Preceding Six Month Period: Incumbents in Senior Management Positions	January July
Annual Report on Compensated Outside Professional Activities for Calendar Year ___: Deans and Faculty Administrators (<i>mbm</i>)	January
Annual Compensation Monitoring Report for Calendar Year ___: Actions for Certain Athletic Positions and Coaches Systemwide (<i>mbm</i>)	July

COMPLIANCE AND AUDIT COMMITTEE

Biennial Report on Risk Management (<i>mbm</i>)	November
Annual Report on Use of Outside Counsel (<i>mbm</i>)	January
Annual Report on Settlements and Separation Agreements (<i>mbm</i>)	January

² *mbm*: Report is sent to all Regents as a mailing between meetings (*mbm*)

Bi-Monthly Report on New Litigation (mbm)	January March May July September November
Internal Audit Plan	July
Annual Review of External Audit of Hastings College of the Law (mbm)	March
Summary of Results of the University's A-133 Audit (mbm)	March
Annual Ethics and Compliance Plan	July
Annual Report on Ethics and Compliance	September
Annual Report of External Auditors for the Year Ended June 30, ____	November
Annual Report on Internal Audit Activities	November

ACADEMIC AND STUDENT AFFAIRS COMMITTEE

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

FINANCE AND CAPITAL STRATEGIES COMMITTEE

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

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

HEALTH SERVICES COMMITTEE

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

INVESTMENTS SUBCOMMITTEE

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

PUBLIC ENGAGEMENT AND DEVELOPMENT COMMITTEE

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

STANDING COMMITTEE ASSIGNMENTS FOR 2018-19

<p><u>Academic and Student Affairs</u></p> <p><i>Regents</i> Pérez (Chair) Tauscher (Vice Chair) Elliott Graves Guber Lansing Morimoto Newsom Oakley Rendon Torlakson (ex officio) Zettel</p> <p><i>Chancellors</i> Block Christ Leland Wilcox Yang</p>	<p><u>Finance and Capital Strategies</u></p> <p><i>Regents</i> Makarechian (Chair) Park (Vice Chair) Anderson Anguiano Blum Rendon Sherman</p> <p><i>Chancellors</i> Blumenthal Gillman Hawgood Khosla May</p>
<p><u>Public Engagement and Development</u></p> <p><i>Regents</i> Oakley (Chair) Graves (Vice Chair) Anderson Blum Guber Lansing Rendon Sherman Torlakson</p> <p><i>Chancellors</i> Blumenthal Christ Hawgood May Wilcox</p>	<p><u>Compliance and Audit</u></p> <p><i>Regents</i> Elliott (Chair) Anguiano (Vice Chair) Makarechian Morimoto Newsom Park Pérez Tauscher Zettel</p> <p><i>Chancellors</i> Block Gillman Khosla Leland Yang</p>

Health Services

Regents

Lansing (Chair)

Sherman (Vice Chair)

Blum

Makarechian

Zettel

Chancellors

Block

Hawgood

Advisors

Hernandez

Hetts

Lipstein

Additions shown by underscoring; deletions shown by strikethrough

University of California – Regents Policy 7709

**Senior Management Group
Automobile Allowance**



Approved February 9, 2009

Amended September 16, 2010 and September 18, 2013

Amended XX, 2018

Responsible Officer: Vice President–Human Resources

Responsible Office: Human Resources

Effective Date: ~~November 14, 2013~~Date

Next Review Date: The Responsible Officer will review the policy annually for update purposes, and will conduct a full review at least every three years.

Who Is Covered: The following designated Senior Management Group members:¹

- President
- Executive Vice Presidents
- Senior Vice Presidents
- Principal Officers of The Regents
- Chancellors
- Laboratory Director
- Executive Vice Chancellor or Chief Academic Officer
- Vice Chancellors for Development (or equivalent Vice Chancellor position)
- Medical Center Directors
- Individuals in an Acting Role for the President, Chancellors, or Laboratory Director positions

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Frequently Asked Questions

¹ Includes all incumbent employees who currently receive an automobile allowance but whose title is not designated for an allowance under this policy.

I. POLICY SUMMARY

This policy provides direction and authority for granting automobile benefits to designated Senior Management Group (SMG) members.

II. POLICY DEFINITIONS

Acting Role: An individual assuming 100% of the role and responsibilities of one of the covered positions under this policy.

Exception to Policy: An action that exceeds what is allowable under current policy or that is not expressly provided for under any policy. Any such action must be treated as an exception and must be reviewed and approved by the Regents.

Executive Officer: The University President, Chancellor, ~~or~~ Laboratory Director, or Vice President – Agriculture and Natural Resources.

Top Business Officer: Executive Vice President ~~– Business Operations~~ Chief Operating Officer for the Office of the President, Vice Chancellor for Administration, or the position responsible for the location's financial reporting and payroll as designated by the Executive Officer.

III. POLICY TEXT

A. Approval of Automobile Allowance by the Regents – Eligibility

~~Any SMG position that is recommended to receive an automobile allowance must be submitted by the President to the Regents for approval. The University no longer offers automobile allowances to new SMG hires or new SMG appointees. Subject to the limitations under policy, designated SMG members who currently receive automobile allowances may continue to receive these allowances until they separate from their current positions or change positions within the University. To be eligible for an automobile allowance, a designated SMG member must currently hold an SMG appointment that was approved as required by policy before March 1, 2017.~~

B. Automobile Allowance

~~Designated SMG members² receive a monthly cash allowance from the University, the amount of which will be announced annually by the Vice President – Finance in accordance with changes in the Consumer Price Index. For the current maximum cash allowance, see Maximum Amounts for University Leased Vehicles and Monthly Cash Allowances. Any changes in the amount of the monthly cash allowance will be announced by the Vice President – Systemwide Human Resources. The cash~~

² Includes all incumbent employees who currently receive an automobile allowance but whose title is not designated for an allowance under this policy.

allowance is paid to the SMG member as additional taxable wages ~~in accordance with the procedures contained in Accounting Manual E-821, Senior Management Automobile Policy and Procedures, Section III.~~

C. Reimbursement for Use of Privately-Owned Vehicle

Designated SMG members who receive an automobile allowance will not receive additional reimbursement for the first 12,000 business miles traveled in a calendar year. Only business miles in excess of 12,000 miles a year will be reimbursed. The SMG member must provide mileage log documentation that the maximum yearly mileage has been exceeded.

Bridge and road tolls, parking fees, and other expenses set forth in [Business and Finance Bulletin G-28, Policy and Regulations Governing Travel](#) may be reimbursed.

Procedures for reimbursement of University business travel and mileage reimbursement rates, as well as procedures required for insurance coverage and the reimbursement of collision damage costs related to the use of a privately-owned vehicle for official University business, are set forth in [Business and Finance Bulletin G-28, Policy and Regulations Governing Travel](#), Section VII.C. and [Appendix A](#).

D. Funding

Each location is responsible for funding its SMG automobile program. Laboratory SMG automobile allowances are provided by the ~~Laboratory Administration Office~~ office of the UC National Laboratories. General Funds (19900) may not be used to support the SMG automobile program.

E. Treatment for Benefit Purposes

Amounts that are treated as wages under this policy are not considered to be compensation for University benefit purposes, such as the University of California Retirement Plan, Retirement Savings Program, or employee life insurance programs. A Description of Service (DOS) code of "EAA" has been established for paying automobile allowances approved in accordance with this policy.

F. Tax Treatment and Reporting

Under Internal Revenue Service (IRS) Regulations, payment of an automobile allowance must be included in the employee's income as wages subject to withholding for federal and state income taxes and applicable FICA taxes. The payment is reportable on the employee's Form W-2 in the year paid.

Any payments to SMG members under this policy will be reported to the President and the Regents in the *Annual Report on Executive Compensation*.

IV. APPROVAL AUTHORITY

A. Implementation of the Policy

The Vice President–Human Resources is the Responsible Officer for this policy and has the authority to implement the policy. The Responsible Officer may apply appropriate interpretations to clarify policy provided that the interpretations do not result in substantive changes to the underlying policy. The Office of the President Human Resources will work with the Responsible Officer of each policy to implement each policy.

B. Revisions to the Policy

The Regents is the Policy Approver for this policy and has the authority to approve any policy revisions upon recommendation by the President.

The Vice President–Human Resources has the authority to initiate revisions to the policy, consistent with approval authorities and applicable *Bylaws* and *Standing Orders* of the Regents.

The Executive Vice President–~~Business Operations~~ Chief Operating Officer has the authority to ensure that policies are regularly reviewed and updated, and are consistent with the [Principles for Review of Executive Compensation \(Regents Policy 7201\)](#) and other governance policies.

C. Approval of Actions

All actions within this policy or that exceed this policy must be approved in accordance with Section IV.C. of the policy on [SMG Appointment and Compensation \(Regents Policy 7701\)](#). All actions that are ~~applicable to members of the Senior Management Group or Officers of the University that are exceptions to policy or not~~ expressly provided for under any policy must be approved by the Regents.

V. COMPLIANCE

A. Compliance with the Policy

The following roles are designated at each location to implement compliance monitoring responsibility for this policy:

The Top Business Officer and/or the Executive Officer at each location will designate the local management office to be responsible for the ongoing reporting of policy compliance, including collecting all relevant compensation package activity, and creating specified regular compliance reports (such as a monthly compensation compliance report) for review by the location's Top Business Officer.

The Top Business Officer establishes procedures to collect and report information, reviews the specified regular compliance reports (such as a monthly compensation compliance report) for accuracy and completeness, reviews policy exceptions and/or anomalies to ensure appropriate approval has been obtained, and submits a copy of the compliance report to the Executive Officer for signature.

The Executive Officer is accountable for monitoring and enforcing compliance mechanisms, ensuring monitoring procedures are in place, approving the specified

regular compliance reports (such as a monthly compensation compliance report), and sending notice of final approval for the reports to the Senior Management Compensation Office, Top Business Officer, and local resources.

The Vice President–Human Resources is accountable for reviewing the administration of this policy. The Senior Vice President–Chief Compliance and Audit Officer will periodically monitor compliance to this policy, and the process and results will be reported annually to senior management and the Regents through the Committee on Compensation.

B. Noncompliance with the Policy

Noncompliance with the policy is handled in accordance with The Regents' [Guidelines for Corrective Actions Related to Compensation Practices](#) and [Guidelines for Resolution of Compensation and Personnel Issues Resulting from the Findings of Audits and Management Reviews](#).

Noncompliance is reported in the monthly compliance report from each location as approved by the Executive Officer and reviewed by the Senior Vice President–Chief Compliance and Audit Officer and the Regents at least three times per fiscal year.

REVISION HISTORY

As a result of the issuance of this policy, the following document is rescinded as of the effective date of this policy and is no longer applicable:

- *Senior Management Group Automobile Allowance* (Regents Policy 7709), dated August 1, 2009

The following document was rescinded as of August 1, 2009, the original effective date of this policy, and is no longer applicable:

- *Revised University Policy Concerning Senior Management Automobiles*, issued by President Dynes on January 29, 2007

IMPLEMENTATION PROCEDURES

The Responsible Officer may develop procedures or other supplementary information to support the implementation of this policy. Such supporting documentation does not require approval by the Regents.

RELATED DOCUMENTS

University of California – Regents Policy 7709
Senior Management Group Automobile Allowance

- ~~[Accounting Manual E-821, Maximum Amounts for University Leased Vehicles and Monthly Cash Allowances](#) (referenced in Section III.B. of this policy)~~
- ~~[Accounting Manual E-821, Senior Management Automobile Policy and Procedures, Section III](#) (referenced in Section III.B. of this policy)~~
- [Business and Finance Bulletin G-28, Policy and Regulations Governing Travel, and Appendix A](#) (referenced in Section III.C. of this policy)
- [Principles for Review of Executive Compensation \(Regents Policy 7201\)](#) (referenced in Section IV.B. of this policy)
- [Senior Management Group Appointment and Compensation \(Regents Policy 7701\)](#) (referenced in Section IV.C. of this policy)
- [Guidelines for Corrective Actions Related to Compensation Practices](#) (referenced in Section V.B. of this policy)
- [Guidelines for Resolution of Compensation and Personnel Issues Resulting from the Findings of Audits and Management Reviews](#) (referenced in Section V.B. of this policy)

Additions shown by underscoring; deletions shown by strikethrough

University of California – Regents Policy 7710

**Senior Management Group
Moving Reimbursement**

Approved February 9, 2009

Amended September 16, 2010 and September 18, 2013

Amended Month Day, Year



Responsible Officer: Vice President–Human Resources

Responsible Office: Human Resources

Effective Date: ~~November 14, 2013~~ Date

Next Review Date: The Responsible Officer will review the policy annually for update purposes, and will conduct a full review at least every three years.

Who Is Covered: Members of the Senior Management Group, including those with underlying academic appointments.

The Senior Management Group Moving Reimbursement policy and procedures do not apply to Senior Management Group employees at the Lawrence Berkeley National Laboratory (LBNL). See [LBNL Regulations and Procedures Manual §4.01- Relocation Assistance Policy](#).

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I. POLICY SUMMARY

This policy describes requirements and process for the reimbursement of moving and/or relocation expenses for Senior Management Group members. It clarifies who is eligible to receive reimbursement of moving and relocation expenses, defines what types of expenses are reimbursable, and outlines the process for obtaining reimbursement. ~~The~~ This policy supports the University's objective to attract and retain talented individuals by offering competitive and fair benefits to help offset the costs associated with moving a Senior Management Group appointee to a new location.

II. POLICY DEFINITIONS

Common Carrier: A company that offers its services to the public to transport goods from one place to another.

Domestic Partner: An individual designated as an employee's domestic partner under one of the following methods:

- 1) Registration of the partnership with the State of California;
- 2) Establishment of a same-sex legal union, other than marriage, formed in another jurisdiction that is substantially equivalent to a State of California-registered domestic partnership; or
- 3) Filing of a Declaration of Domestic Partnership form with the University.

If an individual has not been designated as an employee's domestic partner by any of the foregoing methods, the following criteria are applicable in defining domestic partner:

- each individual is the other's sole domestic partner in a long-term, committed relationship with the intention to remain so indefinitely;
- neither individual is legally married, a partner in another domestic partnership, or related by blood to a degree of closeness that would prohibit legal marriage in the State of California;
- each individual is 18 years of age or older and capable of consenting to the relationship;
- the individuals share a common residence; and
- the individuals are financially interdependent.

Exception to Policy: An action that exceeds what is allowable under current policy or that is not expressly provided for under policy. Any such action must be treated as an exception and must be reviewed and approved by the Regents.

Executive Officer: The University President, ~~or the Chancellor,~~ Laboratory Director, or Vice President – Agriculture and Natural Resources.

Members of the Household: ~~The Internal Revenue Service (IRS)~~ Treasury Regulation Section 1.217-2(b)(10) defines "members of the household" as other individuals who are members of the taxpayer's household, and who had the taxpayer's former residence and the taxpayer's new residence as their principal place of abode. A member of the taxpayer's household includes any individual residing at the taxpayer's residence who is neither a tenant nor an employee of the taxpayer.

Moving Expenses: Reasonable expenditures for transporting the appointee, members of his or her household, household goods and personal effects from his or her former primary residence to his or her new primary residence.

Primary Residence: The principal dwelling where the employee actually lives and is considered as the legal residence for income tax purposes.

Reasonable Costs (or expenses): Treasury Regulation Section 1.217-2(b)(2) includes as reasonable costs those costs or expenses that are reasonable under the circumstances of a particular move.

Relocation: A change in the location of a current employee or new appointee's primary residence due to a new appointment with the University. To be considered a qualified moving expense and not reportable as additional taxable income, the distance between an appointee's new primary place of work and his or her former primary residence must be at least 50 miles or more than the distance between the appointee's previous primary place of work and his or her former primary residence.

Relocation Expenses: Reasonable expenditures other than moving expenses incurred in the process of relocating the appointee and members of his or her household to the location of the appointee's new appointment (e.g. house hunting trips, return trips to the employee's former residence, etc.).

Top Business Officer: Executive Vice President–~~Business Operations~~Chief Operating Officer for the Office of the President, Vice Chancellor for Administration, or the position responsible for the location's financial reporting and payroll as designated by the Executive Officer.

III. POLICY TEXT

A. Eligibility for Reimbursement of Moving and/or Relocation Expenses

Reimbursement of moving and/or relocation expenses is at the sole discretion of the University. Reimbursement of moving and/or relocation expenses should be offered when necessary to attract a potential appointee to the University or to encourage a current employee to accept an appointment at a new location. Before offering reimbursement of moving and/or relocation expenses, the employing department must confirm the availability of funds and the presence of the specific determinative criteria cited in this policy. The appropriate approval authority should be consulted before the hiring unit offers such benefits.

University of California – Regents Policy 7710
Senior Management Group Moving Reimbursement

Moving and/or relocation expenses that are not specifically addressed in this policy may be reimbursed or paid by the University only if approved by the Regents.

To be eligible for reimbursement of moving and/or relocation expenses, an appointee must meet *all* of the following criteria:

- The appointee must be a new hire or a current employee being assigned to a new location;
- The appointee must be qualified for and have accepted and intend to fulfill his or her new appointment for at least one year from the date the appointment commences;
- The appointee must be in active status in the payroll system prior to reimbursement of moving and/or relocation expenses, unless the appointee has been approved for an advance to cover anticipated expenditures pursuant to Section III.G (Advances) of this policy; and
- The appointee must be relocating his/her primary residence in order to accept the new appointment.

B. Reimbursable Moving Expenses

All or part of the following moving expenses may be reimbursed, subject to the required approvals and availability of funds:

1. Moving of Household Goods and Personal Effects

Household goods and personal effects are limited to one household move per appointee. However, if the University appoints both an individual and his or her spouse or domestic partner, both appointees may be eligible for reimbursement of moving expenses from a former primary residence to the new primary residence. All moves of the ~~employee~~ appointee and members of his or her household should be completed within one year of the date an appointee first reports to the new job, even if his or her appointment date was effective prior to the report date.

The University will reimburse actual and reasonable expenses for common carrier transportation related to moving household goods and personal effects from the former primary residence to the new primary residence for the appointee and members of his or her household, including packing, crating, transporting, unpacking, and uncrating household goods and personal effects. The appointee must use a common carrier from the University's preferred vendors list. Assembly and disassembly of unusual items such as swing sets, swimming pools, satellite dishes, etc. may also be reimbursed if authorized by the hiring authority.

Expenses related to moving professional/scholarly books, records and equipment, including laboratory supplies, should be documented separately. Prior to incurring these expenses, the appointee should discuss with the appropriate hiring authority whether these expenses are reimbursable and what documentation is required for reimbursement.

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If the appointee elects to move household goods and personal effects on his or her own, costs of renting a moving van, truck, or trailer and moving equipment (e.g., hand truck) are reimbursable, as are moving supplies (e.g., packing materials and boxes).

Costs associated with moving the following items are not reimbursable:

- Animals (except for household pets consisting of domesticated animals normally and ordinarily kept or permitted in the appointee's personal residence),
- Plants,
- Motorized recreational vehicles, including boats, kayaks, canoes, airplanes, camping vehicles, trailers, snow machines, jet skis,
- Canned, frozen, and bulk foodstuffs,
- Building supplies,
- Storage sheds,
- Farm equipment, and
- Firewood.

2. Transportation of Motor Vehicles

The University will reimburse actual and reasonable expenses related to moving two personal motor vehicles per household (which may include motorcycles but excludes vehicles listed in the preceding section). The vehicles may be shipped or driven. If the vehicle is driven by the appointee or a member of the appointee's household, the appointee will be reimbursed in accordance with [Business and Finance Bulletin G-13, Policy and Regulations Governing Moving and Relocation](#).

3. Storage and Insurance

The University will reimburse actual and reasonable expenses related to:

- Insurance for the household goods and personal effects while in transit, if incurred within ~~any thirty (30-day period) days~~ after removal of the household goods and effects from the former primary residence.
- ~~The University will also reimburse actual and reasonable~~ Storage costs for household goods and personal effects for up to 90 days immediately after their removal from the former primary residence.

4. En Route Travel Expenses for the Appointee and Members of the Household

The University will reimburse actual and reasonable expenses related to traveling to the new primary residence by the appointee and members of his or her household.

Meals and lodging while en route to the new primary residence are reimbursable, including one day's lodging in the area of the former primary

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residence if the residence is not suitable for occupancy due to the move, and one day's lodging on the date of arrival to the new primary residence. Reimbursement of these costs is made in accordance with [Business and Finance Bulletin G-28, Travel Regulations](#).

5. Household Pets

The University will reimburse reasonable expenses related to transportation of household pets (consisting of domesticated animals normally and ordinarily kept or permitted in the appointee's personal residence) but not those associated with kenneling such pets.

6. Utilities

The University will reimburse expenses for connecting and disconnecting utilities but not for associated refundable deposits.

7. Appointee's Passport Processing Expenses

The University will reimburse the filing fee and cost of photos for a non-U.S. Citizen appointee when passport expenses are incurred in connection with the commencement of his or her work in the United States.

C. Reimbursable Relocation Expenses

The University may reimburse ~~limited~~ the following relocation expenses actually and reasonably incurred by the appointee and his or her spouse or domestic partner. ~~The following relocation expenses may be reimbursable:~~ after receiving appropriate supporting documentation (see section III.D., below):

1. House-Hunting Trips

The University may reimburse actual and reasonable expenses associated with looking for new living accommodations for the appointee and his or her spouse or domestic partner for:

- Cost of transportation (e.g., coach airfare, car rental, parking fees, tolls, gas),
- Meals, and
- Lodging.

The appointee and his or her spouse or domestic partner are limited to two house hunting trips ~~in total, each~~. The maximum number of nights of reimbursable lodging is (10) ten. Travel must be in accordance with [Business and Finance Bulletin G-28, Travel Regulations](#). ~~The maximum number of nights of reimbursable lodging is (10) ten.~~

2. Limited Temporary Housing-Related Expenses

The University may reimburse the following ~~limited~~ temporary housing-related expenses, if actually and reasonably incurred while the appointee and/or members of his or her household seek permanent housing:

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Senior Management Group Moving Reimbursement

- ~~Penalty paid to terminate the contract (e.g. lease or mortgage) on the appointee's former primary residence if the termination was a result of relocation,~~
- Cost of furnished temporary lodging (e.g., hotel, apartment, short-term rentals), up to 90 days,
- Reasonable residential parking fees, up to 90 days, and
- Meals for the first 30 days of residence in temporary quarters that do not have cooking facilities.

Temporary lodging and meal expenses will be reimbursed in accordance with [Business and Finance Bulletin G-28, Travel Regulations](#). ~~At the discretion of the University, the University may provide a temporary cash allowance to the relocating employee to offset limited housing related expenses in lieu of reimbursement. This allowance would be paid through the University payroll system and would be subject to withholding for income and FICA taxes.~~

3. Return Trips to Former Primary Residence

The University may reimburse actual and reasonable costs of transportation if an appointee needs to return to his or her former primary residence to help with a move or because the appointee has been separated from household members for more than one month. The appointee is limited to two return trips.

Reimbursable expenses related to transportation costs may include coach airfare or other actual costs of transportation (e.g. car rental, parking fees, tolls, gas). Return trips made in an appointee's personal vehicle will be reimbursed in accordance with [Business and Finance Bulletin G-28, Travel Regulations](#).

4. Professional Relocation Services

The University may reimburse actual and reasonable expenses related to professional relocation services which may include providing local destination information, home sale assistance, home search at destination, and location of rental or temporary housing.

5. Sale of Residence Costs

The University may reimburse actual and reasonable costs directly associated with the sale of the appointee's former primary residence, if the residence must be sold to relocate to the new assignment. The amount of the reimbursement will depend on prevailing practices within the area of the sale and subject to the limitations, below. The sale of the residence must occur within twelve (12) months of the appointee's start date.

Actual and reasonable selling costs may include:

- Brokerage commission, not to exceed 3% of the final sales price or \$30,000, whichever is less.
- Non-recurring closing costs not to exceed 2% of the selling price, not to exceed \$20,000, whichever is less.

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- Mortgage prepayment penalties not to exceed \$15,000.
- Miscellaneous seller's costs customary to the area that may be reimbursed if determined appropriate by the University, not to exceed \$10,000.

The University will not reimburse income taxes, property taxes or assessments associated with the sale of the residence, or the cost of physical improvements intended to enhance salability by improving the condition or appearance of the residence.

6. Settlement of a Residential Lease

The University may reimburse actual and reasonable costs directly associated with the settlement of an unexpired lease of a former primary residence if an appointee must settle that lease to relocate to the new assignment. The amount of the reimbursement will not exceed six (6) months of the lease or \$25,000, whichever is less, including any penalty paid to terminate the lease.

The University will not offer reimbursement if the appointee knows or reasonably should have known that relocation was imminent prior to entering a lease agreement. The University will not reimburse the cost of physical improvements intended to enhance marketability of the leasehold by improving the condition or appearance of the residence.

D. Supporting Receipts and/or Documentation

In order to be eligible for reimbursement, all expenses must be supported by original receipts and/or documentation. An appointee should submit supporting receipts and/or documentation as soon as is reasonably possible, but in all cases, receipts and/or documentation must be submitted within twelve (12) months of the appointee's start date.

E. Tax Treatment and Reporting of Moving and Relocation Expenses

IRS rules determine whether payment of moving and relocation expenses by an employer is includable as taxable income that must be reported. Some reimbursements and advances of "qualified moving expenses" are not reportable as additional income. To be considered a qualified moving expense and not reportable as additional taxable income, an expense must meet the following criteria:

- The move must be made in connection with the commencement of work at a new job location and the moving expenses must be incurred within one year from the time the appointee first reports to the new job,
- During the 12-month period immediately following the move, the individual must be employed full time for at least 39 weeks,
- The distance between an appointee's new primary place of work and his or her former primary residence must be at least 50 miles or more than the distance

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between the appointee's previous primary place of work and his or her former primary residence,

- ~~The expenses must be for transportation of household goods and personal effects, including packing, insurance and in-transit storage for periods of up to 30 days from the former primary residence to the new primary residence, and~~
- ~~The expenses must be for travel and lodging costs (but excluding meals) incurred in traveling from the former primary residence to the new primary residence.~~

~~Detailed IRS rules determine whether~~ The Tax Cuts and Jobs Act (P.L. 115-97) was signed into law on December 22, 2017. The qualified moving expense reimbursement allowed under Internal Revenue Code Section 132(a)(6) and 132(g)(1) was modified with new Code Section 132(g)(2). Effective January 1, 2018, any fringe benefit that qualifies as a qualified moving expense reimbursement is suspended for taxable years 2018 through 2025. Thus, the University must report certain all moving-related expenses and reimbursements as taxable income. Taxable reimbursements made by the University are subject to withholding for payroll taxes, which will be deducted from the employee's regular wages. For additional information regarding tax treatment and reporting requirements, please refer to the Business and Finance Bulletin G-13, Policy and Regulations Governing Moving and Relocation. Appointees should consult a personal tax advisor with questions about these requirements.

Any payments to SMG members under this policy will be subject to reporting to the President and the Regents in the *Annual Report on Executive Compensation*.

F. Repayment Provisions

An appointee who voluntarily separates from the position prior to completing one year of service, or accepts an appointment at another University of California location within 12 months from his or her initial date of appointment, will be required to pay back 100 percent of the moving and relocation expenses.

This provision will be included in the offer letter of the appointee.

G. Advances

The University, in its sole discretion, may elect to advance an amount to cover anticipated expenditures. Advances may only be used to cover reimbursable expenses and must be approved by the Executive Officer. An appointee receiving such an advance must sign an agreement for repayment ~~as described in the Implementation Procedures for this policy in accordance with local procedures.~~

The hiring unit is responsible for ensuring that advances are accounted for within a reasonable period of time after the move is completed. See [Business and Finance Bulletin G-28, Travel Regulations](#) for procedures applicable to recording uncleared advances.

IV. APPROVAL AUTHORITY

A. Implementation of the Policy

The Vice President–Human Resources is the Responsible Officer for this policy and has the authority to implement the policy. The Responsible Officer may apply appropriate interpretations to clarify policy provided that the interpretations do not result in substantive changes to the underlying policy. The Office of the President Human Resources, will work with the Responsible Officer of each policy to implement each policy.

B. Revisions to the Policy

The Regents is the Policy Approver for this policy and has the authority to approve any policy revisions upon recommendation by the President.

The Vice President–Human Resources has the authority to initiate revisions to the policy, consistent with approval authorities and applicable *Bylaws* and *Standing Orders* of the Regents.

The Executive Vice President–~~Business Operations~~Chief Operating Officer has the authority to ensure that policies are regularly reviewed and updated, and are consistent with the [Principles for Review of Executive Compensation \(Regents Policy 7201\)](#) and other governance policies.

C. Approval of Actions

All actions within this policy or that exceed this policy must be approved in accordance with Section IV.C. of the policy on [SMG Appointment and Compensation \(Regents Policy 7701\)](#). All actions that are exceptions to this policy applicable to members of the Senior Management Group or Officers of the University that are or not expressly provided for under any policy must be approved by the Regents.

V. COMPLIANCE

A. Compliance with the Policy

The following roles are designated at each location to implement compliance monitoring responsibility for this policy:

The Top Business Officer and/or the Executive Officer at each location will designate the local management office to be responsible for the ongoing reporting of policy compliance, including collecting all relevant compensation package activity, and creating specified regular compliance reports (such as a monthly compensation compliance report) for review by the location's Top Business Officer.

The Top Business Officer establishes procedures to collect and report information, reviews the specified regular compliance reports (such as a monthly compensation compliance report) for accuracy and completeness, reviews policy exceptions and/or

anomalies to ensure appropriate approval has been obtained, and submits a copy of the compliance report to the Executive Officer for signature.

The Executive Officer is accountable for monitoring and enforcing compliance mechanisms, ensuring monitoring procedures are in place, approving the specified regular compliance reports (such as a monthly compensation compliance report), and sending notice of final approval for the reports to the Senior Management Compensation Office, Top Business Officer, and Local Resources.

The Vice President–Human Resources is accountable for reviewing the administration of this policy. The Senior Vice President–Chief Compliance and Audit Officer will periodically monitor compliance to these policies, and results will be reported to senior management and the Regents.

B. Noncompliance with the Policy

Noncompliance with the policy is handled in accordance with The Regents' [Guidelines for Corrective Actions Related to Compensation Practices](#) and [Guidelines for Resolution of Compensation and Personnel Issues Resulting from the Findings of Audits and Management Reviews](#).

Noncompliance is reported in the monthly compliance report from each location as approved by the Executive Officer and reviewed by the Senior Vice President–Chief Compliance and Audit Officer and the Regents at least three times per fiscal year.

REVISION HISTORY

Policy changes effective as of Month Day, 2018:

- To be added

As a result of the issuance of this policy, the following documents are rescinded as of the effective date of this policy and are no longer applicable:

- *Senior Management Group Moving Reimbursement* (Regents Policy 7710), dated February 9, 2009

As a result of the issuance of this policy, provisions of this policy pertaining to SMG members which that appear in the following document shall will be superseded by this policy, effective the date of this policy August 1, 2009:

- *UC Business and Finance Bulletin G-13, Policy and Regulations Governing Moving and Relocation*

IMPLEMENTATION PROCEDURES

University of California – Regents Policy 7710
Senior Management Group Moving Reimbursement

The Responsible Officer may develop procedures or other supplementary information to support the implementation of this policy. Such supporting documentation does not require approval by the Regents.

Additions shown by underscoring; deletions shown by strikethrough

University of California – Policy PPSM II-71



PPSM II-71 Senior Management Supplemental Benefit Program

Responsible Officer:	VP - Human Resources
Responsible Office:	HR - Human Resources
Issuance Date:	4/23/2006 <u>Date</u>
Effective Date:	1/23/2006
Scope:	Members of the Senior Management Group.

Contact:	Christopher Simon
Email:	Christopher.simon@ucop.edu
Phone #:	(510) 987-0503

I. POLICY SUMMARY

This policy describes provisions by which University contributions can be made to the Retirement Savings Program Plans in lieu of the benefit provided under the Senior Management Severance Pay Plan.

II. DEFINITIONS

Exception to Policy: An action that exceeds what is allowable under current policy or that is not expressly provided for under policy. Any such action must be treated as an exception.

Executive Officer: The University President, Chancellor, ~~or~~ Laboratory Director, or Vice President – Agriculture and Natural Resources.

Senior Management Group (SMG): Individuals whose career appointment is in the Senior Management Group personnel program. Employees with a dual academic appointment at 0% and an appointment to a Senior Management Group position will ~~shall~~ be considered to possess a career appointment in the Senior Management Group.

Top Business Officer: Executive Vice President—~~Business Operations~~ Chief Operating Officer for the Office of the President, Vice Chancellor Administration, or the position

responsible for the location's financial reporting and payroll as designated by the Executive Officer.

III. POLICY TEXT

A. General

The Senior Management Supplemental Benefit Program (Supplemental Benefit Program) provides for contributions to be made to the Retirement Savings Program Plans (RSP Plans)¹ in lieu of the benefit provided under the Senior Management Severance Pay Plan (SMSPP) in effect as of December 31, 2004. The SMSPP has been amended to comply with requirements of the Internal Revenue Code and related guidance from the Internal Revenue Service.

B. Eligibility

The University no longer offers participation in the Supplemental Benefit Program to new SMG hires or new SMG appointees. Subject to the limitations under policy, current participants may continue to participate in the Supplemental Benefit Program until they separate from their current positions or change positions within the University.

~~Senior Managers~~An SMG member whose current-in full-time (100%) SMG appointments was approved as required by policy before May 25, 2017 is -are eligible to participate in the Supplemental Benefit Program. ~~An Senior Manager~~SMG member is not eligible to participate in the Supplemental Benefit Program if the ~~Senior Manager~~SMG member:

1. holds an SMG appointment that was approved as required by policy on or after May 25, 2017;
- ~~2.~~_____ holds a dual ~~tenured~~ academic appointment;²
- ~~3.~~_____ is appointed at less than full-time; or
- ~~4.~~_____ is appointed in an acting or interim capacity.

Eligible ~~Senior Managers~~SMG members ~~automatically participating~~ in the Supplemental Benefit Program ~~and~~ are precluded from participating concurrently in the Health Sciences Severance Pay Plan Program.

C. Contributions

No participant in the SMSPP, other than an eligible ~~SMG member~~Senior Manager who separates from University-paid service in 2005, shall accrue additional pay-based credits under the SMSPP after 2004. In lieu of such pay-based credits, under the Supplemental Benefit Program the University will make a contribution to one or more of the RSP Plans on behalf of each eligible ~~Senior Manager~~SMG member equal to the

¹ The RSP Plans include the University of California Defined Contribution Plan, the University of California Tax-Deferred 403(b) Plan, and the University of California 457(b) Deferred Compensation Plan.

² A Senior Manager who was in the Executive Program and who held a dual academic appointment as of June 30, 1996 shall continue participation in the Supplemental Benefit Program, provided that the ~~SMG member~~Senior Manager is otherwise eligible pursuant to Section B.

percentage rate of compensation established for such manager's base salary and appointment level grade (3% for Grade A appointments; 5% for Grades B and higher), subject to any limitations in the applicable RSP Plans. If an individual resigns from an eligible Senior Management position, but continues employment with the University, the employee will no longer be eligible for a contribution to the RSP Plan in lieu of pay-based credits.

In addition, the University may make one or more contributions in a flat dollar amount (Fixed Contribution) on behalf of an eligible individual. A Fixed Contribution shall be in an amount designed to offset credits, if any, previously accrued under the SMSPP plus imputed interest and other adjustments determined by the Plan Administrator of the RSP Plans, in the administrator's sole discretion, as indicated in order to provide the individual a benefit reasonably equivalent to the benefit that would have been provided under the SMSPP formula in effect as of December 31, 2004, subject to the limitations of the RSP Plans. The amount of a Fixed Contribution, if any, shall be stated in the applicable RSP Plans. Any benefit accrued by an individual under the SMSPP shall be reduced to the extent offset by a Fixed Contribution in a corresponding amount made to the RSP Plans on the individual's behalf, and the individual shall have no further right or claim to a benefit under the SMSPP with respect to the offset amount.

D. Residual Benefits

An individual's residual benefit in the SMSPP shall be credited with earnings at the Short-Term Investment Pool (STIP) rate each calendar quarter until such time as the benefit is offset by a contribution to the RSP Plans or distributed to the individual. The STIP rate shall be at the most current quarterly rate used to calculate interest amounts except that the rate for the third calendar quarter shall also be used for the fourth calendar quarter. Contributions made to the RSP Plans shall be credited with earnings and reduced for losses as described in the RSP Plans, consistent with the individual's investment choices.

E. Payment of Residual Benefit

Any residual SMSPP benefit that is not offset in a year prior to, or during which, an individual separates from University-paid service will be paid in a lump sum to the individual when his or her University-paid service ends. Such benefits, to the extent not offset, also will be paid out if a ~~Senior Manager~~ SMG member is granted a leave of absence without pay with no reappointment to the same position or appointment to another University position. A residual SMSPP benefit that has not been offset or paid out at the death of an individual will be paid in a lump sum to the deceased individual's statutory beneficiary.

Payment of the residual SMSPP benefit will be subject to federal and state withholding taxes. If an employee has Social Security coverage, contributions for Social Security will be deducted from the payment up to the Social Security wage base.

F. Authority

The Chancellor, Laboratory Director or Executive Vice President – Chief Operating Officer ~~Senior Vice President – Business and Finance~~, as appropriate, designates the fund source(s) that the campus or Laboratory, or Office of the President accounting

office shall use to make contributions under the Supplemental Benefit Program and to pay an individual's residual SMSPP benefit. General Funds shall not be used for either type of benefit.

G. Assignment

Neither the employee nor the beneficiary may assign or otherwise encumber an SMSPP benefit. Benefits provided under the RSP Plans are subject to the restrictions on alienation and assignment set forth in the plans.

H. Limitations

Except to the extent inconsistent with the terms of the Supplemental Benefit Program, any terms and conditions governing the benefit provided under the SMSPP in effect as of December 31, 2004 shall also govern the determination of an individual's benefit under the Supplemental Benefit Program.

IV. COMPLIANCE / RESPONSIBILITIES

A. Implementation of the Policy

The Vice President–Human Resources is the Responsible Officer for this policy and has the authority to implement the policy. The Responsible Officer may apply appropriate interpretations to clarify policy provided that the interpretations do not result in substantive changes to the underlying policy.

The Chancellor is authorized to establish local procedures necessary to implement this policy. The Chancellor and the Vice President–Human Resources determine secondary administrative level responsibilities and authorities to establish such local procedures.

B. Approval of Actions

~~See Section III.F. for the authority to approve actions authorized by this policy.~~

All actions within this policy or that exceed this policy must be approved in accordance with Section IV.C. of the policy on *SMG Appointment and Compensation (Regents Policy 7701)*. ~~All actions applicable to Senior Management Group members that exceed that are exceptions to this policy, or that are not expressly provided for under any policy, must be endorsed by the President and approved by the Regents.~~

C. Compliance with the Policy

The following roles are designated at each location to implement compliance monitoring responsibility for this policy:

The Top Business Officer and/or the Executive Officer at each location will designate the local management office to be responsible for the ongoing reporting of policy compliance.

The Executive Officer is accountable for monitoring and enforcing compliance mechanisms and ensuring that monitoring procedures and reporting capabilities are established.

The Vice President–Human Resources is accountable for reviewing the administration of this policy. The Director–HR Compliance may periodically monitor compliance to this policy.

D. Noncompliance with the Policy

Noncompliance with the policy is handled in accordance with the Regents' [Guidelines for Corrective Actions Related to Compensation Practices](#) and [Guidelines for Resolution of Compensation and Personnel Issues Resulting from the Findings of Audits and Management Reviews](#).

E. Revisions to the Policy

The President is the Policy Approver and has the authority to approve policy revisions upon recommendation by the Vice President–Human Resources. The Regents is the Policy Approver for policy revisions that affect the compensation of Senior Management Group members.

The Vice President–Human Resources has the authority to initiate revisions to the policy, consistent with approval authorities and applicable *Bylaws* and *Standing Orders* of the Regents.

The Executive Vice President–~~Business Operations~~ **Chief Operating Officer** has the authority to ensure that policies are regularly reviewed, updated, and consistent with other governance policies.

V. PROCEDURES

The Responsible Officer may develop procedures or other supplementary information to support the implementation of this policy. Such supporting documentation does not require approval by the Regents.

VI. RELATED INFORMATION

- [Guidelines for Corrective Actions Related to Compensation Practices](#) (referenced in Section IV.D. of this policy)
- [Guidelines for Resolution of Compensation and Personnel Issues Resulting from the Findings of Audits and Management Reviews](#) (referenced in Section IV.D of this policy)

VII. FREQUENTLY ASKED QUESTIONS

Not applicable.

VIII. REVISION HISTORY

Administrative note: The President is no longer recommending or approving participation in the Senior Management Supplemental Benefit Program for new hires or new appointees. Subject to the limitations under policy, current participants may continue to participate in the Senior Management Supplemental Benefit Program until they step down from their current positions or change positions.

October 17, 2017: This Policy was remediated to meet Web Content Accessibility

University of California – Policy PPSM II-71
PPSM II-71 Senior Management Supplemental Benefit Program

Guidelines (WCAG) 2.0.

October 1, 2012: This policy was reformatted into the standard University of California policy template.

Additions shown by underscoring; deletions shown by strikethrough

University of California—Regents Policy 7714

**~~Senior Management Group
Relocation Allowance~~**

Approved February 9, 2009

Amended September 16, 2010 and September 18, 2013



Administrative note: The President is no longer recommending or approving cash relocation allowances for new hires or new appointees.

~~Responsible Officer:~~ Vice President—Human Resources

Responsible Office: Human Resources

~~Effective Date:~~ November 14, 2013

~~Next Review Date:~~ The Responsible Officer will review the policy annually for update purposes, and will conduct a full review at least every three years.

~~Who Is Covered:~~ Members of the Senior Management Group (SMG) and external candidates for Senior Management Group positions.

The Senior Management Group Relocation Allowance policy and procedures do not apply to Senior Management Group employees at the Lawrence Berkeley National Laboratory (LBNL) or candidates for Senior Management Group positions at LBNL. See *LBNL Regulations and Procedures Manual §4.01—Relocation Policy*.

CONTENTS

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~~II. Policy Definitions~~

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I. POLICY SUMMARY

This policy provides the direction and authority for granting a relocation allowance to offset a portion of an external or internal Senior Management Group (SMG) candidate's costs associated with accepting the University's employment offer or with relocating at the request of the University. A relocation allowance supports the University's objective to attract and retain talented candidates who might otherwise decline the University's employment or relocation offer.

II. POLICY DEFINITIONS

Executive Officer: The University President or the Chancellor.

Exception to Policy: An action that exceeds what is allowable under current policy or that is not expressly provided for under policy. Any such action must be treated as an exception and must be reviewed and approved by the Regents.

Primary Residence: The dwelling where the employee actually lives and is considered as the legal residence for income tax purposes.

Relocation: A change in the location of an appointee's primary residence due to a new appointment with the University.

Top Business Officer: Executive Vice President—Business Operations for the Office of the President, Vice Chancellor for Administration, or the position responsible for the location's financial reporting and payroll as designated by the Executive Officer.

III. POLICY TEXT

A. Eligibility

To be eligible for a relocation allowance, a candidate for a Senior Management Group position must meet the following eligibility conditions:

1. The candidate must be a new hire or a current employee being assigned to a new location; and
2. The candidate must be qualified for and have accepted and intend to fulfill his/her new appointment for at least one year from the date the appointment commences; and
3. The candidate is expected to incur costs associated with accepting the University's employment offer or with relocating at the request of the University.

Consult the appropriate hiring authority before offering a relocation allowance. See Section IV. (Approval Authority) of this policy.

B. Relocation Allowance Amounts

1. A relocation allowance is granted at the sole discretion of the University, is dependent on the availability of funds, is not guaranteed to be made available to all eligible candidates, and is not guaranteed to offer total reimbursement for all increased costs that may be incurred by the candidate's acceptance of the appointment and the candidate's relocation.
2. Allowance amounts will vary based on specific circumstances including the following:
 - a. amount of costs associated with the appointee's relocation that are not covered by the policy, *Senior Management Group Moving Reimbursement*.
 - b. market prevalence for these allowances within specific occupations.
3. The relocation allowance amount cannot exceed a maximum of 25% of the proposed starting base salary for the SMG position. If both a hiring bonus, as set forth in the policy, *Senior Management Group Hiring Bonus*, and relocation allowance are offered to a potential candidate, the combined amount cannot exceed 30% of the proposed starting base salary. Direct moving and relocation expenses are to be reimbursed in accordance with the policy, *Senior Management Group Moving Reimbursement*.

C. Payment Provisions

Granting of a relocation allowance is at the sole discretion of the University. Before offering a relocation allowance, the employing department must confirm the availability of funds and the specific determinative criteria cited in Section III.B.2 of this policy. Any relocation allowance amount granted along with payment and repayment provisions shall be detailed in the candidate's offer letter. By signing such agreement, the candidate agrees to all payment and repayment provisions of this policy.

The relocation allowance payments are payable in either a lump sum payment (e.g., within 30 days of hire date) or as installment payments spread over a period of two, three or four years. Installment payments are generally advisable. If a recipient separates from UC, all future installment payments will be forfeited. If a lump sum payment is provided, then repayment provisions are required, as described in Section D. of this policy.

D. Repayment Provisions

1. The candidate's offer letter shall contain the specific details of the repayment provisions, including the number of years of service that must be completed and the amount (percentage or actual amount) of repayment if separation occurs prior to the completion of each year of service.
2. If the employee receives a lump sum relocation allowance and separates from UC prior to completing the agreed upon period of service (at least two years), the employee will be required to pay back a pro rata portion of the relocation allowance payment.

Senior Management Group Relocation Allowance

~~3. Any unpaid relocation allowance amounts are forfeited at the time of separation of employment.~~

E. Funding Sources

~~Relocation allowance payments, if approved, are funded by the hiring department.~~

F. Treatment for Benefit Purposes

~~Relocation allowance amounts under this policy are not considered to be compensation for University benefit purposes, such as the University of California Retirement Plan, Retirement Savings Program, or employee life insurance programs. A Description of Service (DOS) code of "RIP" has been established for paying relocation allowances approved in accordance with this policy.~~

G. Tax Treatment and Reporting

~~Under Internal Revenue Service Regulations, payment of a relocation allowance must be included in the employee's income as wages subject to withholding in the year paid for federal and state income taxes and applicable FICA taxes. The payment is reportable on the employee's Form W-2 in the year paid.~~

~~Any payments to SMG members under this policy will be reported to the President and the Regents in the *Annual Report on Executive Compensation*.~~

H. Relation With Other Policies

~~Senior Management Group appointees who hold an academic appointment and receive a relocation allowance under the terms of this policy are not eligible for *The Faculty Recruitment Allowance Program* as set forth in *Academic Personnel Manual (APM) 190—Appendix E*.~~

IV. APPROVAL AUTHORITY

A. Implementation of the Policy

~~The Vice President Human Resources is the Responsible Officer for this policy and has the authority to implement the policy. The Responsible Officer may apply appropriate interpretations to clarify policy provided that the interpretations do not result in substantive changes to the underlying policy. The Office of the President Human Resources will work with the Responsible Officer of each policy to implement each policy.~~

B. Revisions to the Policy

~~The Regents is the Policy Approver for this policy and has the authority to approve any policy revisions upon recommendation by the President.~~

~~The Vice President Human Resources has the authority to initiate revisions to the policy, consistent with approval authorities and applicable *Bylaws* and *Standing Orders* of the Regents.~~

Senior Management Group Relocation Allowance

The Executive Vice President—Business Operations has the authority to ensure that policies are regularly reviewed and updated, and are consistent with the *Principles for Review of Executive Compensation* (Regents Policy 7201) and other governance policies.

C. Approval of Actions

All actions within this policy or that exceed this policy must be approved in accordance with Section IV.C. of the policy on *SMG Appointment and Compensation* (Regents Policy 7701). All actions that are applicable to members of the Senior Management Group or Officers of the University that are not expressly provided for under any policy must be approved by the Regents.

V. COMPLIANCE AND REPORTING

A. Compliance with the Policy

The following roles are designated at each location to implement compliance-monitoring responsibility for this policy:

The Top Business Officer and/or the Executive Officer at each location will designate the local management office to be responsible for the ongoing reporting of policy compliance, including collecting all relevant compensation package activity, and creating specified regular compliance reports (such as a monthly compensation compliance report) for review by the location's Top Business Officer.

The Top Business Officer establishes procedures to collect and report information, reviews the specified regular compliance reports (such as a monthly compensation compliance report) for accuracy and completeness, reviews policy exceptions and/or anomalies to ensure appropriate approval has been obtained, and submits a copy of the compliance report to the Executive Officer for signature.

The Executive Officer is accountable for monitoring and enforcing compliance mechanisms, ensuring monitoring procedures are in place, approving the specified regular compliance reports (such as a monthly compensation compliance report), and sending notice of final approval for the reports to the Senior Management Compensation Office, Top Business Officer, and Local Resources.

The Vice President—Human Resources is accountable for reviewing the administration of this policy. The Senior Vice President—Chief Compliance and Audit Officer will periodically monitor compliance to these policies, and the process and results will be reported annually to senior management and the Regents through the Committee on Compensation.

B. Noncompliance with the Policy

Noncompliance with the policy is handled in accordance with The Regents' *Guidelines for Corrective Actions Related to Compensation Practices* and *Guidelines for Resolution of Compensation and Personnel Issues Resulting from the Findings of Audits and Management Reviews*.

Senior Management Group Relocation Allowance

~~Noncompliance is reported in the monthly compliance report from each location as approved by the Executive Officer and reviewed by the Senior Vice President—Chief Compliance and Audit Officer and the Regents at least three times per fiscal year.~~

REVISION HISTORY

~~As a result of the issuance of this policy, the following document is rescinded as of the effective date of this policy and is no longer applicable:~~

- ~~• *Senior Management Group Relocation Allowance (Regents Policy 7711)*, dated August 1, 2009~~

~~Provisions in the following document that are applicable to SMG employees were rescinded as of August 1, 2009:~~

- ~~• *UC Business and Finance Bulletin G-13, Policy and Regulations Governing Moving and Relocation*~~

IMPLEMENTATION PROCEDURES

~~The Responsible Officer may develop procedures or other supplementary information to support the implementation of this policy. Such supporting documentation does not require approval by the Regents.~~

Additions shown by double underscoring; deletions shown by strikethrough

Bylaw 22. Authority of the Board

22.1 Authority/Delegation.

Pursuant to Article IX Section 9 of the Constitution of the State of California, the full powers of organization and government of the University inhere in and originate with the Board, which has the authority to delegate those powers as it determines to be in the best interest of the University. Any authority delegated by the Board may be rescinded by action of the Board. The Regents hereby delegate authority to the President of the University to oversee the operation of the University, in accordance with policies and directives adopted by the Board, and as further specified in Bylaw 30 (President of the University). This delegation is subject to the powers specifically reserved to the Regents in Bylaw 22.2 below (Reserved Powers), in Committee Charters, and in Regents Policies requiring that matters be approved or otherwise acted on by the Board.

22.2 Specific Reservations.

The matters in the following areas are specifically reserved to the Board and/or its Committees for approval or other action, within parameters that may be specified in a Committee Charter or Regents Policy:

(c) Finance Matters

- Approving the University budget and requests for state appropriations
- Approving the annual budget for the Office of the President
- Accepting the reports of the independent financial auditor
- Approving non-audited related services by the University's independent financial auditor
- Approving tuition, registration fees, education fees, and compulsory student government fees within parameters specified by Committee Charter or Regents Policy
- Authorizing University external financing within parameters specified by Committee Charter or Regents Policy
- Approving overall policies for the University of California Employee Housing Assistance Program.
- Approving loans by the University to other parties, other than loans from established student, faculty, and staff loan funds, and subject to exceptions and parameters specified by Committee Charter or Regents Policy
- Approving agreements to indemnify third-parties, subject to exceptions and parameters specified by Committee Charter or Regents Policy
- Approving alliances and affiliations involving University financial commitments, use of the University's name, research resources, and the University's reputation, within parameters specified by Committee Charter or Regents Policy

- Approving University participation in non-health–related corporations, partnerships and other entities, except for investment purposes, and within parameters specified by Committee Charter or Regents Policy
- Adopting UC Retirement plans and approving plan amendments

(d) Capital Project Matters

- Approving capital budget requests and augmentation requests within parameters specified by Committee Charter or Regents Policy
- Approving purchases, sales, leases or gifts of real estate within parameters specified by Committee Charter or Regents Policy
- Approving Long Range Development Plans (LRDPs) and amendments to LRDPs within parameters specified by Committee Charter or Regents Policy
- Approving Capital Financial Plans (e.g., 10-year Capital Financial Plans)

Additions shown by underscoring; deletions shown by strikethrough

Standing Order 100.4: Duties of the President of the University

~~(o) The President is authorized to approve transfers or allocations of University operating funds and transfers of funds designated for Capital Improvement purposes, subject to any limitations which might be imposed by the terms of said funds, provided:~~

~~—That no such transfer or allocation shall result in the establishment of a new policy, program, or project involving a continuing commitment;~~

~~—That no transfer shall be made from a reserve fund for a purpose other than that for which the reserve fund was established.~~

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

~~(q)(2) This paragraph shall apply exclusively to capital projects for those campus entities approved by the Finance and Capital Strategies Committee for inclusion in the pilot phase of the Delegated Process for Capital Improvement Projects.~~

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

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

~~(y) The President is authorized to appoint and to execute necessary agreements with executive architects, executive landscape architects, and executive and consulting engineers for approved projects.~~

~~(z) The President is authorized to approve building plans and to solicit bids in connection with approved projects, except that the President shall not approve the design of such projects as the Board has specifically designated as requiring design approval by the Committee on Grounds and Buildings.~~

~~(aa) The President is authorized to approve the siting of individual buildings or projects, provided that their locations are generally in accordance with a long range development plan previously approved in principle by the Board, and to approve the siting of individual buildings or projects on University properties, such as field stations and research stations, which may not be covered by approved long range development plans.~~

~~(cc) Except as otherwise specifically provided in the Bylaws and Standing Orders:~~

~~The President is authorized to approve and execute on behalf of the Corporation contracts, real property rental agreements, leases, ground leases and other documents pertaining to the use of real property for University related purposes with a term of not more than twenty years (excluding options when the University is the lessee but including options provided by the University as lessor).~~

~~As used in these Standing Orders, the term University related purposes refers to real property and interests therein held and/or used by the University in furtherance of its mission, but excluding real property held for investment purposes.~~

~~(dd) Except as otherwise specifically provided in the Bylaws and Standing Orders, the President is authorized to execute on behalf of the Corporation all contracts and other documents necessary in the exercise of the President's duties, including documents to solicit and accept pledges, gifts, and grants, except that specific authorization by resolution of the Board shall be required for documents which involve or which are:~~

~~***~~

~~—1. Exceptions to approved University programs and policies or obligations on the part of the University to expenditures or costs for which there is no established fund source or which require the construction of facilities not previously approved.~~

~~—8. Construction contracts in excess of appropriated funds.~~

~~***~~

~~(ff) The President is authorized to negotiate the sale, purchase, receipt by gift, or lease of all interests in real property used or to be used for University related purposes, and to administer all such properties and interests~~

~~(gg) The President is authorized to approve the sale, purchase, receipt by gift, or other acquisition of all interests in real property used or to be used for University related purposes when the consideration does not exceed \$20 million. The President is also authorized to approve the sale, purchase, receipt by gift, or other acquisition of all such interests in real property when the consideration exceeds \$20 million up to and including \$60 million, provided that concurrence is obtained from the Chairman of the Board and the Chairman of the Committee on Finance, and also provided that all actions taken for these amounts under this authority be reported at the next meeting of the Board. Such transactions with consideration exceeding \$60 million require Board approval.~~

~~(hh) In furtherance of the authorities set forth in (ff) and (gg) above, the President is authorized to execute all documents, except those conveying title; provided, however, that any such documents executed prior to approval required in accordance with (gg) above, shall be conditioned upon obtaining such approval.~~

~~(jj) The President is authorized to approve and execute licenses, easements, and rights-of-way with respect to (1) real property used or to be used for University related purposes or (2) University related real property to be used by others.~~

~~(kk) The President is authorized to approve leases, assignments of leases or subleases, and related amendments of such documents for mineral rights, including gas, oil, and other hydrocarbons, or geothermal resources as to real property used or to be used for University related purposes if the land rent does not exceed \$500,000 per year during the primary lease term.~~

~~(ll) The President is authorized to take all appropriate action incident to the administration of University home loan programs as approved by The Regents, including (1) receiving and administering promissory notes, mortgages, deeds of trust, grant deeds, and deeds in lieu of foreclosure, (2) executing releases and satisfactions of mortgages and requests for reconveyances of deeds of trust when the University home loan program notes secured by such mortgages and deeds of trust have been paid in full or otherwise satisfied, and (3) accepting title to real property through foreclosure, deed in lieu of foreclosure, or other similar actions.~~

~~(nn)(1) Except as provided in paragraph (nn)(2) below, the President shall be the manager of all external financing of the Corporation. The President is authorized to obtain external financing for amounts up to and including \$10 million for the planning, construction, acquisition, equipping, and improvement of projects. The President is also authorized to obtain external financing for amounts in excess of \$10 million up to and including \$20 million, provided that concurrence is obtained from the Chairman of the Board and the Chairman of the Finance and Capital Strategies Committee, and also provided that all actions taken to obtain external financing for amounts in excess of \$10 million up to and~~

including \$20 million be reported at the next following meeting of the Board. External financing in excess of \$20 million requires Board approval. The President shall have the authority to (1) negotiate for and obtain interim financing for any external financing, (2) design, issue, and sell revenue bonds or other types of external financing, (3) issue variable rate or fixed rate debt, and execute interest rate swaps to convert fixed or variable rate debt, if desired, into variable or fixed rate debt, respectively, (4) refinance existing external financing for the purpose of realizing lower interest expense, provided that the President's authority to issue such refinancing shall not be limited in amount, (5) provide for reserve funds and for the payment of costs of issuance of such external financing, (6) perform all acts reasonably necessary in connection with the foregoing, and (7) execute all documents in connection with the foregoing, provided that the general credit of The Regents shall not be pledged for the issuance of any form of external financing.

~~(nn)(2) This paragraph shall apply exclusively to capital projects for those campus entities approved by the Finance and Capital Strategies Committee for inclusion in the pilot phase of the Delegated Process for Capital Improvement Projects.~~

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

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

Office of the President

TO THE REGENTS OF THE UNIVERSITY OF CALIFORNIA:

ACTION ITEM

For the Meeting of May 24, 2018

FISCAL YEAR 2018-19 BUDGET FOR THE UNIVERSITY OF CALIFORNIA OFFICE OF THE PRESIDENT (UCOP)

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BACKGROUND

About the University of California

The University of California (UC) serves over 270,000 students, produces ground-breaking research and is a powerful economic engine for the State of California, through its 10 campuses, 5 medical centers, and 3 national laboratories. The University of California provides unparalleled access to upward economic mobility, and focuses on its core missions of teaching, research, and public service.

UC is the largest university system in the nation based on \$34 billion in FY16-17 systemwide expenses. It is twice as large as the next largest system, the University of Texas, and the third largest in the country by enrollment, behind only the CSU and SUNY. UC leads the way in enrolling and graduating Pell Grant recipients and low-income undergraduate students, and five of the ten campuses have been designated Hispanic Serving Institutions (HSIs) for maintaining undergraduate Hispanic enrollment at or above 25% of their total population.

Figure 1: UC Economic Impact

ECONOMIC IMPACT	
CA jobs supported by UC operations	430,000 (1 in 46)
Economic impact of UC activities	\$46.3 B
Contributions to gross state product	\$32.8 B

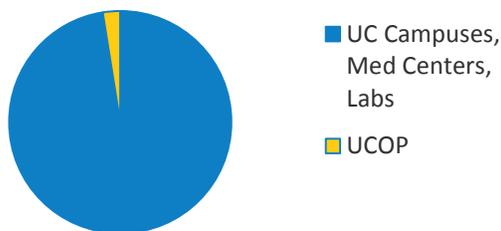
UC research in nanotechnology, clean energy, neuroscience, genomics and medicine is helping drive the next wave of California economic growth.

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

About UCOP

The UC Office of the President (UCOP) is the systemwide headquarters of the University of California. UCOP operates as the nexus between the 10 campuses, 5 medical centers, and 3 national laboratories, the Board of Regents, the State and Federal governments, and the public. Together with the university’s executive leadership, UCOP helps give shape to a vision for the university, managing the activities that are central to UC’s public mission and essential to the idea of one university.

Figure 2: University of California System



UCOP employees manage academic programs and business operations with a clear focus on supporting the academic mission and strengthening the financial health of the whole system. The UCOP budget represents 2.5% of the total \$34 billion UC budget.

37% of the UCOP budget flows through UCOP to the campuses, California researchers and public through the 50+ programs and initiatives it manages.

Academic Programs – The Academic Affairs division manages over 30 programs that support the teaching, research, and public service mission of the University. These programs give thousands of students learning opportunities in the Washington D.C. and Sacramento Centers; gives researchers from across the State the opportunity to compete for grant funds, and promotes access and diversity through its outreach programs. Below are a few examples:

Research Programs

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

Outreach Programs

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

Teaching Programs

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

Other Programs

- ✓ California Digital Library
- ✓ UC Press

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

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

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

Figure 3: Examples of UCOP Impacts and Achievements for UC and State of CA

Academics & Programs	Operations	Financial Services
50% of UCOP’s Budget	30% of UCOP’s Budget	10% of UCOP’s Budget
<ul style="list-style-type: none"> • Educate hundreds of students at the Washington and Sacramento centers • Publish over 170 books and 30 multi-issue journals annually and maintain 4,000 books in print • Save over \$100 million annually by coordinating shared library collections • Oversee SAPEP programs that serve over 186,000 K-12 students annually at nearly 1,500 schools in California • Award nearly \$120 million in grants for research, from water security to smoking prevention to cybersecurity • Engage over 20,000 volunteers and 1.4 million participants in Agriculture & Natural Resources programming 	<ul style="list-style-type: none"> • Pay roughly \$3 billion in benefits to over 73,000 retirees and beneficiaries • Manage the ApplyUC system through which 220,000 high school students and transfers applied to UC last year • Purchase \$18 million in energy contracts annually • Oversee over 90 renewable energy projects including the development of a 660-acre solar energy farm • Support and pay more than 190,000 employees through the new UCPath and 35-year-old legacy payroll systems • Administer the UC Learning Center, providing online training to 40,000 employees and students per month 	<ul style="list-style-type: none"> • Manage a general revenue debt portfolio of \$19 billion • Add roughly \$300 million in benefits through central purchasing contracts from new revenue and reduced costs • Manage mortgage loans for qualified faculty and staff totaling \$3 billion • Realize \$25 million in benefits annually through Fiat Lux Insurance from new revenue and reduced costs • Manage nearly \$115 billion in total investments and assets at a cost of less than 0.03% in fees • Add billions of dollars in value for the retirement system through strategic borrowing and restructuring

EXECUTIVE SUMMARY

Per Regents Policy 5101, the proposed UCOP budget for FY18-19 is presented for approval by the Board. UCOP has developed a budget that is comprehensive and clearly demonstrates the role of the Office of the President and its associated costs.

The FY18-19 UCOP Budget

The FY18-19 proposed budget is \$876.4M. Figure 4 below summarizes the budget by functional area. As in prior year budgets, UCOP divides its activities into Programs and Initiatives and Central and Administrative Services. The UCPath Center continues to be called out as a separate line item to better show its growth trajectory as more campuses come on-line. The Strategic Priorities Fund, a new line item this year, replaces the temporary unrestricted budget with a dedicated allocation for programmatic and administrative short-term initiatives or emerging/urgent needs.

Figure 4: UCOP Budget by Functional Area
\$ millions

Functional Area	Proposed Budget	% of Total
Programs and Initiatives	\$ 396	45%
Central/Admin Services	\$ 379	43%
UCPath Center	\$ 71	8%
Strategic Priorities Fund	\$ 30	3%
Total	\$ 876	100%

Of the total budget, **45% goes to Programs and Initiatives**, supporting teaching, research, and public service. This includes state and federal programs administered by UC such as Agriculture and Natural Resources and Tobacco-related diseases research which combined are 59% of the program budget.

At the recommendation of the California State Auditor (CSA), *Special Expense Classifications* have been added which include pass through funds and fee-for-service activities. Pass through funding clearly illustrates the funds that flow through UCOP to the campuses, California researchers, and the public. **For FY18-19, pass-through funding represents 37% of the UCOP budget.** The remaining \$552M budget reflects the true cost of UCOP, and represents less than 2% of the University's \$34 billion budget.

Figure 5: FY18-19 to FY17-18 Budget by Functional Area
\$ millions

Functional Area			\$	%
	FY17-18	FY18-19	Incr/(Decr)	Incr/(Decr)
Programs and Initiatives	\$ 406	\$ 396	\$ (10)	(3%)
Central/Admin Services	384	380	(4)	(1%)
UCPath Center	52	71	19	36%
Strategic Priorities Fund	49	30	(19)	(38%)
Total	\$ 891	\$ 876	\$ (14)	(2%)
excl. UCPath Center	\$ 838	\$ 805	\$ (33)	(4%)

Figure 5 shows a reduction to the FY18-19 budget of \$14M from FY17-18. The UCPath Center, with an increase of \$19M in FY18-19, will continue to grow for the next two years as the remaining seven campuses come on-line. Excluding UCPath, **the FY18-19 budget is \$33M (4%) less than the FY17-18 budget.** This reduction included absorbing cost increases, indicating a significant effort to reduce operating expenditures while also redirecting \$8.5M in State General Funds to support undergraduate enrollment growth.

Fund Balances and Reserves

Part 2 of the budget presentation reflects the establishment of an operating reserve policy that was presented to the Regents in January and the fund restrictions review presented to the Regents in March. It includes forecasted balances by fund category for FY18-19, reserves held to manage risk, known commitments against undesignated funds, and projected remaining balances. UCOP recommends the Regents commit unrestricted funds to support the UC Riverside School of Medicine, support campus housing strategies, eliminate historical deficits, and fund the first year of the Strategic Priorities Fund.

In year two of the CSA report, the expectation is that UCOP will “***publish the results of its review of fund restrictions and fund commitments and any funds it anticipates reallocating to campuses***” (***Recommendation 20***). UCOP intends to meet this timeline over the coming year, in collaboration with UC leadership and the Executive Budget Committee.

Budgetary Impacts and Changes

Over the past year UCOP implemented significant operational, accounting, and reporting changes intended to improve the budget presentation. The changes made address the requirements stipulated by the CSA in the April 2017 report, and initiate a process for continuous improvement and implementation of best-practices. While the process and presentation will continue to iterate over the next two years, the most significant changes are occurring this year. Improvements undertaken this year were to:

- Produce one comprehensive budget, including fund sources and uses, from the budget system
- Represent the CSA recommended budget presentation in the attached Schedule A
- Report UCOP fund balances and reserves, and develop a central operating reserve
- Clearly define and present Programs and Initiatives, including Presidential Initiatives
- Revise Fund Restrictions definitions and application
- Identify budget Pass-Through funds and Fee-For-Service activities
- Broaden input and review from key stakeholders, including the Executive Budget Committee of campus representatives, Academic Senate members, and UCOP leaders
- Document the process and presentation in a budget manual

Throughout the past year, UCOP presented new budget policies, presidential budget guidance, and budget prototypes to the Regents’ Finance and Capital Strategies Committee to solicit feedback and modify accordingly (Attachment 2 lists the items). UCOP also worked closely with the Executive Budget Committee throughout the year. The Committee reviewed and supported the budget information presented.

Key Takeaways

1. The proposed FY18-19 budget is **\$876.4M**
2. **37%** of the budget passes through UCOP to campuses, California researchers, and the public
3. Excluding UCPath, the budget will decrease by **\$33M** (4%)
4. **\$8.5M** was permanently redirected towards increased undergraduate enrollment, per AB97
5. UCOP met all budget-related 2018 **CSA requirements** and adopted CSA Figure 11 in **Schedule A**
6. UCOP proposes the Regents approve the additional commitment of **unrestricted funds**
7. This year includes major accounting, operational, and reporting changes to increase budget **transparency and consistency** and align with budgeting best practices

PART 1: UCOP FY18-19 BUDGET

UCOP’s total proposed budget for FY18-19 is \$876.4M. The following section describes major categories of funding sources and uses.

Overview of Budget Structure and Definitions

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

Sources of Funds	Uses of Funds
<ul style="list-style-type: none"> • Unrestricted <ul style="list-style-type: none"> ○ Undesignated ○ Designated • Restricted 	<ul style="list-style-type: none"> • Programs and Initiatives <ul style="list-style-type: none"> ○ State/Federal Programs ○ Systemwide Programs ○ Systemwide Initiatives ○ Campus Programs (one to two campuses only) • Central and Administrative Services <ul style="list-style-type: none"> ○ By UCOP division • UCPath Center • Strategic Priorities Fund <ul style="list-style-type: none"> ○ Presidential Initiatives ○ Emerging priorities

In addition to the Use of Funds categories listed above, per the CSA’s recommendation, UCOP has created two special expenses classifications – *Pass-Throughs* and *Fee-for-Service* - to more clearly identify how funds are used. **Together pass-through funds and fee-for-service activities (including UCPath) make up 67% of UCOP’s budget.**

- **Pass-Through** funds do not stay at UCOP. They flow through various programs in the OP budget to campuses, researchers and the public. **96% of pass-through funds are in the Programs and Initiatives category.** The total planned pass-throughs for FY18-19 are approximately 37% of the UCOP budget, and primarily support research and public service programs. Examples include:
 - UCOP administers the statewide, state-funded Tobacco-Related Disease Research Program which grants awards to researchers throughout California; and
 - SAPEP, a public service programs that promote access and college preparedness
- **Fee-for-Service** activities are specific services UCOP provides to the campuses on a fee basis – if the services go away, the fees go away. **96% of the fee-for-service activities are in the Central and Administrative Services budget.** Almost 30% of the UCOP budget includes administrative support provided to campuses on a fee-for-service basis (UCPath 8%, other services 21%).

Key Takeaways

1. UCOP’s budgets for both **Sources and Uses**
2. **67%** of the budget is made up of pass-through funds or fee-for-service activities
3. **Pass-through** funds are distributed to campuses and external entities

The following sections describe the Sources and Uses of Funds, and each of the Uses categories (Programs and Initiatives, Central and Administrative, UCPath Center and Strategic Priorities Fund).

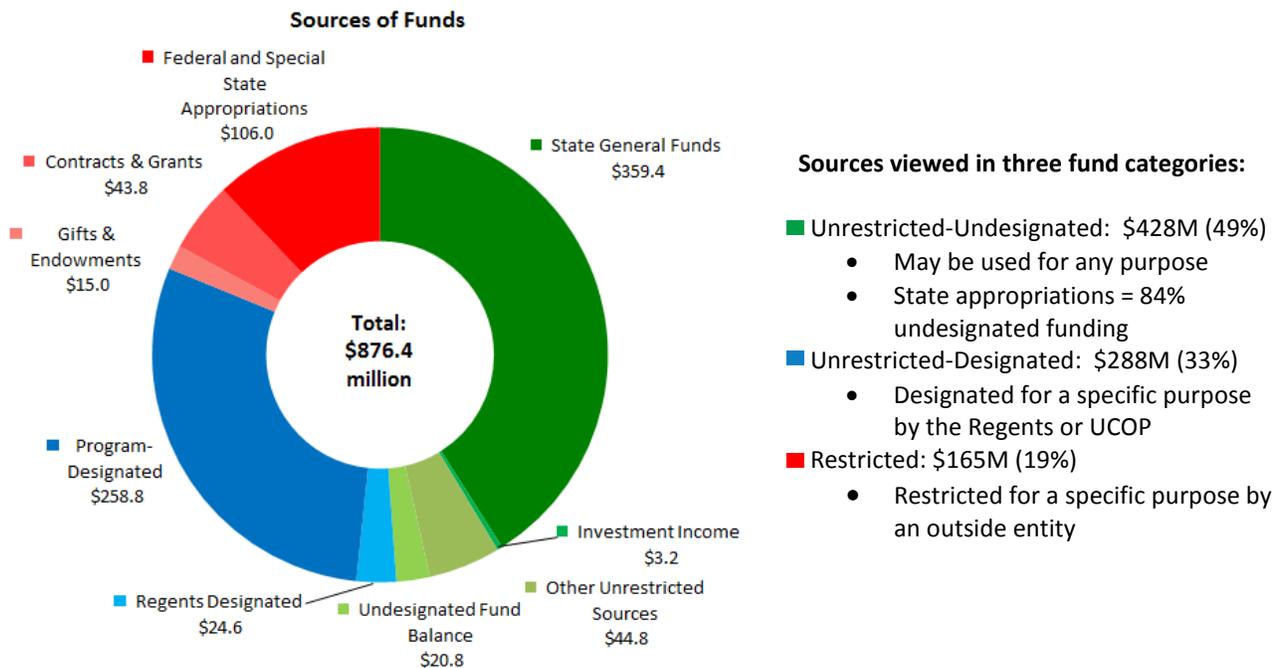
Sources of Funds

(See Schedule A)

Beginning in FY18-19, UCOP is budgeting funding sources as revenue whereas prior year budgets reflected only uses of funds. This will allow UCOP to report variances to planned revenue in addition to expense variances. Included in FY18-19 funding, UCOP proposes using \$20.3M in one-time undesignated funds as bridge funding. The planned sources for FY18-19 total \$876.4M, and are detailed in attached **Schedule A**. Since this is the first year budgeting Sources, there is no information in the budget system to compare FY18-19 to FY17-18 but there will be a comparison in future years.

Figure 6: FY18-19 Funding Sources

\$ in millions



Sources viewed in three fund categories:

- Unrestricted-Undesignated: \$428M (49%)
 - May be used for any purpose
 - State appropriations = 84% undesignated funding
- Unrestricted-Designated: \$288M (33%)
 - Designated for a specific purpose by the Regents or UCOP
- Restricted: \$165M (19%)
 - Restricted for a specific purpose by an outside entity

¹ In FY18-19 approximately \$25M of investment income is reported in "other unrestricted sources" due to the fund classifications work. This classification will be reviewed again in FY18-19.

² Use of Undesignated Fund Balance: UCOP has created the new Strategic Priorities Fund (SPF) to address strategic and emerging issues. UCOP budget proposes using \$20.3M from unrestricted fund balances as one-time bridge funding to help fund the SPF.

Key Takeaways

1. FY18-19 is the first year UCOP is budgeting **Sources** of funds (revenue)
2. UCOP will begin **comparing Sources** year over year in FY19-20
3. UCOP proposes **\$20.3M in bridge-funding** to establish the Strategic Priorities Fund

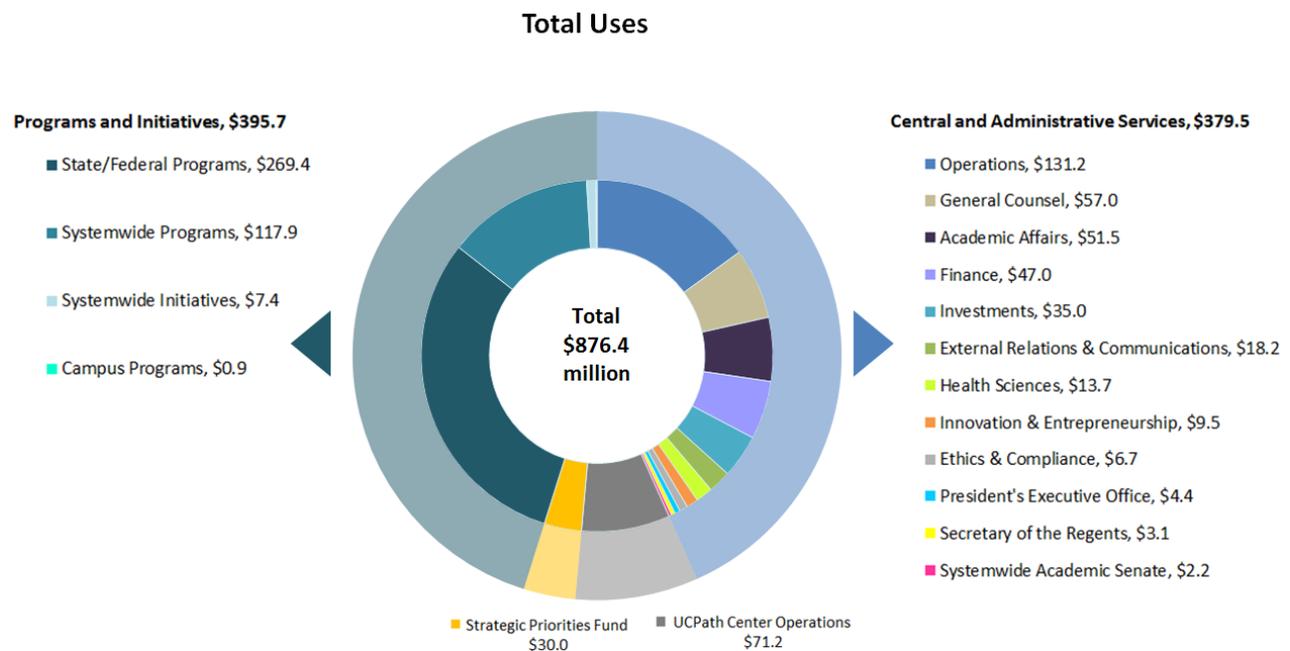
Uses of Funds

(See Schedule A)

The FY18-19 planned use of funds budget is \$876.4M. Programs and Initiatives and Central and Administrative Services each make up approximately 45% of the budget and together total approximately 89% of the budget. The UCPath Center makes up 8% of UCOP’s budget as services expand to additional campuses. UCOP is adding a budget item, the Strategic Priorities Fund, for emergent strategic issues to replace use of temporary one-time funds for these types of expenditures.

Additional detail on these areas and information about differences between FY18-19 and FY17-18 budgets are also included in this section. Year-to-year budget changes and FY17-18 variances are also detailed in **Schedules F(1) and F(2)**.

Figure 7: FY18-19 Uses of Funds by Functional Area
\$ millions



Key Takeaways

1. **45%** of UCOP’s budget directly supports Programs & Initiatives
2. UCOP replaced the temporary budget with a **reduced, \$30M** line item for Strategic Priorities
3. The **UCPath Center** will grow to accommodate **190,000 employees** by FY19/20

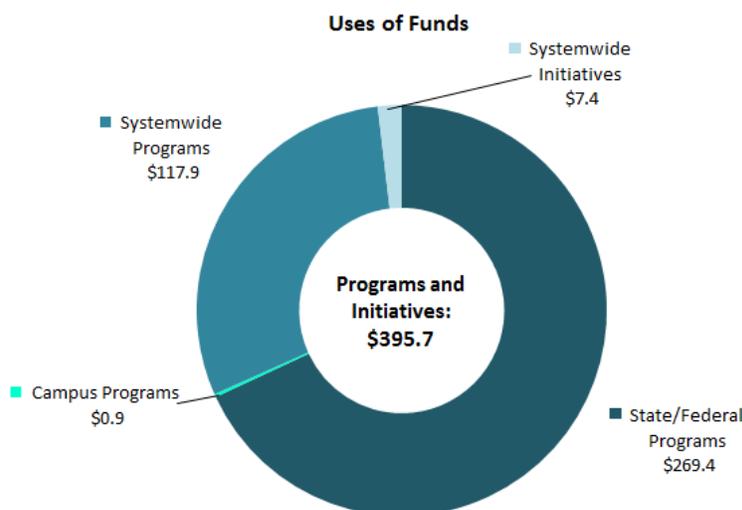
Programs and Initiatives

(See Schedule C)

The proposed FY18-19 Programs and Initiatives budget is \$395.7M, or 45% of the uses of funds. The definitions and categorizations have been updated per the presentation to the Regents in March 2018. Figure 8 below shows four of the five Programs and Initiatives categories. The complete list can be found in **Schedule C**. The fifth category, Presidential Initiatives, is included in the Strategic Priorities Fund budget with details on Schedule E and Attachment 3.

Figure 8: Programs and Initiatives Uses of Funds

\$ millions



Systemwide Programs: \$118M (14%) supports functions that benefit the State, multiple campuses, or entire system, and are assumed to be funded annually although the amount may change. Examples include UC Press and Laboratory Fees Research Program.

Systemwide Initiatives: \$7M (.8%) are funded solely with time-bound or single-occasion funding commitments. The one initiative in this category is for UC Health's CHQI initiative.

State/Federal Programs: \$269M (30% of the budget) supports functions that are either required by current legislation or that UC operates on behalf of the State or Federal government. Examples include Agriculture and Natural Resources and the Tobacco-Related Disease Research program.

Campus Programs: \$0.9M (.1%) supports functions that exist solely at one or two campuses and are not systemwide in reach or impact.

Figure 9 – Pass-Through Funds Programs

\$ in millions

Pass-Throughs	Proposed Budget
Agriculture & Natural Resources	\$ 158.5
Research Grant Programs	\$ 88.4
UC Observatories	\$ 22.2
Public Service Programs	\$ 12.8
National Laboratory Programs	\$ 8.7
UC Libraries	\$ 8.5
UC Research Initiative	\$ 7.4
Online Education Initiatives	\$ 4.1
Mexico Programs	\$ 3.3
Diversity Initiatives	\$ 3.0
Other Pass-Throughs	\$ 7.2
Total Pass-Throughs	\$ 324.1

In Figure 9, pass-through funds total \$324.1M and account for 37% of the FY18-19 budget. 96% of pass-through funds are in the Programs & Initiatives budget. The top three pass-through programs account for 82% of the total.

In consolidating operating and one-time budgets and improving budgeting of contracts and grants, UCOP made material accounting and reporting changes to the Programs & Initiatives budget. These changes and cost reduction efforts resulted in a net decrease of \$10M (3%) from the \$410M FY17-18 budget and an increase of \$64M from the FY17-18 forecast. Projected variances for the current year and a comparison of the current year projections to the FY18-19 budget are shown in Figure 10 below and on **Schedule C**.

Figure 10: Programs and Initiatives – Budget Variances and Changes (Summary of Schedule C)

\$ in millions

Uses	FY2017-18			FY2018-19		
	Budget	Forecast	Incr/(Decr)	Proposed Budget	Incr/(Decr) Forecast ¹	Incr/(Decr) Budget ¹
Campus Programs	\$ 1.3	\$ 1.3	\$ 0.0	\$ 0.9	\$ (0.3)	\$ (0.3)
State/Federal Programs ²	\$ 227.1	\$ 161.6	\$ (65.4)	\$ 269.4	\$ 107.8	\$ 42.4
Systemwide Initiatives ³	\$ 1.5	\$ 1.0	\$ (0.5)	\$ 7.4	\$ 6.4	\$ 6.0
Systemwide Programs ⁴	\$ 176.3	\$ 167.7	\$ (8.6)	\$ 117.9	\$ (49.8)	\$ (58.4)
Total Uses	\$ 406.1	\$ 331.6	\$ (74.5)	\$ 395.7	\$ 64.1	\$ (10.5)

¹ Shows the increase or decrease (in parentheses) between the FY18-19 budget and either the FY17-18 forecast or the FY17-18 budget.

³ UCOP anticipates a large variance between the budget and forecast in FY17-18 (\$65.4M) largely due to a reduction in the projected expenditures for the Tobacco-Related Disease Research Program (TDRP) because of the lead time required to award these grants. The budget for FY18-19 is expected to increase over the FY17-18 budget by \$42.4M largely due a slight decrease in the expenses for TDRP that is offset by the addition of one-time, restricted contracts and grants and other external funds for the Division of Agriculture and Natural Resources (ANR). ANR has historically received these funds every year, but included them in its temporary budget, therefore they were not included in UCOP's annual budget. To meet best budget practices, UCOP needs to add these contracts and grants to the operating budget.

⁴ The increase in the FY18-19 budget of roughly \$6M is largely due to the addition of expenses for the Center for Health Quality and Innovation (CHQI) within UC Health Division to adhere with best budgeting practices. Previously, these expenses were funded by one-time, restricted funds, and were not included in UCOP's budget.

⁵ The significant decrease in the FY18-19 budget compared to the FY17-18 budget and forecast is largely due to the transition of the operations and budget for the UC Education Abroad Program (UCEAP) from UCOP to UC Santa Barbara. UCOP decided to transition UCEAP since it currently operates within a few miles from the campus and can more easily leverage the administrative support structure from UC Santa Barbara than from UCOP.

Key Takeaways

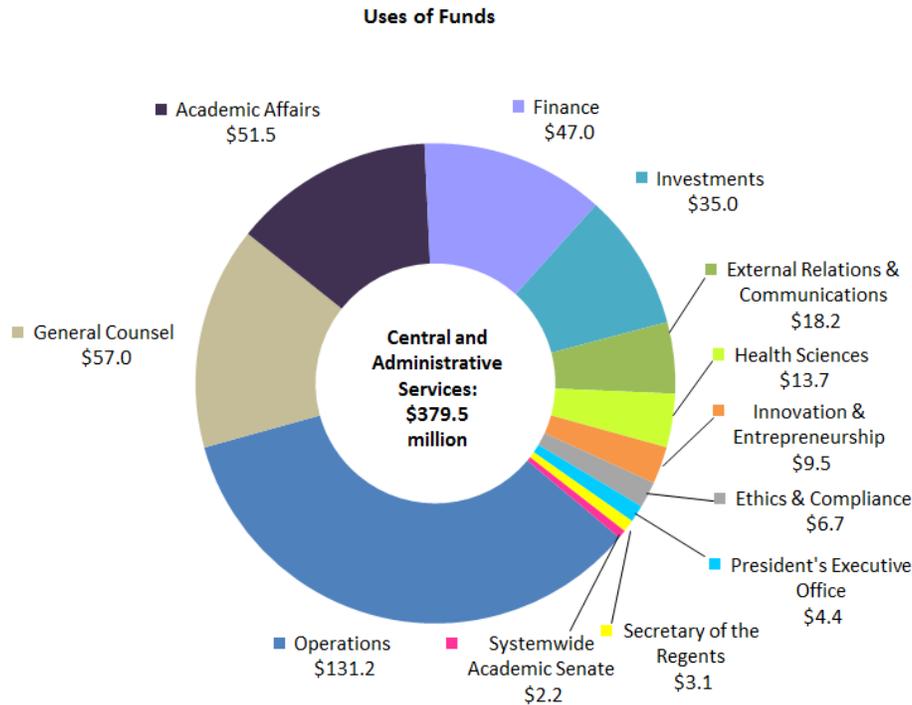
1. State and Federal Programs make up **30%** of the Programs & Initiatives budget
2. **96%** of pass-through funds are tied to the Programs and Initiatives budget
3. UCOP made **significant accounting and reporting changes** to the Programs and Initiatives budget

Central and Administrative Services

(See Schedule D)

The proposed FY18-19 Central and Administrative budget is \$379M, or 43% of the budget. Figure 11 below and **Schedule D** provide an overview of the Central and Administrative budget by division.

Figure 11: Central and Administrative Services Uses of Funds
\$ millions



The Central and Administrative Services budget supports critical systemwide services to campuses and UCOP internal operations. The division with the highest Central and Administrative Services budget is Operations, which provides systemwide benefits and retirement management, systemwide technology services, energy programs, and provides internal operations support for UCOP.

Figure 12: UCOP Fee for Service Activities
\$ in millions

Fee-for-Service	Proposed Budget
General Counsel	\$ 44.5
Investments & Asset Management	\$ 39.1
UC Retirement System	\$ 29.5
Employee Benefits Administration	\$ 21.0
UC Health Initiatives	\$ 12.9
Information Technology Initiatives	\$ 8.1
Risk Management	\$ 6.2
Patent Royalty Administration	\$ 5.5
Health Insurance Programs	\$ 5.3
Bond Management	\$ 4.4
Other Fee-for-Service Activities	\$ 3.2
Total Fee-For-Service	\$ 179.7

Most fee-for-service activities are in the Central and Administrative Services budget to support critical systemwide services and activities as listed in Figure 12. The top four fee-for-service activities account for 75% of the total fees-for-service.

UCOP has made material accounting and reporting changes to the Central and Administrative Services budget. In addition, UCOP implemented stricter budgeting practices and cut costs in travel and meetings, contingencies, discretionary administrative costs and other operating expenses and increased the vacancy factor to capture more vacancy savings in the year that they occur. These changes and reductions resulted in a \$4.3M or 1% decrease to prior year budget. Projected variances are shown in Figure 13 below and in **Schedule D**.

Figure 13: Central and Administrative Services - Budget Variances
(Summary of Schedule D)

\$ in millions

Uses	FY2017-18			FY2018-19		
	Budget	Forecast	Incr/(Decr)	Proposed Budget	Incr/(Decr) Forecast ¹	Incr/(Decr) Budget ¹
Academic Affairs ²	\$ 56.7	\$ 56.0	\$ (0.7)	\$ 51.5	\$ (4.6)	\$ (5.2)
Ethics & Compliance	\$ 6.8	\$ 6.0	\$ (0.8)	\$ 6.7	\$ 0.8	\$ (0.1)
External Relations & Communications ³	\$ 21.2	\$ 16.3	\$ (4.9)	\$ 18.2	\$ 2.0	\$ (2.9)
Finance ⁴	\$ 43.0	\$ 38.9	\$ (4.1)	\$ 47.0	\$ 8.1	\$ 4.0
General Counsel ⁵	\$ 15.1	\$ 14.5	\$ (0.6)	\$ 57.0	\$ 42.5	\$ 41.9
Health Sciences	\$ 12.7	\$ 11.6	\$ (1.0)	\$ 13.7	\$ 2.1	\$ 1.1
Innovation & Entrepreneurship ⁶	\$ 62.0	\$ 60.7	\$ (1.3)	\$ 9.5	\$ (51.2)	\$ (52.5)
Investments ⁷	\$ 35.3	\$ 30.6	\$ (4.7)	\$ 35.0	\$ 4.4	\$ (0.4)
Operations ⁸	\$ 122.4	\$ 128.2	\$ 5.8	\$ 131.2	\$ 3.0	\$ 8.9
President's Executive Office	\$ 3.5	\$ 3.5	\$ 0.0	\$ 4.4	\$ 0.8	\$ 0.9
Secretary of the Regents	\$ 3.1	\$ 4.4	\$ 1.3	\$ 3.1	\$ (1.3)	\$ 0.0
Systemwide Academic Senate	\$ 2.1	\$ 2.1	\$ 0.0	\$ 2.2	\$ 0.1	\$ 0.1
Total (excluding UC Path Center)	\$ 383.7	\$ 372.8	\$ (10.9)	\$ 379.5	\$ 6.7	\$ (4.3)

¹ Shows the increase or decrease (in parentheses) between the FY18-19 budget and either the FY17-18 forecast or the FY17-18 budget.

² The roughly \$5M decrease between FY18-19 and FY17-18 for Academic Affairs is due to the consolidation of IT expenses into IT within Operations.

³ The decrease within FY17-18 for External Relations is due to a delay in hiring for certain positions. The decrease in budget for FY18-19 is largely due to position eliminations from the restructuring of the division.

⁴ The budget increase is due to the addition of roughly \$8M for systemwide risk management function and a transition of roughly \$4M in IT expenses to Operations. Previously, the cost of risk netted against fees resulting in a net-zero budget. This change aligns with best practices.

⁵ The significant increase for FY18-19 is due to the addition of roughly \$40M for fee-for-service legal services. Previously, these expenses were netted out of the budget because they were funded by fees paid by the campuses. This change aligns with best practices.

⁶ The significant decrease is due to the elimination of patent royalty payments from the budget since they are a distribution of revenues to the campuses and inventors. This change aligns with best budgeting practices, and is consistent with the treatment of other systemwide revenue distributions that flow through UCOP.

⁷ The roughly \$4M to \$5M variances for Investments between FY18-19 and FY17-18 are due to a delay in hiring for several positions; these positions were budgeted for in FY17-18, but due to management decisions will not be hired until FY18-19.

⁸ The budget increases in Operations are largely due to accounting changes which consolidate previously distributed IT costs from all divisions into Operations. Other divisions show relative decreases corresponding to this change.

Key Takeaways

1. The Central and Administrative Services (CAS) budget supports **critical systemwide services**
2. Most **fee-for-service activities** are in the CAS budget and make up **21%** of the budget
3. UCOP implemented stricter budgeting practices, absorbed increases and **cut costs by \$4.3M**
4. UCOP made **significant accounting and reporting** changes to the CAS budget

UCPath Center

(See Schedule A)

In the next fiscal year the **UCPath Center budget is projected to grow from \$58M to \$71M as it continues preparing to bring 120,000+ employees on-line** from UC Santa Barbara and UCLA in September, and UC Berkeley, UC Davis, UC Irvine and ANR in March 2019. The budget will grow to reflect 113 new staff, a full year of IT costs moving from the capital to operating budget and the first full year of debt service repayment.

Earlier this year UC made a request to transition the State General Funds appropriation for the Center back to the fee-for-service model, as this model allocates the costs more appropriately across all funding sources. Without full funding the entire UCPath effort will be severely compromised.

Key Takeaways

1. The UCPath Center is **projected to grow** from \$58M to \$71M
2. The UCPath Center should revert back to a **fee-for-service model**
3. The UCPath implementation **will be compromised** without full funding

Strategic Priorities Fund

(See Schedule E)

As presented in the January Regents meeting, the Strategic Priorities Fund is intended to replace the temporary unrestricted budget with a permanent line item that allocates \$30M annually to fund short-term programmatic needs, administrative projects, emergent or urgent priorities, and the President's initiatives. The \$30M target represents a decrease of 8.8M from the FY17-18 temporary budget.

Schedule E details known commitments against the SPF for FY18-19. The budget goal was to commit no more than half the funds at the beginning of the year to accommodate other projects or emerging issues that will arise during the year. FY18-19 commitments include \$7.8M for Presidential initiatives (reduced by \$2M from prior years due to enrollment growth redirection). A detailed list of the Presidential initiatives can be found in Attachment 3. **Including these initiatives into the SPF effectively reduces the UCOP strategic priorities budget from \$48.6M in FY17-18 to \$30M in FY18-19, a decrease of 38%.**

Net of the President's Initiative Funds, the establishment of this fund increases the UCOP budget by \$22.8M. UCOP absorbed significant mandatory cost increases and the AB 97 redirection of \$8.5M. To fund the Strategic Priorities Fund in FY18-19, the budget assumes utilizing \$20.3M in unrestricted fund balances.

Key Takeaways

1. To improve transparency, UCOP eliminated the temporary unrestricted budget and created the **Strategic Priorities Fund (SPF)**
2. The FY18-19 budget represents a **38% decrease** in UCOP's budget to address short-term projects and priorities.

PART 2: FUND BALANCES AND RESERVES

Unlike an operating budget that assumes recurring funding streams, ***fund balances and reserves are one-time funds and therefore cannot be redirected to permanently fund recurring operations or expenses.*** Over the past year UCOP has taken action to:

- Clarify the difference between fund reserves and fund balances
- Create and fund a UCOP Central Operating Reserve
- Identify program-specific reserves
- Define restricted/unrestricted fund types and review the classification of 466 funds
- Forecast June 30, 2018 fund balances and commitments

During the review process, UCOP clarified the differentiation between fund reserves and fund balances:

- **Fund balances** result from either savings relative to the budget or timing of multi-year funding and expenses across fiscal years
- **Reserves** are funds intentionally accrued from the operating budget over a period of time or specifically designated or restricted for a purpose such as maintaining assets in good working order, managing risk, or in anticipation of periodic large expenses such as preparing an RFP response for the Department of Energy.

Central Operating Reserve

In January, 2018 the Regents adopted the [Policy on a Central Operating Reserve for the University of California Office of the President](#). The policy and presidential guidelines establish the size and funding source of the reserve, and the circumstances for drawing on those funds. This reserve is not funded from, and therefore does not appear in, UCOP fund balances; rather it is funded by designating \$15M or at least 3.5% of covered funds and expenses in the President's Endowment Fund, whichever is greater. The amount designated for the Central Operating Reserve for FY2018-19 is \$15M. There is no plan to draw on the reserve unless UCOP experiences a significant revenue interruption.

Program-specific Reserves

UCOP will continue reviewing other program-specific reserves and will confirm that reserve practices are appropriate and that balances are maintained at the appropriate levels. UCOP reserve balances are typically included in and may be a subset of UCOP fund balances. Program-specific reserves include:

- Housing Loan Program
- Employee Benefits Program
- DOE Laboratories
- UCOP Building and Parking
- UC Press
- UC Washington Center
- IT Infrastructure

Restricted/Unrestricted Funds Analysis

In this past year, UCOP completed an extensive review of 466 funds within its budget and classified the funds into newly-defined categories which were presented to the Regents in [March](#). Also included were the funds committed as part of the FY17-18 budget.

- **Restricted:** Restricted by external entities for specific purposes
- **Unrestricted Designated:** Designated by UC for specific purposes
- **Unrestricted Undesignated:** Funds not restricted or designated for a particular purpose

Forecasts, Commitments, Reserves and Balances

Subsequent to the above analyses, UCOP reviewed fund balances at March 31st and forecasted June 30th balances. A formal forecasting process was introduced in the past year, and UCOP expects to continue refining its capabilities. Unrestricted reserves and undesignated commitments were also identified, and remaining balances calculated. ***Per the fund definitions, remaining fund balances for restricted and designated funds are considered committed to their intended purpose.***

Per the CSA report, the process of reallocating undesignated funds to the campuses should take place over three years, whereby UCOP should:

- By April 2018, “Document and review the restrictions on its funds and fund commitments”
- By April 2019, “Publish the results of its review of fund restrictions and fund commitments and any funds it anticipates reallocating to campuses,” and
- By April 2020, “Reallocate to the campuses funds that it identified during its review of fund restrictions and fund commitments.

UCOP intends to meet if not exceed this timeline. For example, this year funds were allocated from the housing loan program to campuses to support their campus housing strategies, and a UCPATH balance was reallocated back to the campuses. Funds have also been committed to the campuses to support seismic building and facilities assessments.

Restricted Funds

By definition, restricted fund balances, as shown in Figure 14 below, cannot be reallocated for other purposes. Contracts and grants are funded on a reimbursement basis and thus carry no balances. Federal and special state appropriations are forecasted to be lower based on disbursements to the campuses and labs.

Figure 14: Restricted Forecasted Fund Balances

\$ in millions

RESTRICTED	6/30/18			
	6/30/17 Balance	6/30/18 Forecast	Reserves	Remaining Restricted Balance
Contracts and grants	\$ -	\$ -	\$ -	\$ -
Gifts and endowments	\$ 3.0	3.3		\$ 3.3
Federal and special state appropriations	\$ 40.0	2.7		\$ 2.7
Total	\$ 43.0	\$ 6.0	\$ -	\$ 6.0

Unrestricted Designated Funds

Unrestricted designated fund balances are considered committed to their intended purpose. Programs that are self-funded and must manage profit and loss risks should and often do maintain reserves. Other programs typically plan for commitments against their balances even if they are not specifically reserved. These programs, shown in Figure 15, serve the entire UC system, and are not maintained for UCOP-specific purposes.

This year excess housing loan program balances were used to allocate \$3M per campus for the purpose of advancing campus housing strategies. UCOP proposes that an additional \$3M per campus be allocated in FY18-19 for this purpose: \$14.5M from the remaining housing loan program balance (Figure 15), and \$15.5M from the General Obligation (GO) Bond Investment Income (Figure 16B).

Figure 15: Designated Forecasted Fund Balances and Reserves

\$ in millions

DESIGNATED	6/30/18			Remaining Designated Balance
	6/30/17 Balance	6/30/18 Forecast	Reserves	
Regents designated				
Housing loan programs*	\$ 75.8	\$ 54.0	\$ 39.4	\$ 14.5
DOE laboratories	89.5	79.2	38.7	\$ 40.5
Programs and initiatives				
UC Press	\$ 8.4	\$ 8.4	\$ 8.4	\$ -
UC Washington Center	8.3	8.3	6.5	1.8
UC Health CHQI/LSFV Initiative	9.1	4.9	-	4.9
California Digital Library	2.2	2.2	-	2.2
Writing placement exams	1.5	1.5	-	1.5
Other	11.1	11.1	-	11.1
Central services designated				
Endowment cost recovery	5.6	7.9	-	7.9
Energy and sustainability	11.7	12.0	-	12.0
UC Path	4.9	0.5	-	0.5
Other	0.9	0.9	0.4	0.5
Passthrough	(5.7)	(5.7)	-	(5.7)
Total	\$ 223.3	\$ 185.2	\$ 93.4	\$ 91.7
* Proposed Campus Allocation for Campus Housing Strategies				\$ 14.5
Adjusted Remaining Designated Balance				\$ 77.2

Unrestricted Undesignated Funds

While in the past fund balances have grown from year due to budget variances or investment returns, UCOP has tightened its budget to an extent over the past two years that **these balances are unlikely to grow in future years**. The funds have historically been used for specific purposes such as emergent priorities or management of investment income fluctuation risk. Figure 16a below details fund balances, projections, commitments, and reserves for funds that have historically been available for UCOP's use.

Figure 16a: Undesignated Forecasted Fund Balances and Reserves historically for UCOP Use

\$ in millions

UNRESTRICTED - UCOP	6/30/17 Balance	6/30/18				Remaining Balance
		6/30/18 Forecast	Commitments	Reserves		
General funds (one-time savings, etc.)	\$ 31.6	\$ 34.7	\$ 34.7	-	\$ -	
Investment income	31.7	33.4	10.0	-	23.4	
Legal settlements	5.9	5.2	-	-	5.2	
UCOP Building and parking reserves	7.1	6.2	-	6.2	-	
Department deficits	(16.4)	(14.4)	(14.4)	-	-	
Small balances	1.2	1.2	-	-	1.2	
Total Funds historically available to UCOP	\$ 61.6	\$ 66.8	\$ 30.3	\$ 6.2	\$ 30.3	

Figure 16b details fund balances that support systemwide programs:

- General Obligation (GO) Bond Income is intended for capital-related one-time projects; \$13.1M is committed in FY18-19 to systemwide campus seismic and facilities assessments.
- Benefits reserve and remaining balances support the \$2B+ systemwide employee benefits programs and should be used for benefits-related purposes.

Figure 16b: Undesignated Forecasted Fund Balances and Reserves for Systemwide Use

\$ in millions

UNRESTRICTED - SYTEMWIDE	6/30/17 Balance	6/30/18				Remaining Balance
		6/30/18 Forecast	Commitments	Reserves		
General Obligation Bond Income	\$ 28.4	\$ 28.4	\$ 28.4	-	\$ -	
Benefits Reserves	48.5	48.5	-	22.7	25.8	
Total Funds available for Systemwide purposes	\$ 76.9	\$ 76.9	\$ 28.4	\$ 22.7	\$ 25.8	

Regarding the remaining undesignated fund balances, UCOP recommends the following commitments:

- \$10M to honor UCOP's remaining commitment to the UC Riverside School of Medicine from the Investment Income balance
- \$15.5M from the GO Bond Investment Income to address campus housing strategies
- \$20.3M from General Funds to establish the Strategic Priorities Fund as budgeted line item, and
- \$14.4 from General Funds to eliminate historical department deficits

All other undesignated, uncommitted balances should be reviewed by UCOP in consultation with the campuses after the FY17-18 balances have been finalized and a plan developed for consideration no later than the March 2019 Regents Meeting.

Key Takeaways

1. Fund balances are **one-time funds** that cannot be redirected to fund recurring operations.
2. Restricted fund balances **cannot be reallocated for other purposes**
3. Designated program reserves and balances **should not be reallocated for other purposes**
4. UCOP recommends committing certain unrestricted funds to support the **UC Riverside School of Medicine, support campus housing strategies, eliminate historical deficits, and fund the Strategic Priorities Fund**
5. UCOP will review fund balances and consult with UC leaders to determine whether undesignated funds **may be reallocated** to the campuses per the CSA agreed-upon timeline

PART 3: BUDGETARY IMPACTS AND CHANGES

The FY18-19 UCOP budget has undergone significant accounting and reporting, operational, and presentation changes. To improve the budget presentation, best practices were assessed and stakeholders, such as the UC Executive Budget Committee, were consulted to gather critical input.

Changes to the FY18-19 budget were required due to several factors, including:

- Six of the ten **CSA audit recommendations** due April 2018 were budget-related. These items were all addressed at meetings with the Regents' Finance and Capital Strategies and Audit and Compliance subcommittees over the past year:
 - Employee benefit reductions
 - Fund restrictions
 - Operating reserve policy
 - Programs and initiatives
 - Executive Budget Committee
 - Budget presentation
- **California Assembly Bill 97 (AB97)** required UC to redirect \$15M in FY18-19 State General Funds towards increased undergraduate enrollment; UCOP proposed \$8.5M of the \$15M as direct reductions to the UCOP budget (see **Attachment 4** for details)
- **Cost escalations**, which include systemwide employee compensation and benefits increases, contract escalations, and other unavoidable increases that impact the UCOP cost structure
- The **proposed flat State appropriation** for the UCOP budget will be the third consecutive year at a flat or reduced level of unrestricted funding
- Over the last two fiscal years, UCOP **absorbed cost increases** on unrestricted funds by cutting costs and carefully minimizing strategic investments. In preparing the FY18-19 budget, UCOP undertook a rigorous review of all programmatic and administrative expenses and cut costs through significant collaboration and trade-off decisions made by UCOP leadership and vetted with the Chancellors and the Executive Budget Committee, who were aligned with the proposed changes.
- Launched in January 2018, the first phase of UCOP's **restructuring effort** led to further operational, accounting, and budgeting changes

Accounting and reporting changes, operational changes, and budget presentation changes are described below. Details of these changes are presented in **Schedule F (1)** and **Schedule F (2)** which reconcile the changes from the FY17-18 budget to the FY18-19 budget and detail variances to the FY17-18 forecast.

Accounting and Reporting Changes

Accounting and reporting changes include changes to UCOP accounting treatment and practices to improve transparency and consistency across activities in the UCOP budget. In April 2018 as part of the [UCOP Budget Manual](#), UCOP issued new definitions consistent with generally accepted accounting principles and budget best-practices to initiate these accounting improvements. The impact of these accounting and reporting changes (resulting in a net reduction of \$10M between FY17-18 and FY18-19) are presented in detail in **Schedule F (1)** and include:

- Consolidating restricted and unrestricted one-time budgets into the operating budget (e.g. Strategic Priorities Fund, Agriculture and Natural Resources)

- Reporting the total cost of internal and external legal services provided to campuses in General Counsel expense
- Reporting the cost of managing systemwide services (e.g. Risk Management in the Finance function)
- Removing campus funds from the UCOP budget (e.g. revenue and expense for patent royalties that flow to the campuses; UCOP will only report the cost of patent royalty administration)

Operational Changes

Operational changes include changes to operating expenses that impact the overall amount of the UCOP budget. UCOP implemented significant operational changes in response to constraints on unrestricted funding, rising costs, and internal restructuring efforts. Despite cost increases of \$19M, UCOP achieved a net operating reduction of \$23M between FY17-18 and FY18-19. Operational changes are presented in detail in **Schedule F (1)** and include:

- AB97 related non-salary reductions
- Establishment of the Strategic Priorities Fund
- Systemwide compensation, benefits program and contractual increases
- Vacancy and position eliminations, to reduce the overall budgeted salary expense
- Movement of items on “temporary” one-time funds into the consolidated operating budget

Budget Presentation Changes

Reporting changes include clarification of or changes to budget definitions and terminology and inclusion of additional budget elements. Many of these changes align with CSA recommendations and are part of UCOP’s plan to implement budgeting best-practices. The major changes are detailed in **Attachment 5**, and listed below:

- **Implemented fund categories and definitions:** As of March 2018, funds are now categorized and reflected in the UCOP budget as restricted, unrestricted-designated, or unrestricted-undesignated.
- **Added special expense classifications:** UCOP now differentiates Fee-for-Service and Pass-Through activities from the budget given that a significant percentage of the budget passes through UCOP to campuses and/or other entities or reflects fee-based services.
- **Established budget terminology and definitions:** Formal definitions have been established for budget components and are used consistently in all budgeting and related reporting.
- **Improved reporting of UCOP-affiliated programs and initiatives:** Programs are presented by categories which delineate their purpose including programs that UCOP manages and supports on behalf of the UC system and the State of California.
- **Reported fund balances:** For unrestricted sources, fund balances will be projected through June 30, 2018 while actual fund balances as of March 31, 2018, for restricted sources are provided.
- **Budgeted sources of funds:** All sources of funds are now reflected in the budget presentation (historically budgets only reflected expenses).
- **Included a Central Operating Reserve:** The annual budget presentation now includes reporting on the UCOP Central Operating Reserve.

Budget Process Improvements and Opportunities

In addition to accounting, reporting, operational, and presentation changes, UCOP implemented budget process improvements. Process improvements focused on the accuracy of the budget and budget variance reductions, and included:

- **Contracts and Grants Budgeting:** Significant variances occur in the UCOP budget due to timing of funding and expenses for contracts and grants. For FY18-19, UCOP modified the budget process to better reflect revenues and expenses in the year when research activities occur, rather than budgeting the full awarded amount in the first fiscal year.
- **Salary Budgeting:** Significant variances occur due to turnover and hiring lags. In FY16-17, UCOP began budgeting a vacancy factor to reduce budget variances. UCOP increased the vacancy factor again in FY17-18 and FY18-19 after further prior-year analyses and projected salary savings. As a result, salary savings variances will continue to decline in FY18-19. UCOP also carefully reviewed budgeted salary actions and reduced those budgets.
- **Non-Salary Expense Budgeting:** For FY18-19, UCOP implemented zero-based budgeting for key non-salary expenses such as travel & meetings, outside professional fees, and supplies to identify possible reductions. Savings targets were implemented to fulfill the AB97 commitment.

Key Takeaways

1. The FY18-19 budget is a **comprehensive, transparent, and consistent** presentation based on best practices
2. UCOP faced significant **budget pressures and cut costs**
3. UCOP implemented significant accounting, reporting, operational, and presentation changes.
4. UCOP is on a **path for continuous improvement** and will continue to work with stakeholders and the regents to improve the budget process in future years

PRESIDENT'S RECOMMENDATION

The President of the University recommends that the Regents approve the University of California Office of the President Fiscal Year 18-19 budget. The President also recommends the Regents approve the following plan regarding the use of forecasted fund balances:

- \$10M to honor UCOP's outstanding commitment to the UC Riverside School of Medicine from the Investment Income balance
- \$3M per campus (\$30M total) to address their housing strategies - \$14.5M from the Housing Loan Program, and \$15.5M from the GO Bond Investment Income
- \$20.3M from General Funds to establish the UCOP Strategic Priorities Fund as a line item in the UCOP budget
- \$14.4 from General Funds to eliminate historical department deficits
- All remaining restricted and designated balances should be considered committed
- The benefits reserve balance should be committed to systemwide employee benefits programs
- All other unrestricted uncommitted balances should be reviewed by UCOP in consultation with the campuses after the FY17-18 balances have been finalized and a plan developed for consideration no later than the March 2019 Regents Meeting

Key to Acronyms

AAU	Association of American Universities
AB97	Assembly Bill 97 – Budget Act of 2017
ANR	UC Division of Agriculture and Natural Resources
CHQI	Center for Health Quality and Innovation
CAS	Central and Administrative Services
Cal ISI	California Institutes for Science and Innovation
CSA	CA State Auditor
CY	Current Year
EBC	Executive Budget Committee
FY	Fiscal Year
GAAP	Generally Accepted Accounting Principles
GFOA	Government Finance Officers Association
GO Bond	General Obligation Bond
HSI	Hispanic Serving Institutions
Incr/(Decr)	Increase/(Decrease)
NACUBO	National Association of College and University Business Officers
PY	Prior Year
SPF	Strategic Priorities Fund
TIO	Thirty Meter Telescope International Observatory
UC	University of California
UCEAP	UC Education Abroad Program
UCOP	University of California Office of the President

Attachments

Attachment 1: Schedules

Attachment 2: Links to UCOP Budget Items and Supporting Documentation Related to CA State Audit

Attachment 3: Presidential Initiatives Detail FY17-18 and FY18-19

Attachment 4: Summary of AB97 Reductions

Attachment 5: Summary of Accounting and Reporting Changes to FY18-19 Budget

Schedule A

Sources & Uses by Year

Overall UCOP

\$ in millions

	FY2017-18 Budget	FY2017-18 Forecast	Proposed FY2018-19 Budget	Variance: Increase/(Decrease)		
				FY2017-18 Forecast vs FY2017-18 Budget	FY2017-18 Forecast vs FY2018-19 Budget	FY2017-18 Budget vs FY2018-19 Budget
SOURCES						
Unrestricted Sources						
Undesignated						
State General Funds			\$ 359.4			
Investment Income ¹			3.2			
Other Unrestricted Sources ²			44.4			
Undesignated Fund Balance			20.3			
Designated						
Regents-Designated			24.6			
Program-Designated			259.8			
Subtotal - Unrestricted Sources			711.7			
Restricted Sources						
Gifts and endowments			15.0			
Contracts and grants			43.8			
Federal and special state appropriations			106.0			
Subtotal - Restricted Sources			164.8			
TOTAL SOURCES	\$ 890.8	\$ 771.5	\$ 876.4	\$ (119.4)	\$ 105.0	\$ (14.4)
USES						
Programs and Initiatives						
Campus Programs	\$ 1.3	\$ 1.3	\$ 0.9	\$ 0.0	\$ (0.3)	\$ (0.3)
State/Federal Programs	227.1	161.6	269.4	(65.4)	107.8	42.4
Systemwide Initiatives	1.5	1.0	7.4	(0.5)	6.4	6.0
Systemwide Programs	176.3	167.7	117.9	(8.6)	(49.8)	(58.4)
Total - Programs and Initiatives	406.1	331.6	395.7	(74.5)	64.1	(10.4)
Central and Administrative Services						
Academic Affairs	56.7	56.0	51.5	(0.7)	(4.6)	(5.2)
Ethics & Compliance	6.8	6.0	6.7	(0.8)	0.8	(0.1)
External Relations & Communications	21.2	16.3	18.2	(4.9)	2.0	(2.9)
Finance	43.0	38.9	47.0	(4.1)	8.1	4.0
General Counsel	15.1	14.5	57.0	(0.6)	42.5	41.9
Health Sciences	12.7	11.6	13.7	(1.0)	2.1	1.1
Innovation & Entrepreneurship	62.0	60.7	9.5	(1.3)	(51.2)	(52.5)
Investments	35.3	30.6	35.0	(4.7)	4.4	(0.4)
Operations	122.4	128.2	131.2	5.8	3.0	8.9
President's Executive Office	3.5	3.5	4.4	0.0	0.8	0.9
Secretary of the Regents	3.1	4.4	3.1	1.3	(1.3)	0.0
Systemwide Academic Senate	2.1	2.1	2.2	0.0	0.1	0.1
Subtotal - Central and Administrative Services (excl UCPath Center Operations)	383.7	372.8	379.5	(10.9)	6.7	(4.3)
Strategic Priorities Fund ³	48.6	14.6	30.0	(33.9)	15.4	(18.6)
SUBTOTAL USES	\$ 838.5	\$ 719.1	\$ 805.2	\$ (119.4)	\$ 86.1	\$ (33.2)
UCPath Center Operations	52.4	52.4	71.2	-	18.8	18.8
TOTAL USES	\$ 890.8	\$ 771.5	\$ 876.4	\$ (119.4)	\$ 105.0	\$ (14.4)
NET MARGIN SURPLUS (DEFICIT)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Included in Sources and Uses Above						
Fee-For-Service			\$ 179.7			
Pass-Throughs			324.1			
Total Fee-For-Service and Pass-Throughs	\$ -	\$ -	\$ 503.8	\$ -	\$ 503.8	\$ 503.8

¹ Investment Income comes from interest earned through the short and long-term investment pools.

² Other Unrestricted Sources include Investment Income of \$25M which comes from Searles Fund income \$8M, President's Endowment Fund income \$14M, and Ops Management Fund income \$3M.

³ In FY2017-18 Forecast, expenditures from One-Time Temp Budget are included in specific Programs & Initiatives and Central and Administrative Services and are not reflected on the Strategic Priorities Fund line due to accounting system changes that could not be made retroactively.

Schedule B

Expenditures by Fund

Overall UCOP

\$ in millions

	Unrestricted Funds		Restricted Funds	Proposed FY2018-19 Budget
	Undesignated	Designated		
Programs and Initiatives				
Campus Programs	\$ 0.9	\$ -	\$ -	\$ 0.9
State/Federal Programs	77.1	31.6	160.7	269.4
Systemwide Initiatives	-	7.4	-	7.4
Systemwide Programs	52.4	64.3	1.3	117.9
Total - Programs and Initiatives	130.4	103.3	162.0	395.7
Central and Administrative Services				
Academic Affairs	46.1	2.7	2.7	51.5
Ethics & Compliance	6.7	0.0	-	6.7
External Relations & Communications	12.3	6.0	-	18.2
Finance	25.6	21.4	(0.0)	47.0
General Counsel	10.8	46.2	-	57.0
Health Sciences	4.1	9.7	-	13.7
Innovation & Entrepreneurship	4.0	5.5	0.0	9.5
Investments	-	35.0	-	35.0
Operations	77.0	54.2	-	131.2
President's Executive Office	4.0	0.4	-	4.4
Secretary of the Regents	3.1	0.0	-	3.1
Systemwide Academic Senate	2.1	0.1	0.0	2.2
Subtotal - Central and Administrative Services (excl UCPath Center Operations)	195.6	181.1	2.8	379.5
Strategic Priorities Fund	30.0	-	-	30.0
SUBTOTAL USES	\$ 356.0	\$ 284.4	\$ 164.8	\$ 805.2
UCPath Center Operations	71.2	-	-	71.2
TOTAL USES	\$ 427.2	\$ 284.4	\$ 164.8	\$ 876.4
Included in Sources and Uses Above				
Fee-For-Service	\$ -	\$ 179.7	\$ -	\$ 179.7
Pass-Throughs	125.2	46.5	152.4	324.1
Total Fee-For-Service and Pass-Throughs	\$ 125.2	\$ 226.2	\$ 152.4	\$ 503.8

Schedule C

Budget by Program and Initiative

Programs and Initiatives

\$ in millions

	FY2017-18 Budget	FY2017-18 Forecast	Proposed FY2018-19 Budget	Variance: Increase/(Decrease)		
				FY2017-18 Forecast vs FY2017-18 Budget	FY2017-18 Forecast vs FY2018-19 Budget	FY2017-18 Budget vs FY2018-19 Budget
PROGRAMS AND INITIATIVES						
Campus Programs ¹	\$ 1.3	\$ 1.3	\$ 0.9	\$ 0.0	\$ (0.3)	\$ (0.3)
State/Federal Programs						
Agriculture and Natural Resources (ANR)	102.3	93.5	163.7	(8.8)	70.2	61.4
California Breast Cancer Research Program	7.4	8.5	12.0	1.0	3.5	4.6
California Health Benefits Review Program (CHBRP)	2.0	2.0	-	0.0	(2.0)	(2.0)
California Subject Matter Project (CSMP)	8.2	6.3	8.6	(1.9)	2.3	0.4
Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP)	6.8	2.3	3.5	(4.5)	1.2	(3.2)
Mathematics Diagnostic Testing Project (MDTP)	1.2	0.2	1.0	(1.0)	0.8	(0.2)
Office of the National Laboratories (UCNL)	3.4	7.9	4.8	4.5	(3.1)	1.4
Other State/Federal Programs ²	1.5	0.7	1.8	(0.7)	1.1	0.4
Tobacco-Related Disease Research Program (TRDRP)	92.1	38.0	71.7	(54.2)	33.7	(20.4)
UC Research Initiatives: Cancer Research Coordinating Committee (CRCC)	2.2	2.2	2.2	0.1	(0.0)	0.1
Subtotal - State/Federal Programs	227.1	161.6	269.4	(65.4)	107.8	42.4
Systemwide Initiatives ³						
Center for Health Quality and Innovation (CHQI)	1.5	1.0	7.4	(0.5)	6.4	6.0
Subtotal - Systemwide Initiatives	1.5	1.0	7.4	(0.5)	6.4	6.0
Systemwide Programs						
California HIV/AIDS Research Program (CHRP)	8.8	9.6	8.8	0.9	(0.8)	0.0
California Institutes for Science & Innovation (CalISI)	4.8	4.8	-	(0.0)	(4.8)	(4.8)
Eligibility in the Local Context (ELC)	1.0	1.1	1.0	0.1	(0.1)	(0.0)
Historically Black Colleges and Universities (HBCU) Fellowship Initiative	1.0	1.6	1.0	0.6	(0.6)	(0.0)
Historically Black Colleges and Universities (HBCU) Summer Research Initiative	1.0	1.2	1.0	0.2	(0.2)	0.0
Innovative Learning Technology Initiative (Online Education)	10.4	10.8	10.3	0.4	(0.5)	(0.0)
Natural Reserve System (NRS)	4.7	2.3	2.2	(2.3)	(0.1)	(2.4)
Other Systemwide Programs ²	5.5	5.3	4.2	(0.2)	(1.1)	(1.3)
San Joaquin Valley PRIME program	1.9	-	1.9	(1.9)	1.9	-
SAPEP	1.9	2.8	1.9	0.9	(0.9)	0.0
SAPEP - ASSIST	2.4	1.8	1.9	(0.6)	0.1	(0.5)
SAPEP - Mathematics, Engineering, Science Achievement (MESA)	4.4	5.8	4.3	1.4	(1.5)	(0.1)
UC Astronomy Programs: Thirty Meter Telescope International Observatory (TIO)	10.0	-	-	(10.0)	-	(10.0)
UC Astronomy Programs: UC Observatories (UCO)	6.8	6.8	7.6	-	0.8	0.8
UC Astronomy Programs: W.M. Keck Observatory (Keck)	14.6	16.5	14.6	1.9	(1.9)	-
UC Education Abroad Program (EAP)	39.5	39.5	-	(0.0)	(39.5)	(39.5)
UC Institute for Mexico and the United States (UC MEXUS)	3.3	3.6	3.3	0.3	(0.3)	-
UC Press	23.7	21.1	23.7	(2.6)	2.5	(0.1)
UC Research Initiatives: Laboratory Fees Research Program (LFRP)	13.6	13.5	15.0	(0.0)	1.5	1.5
UC Research Initiatives: Multi-Campus Research Programs and Initiatives (MRPI)	10.2	13.6	7.4	3.4	(6.2)	(2.8)
UC Washington Center (UCDC)	7.1	6.1	7.9	(1.0)	1.8	0.8
Subtotal - Systemwide Programs	176.3	167.7	117.9	(8.6)	(49.8)	(58.4)
TOTAL USES	\$ 406.1	\$ 331.6	\$ 395.7	\$ (74.5)	\$ 64.1	\$ (10.4)

¹ Campus programs are defined as a function that exists solely at one or two campuses, and is not systemwide in reach or impact. They include Drew University funds, Hayes-Bautista and Wilkie-Double Taxation research at UCLA and the Graduate Fellows program at UCB.

² Other State/Federal Programs and Other Systemwide Programs include Programs that are less than \$1M. They include State/Federal Programs such as Diabetes Research, California State Summer School for Mathematics and Science (COSMOS) and UC Curriculum Integration (UCCI) and Systemwide Programs such as the President's PostDoctoral Fellowship, UC Center Sacramento and the UC-CSU Doctoral Diversity programs.

³ Presidential Initiatives (7 in total) are included in the Strategic Priorities budget, detailed in Schedule E, and Attachment 3.

Schedule D

Budget by Division and Sub-Division

Central and Administrative Services

\$ in millions

	FY2017-18 Budget	FY2017-18 Forecast	Proposed FY2018-19 Budget	Variance: Increase/(Decrease)		
				FY2017-18 Forecast vs FY2017-18 Budget	FY2017-18 Forecast vs FY2018-19 Budget	FY2017-18 Budget vs FY2018-19 Budget
CENTRAL AND ADMINISTRATIVE SERVICES USES						
Academic Affairs						
Academic Personnel and Programs	\$ 26.6	\$ 26.6	\$ 25.7	\$ 0.1	\$ (0.9)	\$ (0.8)
Diversity and Engagement	1.5	1.3	1.2	(0.2)	(0.1)	(0.2)
Immediate Offices	5.9	4.9	5.9	(1.0)	1.0	0.0
Institutional Research and Academic Planning	6.9	7.7	4.3	0.8	(3.3)	(2.6)
Research and Graduate Studies	4.3	4.0	4.4	(0.3)	0.3	0.1
Student Affairs	11.6	11.6	10.0	(0.1)	(1.6)	(1.7)
Subtotal - Academic Affairs	56.7	56.0	51.5	(0.7)	(4.6)	(5.2)
Ethics & Compliance	6.8	6.0	6.7	(0.8)	0.8	(0.1)
External Relations & Communications						
Alumni and Constituent Affairs	1.0	0.9	1.0	(0.1)	0.1	(0.0)
Executive Communications & Engagement	1.5	1.1	0.9	(0.3)	(0.2)	(0.6)
Federal Government Relations	2.6	2.2	2.6	(0.4)	0.5	0.0
Immediate Office	3.1	1.7	1.6	(1.4)	(0.1)	(1.4)
Institutional Advancement	2.5	1.3	1.9	(1.2)	0.6	(0.6)
Legislative Analysis	0.9	0.7	0.8	(0.2)	0.0	(0.1)
Marketing and Communications	6.0	5.1	5.9	(0.9)	0.8	(0.1)
Media Relations	1.1	1.0	0.9	(0.1)	(0.0)	(0.2)
State Government Relations	2.5	2.2	2.5	(0.2)	0.3	0.1
Subtotal - External Relations & Communications	21.2	16.3	18.2	(4.9)	2.0	(2.9)
Finance						
Budget Analysis and Planning	2.6	1.9	2.5	(0.7)	0.6	(0.0)
Capital Asset Strategies & Finance	11.1	8.6	13.4	(2.4)	4.7	2.3
Financial Accounting	15.8	15.8	10.4	0.1	(5.4)	(5.3)
Immediate Office	2.1	1.3	1.5	(0.8)	0.2	(0.6)
Risk Services ¹	0.0	(1.5)	7.8	(1.5)	9.3	7.8
Strategic Sourcing/Procurement	11.5	12.7	11.5	1.2	(1.3)	(0.0)
Subtotal - Finance	43.0	38.9	47.0	(4.1)	8.1	4.0
General Counsel	15.1	14.5	57.0	(0.6)	42.5	41.9
Health Sciences	12.7	11.6	13.7	(1.0)	2.1	1.1
Innovation & Entrepreneurship	62.0	60.7	9.5	(1.3)	(51.2)	(52.5)
Investments	35.3	30.6	35.0	(4.7)	4.4	(0.4)
Operations						
Energy and Sustainability ²	9.7	2.2	4.8	(7.5)	2.6	(4.9)
Facilities & Operational Expenses ³	4.8	5.1	(6.9)	0.3	(12.0)	(11.7)
Immediate Office ³	(0.7)	2.1	(0.5)	2.8	(2.6)	0.2
Information Technology Services ⁴	28.5	33.1	52.6	4.6	19.5	24.1
Program Management	1.9	5.8	2.0	4.0	(3.8)	0.1
Systemwide Human Resources	48.9	48.3	48.2	(0.6)	(0.0)	(0.7)
UCOP Operations	29.3	31.6	31.0	2.3	(0.6)	1.7
Subtotal - Operations	122.4	128.2	131.2	5.8	3.0	8.9
President's Executive Office ⁵	3.5	3.5	4.4	0.0	0.8	0.9
Secretary of the Regents	3.1	4.4	3.1	1.3	(1.3)	0.0
Systemwide Academic Senate	2.1	2.1	2.2	0.0	0.1	0.1
SUBTOTAL USES	\$ 383.7	\$ 372.8	\$ 379.5	\$ (10.9)	\$ 6.7	\$ (4.3)
UCPath Center Operations	52.4	52.4	71.2	(0.0)	18.8	18.8
TOTAL USES	\$ 436.1	\$ 425.2	\$ 450.7	\$ (10.9)	\$ 25.5	\$ 14.6

¹ Forecast includes incoming funds for the student health plan, to be offset with future years' expenses; FY18-19 budget increase reflects the inclusion expenses for managing the insurance programs, paid under a fee-for-service model by the campuses. Previously, these expenses were netted to zero with payments from campuses offsetting expenses in UCOP's budget.

² Forecast includes savings due to timing of the biogas facility operations; FY18-19 budget decrease is due to removal of flow through charges for the Wholesale Power Program.

³ Vacancy Factor in FY17-18 is allocated to divisions, and the COO division vacancy factor was budgeted entirely in the Immediate Office resulting in a deficit budget for that sub-division. The Vacancy Factor in FY18-19 increased by \$10.7M and has not yet been allocated to all divisions; it is budgeted in the COO Division.

⁴ Information Technology Services budget increase for FY18-19 is due to a consolidation of budgeting for internal and external recharged activities.

⁵ The FY18-19 increase to the President's Immediate Office budget reflects an organizational shift of two departments from Ethics and Compliance and External Relations into the President's Immediate Office.

Schedule E

Strategic Priorities Fund

Overall UCOP

\$ in millions

	Projected Commitments FY2018-19	% of Total Proposed FY2018-19 Budget
Commitments		
Carbon Neutrality Initiative (CNI)	\$ 0.9	0.1%
Global Food Initiative (GFI)	0.3	0.0%
Presidential Public Service Fellowship	0.1	0.0%
Public Law Service Fellowship	3.9	0.4%
UC Mexico Initiative	0.8	0.1%
UC National Center for Free Speech & Civic Engagement	1.0	0.1%
Undocumented Students Initiative	0.9	0.1%
Subtotal - Presidential Initiatives	7.8	0.9%
Procurement - 2 year contract position (legal, year 2 of 2)	0.4	0.0%
Corporate Financial System Replacement Project: Phase 2	3.0	0.3%
Windows 10/Office 2016/Hardware Refresh Project	0.4	0.0%
Audit Response Expenses	0.3	0.0%
I&E Concierge System Pilot	0.3	0.0%
Subtotal - Central & Administrative	4.2	0.5%
Presidential Postdoc Fellowship Program	0.3	0.0%
Subtotal - Systemwide Program	0.3	0.0%
Committed SPF Funds	12.3	1.4%
Uncommitted SPF Funds	17.7	2.0%
Total Strategic Priorities Fund	\$ 30.0	3.4%

Schedule F (1)

Cause of Change: FY2017-18 Budget to FY2018-19 Budget

Overall UCOP

\$ in millions

	Programs and Initiatives	Central and Administrative Services	Strategic Priorities Fund	Total UCOP
FY2017-18 BUDGET	\$ 406.1	\$ 436.1	\$ 48.6	\$ 890.8
Accounting & Reporting Changes:				
Agriculture & Natural Resources (Temp Budget) ¹	61.4	-	-	61.4
Office of the General Counsel (outside legal services) ²	-	41.9	-	41.9
Risk Services (Management Office) ³	-	7.8	-	7.8
UCHealth Program Funds - CHQI ⁴	6.0	-	-	6.0
California Institutes for Science & Innovation ⁵	(4.8)	-	-	(4.8)
Moore Foundation - 30 Meter Telescope ⁶	(10.0)	-	-	(10.0)
Tobacco Related Disease Research ⁷	(20.4)	-	-	(20.4)
Education Abroad Program ⁸	(39.5)	-	-	(39.5)
Patent Royalties (Innovation & Entrepreneurship) ⁹	-	(52.5)	-	(52.5)
Total Accounting & Reporting Changes	(7.3)	(2.8)	-	(10.1)
Operational Changes:				
Establish the Strategic Priority Fund (SPF) ¹⁰	-	-	30.0	30.0
Merit Expense ¹¹	-	7.5	-	7.5
Miscellaneous Federal/State Research Funds	1.4	-	-	1.4
Increased Benefit Rates ¹²	-	2.8	-	2.8
Increase to Perm Budget from Temp (OGC, OMP)	-	2.5	-	2.5
FireEye Contract (Systemwide cybersecurity contract)	-	2.1	-	2.1
Laboratory Fees Research Program (LFRP) ¹³	1.5	-	-	1.5
Strategic Investments - California Digital Library	-	1.0	-	1.0
Miscellaneous Operating Expenses	-	(0.1)	-	(0.1)
Campus Programs	(0.3)	-	-	(0.3)
Miscellaneous Systemwide Programs	(0.4)	-	-	(0.4)
External Relations Re-Organization ¹⁴	-	(1.2)	-	(1.2)
Natural Reserve System (NRS) ¹⁵	(2.4)	-	-	(2.4)
Elimination of Operations Building Fund	-	(2.7)	-	(2.7)
Multiple Research Programs and Initiatives (MRPI) ¹⁶	(2.8)	-	-	(2.8)
Vacancy & Eliminations ¹⁷	-	(6.7)	-	(6.7)
Consolidate Remaining Pres. Initiative Fund into SPF ¹⁰	-	-	(7.8)	(7.8)
Funding For Enrollment Growth (AB97) ¹⁸	-	(6.5)	(2.0)	(8.5)
Eliminate Use of One-Time / Temporary Budgets (Unrestricted) ¹⁰	-	-	(38.8)	(38.8)
Total Operational Changes	(3.1)	(1.4)	(18.6)	(23.1)
Total Cause of Change FY17-18 Budget to FY18-19 Budget (excl. UC Path)	(10.4)	(4.3)	(18.6)	(33.2)
PROPOSED FY2018-19 BUDGET (excl. UC Path)	\$ 395.7	\$ 431.9	\$ 30.0	\$ 857.6
UCPath Center	-	18.8	-	\$ 18.8
TOTAL YEAR-OVER-YEAR CHANGE	\$ (10.4)	\$ 14.6	\$ (18.6)	\$ (14.4)
PROPOSED FY2018-19 BUDGET (incl. UC Path)	\$ 395.7	\$ 450.7	\$ 30.0	\$ 876.4

Schedule F (1)

Cause of Change: FY2017-18 Budget to FY2018-19 Budget

Overall UCOP

\$ in millions

Footnotes on Schedule F (1):

- ¹ UCOP is adding the one-time, restricted contracts and grants and other external funds for the Division of Agriculture and Natural Resources (ANR). ANR has historically received these contracts and grants every year, but included them in its temporary budget, therefore UCOP did not previously include the contracts and grants in its annual operating budget. To meet best budget practices, UCOP needs to add these contracts and grants to the operating budget.
- ² UCOP is adding the fee-for-service external and internal legal services managed by the Office of the General Counsel (OGC) to adhere with best budgeting practices. Previously, these expenses were netted out of the budget because payments from campuses were recorded as an offset to expenses at UCOP.
- ³ UCOP is adding the expenses for managing the insurance programs through the Risk Services department to adhere with best budgeting practices. These expenses are funded through a fee-for-service model paid by the campuses. Previously, these expenses were showing as a net in UCOP's budget with campus payments offsetting UCOP expenses.
- ⁴ UCOP is adding the expenses for the Center for Health Quality and Innovation (CHQI) within UC Health Division to adhere with best budgeting practices. Previously, these expenses were funded by one-time, restricted funds, and were not included in UCOP's budget.
- ⁵ California Institutes for Science & Innovation are no longer included in the UCOP budget based on criteria established in Programs and Initiatives definitions. This program continues to be funded at the same level with funds going direct to campuses.
- ⁶ UCOP is eliminating the pass-through funds annually donated by the Moore Foundation for the Thirty Meter Telescope International Observatory (TIO), which UCOP previously accepted and sent to the TIO on behalf of the Moore Foundation.
- ⁷ UCOP is reducing the amount budgeted for Tobacco-Related Disease Research Program (TDRP) grants given the historical trends for grant-making, timing in processing the grants, and based on estimates provided by the Research Grants Program Office. Since these grants are provided by the state on a reimbursement basis, UCOP should only budget for the amount that it plans to dispense for these grants, which may be less than the total funds available from the state.
- ⁸ UCOP is transitioning the operations and budget for the UC Education Abroad Program (UCEAP) from UCOP to UC Santa Barbara given that UCEAP currently operates within a few miles from the campus and can more easily leverage the administrative support structure from the campus than from UCOP.
- ⁹ UCOP is removing the patent royalty payments from the budget since they are a distribution of revenues to the campuses and inventors which UCOP does not control. This change aligns with best budgeting practices, and is consistent with the treatment of other systemwide revenue distributions that flow through UCOP.
- ¹⁰ UCOP is ending the prior practice of using the President's Initiative Fund and one-time, temporary budgets during the fiscal year to account for unanticipated expenses, and is instead budgeting for unanticipated expenses as a part of the Strategic Priorities Fund.
- ¹¹ UCOP must increase its expenses for employee benefits given a systemwide requirement to increase the benefits rate to address higher costs of benefits for all UC employees. This change impacted all of the campuses as well, and required UCOP to increase expenses for all existing employees and newly budgeted positions.
- ¹² Includes \$0.9M which is a shift of operations expense from the MRPI line item.
- ¹³ As a part of the UCOP Restructuring Effort, UCOP is establishing the External Relations and Communications Division (ERC) from the previous Public Affairs Division, Government Relations Division, and other departments across UCOP. This change allowed UCOP to consolidate several positions, and reduce the salary and benefits expenses for the new Division.
- ¹⁴ UCOP is increasing the overall budget to account for proposed merit increases in FY18-19, across UCOP.
- ¹⁵ NRS budget change is related to the elimination of one-time, grant funding.
- ¹⁶ UCOP reduced the amount of funding available for multi-campus research projects by \$2M voluntarily to help address the budgetary pressures; \$0.9M in operations expenses shifted to Laboratory Fees Research Program line.
- ¹⁷ UCOP spent a significant amount of effort meeting with leadership from the 13 divisions and dozens of the individual departments within those divisions to eliminate vacant positions that were no longer necessary or required to reduce the overall salary and benefits expenses in the budget. UCOP also increased the budgeted vacancy factor to better capture salary savings in the year that they occur.
- ¹⁸ California Assembly Bill 97 (AB97) required that UC redirect \$15M in FY18-19 State General Funds towards increased undergraduate enrollment, for which UCOP identified \$8.5M in non-salary budget reductions.

Schedule F (2)

Cause of Change: FY2017-18 Budget to Forecast

Overall UCOP

\$ in millions

	Programs and Initiatives	Central Admin. Services + Strategic Priorities Fund	Total UCOP
FY2017-18 BUDGET	\$ 406.1	\$ 484.7	\$ 890.8
Timing of Programs and Initiatives			
Tobacco Related Disease Research ¹	(54.2)	-	(54.2)
Agriculture & Natural Resources ²	(8.8)	-	(8.8)
Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP) ³	(4.5)	-	(4.5)
CA Subject Matter Project ⁴	(1.9)	-	(1.9)
Mathematics Diagnostic Testing Project (MDTP) ⁵	(1.0)	-	(1.0)
UC National Laboratories ⁶	4.5	-	4.5
Other	0.4	-	0.4
Subtotal - State / Federal Programs	(65.4)	-	(65.4)
UCHealth Program Funds - CHQI ⁷	(0.5)	-	(0.5)
Moore Foundation ⁸	(10.0)	-	(10.0)
UC Press ⁹	(2.6)	-	(2.6)
Natural Reserve System ¹⁰	(2.3)	-	(2.3)
Historically Black Colleges & Universities ¹¹	0.7	-	0.7
SAPEP ¹²	1.7	-	1.7
UC Research Initiatives (MRPI) ¹³	3.4	-	3.4
Other	0.5	-	0.5
Subtotal - Systemwide Initiatives and Programs	(9.1)	-	(9.1)
Total Programs and Initiatives	(74.5)	-	(74.5)
Timing of UCOP Projects			
UCOP Financial System Replacement (G/L) ¹⁴	-	(5.0)	(5.0)
UCOP Budget System Replacement ¹⁵	-	(2.7)	(2.7)
SC500 Procurement Project ¹⁶	-	(0.5)	(0.5)
Fire Eye/Cyber Security Costs ¹⁷	-	(2.1)	(2.1)
PPS Payroll System ¹⁸	-	(2.3)	(2.3)
I&E Concierge System Pilot ¹⁹	-	(0.7)	(0.7)
Energy & Sustainability ²⁰	-	(3.7)	(3.7)
Other	-	(1.4)	(1.4)
Total Timing of UCOP Projects	-	(18.4)	(18.4)
Other Operating Expense Savings:			
Balance of uncommitted SPF ²¹	-	(6.0)	(6.0)
Salary + Benefits ²²	-	(15.7)	(15.7)
Fidelity Agreement ²³	-	(3.2)	(3.2)
Risk Services IT ²⁴	-	(1.0)	(1.0)
Liberty Mutual Cost Savings ²⁵	-	(1.2)	(1.2)
Legal Fees ²⁶	-	0.5	0.5
Other Operating Expenses	-	0.2	0.2
Total Other Operating Expense Savings	-	(26.5)	(26.5)
Total Cause of Change FY17-18 Budget to FY17-18 Forecast	(74.5)	(44.9)	(119.4)
FY2017-18 FORECAST	\$ 331.6	\$ 439.8	\$ 771.5

Schedule F (2)

Cause of Change: FY2017-18 Budget to Forecast

Overall UCOP

\$ in millions

Footnotes on Schedule F (2):

- ¹ UCOP forecast is lower than budget for Tobacco-Related Disease Research Program (TDRP) funds to reflect lower grant awards versus budget assumptions. Actual grants are lower based on time to ramp up in FY17-18, and funds are received on a reimbursement basis with no impact to fund balances.
- ² UCOP forecast is lower than budget for ANR which has a Federal Appropriation that spans multiple years, and will not be fully utilized in the current fiscal year.
- ³ UCOP forecast is lower than budget reflecting the actual timing of when awards will be given to the campuses which varies from the initial budget assumptions for FY17-18.
- ⁴ UCOP forecast is lower than budget as a result of funding distribution timing.
- ⁵ UCOP forecast is lower than budget for this program related to timing of the flow-through funding which goes to the campuses.
- ⁶ UCOP forecast is higher than budget to reflect higher costs associated with the bid for a new management contract, those funds come from prior years' fund balance.
- ⁷ UCOP forecast is lower than budget due to salary savings associated with vacant positions.
- ⁸ UCOP forecast is lower than budget for the Moore Foundation project which is delayed, and the funds will not be received this year as planned. In FY2018-19, these funds (\$5M) will be excluded from the UCOP budget due to Accounting & Reporting changes.
- ⁹ UCOP forecast is lower than budget based on current trend of expenses being recognized this year which is lower than the original assumptions.
- ¹⁰ NRS change shown in the forecast is related to the addition of one-time, grant funding in FY17-18.
- ¹¹ UCOP forecast is higher than budget this year for HBCU because a portion of prior years' budgeted funds were not sent out to the campuses until the current year.
- ¹² UCOP forecast for SAPEP is higher than budget to include additional, one-time funding.
- ¹³ UCOP forecast for MRPI is higher than budget to reflect timing differences in the budget.
- ¹⁴ UCOP forecast is lower than budget because the project related to replacement of financial system (G/L) has been delayed.
- ¹⁵ UCOP forecast is lower than budget because the project related to replacement of Budget Development System (BDS) was delayed to complete the current year budget and revise process prior to investing in new systems.
- ¹⁶ UCOP forecast is lower than budget due to timing; savings generated from project timing will be spent in FY18-19.
- ¹⁷ UCOP forecast is lower than budget due to contract expense initially set up to be covered by 1-time funding in FY17-18, to be covered with current year savings. This expense is now budgeted in the permanent, UCOP operating budget.
- ¹⁸ UCOP forecast is lower than budget because UCOP is able to absorb the cost of the phase out of the legacy payroll system in the operating budget, given the implementation of UC Path this year.
- ¹⁹ UCOP forecast is lower than budget because the funding, initially targeted for FY17-18, was delayed pending completion of an I&E business plan expected to be completed in Q4.
- ²⁰ UCOP forecast is low to budget due to the timing of the Bio-gas facility project; the project incurred delays and is not expected to generate bio-gas in this fiscal year.
- ²¹ Balance of uncommitted Strategic Priority Funds.
- ²² UCOP forecast is lower than budget due to salary savings from higher vacancy rates than projected.
- ²³ UCOP forecast is lower than budget due to the Fidelity contract savings, related to termination of services to be covered separately.
- ²⁴ UCOP forecast is lower than budget resulting from a change in the MOU terms between Risk Services and ITS from 1 year expenses to spreading over 3 years.
- ²⁵ UCOP forecast is lower than budget due to Liberty Mutual costs savings stemming from a decrease in actual claims volume.
- ²⁶ UCOP forecast is higher than budget given current expense trends partially impacted by work related to CSA recommendations.

Schedule G

FY2017-18 Regents and Temp Budget

Overall UCOP

\$ in millions

	FY2017-18 Budget (Regents)	FY2017-18 Budget (Temp)	FY2017-18 Budget
SOURCES			
Unrestricted Sources			
Undesignated			
State General Funds			
Investment Income			
Other Unrestricted Sources			
Undesignated Fund Balance			
Designated			
Regents-Designated			
Program-Designated			
Subtotal - Unrestricted Sources			
Restricted Sources			
Gifts and endowments			
Contracts and grants			
Federal and special state appropriations			
Subtotal - Restricted Sources			
TOTAL SOURCES	\$ 797.5	\$ 93.3	\$ 890.8
USES			
Programs and Initiatives			
Campus Programs	\$ 1.3	\$ -	\$ 1.3
State/Federal Programs	213.7	13.4	227.1
Systemwide Initiatives	-	1.5	1.5
Systemwide Programs	159.9	16.5	176.3
Total - Programs and Initiatives	374.8	31.3	406.1
Central and Administrative Services			
Academic Affairs	52.1	4.6	56.7
Ethics & Compliance	6.7	0.1	6.8
External Relations & Communications	19.6	1.6	21.2
Finance	40.8	2.1	43.0
General Counsel	12.5	2.7	15.1
Health Sciences	4.2	8.5	12.7
Innovation & Entrepreneurship	61.9	0.0	62.0
Investments	35.3	-	35.3
Operations	118.6	3.7	122.4
President's Executive Office	3.5	-	3.5
Secretary of the Regents	3.1	-	3.1
Systemwide Academic Senate	2.1	-	2.1
Subtotal - Central and Administrative Services (excl UCPath Center Operations)	360.5	23.2	383.7
Strategic Priorities Fund	9.8	38.8	48.6
SUBTOTAL USES	\$ 745.1	\$ 93.3	\$ 838.5
UCPath Center Operations	52.4	-	52.4
TOTAL USES	\$ 797.5	\$ 93.3	\$ 890.8
NET MARGIN SURPLUS (DEFICIT)	\$ -	\$ -	\$ -

Attachment 2

Links to UCOP Budget Items and Supporting Documentation Related to the CA State Audit

Subject Area	Links to Documents
UCOP Budget	<ol style="list-style-type: none"> 1. UCOP Budget Manual 2. November 2017 Regents Item: Report of Budget to Actual Expenditures for Fiscal Year 2016-17 for the Office of the President 3. January 2018 Regents Item: University of California Office of the President Fiscal Year 2018-19 Budget Process 4. March 2018 Regents Item: University of California Office of the President Fiscal Year 2018-19 Budget Process and Budget Presentation Prototype 5. March 2018 Regents Item: Report of Budget to Actual Expenditures for First and Second Quarters Fiscal Year 2017-18 for the Office of the President
Fund Restrictions	<ol style="list-style-type: none"> 6. March 2018 Regents Item: University of California Office of the President Fund Restrictions
Programs and Initiatives	<ol style="list-style-type: none"> 7. March 2018 Regents Item: Budget Categories and Definitions: Systemwide Programs and Presidential Initiatives
UCOP Reserve Policy	<ol style="list-style-type: none"> 6. January 2018 Regents Item: Adoption of Regents Policy on a Central Operating Reserve for the University of California Office of the President and Discussion of Guidelines Governing the Central Operating Reserve 7. Regents Policy 5401: Policy on a Central Operating Reserve for the University of California Office of the President 8. Presidential Guidelines Governing the UCOP Central Operating Reserve 9. Presidential Guidelines Governing the UCOP Strategic Priorities Fund
Employee Expense Reimbursement	<ol style="list-style-type: none"> 10. March 2018 Regents Item: Amendment and Rescission of Certain Regents' and Other Policies Pertaining to Senior Management Group Compensation 11. October 23, 2017 memo announcing reissuance of UCOP procedures for PPSM-30 12. PPSM-30 UCOP Revised Local Procedures 13. UCOP Local Guidelines for the Staff Appreciation and Recognition (STAR) Plan 14. UCOP Guidelines on Fund Restrictions 15. April 19, 2018 Letter Announcing Change to Daily Maximum on Business Meals Involving Only UCOP Employees 16. New Daily Maximum Limit of Business Meals for UCOP-only Meetings FAQs

Attachment 3

Presidential Initiatives Detail FY17-18 and FY18-19

The following provides an overview of funding for Presidential Initiative, the redirection of \$2M for enrollment growth and description of each initiative.

Presidential Initiative	FY17-18 Funding	FY18-19 Funding	Increase/ (Decrease)
Carbon Neutrality Initiative (CNI)	\$ 1,500,000	\$ 900,000	\$ (600,000)
Cuba Faculty Matching Funds	20,000	0	(20,000)
Global Food Initiative (GFI)	1,250,000	250,000	(1,000,000)
Presidential Public Service Fellowship	82,500	82,000	(500)
Public Service Law Fellowships	4,500,000	3,920,000	(580,000)
Smoke and Tobacco-Free Fellowships	173,850	0	(173,850)
UC-Mexico Initiative	980,000	770,000	(210,000)
UC National Center for Free Speech and Civic Engagement	435,000	1,000,000	565,000
Undocumented Students Initiative	900,000	900,000	0
Total	\$ 9,841,350	\$ 7,822,000	\$ (2,019,350)

Carbon Neutrality Initiative (CNI): Launched in FY13-14, CNI has received \$5,102,480 to date and is anticipated to run through 2025. CNI commits UC to a net zero emission of greenhouse gases from its buildings and vehicle fleet by 2025 – something no other major university system has done. This initiative advances the **public service** component of the University’s mission by helping both California and the world to curb the forces that are driving global warming. By bringing together a Global Climate Leadership Council to advance both teaching and research about climate change and sustainable business practices, this initiative also furthers the **instruction** and **research** components of the University’s mission.

Global Food Initiative (GFI): Launched in FY14-15, GFI has received \$13,117,571 to date, with extensions determined on an annual basis. GFI addresses how to sustainably and nutritiously feed a world population expected to reach 8 billion by 2025. By working to increase food access and security among communities across the ten UC campuses, this initiative furthers the **public service** component of the University’s mission. This initiative also furthers the University’s mission to provide **instruction** by giving undergraduate and graduate students the opportunity to study issues such as food security and food waste through the GFI Fellowship Program. A community garden project also enables this initiative to provide instruction to elementary school students about ecology and nutrition. Additionally, by conducting systemwide studies about UC student food access and security through the Healthy Campus Network, and by providing development-oriented graduate students from multiple UC campuses the opportunity to engage in planning and implementing projects related to international food systems and agriculture, this initiative furthers the **research** component of UC’s mission. FY18-19 funding decreased as sustainability planning is underway for Food Security and Healthy Campus Network programs.

Presidential Public Service Fellowship: Launched in FY15-16, this initiative is anticipated to run through FY18-19, making this the final year of funding. This need-based fellowship aims to catalyze student interest in public service careers and encourage more undergraduate students to apply for public service internships in D.C. and Sacramento. By providing educational opportunities to UC students and encouraging students to become agents of change in the public arena, this initiative advances UC's **instruction** and **public service** mission components.

Public Service Law Fellowships: Launched in FY16-17, this initiative is anticipated to run through FY19-20. This funding supports approximately 425 summer and 60 post-graduate fellowships annually at all four UC law schools for students pursuing opportunities in public service. Post-graduate fellowships provide up to \$45,000 for graduates entering public service plus an additional \$2,500 to help defray bar-related costs. Summer fellowships provide approximately \$4,000 to subsidize summer public interest law jobs. The UC National Public Service Law Conference was held in fall 2017 to showcase important legal scholarship and practice and contribute to the national conversation on public interest law. By making post-graduate work and summer positions accessible for students who want to pursue public service legal careers, this initiative furthers the **instruction** and **public service** components of UC's mission.

UC-Mexico Initiative: Launched in FY13-14, this initiative's funding is determined on an annual basis. UC-Mexico aims to enhance UC's relationships with academia, government, and the private sector in Mexico and create the ability for UC to respond quickly to emerging issues. By supporting academic and student exchanges and collaborating with Mexican universities, governmental agencies, and foundations on projects pertaining to arts and culture, education, energy, the environment, and public health, this initiative furthers the **instruction** and **research** components of UC's mission. FY18-19 funding decreased due to change in programs and expiration of matching commitments of earlier years. In addition, the Initiative is working on re-envisioning planning for systemwide Mexico-related programs including UC-Mexico, UC Mexus and Casa de California with a proposal anticipated in December 2018.

UC National Center for Free Speech and Civic Engagement: Launched in FY17-18, this initiative is anticipated to run through 2020 with a budget of \$1M per year. The Center explores how the fundamental democratic principles of free speech and civic engagement must adapt to the challenges and opportunities of modern society. By bringing together people of various academic and experiential background from across the country to inform free speech and civic engagement policies on college campuses, in state legislatures, and in Washington, D.C., this initiative furthers the **public service** piece of the University's mission. Through this initiative, the UC National Center for Free Speech and Civic Engagement supports a fellowship program wherein fellows research First Amendment issues and present their findings at a national conference. The output of this Center also furthers the **research** component of the University's mission. FY18-19 funding is set at \$1M per 12-month year, which exceeds FY17-18 due to that being a shortened year of operations.

Undocumented Students Initiative: Launched in FY16-17, this initiative is anticipated to run through FY18-19, making this the final year of funding. The purpose of this funding is to strengthen programs and services aimed at improving access and success for undocumented students at the University. This funding specifically supports the UC Immigrant Legal Services Center. Additional funds are provided to campuses to deliver student loans and to support student services and financial aid for undocumented students. This initiative furthers the **instruction** component of UC's mission by lowering barriers to entry into the UC system for undocumented students. By enabling every campus to provide support services for undocumented students, this initiative also advances the **public service** component of UC's mission.

**Attachment 4
Summary of AB97 Reductions**

I. Reduce UCOP Budget on Administrative Expenditures

OP Operations Budget	December Report	May Budget
Operations Contingency	\$ 1,500	\$ 2,827
Professional Services	\$ 2,074	\$ 572
Merit Savings	\$ 500	\$ 500
Travel & Meetings (T&M)	\$ 400	\$ 507
Administrative Funds (Chancellors)	\$ 442	\$ 442
Administrative Funds (UCOP)	\$ 90	\$ 90
Chancellor's House Maintenance	\$ 510	\$ 510
Savings from Star Award Policy Change	\$ 250	\$ 300
Outreach/Memberships	\$ 234	\$ 200
Computer/Office Equipmetn/Other Misc		\$ 66
Total UCOP Opex Savings	\$ 6,000	\$ 6,014

II. Presidential Initiatives Fund	\$ 2,000	\$ 2,000
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III. Programmatic Reductions

Program	December Report	May Budget
Graduate Fellows Program (GFP)	\$ 54	\$ 54
Health Initiatives of the Americas (HIA)	\$ 310	\$ 310
Social Security / Double Taxation (Wilkie)	\$ 187	\$ 187
Total	\$ 551	\$ 551

TOTAL UCOP AB 97 BUDGET REDUCTION	\$ 8,551	\$ 8,565
California Program on Access to Care (CPAC)*	\$ 935	\$ 935

To reduce the UCOP FY18-19 operations budget, UCOP used a zero-based budgeting approach and analyzed prior year trends to set targets. Due to contractual obligations, UCOP was unable to meet the Professional Services goal, and instead eliminated the operations contingency funds.

*The AB 97 savings of \$8.5M is net of the reduction to the California Program on Access to Care (CPAC) program. The CPAC reduction does not directly reduce the UCOP budget as funding was deducted by the State last year when the FY17-18 campus assessment was replaced by the State General Funds appropriation.

Attachment 5 Accounting and Reporting Changes to FY18-19 Budget

As part of the budget development process for FY18-19, UCOP created new budget schedules to provide the Regents and other stakeholders with a clear, robust, and forward-looking perspective on UCOP's operating budget. These new schedules replace, in part, the appendices that accompanied previous budget proposals, in several important ways:

- UCOP's total expenditures are **consolidated** in Schedule A and delineated in greater detail in additional schedules. Previously, *Systemwide Academic and Public Service Programs* were presented separately from *Central and Administrative Services* with differing levels of detail. A single, consolidated schedule illustrating the whole operating budget provides greater clarity.
- **Sources**, which were previously divided broadly into unrestricted and restricted funds, are more clearly delineated by undesignated, designated, and restricted funds. Each of these categories is in turn more clearly divided into sub-categories for greater transparency as well.
- **Uses**, which were previously categorized by function, have been more explicitly delineated by *Programs and Initiatives* (which have new sub-categories), *Central and Administrative Services* (which are organized by Division), with special carve-outs for the *UCPath Center* as well as the *Strategic Priorities Fund*.
- **Special Classifications**, like fee-for-service and pass-through expenses, have also been explicitly defined and quantified for stakeholder insight.

Sources

Sources illustrate where the funds are coming from to cover UCOP's expenses in the next fiscal year, organized primarily around fund group. Major changes to the presentation of sources for FY18-19 are:

- **Recognition of Designated and Undesignated Sources:** A key change in the budget presentation is the distinction between "unrestricted designated" and "unrestricted undesignated" sources of funds. Designated sources are those for which UCOP or the Regents have established constraints on how the funds may be spent, while undesignated sources do not carry these constraints. These definitions provide greater visibility into the flexibility of UCOP's funds than in the past, when UCOP only distinguished between unrestricted and restricted sources.
- **Explicit Recognition of Investment Income:** Investment Income is explicitly recognized as a type of unrestricted undesignated income. In the past, this was included within "Other Unrestricted" funding. This change will provide greater visibility into the impact of investment income.
- **Restructuring of Restricted Sources:** Restricted Sources are now delineated into three categories: gifts and endowments, contracts and grants, and federal and special state appropriations. These distinctions illustrate the source of the restricted funds.

Uses

Uses illustrate how UCOP's funding will be spent across the organization, organized primarily by the types of programs and administrative services provided. To provide greater insight into UCOP's expenses, the following changes to the Schedules have been put in place:

- **Clarified Programs and Initiatives:** *Programs and Initiatives* have been separately defined, apart from *Central and Administrative Services*, to provide insight into the programmatic and administrative footprints of UCOP. *Programs and Initiatives* directly serve UC's mission and are

funded and/or operated by UCOP on behalf of various stakeholders. They are organized into five categories that were presented to the Regents during the March 2018 meeting. UCOP categorized all programs and initiatives in the past few months according to these new definitions and ensured the expenses are classified appropriately for the new Schedules.

- **Division-Level Insight into Administrative Expenses:** *Central and Administrative Services* are delineated by Division, providing visibility into changes to administrative expenses within each Division over time. Schedule D further provides sub-division-level budgets for the largest divisions.
- **Separation of UCPath Operations:** The *UCPath Center* is included separately from *Central and Administrative Services* to highlight the fact that the Center has been on a growth trajectory from 0 to 400 employees as the replacement payroll and HR system is rolled out the campuses. Because the Center is a significant addition to UCOP, its growth tends to mask other activities when it is combined with the Central and Administrative Services budget. It has until this year been funded as a fee-for-service activity.
- **Creation of Strategic Priorities Fund:** The *Strategic Priorities Fund*, a \$30M central account within the Office of the President, has been created to support one-time and limited-term strategic priorities and projects and urgent, emerging issues, including Presidential Initiatives (which were separately delineated in prior years' schedules). This has been recognized as a separate use of funds, distinct from both *Central and Administrative Services* and *Programs and Initiatives* given that the funds can be spent on any activity approved by the President. The Fund includes the presidential initiatives, one of the five *Programs and Initiatives* categories identified above.

Other Changes

Several other revisions to the budget presentation have also been made to provide for greater transparency in FY18-19 and beyond. In Schedule A, these changes include:

- **Delineation of Special Expense Categories:** The Schedules explicitly highlight a separate section, "Included in Sources and Uses," to show the effect of *Fee-for-Service* and *Pass-Through* expenses on UCOP's budget. *Fee-for-Service* refers to activities performed or purchases made on behalf of the University, for which UCOP assesses a special fee or tax to recover costs from the campuses or other entities. *Pass-throughs* primarily entail funds flowing from UCOP to the campuses or other entities that are spent by those campuses and entities.
- **Changes in Fund Balances:** The Schedules now also clearly illustrate forecasted changes in fund balances. These line items will illustrate the impact of UCOP operating surpluses and deficits on fund balances, as well as plans for spending down, reallocating to campuses, or augmenting these funds over time.
- **Changes in Fund Balances:** The Schedules now also clearly illustrate the changes in fund balances. These line items will help the Regents and other stakeholders to better understand the impact of operating surpluses and deficits on University reserves, as well as plans for spending down on or augmenting these funds over time.
- **Reordering of Columns:** The columns in the Schedules have been reordered to provide for more straightforward chronological analysis, and show the progression from the current year's forecast/budget to the proposed budget for next year, as well as relevant variances between the proposed budget and the forecast/budget for the current fiscal year

Table 1: Sources and Uses: summarizes the changes to the Sources and Uses from FY17-18 to FY18-19.

Category	Prior Schedule Format	Current Schedule Format	Description of Changes
Sources	<p>Unrestricted</p> <ul style="list-style-type: none"> • General Campus Assessment • Other Unrestricted Sources <p>Restricted</p> <ul style="list-style-type: none"> • State Funds • External Revenues • Federal Funds • Other Sources 	<p>Unrestricted</p> <p>Undesignated</p> <ul style="list-style-type: none"> • State General Funds • Investment Income • Other Unrestricted Sources <p>Designated</p> <ul style="list-style-type: none"> • Regents Designated • Program-Designated <p>Restricted</p> <ul style="list-style-type: none"> • Gifts and endowments • Contracts and grants • Federal and special state app 	<p>UCOP developed new definitions and categories of fund sources in FY2017-18 and reviewed all sources to ensure they were appropriately aligned with the new definitions. This resulted in the creation of several new categories (e.g., Designated, Undesignated) and transitioned several fund sources across categories (e.g., some funds moved from restricted to designated). The amounts for the fund source categories will be different between the FY2017-18 and the FY18-19 schedules given these definitions and reclassifications.</p>
Uses (Programs and Initiatives)	<p>Systemwide Academic and Public Service Programs</p> <ul style="list-style-type: none"> • Research • ANR • Instruction • Academic Support • Public Service • Presidential Initiatives • National Laboratories 	<p>Programs and Initiatives</p> <ul style="list-style-type: none"> • State/Federal Programs • Campus Programs • Systemwide Programs • Systemwide Initiatives 	<p>UCOP developed new definitions and categories of fund uses in FY2017-18, specifically focusing on how to label and frame the Programs and Initiatives (formerly Systemwide Academic and Public Service Programs). UCOP reviewed all expenses to determine which met the criteria for Programs and Initiatives and to ensure they were appropriately aligned with the categories.</p>
Uses (Central and Administrative Services)	<p>Central and Administrative Services</p> <ul style="list-style-type: none"> • Central & Administrative Services • Regents Officers 	<p>Central and Administrative Services</p> <ul style="list-style-type: none"> • Academic Affairs • Ethics & Compliance • Finance • General Counsel • Government Relations • Health Sciences • Innovation & Entrepreneurship • Investments • Operations • President’s Executive Office • Public Affairs • Secretary of the Regents • Systemwide Academic Senate 	<p>UCOP developed new definitions and categories of fund uses in FY2017-18, specifically focusing on how to label and frame the Central and Administrative Services. UCOP decided to break out these services by Division within UCOP, to provide more granular detail into how the budgeted expenses would be used.</p>

Category	Prior Schedule Format	Current Schedule Format	Description of Changes
Uses (Strategic Priorities Fund)	<i>No previous categorization</i>	Strategic Priorities Fund	UCOP developed a separate uses category for the Strategic Priorities Fund to contain one-time or limited term funding commitments to activities across the UC system that are funded by UCOP.
Uses (UCPath)	UCPath Expenditures	UCPath Center Operations	UCOP will continue highlighting the expenditures for the UCPath Center in its operating budget by separating it from the other uses categories.
Comparative Analysis	<ul style="list-style-type: none"> • Proposed Budget • CY Forecast • CY Budget • CY Budget to CY Forecast • Proposed Budget to CY Forecast • % More (Less) Budget vs Forecast • % More (Less) to CY Budget 	<ul style="list-style-type: none"> • CY Budget • CY Forecast • Proposed Budget • CY Forecast Inc/Dec to CY Budget • Proposed Budget Inc/Dec to CY Forecast in dollars • Proposed Budget Inc/Dec to CY Forecast in percentages 	UCOP has reordered and slightly restructured the comparative analyses used to illustrate changes to its operating budget based on best practices and requests from stakeholders.