

The Regents of the University of California

NATIONAL LABORATORIES COMMITTEE

July 17, 2019

The National Laboratories Subcommittee met on the above date at UCSF–Mission Bay Conference Center, San Francisco.

Members present: Regents Estolano, Kieffer, Kounalakis, Ortiz Oakley, Sures, and Zettel; Ex officio members Pérez and Napolitano; Advisory members Jeffrey and May; Chancellor Khosla

In attendance: Regents Anguiano, Blum, Cohen, Elliott, Leib, Makarechian, Sherman, Simmons, Um, and Weddle, Regents-designate Mart and Muwwakkil, Faculty Representative Bhavnani, Secretary and Chief of Staff Shaw, General Counsel Robinson, Executive Vice President and Chief Operating Officer Nava, Interim Vice President Leasure, Chancellors Larive and Wilcox, and Recording Secretary Li

The meeting convened at 4:15 p.m. with Committee Chair Zettel presiding.

Committee Chair Zettel summarized changes that had occurred since the last Committee meeting and took a moment to memorialize former Committee Chair Ellen Tauscher, stating that she was highly respected and beloved by this Committee, the Board of Regents, the UC community, and many other constituents. Committee Chair Zettel noted new leadership changes for the National Laboratories: former Vice President Kim Budil had taken a position at Lawrence Livermore National Laboratory, and Craig Leasure had assumed the position of Interim Vice President. Committee Chair Zettel consulted with Committee Vice Chair Sures and Interim Vice President Leasure regarding initial goals of the Committee. The first goal would be to honor Regent Tauscher’s commitment to bringing more Regents to the National Laboratories by holding more National Laboratories Committee meetings at the National Laboratories. Another goal would be the expansion of the portfolio of UC Laboratory oversight to other National Laboratories across the nation by Interim Vice President Leasure and his team. In addition to highlighting the National Laboratories’ research in national security, environmental protection, climate change, agriculture, global food insecurity, and pharmaceutical and biomedical research, the Committee would also like to highlight research from UC undergraduate students and similar programs.

1. APPROVAL OF MINUTES OF PREVIOUS MEETING

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

2. ALLOCATION OF TRIAD NATIONAL SECURITY, LLC AND LAWRENCE LIVERMORE NATIONAL SECURITY, LLC FEE INCOME TO BE EXPENDED IN FISCAL YEAR 2019–20

The President of the University recommended that the National Laboratories Committee recommend to the Regents that the President be authorized to expend an estimated \$22.5 million from the University's net share of Triad National Security, LLC (Triad) and Lawrence Livermore National Security, LLC (LLNS) income earned in the respective LLC 2019 fiscal years (FY),¹ as projected by the LLCs, for the purposes and in the amounts described below:

- A. The University's contractually required share of compensation-related costs for LLC employees in UC-designated key personnel positions that are not reimbursed by the federal government under the prime contracts. Compensation for LLC employees in key personnel positions is paid by the LLCs as approved by the LLC governing boards. A portion of these compensation-related expenses are deemed non-reimbursable by the federal government. The amount of UC's contractual share of unreimbursed compensation for UC-designated key personnel positions for FY 2019–20 is estimated at \$1.2 million (\$2.2 million in FY 2018–19).
- B. An appropriation to the Office of the President's budget for federally unreimbursed costs of University oversight of its interests at LANL and LLNL, paid or accrued July 1, 2019 through June 30, 2020, including, but not limited to, an allocable share of the costs of the President's Executive Office, the Provost, the Academic Senate, Human Resources, Compliance and Audit, Financial Accounting, UC National Laboratories (UCNL), Federal Government Relations, Office of Research and Graduate Studies, Office of the General Counsel, Office of the Secretary and Chief of Staff to The Regents, Office of the President facility charges, and the University-appointed Governors on the Boards of the LLCs, in the amount of \$5.8 million for FY 2019–20 (\$5.2 million in FY 2018–19). Any unspent funds allocated for this purpose will be transferred, at the President's discretion, to the UC Laboratory Fees Research Program (paragraph E below) or one or more of the newly created reserve funds (paragraphs G and H below).
- C. An appropriation to the LLNS/LANS Post-Contract Contingency Fund (PCCF), in the amount of \$900,000 for FY 2019–20 (\$3.5 million in FY 2017–18). Any income generated by the PCCF under the University's Short Term Investment Pool (STIP) shall be reserved exclusively for the LLNS/LANS PCCF. The balance in the LANS/LLNS PCCF as of May 31, 2019 is \$13.7 million, which does not reflect the \$3.5 million allocated in FY 2018–19. The target balance for the LLNS/LANS PCCF approved by the Regents in 2013 is \$27 million, which includes more than \$8 million held as equity in the LANS and LLNS LLC accounts.
- D. The Regents previously approved a target balance for the LLC Fee Contingency Fund of \$7 million. The LLC Fee Contingency Fund is currently fully funded with a balance of \$7.76 million as of May 31, 2019. No allocation to the Fund is required

¹ The University also remains a member of Los Alamos National Security, LLC (LANS), which managed Los Alamos National Laboratory through October 31, 2018. There is a possibility that LANS will earn fee income during its 2019 fiscal year. However, due to the uncertainty regarding the timing and amount of any such income, the estimated LLC fee income presented in this Item does not include any LANS income.

for FY 2019–20. As set forth in paragraph H below, it is proposed that \$750,000 from this Fund be transferred to the newly created Triad Reserve Fund to align the balance of the LLC Fee Contingency Fund with the target balance. Funds remaining in the LLC Fee Contingency Fund will be carried over to FY 2020–21 to maintain the \$7 million target balance. Any income generated by the LLC Fee Contingency Fund under the University’s STIP shall be reserved exclusively for the LLC Fee Contingency Fund.

- E. An appropriation in the amount of \$10 million for FY 2019–20 for the UC Laboratory Fees Research Program and other research relevant to the missions of the National Laboratories and the University, including the UC-National Laboratory Graduate Student Fellowship Program, subject to any reallocation up or down required after the end of LLC 2019 fiscal years as a result of reporting by the LLCs of actual net fee income earned by the University in order to meet the ongoing appropriations under paragraphs A through D above and F through I below. In the event all or part of this funding for the UC Laboratory Fees Research Program is not needed in FY 2019–20, the funding will be carried over to FY 2020–21 for the same purpose.
- F. The Regents previously approved appropriations in the amount of \$300,000 per year for FYs 2016–17 through 2018–19, with unspent funds carried forward for the same purpose, to fund an affiliation agreement between the University and the Livermore Lab Foundation. Of the \$900,000 appropriated for this purpose, \$672,000 remains unspent as of May 31, 2019. No new allocation is requested for FY 2019–20 but the unspent funds from prior appropriations may be used in FY 2019–20 to continue funding the affiliation agreement. If the remaining funds are not spent in FY 2019–20, the funding will be carried over to FY 2020–21 for the same purpose.
- G. An appropriation in the amount of \$3.3 million for FY 2019–20 for the newly created Capital and Campus Opportunity Fund (CCOF). The purpose of this new reserve fund is to set aside funds for capital projects and other special projects that would foster increased collaboration between the UC-affiliated National Laboratories and the UC campuses and medical centers. The target balance for this Fund is \$10 million by the end of FY 2021–22. Use of the CCOF on specific projects would be subject to further Regental approval.
- H. An appropriation in the amount of \$300,000 for FY 2019–20 for the newly created Triad Reserve Fund, and a transfer of \$750,000 from the LLC Fee Contingency Fund to the Triad Reserve Fund. The purpose of this new reserve fund is similar to the purpose of the LLNS/LANS PCCF: to fund residual post-contract liabilities, obligations associated with the Triad performance guarantee, and expenses related to contract re-competition. The target balance for the Triad Reserve Fund is \$10 million by the end of the ten-year anticipated length of the Triad contract.

- I. An appropriation in the amount of \$1 million for FY 2019–20 for the purpose of business development. This funding would support the University’s efforts to explore and develop opportunities to participate in the management of one or more DOE National Laboratories and other Federally Funded Research and Development Centers (FFRDC) beyond the current three UC-affiliated National Laboratories. Formal bids on specific Lab or FFRDC contracts would be subject to further Regental approval. In the event all or part of this funding for Business Development is not needed in FY 2019–20, the funding will be carried over to FY 2020–21 for the same purpose.

[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.]

Interim Vice President Leasure stated that the expenditures proposed would be funded by Laboratory fees and not State funds. The National Laboratories projected \$22.5 million in fees from Triad National Security, LLC and Lawrence Livermore National Security, LLC and set a budget of \$22.5 million.

Regent Blum asked whether this budget would be funded only by Lawrence Livermore and Los Alamos National Laboratories, and Mr. Leasure responded in the affirmative.

Upon motion duly made and seconded, the Committee approved the President’s recommendation and voted to present it to the Board.

The meeting adjourned at 4:20 p.m.

Attest:

Secretary and Chief of Staff