The Regents of the University of California

NATIONAL LABORATORIES COMMITTEE
July 29, 2020

The National Laboratories Committee met on the above date by teleconference meeting conducted in accordance with Paragraph 3 of Governor Newsom's Executive Order N-29-20.

Members present: Regents Cohen, Estolano, Kieffer, Kounalakis, Mart, Ortiz Oakley, Reilly, Sures, and Zettel; Ex officio members Napolitano and Pérez; Advisory member Gauvain; Chancellors Hawgood, Larive, and Khosla; Staff Advisor Jeffrey

In attendance: Regents Blum, Butler, Elliott, Guber, Lansing, Leib, Muwwakkil, Sherman, and Stegura, Regents-designate Lott, Torres, and Zaragoza, Faculty Representative Bhavnani, Secretary and Chief of Staff Shaw, General Counsel Robinson, Provost Brown, Executive Vice President and Chief Financial Officer Brostrom, Executive Vice President Byington, Executive Vice President and Chief Operating Officer Nava, Vice President Leasure, Interim Vice President Lloyd, Chancellors Block, Christ, Gillman, Muñoz, Wilcox, and Yang, and Recording Secretary Li

The meeting convened at 11:20 a.m. with Committee Chair Zettel presiding.

Committee Chair Zettel praised the leadership and performance of the National Laboratories, especially during the COVID-19 crisis. She stated that Lawrence Livermore National Laboratory Director William Goldstein had announced his retirement. He would stay until a new Laboratory director is selected and would help with the transition.

1. APPROVAL OF MINUTES OF PREVIOUS MEETING

Upon motion duly made and seconded, the minutes of the meeting of January 22, 2020 were approved, Regents, Estolano, Kieffer, Kounalakis, Mart, Napolitano, Ortiz Oakley, Pérez, Reilly, Sures, and Zettel voting "aye."[1]

2. ALLOCATION OF LLC FEE INCOME TO BE EXPENDED IN FISCAL YEAR 2020–21

The President of the University recommended that the President be authorized to expend an estimated $23.7 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 2020 fiscal years (FY), as projected by the LLCs, for the purposes and in the amounts described below:

[1] Roll call vote required by the Bagley-Keene Open Meeting Act [Government Code §11123(b)(1)(D)] for all meetings held by teleconference.

A. The University's contractually-required share of compensation-related costs for LLC employees 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 board. A portion of these compensation-related expenses are deemed non-reimbursable by the federal government. Moreover, Triad LLC pays labor-related costs associated with the UC/Los Alamos National Laboratory (LANL) Entrepreneurial Postdoctoral Fellowship Program up to $400,000 per year. The amount of UC's contractual share of unreimbursed compensation for UC-designated key personnel positions, in addition to the costs associated with the UC/LANL Entrepreneurial Postdoctoral Fellowship Program, for FY 2020–21 is estimated at $1.8 million.

B. An appropriation to the Office of the President's budget for federally unreimbursed costs of University oversight of its interests at LANL and Lawrence Livermore National Laboratory (LLNL), paid or accrued July 1, 2020 through June 30, 2021, 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 $5.9 million for FY 2020–21. 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), to one or more of the UCNL reserve funds identified herein, or for extraordinary expenses related to COVID-19 (paragraph K below).

C. No appropriation to the LLNS/LANS Post-Contract Contingency Fund (PCCF) for FY 2020-21. The balance in the LANS/LLNS PCCF as of May 31, 2020 is $18.0 million. The target balance for the LLNS/LANS PCCF approved by the Regents in 2013 is $27 million, which includes about $7 million held as equity in the LANS and LLNS LLC accounts. No appropriation is proposed due to anticipated extraordinary expenses related to COVID-19 (paragraph K). Any income generated by the PCCF reserve fund under the University's Short Term Investment Pool (STIP) shall be reserved exclusively for the LLNS/LANS PCCF.

D. The Regents previously approved a target balance for the LLC Fee Contingency Fund of $7 million. This reserve fund is currently fully funded with a balance of $7 million as of May 31, 2020 No allocation to the Fund is required for FY 2020–21. 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 2020–21 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 2020 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 K below. In the event all or part of this funding for the UC Laboratory Fees Research Program is not needed in FY 2020–21, the funding will be carried over to FY 2021–22 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, $331,000 remains unspent as of May 31, 2020. No new appropriation is requested for FY 2020–21 but the unspent funds from prior appropriations may be used in FY 2020–21 to continue funding the affiliation agreement. If the remaining funds are not spent in FY 2020–21, the funding will be carried over to FY 2021–22 for the same purpose.

G. An appropriation in the amount of $1 million for FY 2020–21 for the Accelerating Therapeutic Opportunities for Medicine (ATOM) collaboration. The Regents previously approved three appropriations for ATOM in the amounts of $1 million per year for FYs 2016–17 through 2018–19.

H. An appropriation in the amount of $2.7 million for FY 2020–21 for the Capital and Campus Opportunity Fund (CCOF). Previous allocations to the CCOF total $4.8 million. The target allocation to this Fund is $10 million for the three-year period ending in FY 2021–22. Use of CCOF funds on specific projects would be subject to further Regental approval. Any income generated by this fund under the University's STIP shall be reserved exclusively for this fund.

I. No appropriation in FY 2020–21 for the Triad Reserve Fund. Previous allocations to this fund total $2.15 million. The target balance for the Triad Reserve Fund is $10 million by 2028, at the end of the ten-year anticipated length of the Triad contract. Any income generated by this fund under the University's STIP shall be reserved exclusively for this fund. No appropriation is proposed due to anticipated extraordinary expenses related to COVID-19 (paragraph K).

J. An appropriation in the amount of $1 million for FY 2020–21 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 (FFRDCs) 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 spent in FY 2020–21, the funding will be carried over to FY 2021–22 for the same purpose.

K. An appropriation in the amount of $1.3 million for FY 2020–21 for the purpose of extraordinary expenses at UC's affiliated National Laboratories related to COVID-19. It is anticipated that one or more of UC's three affiliated National Laboratories may incur expenses related to the COVID-19 pandemic that are not reimbursed by the federal government. Any portion of this $1.3 million unspent in FY 2020–21 will be transferred, at the President's discretion, to the UC Laboratory Fees Research Program (paragraph E above) or one or more of the UCNL reserve funds (paragraphs C, H, and I above).

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

Vice President Leasure briefly explained the proposal.

Regent Cohen asked whether Regents policy was the only restriction on the use of these fees or if there were federal or other restrictions that would prohibit the University from spending this money elsewhere. Mr. Leasure replied that UC National Laboratories (UCNL) only followed Regents policy regarding expenditure of these funds. There were no federal restrictions once the fees were earned and transferred to UC. Regent Cohen remarked that this could be part of the overall budget decision. He did not object to the proposed expenditures but noted that UC would be entering a difficult fiscal period.

Committee Chair Zettel asked how fees would affect UC students, the state, and the nation. Mr. Leasure replied that some expenditures would benefit the campuses. Ten million dollars would go the UC Laboratory Fees Research Program, and most of this amount would be distributed by Academic Affairs at the Office of the President (UCOP) to professors and students who work with the National Laboratories in areas of interest to the campuses and the Laboratories. One million dollars would also go to the Accelerating Therapeutic Opportunities for Medicine (ATOM) program, a collaboration between LLNL, UCSF, Frederick National Laboratory for Cancer Research, and pharmaceutical companies. Using machine learning and artificial intelligence, ATOM sought new ways to shorten the time frame for generating therapeutics. Recently, ATOM pivoted from cancer research and therapeutics towards COVID-19. Previously, the Regents allocated $3 million to ATOM, most of which went to campuses, not the National Laboratories. Regent Cohen stated that he would support these items during good budget years but had difficulty weighing them against mental health or basic needs services before having the systemwide budget discussion. Mr. Leasure replied that these expenditures appeared in the UCOP budget.

Regent Ortiz Oakley asked about the impact of the current public health crisis on future revenue from Laboratory fees. Mr. Leasure stated that extraordinary COVID-19 expenses were anticipated. The National Laboratories were planning for a contingency of the federal government not reimbursing some expenses, such as salaries and benefits of employees who could not work. This was why $1.3 million was proposed in paragraph K in the item.

Regent Estolano asked whether UCNL considered increasing the ATOM allocation this year given the urgency of the COVID-19 crisis. She also asked how this funding has benefited students from campuses that would usually not have access to such research programs. Mr. Leasure responded that, from fiscal years 2015–17, $3 million was allocated to ATOM, which sought additional support due to changing partners and pivoting to COVID-19 work while continuing cancer research. It was important to continue supporting the project. UCNL did consider increasing the amount but decided that this amount was prudent. One concern was that ATOM would spend more if it was given more. The National Laboratories were receiving federal money to support COVID-19 research, and UCNL wanted to ensure that the ATOM program would continue to be pursued. ATOM would likely need more support in the future, so it might be more important to give more funding to the program then. The UC Laboratory Fees Research Program was about 14 years old, and around $90 million in research funds have gone to campuses, including graduate fellowships. The program was competitive and funded research areas such as fire research and accelerator research. In his view, it connected campuses and Laboratories well, providing resources to the campuses and creating a pipeline of students pursuing careers at the Laboratories. Provost Brown offered to provide more information about the UC Laboratory Fees Research Program, such as specific projects, research dollars leveraged, training opportunities that build a pipeline to the professoriate, and impact on campuses.

Regent Estolano praised this program, adding that $10 million would create tremendous impact. This was one instance in which managing National Laboratories was a benefit to all campuses, providing access to research and exposure to the National Laboratories that no other university could offer.

Regent Sures remarked that the National Laboratories were a national treasure for the University. He noted that there were past comments about how much money the Laboratories made. The prestige that they have brought to UC was undeniable and nearly priceless. He anticipated that UCNL would be seeking permission to bid on other National Laboratory contracts in the future. He saw the benefit of more National Laboratory management for the University. Regent Sures asked whether investing more money from Laboratory fees back into the Laboratories would be seen favorably when bidding on additional contracts. Mr. Leasure responded in the affirmative.

President Napolitano stated that the National Laboratories were part of what made UC a positive contributor to the advancement of knowledge. Students benefitted tremendously.

Upon motion duly made and seconded, the Committee approved the President's recommendation and voted to present it to the Board, Regents Estolano, Kieffer, Kounalakis, Mart, Ortiz Oakley, Pérez, Reilly, Sures, and Zettel voting "aye" and Regent Cohen voting "no."

3. **APPROVAL OF USE OF CAPITAL AND CAMPUS OPPORTUNITY FUND FOR REVITALIZATION OF HERTZ HALL COMPLEX AT LAWRENCE LIVERMORE NATIONAL LABORATORY**

The President of the University recommended that the President be authorized to expend up to $5 million of Capital and Campus Opportunity Fund monies for the Hertz Hall Complex revitalization project.

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

Vice President Leasure stated that Hertz Hall at Lawrence Livermore National Laboratory was built in the mid-1970s on U.S. Department of Energy (DOE) land and was owned by UC. The Complex was meant to train workers in close partnership with UC Berkeley and UC Davis. The oldest buildings in the Complex needed to be refurbished. Options had been explored in prior budget submittals, and money had been set aside in a reserve fund. An estimated $5 million more was needed to complete the project. The California Environmental Quality Act process was completed, and the project was in the capital financial plan. In parallel, UC National Laboratories (UCNL) was working to extend its ground lease with the DOE National Nuclear Security Administration for 20 years, which might take about six more months to complete. UCNL was also creating a committee on programming and campus collaborations that would be ready to implement when the project is completed.

Regent Makarechian asked why the DOE would not be reimbursing this project. Mr. Leasure responded that this was not a DOE facility and that UC had been leasing its land since 1975. UC was refurbishing and managing its own building for collaboration between the campuses and Laboratories. Regent Makarechian noted that UC had built buildings on its own land that the Department of Defense reimbursed. He asked that Executive Vice President and Chief Financial Officer Brostrom provide information about such buildings.

Regent Reilly asked about the duration of the new lease. Mr. Leasure stated that it would be a 20-year lease. The prior 50-year lease did not seem possible now. There was early indication that this was an acceptable duration for the DOE.

Upon motion duly made and second, the Committee approved the President's recommendation and voted to present it to the Board, Regents Cohen, Estolano, Kieffer, Kounalakis, Mart, Napolitano, Ortiz Oakley, Pérez, Reilly, Sures, and Zettel voting "aye."

The meeting adjourned at 11:45 a.m.

Attest:

Secretary and Chief of Staff