

THE REGENTS OF THE UNIVERSITY OF CALIFORNIA

May 13, 2021

The Regents of the University of California 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 Anguiano, Butler, Cohen, Drake, Elliott, Estolano, Guber, Kounalakis, Lansing, Leib, Mart, Muwwakkil, Ortiz Oakley, Park, Pérez, Reilly, Sherman, Stegura, and Sures

In attendance: Regents-designate Lott, Torres, and Zaragoza, Faculty Representatives Gauvain and Horwitz, 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 Nation, Chancellors Block, Christ, Gillman, Hawgood, Khosla, Larive, May, Muñoz, Wilcox, and Yang, and Recording Secretary Li

The meeting convened at 8:50 a.m. with Chair Pérez presiding.

1. PUBLIC COMMENT

Chair Pérez 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. Zola Chihombori Quao, UC Davis medical resident, spoke about labor contract negotiations between UC Davis Medical Center and its medical residents. Dr. Quao stated that UC was not adequately considering residents' requests and was not making an offer that valued their work. Residents were not asking for much, and UC Davis would lose nothing when it values its frontline workers, who make UC Davis Medical Center the number one hospital in Sacramento. She asked that President Drake intervene and help bring this contract negotiation to a close.
- B. Mark Claes, Mills College graduate, spoke in opposition to any action by the Regents that would dismantle Mills College as degree-granting institution. Closing Mills College would be an equity issue, as 65 percent of its students were students of color, 44 percent were first-generation students, and the college was a Hispanic-Serving Institution. Mr. Claes asked the Regents not to foreclose on a historically women's college during a global pandemic and to help preserve a unique incubator of diverse leadership in California.
- C. Sunaina Keonaona Kale, UC Santa Barbara student, addressed item B2 from the March 2021 meeting, *Beyond Economic Impact: Understanding Societal Impacts and Public Value of a UC Degree*. She stated that the University's perpetuation of colonialism, by investing in the Thirty Meter Telescope (TMT) project and

militarizing police on UC campuses, had a negative impact on a UC degree, particularly in the context of recent police killings and the desecration of native lands for pipelines and other projects. The TMT project did not further science, and militarizing police did not protect students. Rather, these were new instances of white supremacy and colonial oppression. Ms. Kale called on the Regents and President Drake to exit the TMT project and to remove police from campuses.

- D. Michael Kennedy, UCSD nurse and member of the California Nurses Association, shared his concern about staff cuts to nursing, which has resulted in more work and missed breaks and a greater chance of medical errors, staff injuries, and delayed diagnostic tests. The State's nurse-to-patient ratio regulation was sometimes violated. UC called nurses "heroes" but took away their support.
- E. Jamille Cabacungan, UCSF nurse, called for making personal protective equipment (PPE) single-use and for adequate staffing. More orthopedic surgeries were being performed at UCSF Medical Center at Mount Zion, but there were not enough staff to care for patients. Nurses were working overtime, experiencing short staffing, and being denied work reduction to pursue higher education.
- F. Jacquelyn Holmes, UCSD staff member and Chair of the Council of UC Staff Assemblies (CUCSA), thanked the Regents for voting to approve a three percent salary increase for policy-covered staff in fiscal year 2021–22. Equitable compensation and reliable, consistent salary increases for all staff were necessary to retain a strong, engaged work force. Inequitable and unreliable compensation does not honor policy-covered staff's commitment to UC students and programs.
- G. Joe Liesner, Berkeley resident, spoke against development at People's Park, citing a growing number of students and faculty who joined activists in opposing the proposed 17-story building. Developers did not wish to build on People's Park, and delays due to legal action would incapacitate the project further. The draft Environmental Impact Report (EIR), which elicited a significant community outcry and which the City of Berkeley opposed, considered only UC's interests. Mr. Liesner called on UC not to destroy People's Park, a commemoration of the Free Speech Movement in Berkeley and an invaluable open public space.
- H. Peter Cooch, Fellow in Pediatric Infectious Diseases at UCSF, shared that Carmen Kilpatrick, a psychiatry resident at UCSF, was denied one month of parental leave for each her twins in accordance with her labor contract. Dr. Cooch stated that parental leave was very important to the well-being of parents and children. Employers in the U.S. gave far less leave than employers in other countries. UCSF should be raising standards, not lowering them, and residents should not have to advocate for this. Dr. Cooch asked President Drake to intervene and help the medical residents at UC Davis, who were still trying to settle their labor contract.
- I. Erica MacKinnon, founding member of the Save Mills College Coalition, asked the Regents to vote against any and all measures that would close Mills College. She

underscored the value of Mills College as an independent, degree-granting entity, as well as its importance to its students, faculty, staff, the Oakland community, and the 17 decades of alumni. At Mills College, 25 percent of students identified as Latina, 44 percent were first-generation students, 65 percent were people of color, and 17 percent were nontraditional or returning students such as herself. Ms. MacKinnon praised the unique education at Mills College.

- J. Alia Reynolds, University Affairs Chair for UC Student Association (UCSA), expressed her skepticism about the need for a tuition increase given the billions of dollars in UC's endowment and UC's fully restored State budget request. The tuition increase was a barrier to access and would be especially harmful to vulnerable, nonresident, and international student populations. Ms. Reynolds suggested that the increase be subject to review and input by students every three years. The University was meant to be a public and free institution. Barriers were being enacted as more marginalized students were entering UC.
- K. Joshua Lewis, UCSA Government Relations Chair, spoke in opposition to the proposed tuition increase, which conflicted with the University's values of equity, access, and affordability. Nonresident, middle-income, and first-generation students would not receive financial support following a tuition increase, and some students would have to choose a more affordable institution. Students lost jobs and family members during the COVID-19 pandemic, and their peers were forced out of UC. The proposed tuition increase would discourage State support and jeopardize student advocacy for UC funding.
- L. Carlos Alarcon, member of the UC Undocumented Student Coalition, spoke about the reduction in funding to undocumented student resource centers that was approved by then President Janet Napolitano. Now that the State was funding UC at pre-pandemic levels, he suggested that the Regents and President Drake mitigate the planned funding reductions. Resources for undocumented students were crucial to their retention, especially during the pandemic.
- M. Varykina Thackray, UCSD faculty member and representative of Green New Deal at UCSD, stated that, in fall 2020, over 3,500 members of the UC community signed a petition for a new UC energy plan that was also endorsed by unions. Signers of the petition met with chancellors, Executive Vice President and Chief Operating Officer Nava, and the Global Climate Leadership Council at the Office of the President (UCOP). She called on President Drake to meet with petition signers on campus electrification before the end of the academic year, and she asked the Regents to make funds available this year for campuses to make electrification plans. UC must make shovel-ready plans now in order to take advantage of future federal and State green infrastructure funds. She asked that the Regents support changing UC's climate goal from carbon neutrality to fossil fuel free due to the morally dubious nature of carbon offsets. The University had a moral obligation to its students, staff, and community to address this issue.

- N. Matthew Villa, UC Berkeley student, spoke in opposition to development at People's Park, a green space that represented the care, support, and love of the Berkeley community. Housing options at UC Berkeley were not affordable—one year of on-campus housing cost the same as three years in cooperative housing. He stated that UC has manufactured the market rate for housing across its campuses and asked the Regents not to approve the update to UC Berkeley's Long Range Development Plan (LRDP).
- O. Ali Lafferty, UC Berkeley graduate, urged the University to stop development at People's Park and 1921 Walnut Street in Berkeley. People's Park bore historical, political, and cultural significance and provided resources such as shelter and mutual aid. Development of student housing was not necessary at 1921 Walnut Street, a rent-controlled apartment building, and would displace long-term Berkeley residents. She called on UC to protect the people and legacies of these sites.
- P. Lewis Vincent, UC Davis employee and member of Teamsters Local 2010, spoke about staff salaries. UC Davis skilled trades staff worked throughout the COVID-19 pandemic despite the risk to themselves and their families. Pay has been frozen for the past year, and raises had been given mostly on a merit basis, which was biased and which did not keep salaries in line with the market. Teamsters Local 2010 called on the Regents to urge UC Davis leadership to commit to its initial labor contract in good faith.
- Q. Maia Bailey, UCSF employee and member of Teamsters Local 2010, called on the University to bargain in good faith with and provide fair pay to Administrative Officer 2 (AO2) staff. Housing costs in the Bay Area were rising due to an exodus from San Francisco during the pandemic. Shipping challenges and worsening drought contributed to higher costs in goods and services. UC's failure to increase salaries when AO2 staff were unrepresented widened the chasm between salaries and the cost of living in the Bay Area. UC must create and maintain a fair wage structure with regular increases and equitable opportunities for progression.
- R. Russ Ewing, UC Davis employee and member of Teamsters Local 2010, shared that UCD skilled trades workers joined Teamsters Local 2010 last year and were negotiating their first contract. They expected UC to engage in productive, timely, and good faith negotiation. UCD skilled trades workers stood in solidarity with UC Davis Health residents and interns, and they called on Chair Pérez and President Drake to intervene and provide them with a fair labor contract.
- S. Thao Nguyen, UC Santa Cruz graduate student, spoke in support of preserving Early Education Services (EES), where her child was enrolled, and against privatizing childcare by contracting with Bright Horizons. Women and people of color were exiting the academic pipeline—they bore a larger burden of caregiving, which affected their research output, progress toward their degrees, and ability to

obtain tenure-track jobs. Without access to affordable, high-quality childcare from EES, there would be a dramatic decrease in students of color at UCSC.

- T. Monica Nelson, UCSD graduate student, asked UC to develop plans to safely, justly, and rapidly transition away from methane as a power source and to electrify campuses. She noted that 3,500 members of the UC community had signed a petition calling for such plans. UC could lead the world in transitioning to a lower-carbon economy. Petition signers had met with Ms. Nava and the Global Leadership Council but not yet with President Drake. She asked the Regents to encourage President Drake to meet petition representatives.
- U. Tony Buffo, UCLA staff member, expressed dismay that his job category was being changed without a pay increase. UCLA had previously given him pay increases with every new position he took. In the last 11 years, Mr. Buffo saw a less than one percent increase in pay per year. He was being given more responsibility for the same pay and would no longer receive overtime pay.
- V. Ariana Merlino, UCSD and Mills College graduate, implored the Regents and UC Berkeley to halt negotiations with Mills College and vote against the transfer of real estate from Mills College. The Mills College Board of Trustees' intention to close the college was revealed on March 17. The Save Mills College Coalition has asked the State Attorney General to investigate the legality of the closure. The Coalition opposed any action that would result in the end of Mills College as an independent, degree-granting institution.
- W. Heba Kamel, Mills College graduate, recalled her memorable experience studying at the institution. She credited her sense of self-worth, decision-making skills, social presence, activism, ethos, and parenting of multi-ethnic students to her education at Mills College. It was devastating to see the demise of a historically women's college that was the first in the U.S. to welcome transgender and nonbinary students through a process that lacked transparency and accountability. She urged the Regents to consider the value of Mills College an independent, degree-granting entity for all of California.
- X. Nadine Dixon, representative of the Save Mills College Coalition, spoke in opposition to any UC action that would close Mills College. Closing Mills College would be an equity issue, as 65 percent of its students were students of color, 44 percent were first-generation students, and the college was a Hispanic-Serving Institution. The decision to close Mills College by its Board of Trustees was a radical and unlawful departure from the institution's charitable purposes. She cautioned the Regents against being remembered for closing a historically women's college at the end of a pandemic.
- Y. Larissa Shapiro, Mills College graduate and parent of a Mills College student, implored the Regents to research and understand the value of Mills College, its 17-decade history, and its 22,000 alumni before making any decisions regarding Mills

College. This small, inclusive liberal arts college that centered experiences of women, transgender, and nonbinary students was where Ms. Shapiro received a unique education that empowered her to build a 25-year career in the male-dominated technology sector.

- Z. Kieran Turan, founding member of the Save Mills College Coalition, asked the Regents to oppose the closure of Mills College and the transfer of its assets. He stated that Mills College was not a solution for the University's housing crisis. This was the time to defend women's education, not dismantle a college with fewer resources. Alumni, students, faculty, and staff did not want this transition, and faculty passed a resolution of no confidence against Mills College President Elizabeth Hillman and the Executive Committee of the Board of Trustees.
- AA. LuLing Osofsky, UCSC graduate student, called on the Regents to save Early Education Services (EES) and on UCSC to cancel its contract with Bright Horizons. She and her husband, also a graduate student, taught undergraduate students, and EES was part of planning for their family. Ms. Osofsky and other female students of color were at risk of not finishing their degrees because they could not afford privatized childcare.

2. **APPROVAL OF MINUTES OF PREVIOUS MEETINGS**

Upon motion duly made and seconded, the minutes of the meetings of March 17 and 18, 2021 were approved, Regents Butler, Cohen, Drake, Elliott, Estolano, Guber, Kounalakis, Lansing, Leib, Mart, Muwwakkil, Ortiz Oakley, Park, Pérez, Reilly, and Sures voting "aye."¹

3. **REMARKS FROM STUDENT ASSOCIATIONS**

President Drake spoke briefly about Chair Pérez's leadership of the Board. He had known Chair Pérez for over a decade but worked very closely with him during the last year. In their many conversations, President Drake appreciated Chair Pérez's availability and responsiveness. Discussions regarding their shared values prompted his return to California to serve as President of the University. Chair Pérez served as Chair during a trying time for UC. His experience as a State leader, strong connections to many California constituents, and deep commitment to a more perfect University have been transformative for UC and particularly valuable with regard to engaging with State government. Chair Pérez was instrumental in UC's decisions about standardized testing and efforts to support undocumented students and members of the UC community, prioritizing community engagement, transparency, and thoughtful discussion. Chair Pérez had worked closely with University staff and fellow Board members to transition Regents meetings to a virtual setting and ensure that they were productive and accessible. President Drake thanked Chair Pérez for his deep commitment to UC and stated that he appreciated being able to continue to work with Chair Pérez.

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

President Drake introduced UC Student Association (UCSA) President Aidan Arasasingham, who was also External Vice President of the UCLA Undergraduate Students Association Council.

Mr. Arasasingham opened his remarks by recognizing Chair Pérez's progressive leadership and commitment to shared governance, and the service of Regents Muwwakkil, Stegura, and Mart. For nearly a century, students believed in the following social contract: working hard meant a chance to study at UC, where the cost of that education was subsidized by the State and non-tuition costs were paid for with part-time work. One could then graduate without debt and with a clear pathway to well-paying jobs. This was the foundation of the California Dream. With a global pandemic and decades of declining public investment, students no longer believed that this was possible for them. Record numbers of California high school students were not admitted to UC, and it was increasingly difficult to cover non-tuition basic needs, which now exceeded tuition costs. Graduates entered the work force with much debt and limited career prospects, and the value of a UC education has decreased because of this. The topic of tuition has ignited student passion since the first University fees were proposed by then Governor Ronald Reagan in 1968. UCSA, historically opposed to and having successfully blocked tuition increases, believed that they eroded a fundamental vision of the University as a public good. As a result, UCSA continued to express concern about the proposed cohort-based tuition model. Tuition increases tied to the Consumer Price Index could outpace wages. The model would not lower the self-help contribution for low- and middle-income students. Marginal financial aid increases would do little to improve the work and loan situation for students. Mr. Arasasingham highlighted the impact this tuition model would have on students whose parents refuse to pay their tuition, undocumented students who do not qualify for in-state tuition under Assembly Bill 540, asylum-seekers, and low- and middle-income international students affected by currency exchange rates. Financial aid expansion for low-income and foster youth students would come from State and federal funding, not tuition. Students had tuition predictability these last ten years of flat tuition, during which debt burdens decreased. Future students would be asked to pay more for tuition without guarantees of access, affordability, basic needs support, and equitable opportunity. Rather, the proposed plan only guaranteed predictability of profit for UC. The Regents had an opportunity to revitalize this social contract between students and the University.

President Drake introduced the UC Graduate and Professional Council (UCGPC) President Gwen Chodur, who was also External Vice President of the UC Davis Graduate Student Association and member of the Systemwide Basic Needs Committee.

Ms. Chodur relayed UCGPC's support of UCSA regarding the proposed cohort-based tuition model and echoed UCSA's concerns. Without long-term guarantees of State funding, such a model would only provide marginal predictability for upper-middle-class students, whose family contribution and loans would cover most or all of the changes. She was deeply skeptical of how this proposal would create more funding for graduate students. She believed that graduate students would be an afterthought, given what little funding was left. This proposal would also be a failure of shared governance, since it would undercut the voices of current students while pushing tuition increases on future students, who did

not yet have a voice. Ms. Chodur applauded student presenters who spoke about mental health during the Public Engagement and Development Committee meeting. She shared her own struggles with anxiety, with the student health system, and with balancing her class schedule with therapy. In her view, the University's policies contributed to the mental health of its students. During the COVID-19 pandemic, UC extended time to degree and waived the 18-quarter teaching limit for graduate students as their research was disrupted, but the remission of Nonresident Supplemental Tuition for international graduate students varied at each campus. UCSD graduate students who met with their administration regarding rent increases were told to learn how to balance their budgets. One would expect UC to consider graduate student salaries in relation to the cost of housing. This devaluing of students was demoralizing. For years, the impact of UC police practices on students affected by the criminal justice system and students of color has been disregarded. UC was perpetuating colonialism with its continued involvement in the Thirty Meter Telescope project and continued to partner with health care systems that discriminate against members of the UC community. Addressing student mental health would require not only investment in services, but also the examination of policies and practices. As her term as UCGPC President drew to a close, Ms. Chodur thanked Regent Muwwakkil, UCSA staff and students, the staff at the Office of the President and the Office of the Secretary and Chief of Staff to The Regents, President Drake, and Chair Pérez and the Regents. She encouraged the University to prioritize equity in its recovery from the pandemic.

4. **UPDATE OF COVID-19 IMPACT ON THE UNIVERSITY OF CALIFORNIA: UC HEALTH ISSUES**

[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.]

Executive Vice President Byington stated that California and the U.S. has had three COVID-19 surges. The winter surge was the most serious; the country plateaued at 40,000 to 60,000 cases per day for nearly three months. Currently, there was a clear decline in cases. In the U.S., 35 percent of the population, 45 percent of those over the age of 18, and 72 percent of those over the age of 65 were fully vaccinated. Forty-six percent of the population, 59 percent of those over the age of 18, and 84 percent of those over the age of 65 had received at least one dose of the vaccine. Dr. Byington presented a map of "hot spots" that indicated an overall decline in the concentration in cases and the country having better control of the virus. California had a seven-day average of three new cases reported per 100,000 people, the lowest case rate in the U.S. With the implementation of vaccinations, UC Health was seeing a steady decline in cases as well; inpatient case numbers were below 100, and UCSF and UCSD were reporting zero cases. UC Health returned to more normal operations in March and April. There were limited financial losses across the medical centers, schools of medicine, and clinics.

This week, the U.S. Food and Drug Administration (FDA) and the U.S. Centers for Disease Control and Prevention (CDC) announced that adolescents aged 12 to 15 were eligible for vaccination, which was 17 million more individuals across the U.S. Vaccination of this group could protect them from serious infection and limit pathways for transmission, and

UC Health family physicians and pediatricians were prepared to begin immunization. Vaccines, especially mRNA vaccines, continued to be effective against COVID-19 variants in laboratory studies, clinical trials, and real-world examples.

UC Health continued to be a leader and contributor during the pandemic. Last week's episode of the news program "60 Minutes" included a segment about "The Premonition: A Pandemic Story," a book by Michael Lewis that featured UCSF Professor Joseph DeRisi. UC announced a policy that was now under review that would require vaccination for the fall term; this requirement would depend on the availability of at least one fully licensed vaccine. Pfizer's application for full licensure of its vaccine was expected to be granted before fall classes begin at UC, given the 100 million Pfizer vaccines administered with no significant safety issues. Dr. Byington highlighted UC Health's commitment to public service as the number of unaccompanied minors at the U.S. border was increasing. UC Health convened its experts in areas such as pediatrics, immigrant health, and emergency medicine to discuss how UC Health could help. The health systems at UCLA, UC San Diego, and UC Irvine and their partner children's hospitals were providing care to hundreds of children in San Diego and Long Beach. UC Health aimed to ensure the safety and health of these children as they continue on their journey, and UC Health facilities began to see the children reuniting with their families. Dr. Byington concluded her presentation by thanking UC nurses and nursing students in light of National Nurses Week.

Regent Lansing expressed gratitude to Dr. Byington and to UC Health administration and staff. UC Health was reaching out to the community in new ways in caring for children at the border. She credited UC Health's steady leadership, thoughtfulness, sense of calm, and values for the state's gradual recovery from the pandemic. She expressed pride in the University's efforts to provide care to children at the border. Chair Pérez thanked Regent Lansing for her service as Chair of the Health Services Committee.

Regent Leib asked about guidance that was being given to campuses regarding graduation ceremonies. He stated that 40 percent of students at UC were first-generation students, noting the significance of graduation to their families. Dr. Byington replied that she discussed graduation with the chancellors and systemwide leadership, and UC Health has provided guidance for graduation ceremonies that has been implemented across the system. UC Health encouraged campuses to hold ceremonies outdoors, limit participants, and ask students and participants to be tested for COVID-19 or vaccinated. Provost Brown added that plans had been implemented and in place months before graduation.

Chair Pérez asked if campuses were free to host graduation ceremonies while following the guidance and to the extent that logistics allowed. Mr. Brown replied in the affirmative.

5. **STRATEGIC PLAN AND FISCAL YEAR 2021–22 BUDGET FOR UC HEALTH DIVISION, OFFICE OF THE PRESIDENT**

[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.]

Executive President Byington stated that the strategic plan for the UC Health Division was initially completed in 2017 and included feedback from UC leadership and other partners. The planning team reconvened each subsequent year to refine the plan, with the 2020 update being the final one. The plan was heavily influenced by the COVID-19 pandemic over the past year, and, in some cases, COVID-related activities were prioritized over other activities. UC Health had a collaborative mission to provide leadership, provide strategic direction, and foster “systemness.” UC Health wished to build a preeminent, data-driven healthcare system that improves the human condition in California and beyond. UC Health had contributed to the development of the Office of the President’s (UCOP) core values, such as adding the UC Health value of innovation. Its input demonstrated collaboration and systemness. UC Health later adopted the final set of values, emphasizing its commitment to public service through its education programs, research, and clinical care. UC Health’s goals were organized according to their relation to the UCOP strategic objectives of People, Financial Stability, Operational Excellence, Policy and Advocacy, and Executing the Mission.

Dr. Byington presented each goal and the progress that had been made on it. The first goal was to advance UC Health’s progress in diversity and inclusion. UC Health supported its professional schools’ efforts to improve diversity, campus climate, and accountability and promote best practices. The report “Disrupting the Status Quo” was presented to the Health Services Committee in October 2020 and the Academic and Student Affairs Committee in January 2021, and UC Health was working to implement the report’s 18 recommendations, such as advocacy for UC Programs in Medical Education (PRIME) funding. UC Health proposed an increase in its budget to hire a full-time project analyst dedicated to diversity, equity, and inclusion initiatives and act as liaison with Academic Affairs. The analyst would work on matters related to pipeline programs, post-baccalaureate programs, PRIME, and graduate medical education. UC Health also planned to develop a mentorship and leadership program for health professional students and early career faculty.

The second goal was to develop a health benefits portfolio strategy in collaboration with Systemwide Human Resources and the Office of the Chief Financial Officer. In 2020, the Health Benefits Advisory Committee, comprised of faculty, staff, retirees, and leadership, submitted a report to the Executive Steering Committee on Health Benefits. Part of that report was a five-year roadmap of opportunities to collaborate with the self-funded health plans and Systemwide Human Resources, to strengthen employer-provider-payer partnerships, and to improve health benefits options and employee health outcomes. In 2021, UC Health was focusing on implementing the goals in that report.

The third goal was to improve systemwide financial analysis. UC Health was trying to develop expertise and a standardized infrastructure to make accurate financial decisions, hiring Todd Hjorth as the new Director of Finance in the last year. The first phase of a data warehouse and financial analytic tools to automate monthly systemwide financial data, as well as a systemwide capital plan and debt strategy, would be available by late June. UC Health also released its first community benefit report, which would be expanded to include UC hospitals and academic faculty practice groups and presented to the Regents in August.

The fourth goal was to leverage scale for value by generating at least \$500 million per year in value through cost reduction and revenue generation. UC Health achieved this goal in FY 2019–20 and was slated to achieve it again this fiscal year, focusing on supply chain, laboratory services, pharmacy services, capital equipment, information technology, revenue cycle, and labor management. In the last year, UC Health saved over \$10 million by using biosimilar medications and saved over \$5 million by securing new systemwide contracts with core vendors. For the first time, UC Health had a systemwide radiology picture archiving and communication system for uniform readings. Next year, UC Health planned to implement a systemwide pharmacy management benefits function.

The fifth goal was to create a population health management function to advance value-based healthcare delivery, improve patient outcomes, and reduce costs. Dashboards of campus and systemwide data metrics were regularly generated. In 2020, UC Health created a systemwide strategic framework, part of which included the development of analytics for UC Care, self-funded health programs, and high-need populations. Significant progress has been made in identifying variation and in diabetes and hypertension initiatives. UC Health also launched a systemwide work group on the social determinants of health.

The sixth goal was to establish and leverage systemwide data to inform research and improve operations, and the Center for Data-Driven Insights and Innovation (CDI2) was crucial to this goal. In 2020, accomplishments of CDI2 included developing and publishing a daily COVID-19 tracker and coordinating with local information technology teams to provide systemwide analyses and data, which drove decisions regarding issues such as personal protective equipment, testing, inpatient census, hospital capacity, and vaccine distribution. UC Health and the UC Biomedical Research Acceleration, Integration and Development consortium created the UC COVID Research Data Set (CORDS), which has been instrumental to the analysis of health care for COVID-19 patients. In the following year, UC Health planned to focus on increasing revenue through data analysis in partnership with third parties, sponsored clinical research, and collaborations with pharmaceutical companies and the U.S. Food and Drug Administration.

The seventh goal was to strengthen operations and sustainability. With the addition of Zoanne Nelson as Associate Vice President of Finance and Administration and Anne Foster, M.D., as Chief Clinical Officer, UC Health's leadership team was now fully staffed. UC Health has been reorganized to reflect the new leadership structure, and the budget has been aligned to reflect the new organizational structure.

The eighth goal was to establish effective working partnerships between the academic health centers and student health centers. Accomplishments in the last fiscal year included maintaining compliance with the UC Policy on Sexual Violence and Sexual Harassment at all student health centers, launching medication abortion services at these centers, and enhancing student and mental health services through the UC Virtual Care Collaborative.

The ninth goal was to strengthen the UC Health policy function. Through a cross-divisional collaboration of UC Health, Senior Vice President Holmes, State Governmental Relations, and Federal Governmental Relations, UC has received about \$900 million in Coronavirus

Aid, Relief, and Economic Security (CARES) Act funding for COVID-19 expenditures as well as advocating for PRIME funding, affiliations, telehealth, affordability, and other initiatives. UC Health had recently undergone a third-party assessment on current resources and how to improve the staffing and capacity of this function.

The tenth goal was to coordinate, develop, and launch systemwide strategic initiatives. Despite the emphasis on the COVID-19 response in the last year, UC Health has also been able to advance other strategic goals. The UC Health Coordinating Committee was launched in response to the pandemic and would become a permanent asset to the management response team. UC Health also provided systemwide public health recommendations and coordinated diagnostic testing, clinical trials, virtual care telehealth, and vaccine rollout. Hereafter, UC Health would focus on preparedness, resilience, and remaking a healthcare system that would meet needs in a post-COVID world.

The 11th goal was to develop a systemwide enrollment plan and strategy. In 2020, accomplishments included finalizing issue briefs for all UC health professions and identifying current state and national supply and workforce issues. UC Health made a PRIME funding request in the Regents' budget in November 2020 and in Governor Newsom's 2021–22 budget proposal. In the upcoming year, UC Health would be focusing on medical school enrollment growth, PRIME funding, the Riverside campus, and a UCSF campus in the San Joaquin Valley.

The 12th goal was to improve access to UC Health services at all sites with UC employees and students. Last fall, UC Health convened a working group on improving access at UC Merced, with participants from UCM, UCSF, UCSF Fresno, UC Davis, and UCOP. After research and planning, the working group decided to focus on expanding community resources through residency programs and recruiting one or more primary care physicians, possibly with PRIME funding. UCSF has expanded its services to UC Santa Cruz and the surrounding community, and UCLA has expanded its services to UC Santa Barbara and the surrounding community. UC Health planned to expand virtual medicine, behavioral health, and primary care at UC Merced and direct additional resources to UC Santa Cruz.

UC Health's total budget request for FY 2021–22 was \$34.9 million, with funds coming primarily from a designated collaborative budget funded by UC Health campuses. State-funded programs such as PRIME, graduate medical education, and medical abortions for student health under Senate Bill 24 were included. Additional State funding requests and proposed federal funding had not been confirmed and were therefore not included in this budget. The FY 2021–22 budget included gradual restoration of frozen positions, growth at the Center for Data-Driven Insights and Innovation and in the Leveraging Scale for Value Program, and resources to implement the diversity, equity, and inclusion task force recommendations.

In the next year, UC Health would engage in a strategic planning process for the next five-year plan. Dr. Byington proposed, beginning in June, that each of the six academic health centers present its strategic plan to the Health Services Committee. These presentations

would provide context to UC Health's systemwide actions, as well as a more strategic view and alignment across the campuses.

Regent Estolano, referring to the 12th goal in the written materials, noted that UC Health had originally considered establishing a clinic in Merced but later decided against it. She asked Dr. Byington to elaborate on this. Dr. Byington replied that the Merced campus and surrounding region was an area of major concern. UC Health wished to avoid the perception of the University coming in and taking over, and there was an opportunity to help existing providers expand their practices with the addition of UC medical students and residents. This would increase capacity at those practices and help existing practitioners identify future employees. UC Health was also seeking resources to hire UC Health physicians and other providers to augment practices in the region. This was the first step in understanding demand in the region and what services could be supported, which could lead to building standalone UC facilities in the future.

Regent Cohen asked when the issue of affiliations would be presented to the Regents. Dr. Byington replied that it was critical that the University enter into affiliations that maintained its values. This Board had decided when to have this discussion, and UC Health would be prepared when such a discussion was to occur.

Regent Cohen asked if there was currently no comprehensive UC policy on affiliations. Dr. Byington responded that the University was functioning under an interim policy and had affiliations with religious facilities in over 77 locations. Some locations had multiple affiliations. Under the interim policy, UC providers were not prohibited from counseling, prescribing treatment to, and referring patients. UC reviewed all of its contracts, ensured that language was consistent and that there were no gag orders, and removed language that was inconsistent with UC values.

Regent Cohen, remarking that the UC administration and Regents might have a different interpretation of UC values, asked how UC could ensure that it was not entering into affiliations that ran counter to this Board's values. Regent Cohen also asked whether the contracts came before the Regents or were delegated. Dr. Byington replied that affiliation contracts were handled at the campus level, sometimes delegated to department chairs or divisions. Under interim policy, contracts involving religious organizations or ethical and religious directives were reviewed by the Office of the General Counsel (OGC) and herself before UC continues or terminates an agreement. Contracts did not go to the Regents for review.

Regent Cohen expressed concern that these contracts were being evaluated without Regental discussions. He cautioned the UC Health system to tread very carefully, as new affiliations might be viewed with some skepticism if sufficient protections were not included. Dr. Byington stated that UC Health worked hard to be accountable and that she very carefully reviewed all the affiliation documents, which came to her weekly, per the interim policy.

Regent Cohen asked if there was a report on the agreements that Dr. Byington had approved. Dr. Byington responded in the negative, adding that one proposed safeguard for value-based affiliations was creating an ombuds function that would receive reports of issues faced by any UC provider, student, or trainee. UC Health could report these to the Health Services Committee. UC Health's record of affiliation agreements that it had entered into or terminated could also be part of Health Services Committee reporting.

Regent Sures asked whether it was the case that, under some affiliations, UC doctors were not allowed to perform certain procedures, which would then be referred to other hospitals. Dr. Byington responded in the affirmative, adding that some elective procedures were not performed in hospitals with ethical and religious directives (ERDs). UC providers were allowed to counsel and inform patients about those procedures, as well as prescribe a procedure and transfer the patient.

Regent Sures asked if Dr. Byington supported such prohibitions in future affiliations. Dr. Byington replied that not every procedure was available in every location where UC providers worked. Transfers were a normal part of delivering health care and occurred regularly. Dr. Byington stated her belief that UC could safely care for patients under those conditions. UC was able to provide care in emergency situations even if that care was not routinely provided in an elective manner at an affiliated facility.

Regent Sures asked if Dr. Byington was supportive of the current policy for future affiliations. Dr. Byington stated that she was supportive of the interim policy and believed that it worked well for patients and UC providers and trainees.

Regent Stegura sought an assurance that the Regents be provided with the text of interim agreements for considering during future discussion. She noted Regent Cohen's reluctance to enter new affiliations before the issue was settled. Dr. Byington stated that UC has not entered into any new agreements during this interim period but has modified or terminated some existing agreements. Regent Stegura stated her wish to see the modified agreements.

Regent Lansing noted that not all UC hospitals performed all types of procedures, and patients were transferred from one UC hospital to another. She was comfortable with entering into an agreement with a hospital that did not perform all procedures as long as the hospital provided emergency care. Under an affiliation agreement, UC doctors were present and could refer patients to where they could receive a full range of options. UC's presence at these facilities better served patients.

Chair Pérez stated that he was told that affiliations were not part of UC Health's strategic plan. Dr. Byington stated that this was correct.

Chair Pérez asked General Counsel Robinson to confirm that, several years ago, the Board was asked to consider several proposed affiliations, which were withdrawn due to unresolved issues. Mr. Robinson confirmed that this was correct. Chair Pérez asked if then President Janet Napolitano had appointed a working group that was chaired by Chancellor Gillman regarding this issue, and the working group put forward two sets of options for

considering the issue. Chancellor Gillman clarified that the working group could not agree on a document indicating that there were two options. With the working group's approval, Chancellor Gillman presented a chair's report with two positions that the working group could not reconcile. Chair Pérez asked if it was the case that the Board had not acted to pick one of those options. Mr. Robinson responded in the affirmative.

Chair Pérez asked how the interim policy was adopted. Mr. Robinson responded that it was adopted under delegated authority and was designed to address concerns about existing contracts, to make these contracts clearer, and explain how one was to operate under such a contract. There were no new contracts; this pertained to existing contracts.

Chair Pérez remarked that the question of affiliation should not depend on whether an institution is religious or secular, but rather on whether an institution operates in a way that is consistent with the values and policies of the University. This was a decision of whether to include certain procedures. Mr. Robinson stated that Chair Pérez's framing of the issue was better for legal purposes.

Chair Pérez asked how UC Health reconciled the diversity and inclusion in its value statement and in UC policy with affiliating with institutions that may deny a procedure based on a demographic characteristic of the patient seeking the procedure. Dr. Byington replied that this was a potential clash of values that occurs routinely in health care; UC Health has tried to put patients first.

Chair Pérez noted that the identity of the patient determined whether a procedure was performed at some institutions. In his view, this appeared to be a conflict with UC values. Dr. Byington stated that the issue was whether an institution performed an elective procedure.

Chair Pérez asked if the interim policy allowed an affiliated facility, which did perform certain procedures, to deny it based on the identity of the patient. Dr. Byington responded that that she was not sure that this was occurring. Chair Pérez stated that it had been alleged. Dr. Byington stated that elective sterilizations did not occur for any patients at some UC-affiliated facilities.

Chair Pérez asked if the denial of a procedure that was otherwise performed at an institution based on patient identity was in conflict with the interim policy. Dr. Byington replied that UC policy pertained to what someone from UC was allowed to do.

Mr. Robinson noted that Chair Pérez's question assumed that a procedure is being denied based on a demographic characteristic instead of a belief or other factor with disparate impact on particular classes of people. Those were legally distinct issues. Chair Pérez clarified that the predicate of his question was that a hospital refuses to perform a procedure that it otherwise provides due to a demographic characteristic. He acknowledged that not every hospital provided every procedure. He would return to this question when the matter of affiliations was presented to the Regents.

Regent Park stated her understanding that the diversity and inclusion goal in UC Health's strategic plan was directed toward health professional schools and growing the pipeline. Chair Pérez agreed to limit conversation to the strategic plan.

Regent Cohen shared why he thought that there was a nexus between affiliations and the strategic plan. Affiliations had been described as a way to spread UC Health's reach and presence in the state, which he perceived as part of the strategic plan for the next five years. Ultimately, Regent Cohen wished to know when this would come before the Regents. Regent Park observed a distinction between UC Health's strategic plan within the context of UCOP and the larger plan for the UC Health system.

Regent Lansing stated that UC hospitals have thrived and served a greater base of patients through affiliations, and she predicted that UC would enter into more of them in the future. She commended Chair Pérez for distinguishing hospitals that did not perform certain procedures from those that refuse procedures to some and not others, which would be helpful when the Board considered this issue in the future. It was Regent Lansing's belief that UC's current affiliations did not discriminate against any particular class of people.

Chancellor Hawgood clarified that UCSF did not withdraw from any affiliations. Rather, UCSF did not proceed with a proposed expansion, and existing contracts have continued. Chair Pérez asked if the agenda item with respect to those four proposed affiliations had been withdrawn. Chancellor Hawgood confirmed that this was correct.

6. **UC SMALL BUSINESS FORWARD PROGRAM UPDATE**

[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 Drake stated that expanding supplier diversity, a longtime University priority, took on a new urgency during the COVID-19 pandemic, which devastated many minority-owned businesses. In September 2020, UC launched Small Business Forward, a program designed to help certified Small Businesses, Microbusinesses, and Disabled Veteran Business Enterprises gain access to UC procurement opportunities through a streamlined quotation process. The program was promoting a more inclusive economic recovery in California and would help UC make progress toward its goal of reaching 25 percent economically and socially responsible (EaSR) spending with small and diverse businesses. President Drake commended the leadership of Associate Vice President and Chief Procurement Officer William Cooper, who was retiring this year.

Executive Vice President and Chief Financial Officer Nathan Brostrom shared that Mr. Cooper became the Chief Procurement Officer in 2013 to leverage the combined purchasing power of the ten campuses. Mr. Cooper launched P200, which yielded over \$200 million of fiscal impact two years ahead of projections, and then Supply Chain 500, which aimed to achieve \$500 million of fiscal impact as UC moved to more innovative supply chain efforts. Mr. Cooper was retiring after a career in procurement spanning over 50 years, mostly in higher education.

Mr. Cooper stated that UC's commitment to sustainable procurement meant addressing environmental, social, and economic concerns. Supplier diversity and investment in small businesses were central to UC sustainability and an imperative to the economic health of the state. In 2018, Procurement Services set a goal to reach 25 percent EaSR spending with small and diverse businesses over five years. In fiscal year 2020, this spending declined by 1.4 percent from the previous year. In light of the impact that the pandemic has had on the small business community, UC launched Small Business Forward to increase its small business spending and offer a streamlined quotation process. According to research from UCSC, from February to April 2020, the number of active businesses nationwide declined by 22 percent. Nationwide, 41 percent of African American-owned businesses closed permanently, and 32 percent of Latino(a)-owned businesses and 26 percent of Asian-owned businesses also closed. Statewide, as of April 2021, the number of active small businesses decreased by 38.4 percent compared to January 2020. In comparison, during the Great Recession, the number of active businesses decreased by five percent.

Mr. Cooper presented a chart of UC EaSR spending for FY 2020. The Office of the President (UCOP) and campuses spent a total of \$9.5 billion in goods and services, of which 7.6 percent was spent on small and diverse-owned businesses. About 65 percent of UC's EaSR spending went to California-based businesses. Declining EaSR performance was observed year over year. Mr. Cooper noted that UCOP had less than one percent EaSR spending because of insurance payments on behalf of the system. Under Small Business Forward, procurements between \$10,000 and \$250,000 must be awarded to a Small Business or Disabled Veteran Business Enterprise where practicable via a streamlined quotation process. This would account for an estimated ten to 15 percent of campus spending, or \$500 million annually. Small Business Forward would save time and resources at UC procurement departments, maintain competition among businesses, help campuses reach EaSR spending goals, increase engagement with small businesses, incentivize businesses to become certified, and help offset other barriers to working with UC. During the policy development process, some staff and faculty expressed concern about the speed of the policy review process and the labor-intensive nature of the mandate. UC Procurement has met with Academic Senate leadership and the Policy Advisory Committee regarding these concerns. Supporting small businesses and local economies was imperative in this moment and to UC's broader mission of public service. Even as the U.S. economy reopens with the distribution of the COVID-19 vaccine, small businesses have struggled to survive, and millions have shut their doors. Small businesses employed nearly half of the U.S. working population. Aside from jobs, they provided economic growth, supply chain resiliency, innovation, as well as healthy, safe, and enriched communities. For these reasons, the University has established Small Business Forward with such urgency. Over the next two years, UC Procurement would be working toward its 25 percent EaSR spending goal, and Small Business Forward would make a significant impact but would not be enough. UC Procurement was growing small business opportunities within strategic sourcing centers of excellence portfolios; investing in supply, development, and training programs; increasing internal stakeholder access to diverse supplier resources; and more.

Regent Estolano asked what constituted a small business. Mr. Cooper replied that both a business' size and revenue were considered for certification.

Regent Estolano asked if certifications for women-owned business enterprises (WBE) or minority-owned business enterprises (MBE) were accepted in the program. Mr. Cooper replied that UC was being as broad as possible. Special Programs Manager Stephanie Lopez stated that the California Constitution restricted the types of certifications UC could accept. A women-owned business enterprise certification would not be allowed, but certifications of small businesses that were women-owned were accepted. Mr. Brostrom added that, during the policy review process, Agriculture and Natural Resources (ANR) commented that getting certified was a burden for small businesses in rural areas. In those cases, UC allowed self-certification.

Regent Estolano, referring to the written materials, asked if MBEs would be accepted if they were certified by another State agency. Ms. Lopez stated that, if the MBE has a small business component, it would qualify. UC's EaSR spending goal was not restricted to the parameters of the Small Business Forward set-aside program.

Regent Estolano asked what the program was modeled on. Mr. Cooper responded that it was modeled on the certification program at the California Department of General Services (DGS), which gave UC a quick reference of certified suppliers. UC also consulted with the Los Angeles County Metropolitan Transportation Authority.

Regent Estolano asked if UC was providing technical assistance or directing businesses to resources to help with the certification. Ms. Lopez stated that UC recommended that these businesses work with local small business administrative branches, and UC was partnering with DGS on marketing and a reciprocity process. Mr. Cooper noted that he had created the Special Programs Manager role so that there was someone dedicated to small business and sustainability.

Regent Estolano asked if the program applied only to UCOP spending. Mr. Cooper replied that it applied systemwide. In response to a comment by Regent Estolano, Mr. Cooper confirmed that it did not apply to UC Health or design and construction contracts.

Regent Estolano asked how UC could meet its 25 percent EaSR spending target, given that UC Health and design and construction spending was comprised of high-dollar, strategically sourced contracts. Mr. Cooper replied that UC entered into systemwide contracts for areas of major spending, and, given that small businesses did not have the capacity for such contracts, UC was seeking Tier 2 contracting opportunities that would require large businesses to subcontract with small businesses in order to achieve UC's ultimate goals.

Regent Estolano asked if other agencies had been successful with Tier 2 contracting. Mr. Cooper responded that he had used this method very effectively at other institutions prior to joining UC. Tier 2 contracting created partnerships between large and small businesses and expanded opportunities. Mr. Brostrom added that UC planned to focus on

opportunities in design and construction contracting. The UC Facilities Manual required that UC engage in outreach to small, qualified businesses. UC Legal was seeking ways to streamline the review process, and Risk Management had initiatives to reduce the insurance requirements that often precluded small contractors. Individual campuses were being innovative. UCSF's Anchor Institution Initiative focused on contractor development.

Regent Stegura recalled from a previous presentation that, after the passage of Proposition 209, the number of University contracts with women-owned businesses decreased. She expressed appreciation for the effort to include them and hoped that UC would be aggressive in marketing to them.

Faculty Representative Gauvain stated that the Academic Senate was very supportive of this program and thanked Mr. Cooper and Ms. Lopez for addressing the Senate's concerns, particularly those regarding the purchase of specialized laboratory instruments. She suggested exploring possible connections between Small Business Forward and UC's innovation and entrepreneurship endeavors. UC could encourage innovators to establish their small companies in local environments, which could be especially helpful to campuses in regions where much development was anticipated in the next decade, such as UC Riverside and UC Merced. She offered to speak to Regent Leib about her suggestions. Mr. Cooper and Regent Leib agreed that this was a very good suggestion. Regent Leib added that the Regents' working group had discussed how UC could target proof of concept funds to underrepresented students.

Regent-designate Lott commended Mr. Cooper and his team for working with key community stakeholders. She expressed hope that other groups would consider how they could implement similar programs in their areas of operation.

Chair Pérez asked why self-certification was limited to ANR if others could be similarly affected. Mr. Cooper replied that ANR had identified this as a particular issue, and UC Procurement was handling each case as it was identified. Ms. Lopez stated that self-certification was not an exception for ANR and was accepted where appropriate and at the discretion of campuses. For instance, UC Santa Barbara generally accepted self-certification. UC was communicating to small businesses to become certified if possible because of benefits from working with other agencies, added resources, and the ease with which they could be incorporated into UC's procurement system.

Chair Pérez asked if there was any way to test for large businesses subcontracting to their own pocket small business. Mr. Cooper stated that contracts were awarded based on responsibility and responsiveness. Determining responsiveness required a deep analysis of the small business and the question of whether it was qualified and certified. In the past, he had encountered businesses that had 51 percent minority ownership in name only. Chair Pérez remarked that UC should be mindful when monitoring businesses.

7. MULTI-YEAR TUITION AND FINANCIAL AID PLAN

[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 Drake stated that the Board was scheduled to vote on this tuition plan at the March 2020 meeting but tabled the item due to the COVID-19 pandemic. This plan aimed to provide more predictability and stability for all UC students and was part of a larger affordability strategy. Changes would be tied to the rate of inflation starting in the 2022–23 academic year. President Drake underscored that the University was not proposing or contemplating a tuition increase for students entering in fall 2021. The plan also aimed to grow UC’s financial aid program, providing more support for the most vulnerable students. Students who take out loans would have less or no debt at graduation. Currently, the tuition and fees of 56 percent of in-state undergraduate students were fully covered, and more than half had no student loans when they graduated. UC was also calling on State and federal lawmakers for their support, asking the U.S. Congress to increase the Pell Grant and working with the State Legislature to reform the Cal Grant. UC was also working to close achievement gaps so that students could graduate in a timely manner. The plan would also help campuses preserve academic excellence and critical support services. UC funding has been unstable for years. Available core funds grew by 11 percent between the 2000–01 and the 2019–20 academic years, but the number of students at UC increased by 67 percent while funding per student decreased by 33 percent. Students bore the burden of compromises on campus. Many other universities used an approach similar to this plan and saw more predictability and affordability. UC did not pursue tuition actions lightly, and this discussion has continued for multiple years.

Executive Vice President and Chief Financial Officer Brostrom noted that the State budget surplus’ effect on UC support was not yet known, but more information would be available when the Board is to take action. Even with the prospect of additional State support in the short term, it was important to develop strategies to improve affordability and ensure that campuses have resources to build a solid and sustainable model for the long term. A multi-year plan would provide predictability, new resources to campuses, and more financial aid. UC could change its financial aid strategy and focus aid on students with more financial challenges so that they rely less on student loans, with the possibility of eliminating borrowing for some students. Adjustments to systemwide tuition and fees for undergraduate students would be introduced on a cohort basis in fall 2022; students would know their tuition rate, which would remain flat for six years. Adjustments would apply only to incoming classes. Tuition and fees for graduate students would be assessed at a uniform rate.

Associate Vice President David Alcocer presented a chart that demonstrated year-to-year changes in tuition and fees over the past 30 years. Tuition and fees at graduation could range from \$400 less to \$5,000 more than at enrollment; such volatility was a great source of anxiety even for students whose tuition was fully covered by financial aid. For instance, not all students realized that their Cal Grant awards increased in tandem with tuition. The predictability of cohort-based tuition was also beneficial to families who paid tuition out

of pocket. This model would benefit campuses, whose resources were at an all-time low. In the last six years, campuses added over 25,000 California resident undergraduate students, but the State has funded only 15,000 students. UC was covering new costs, such as employer contributions to the UC Retirement Plan and capital projects financed with operating funds. In-state tuition has been held relatively flat since 2011. Revenue from tuition and fees would go directly toward investments in faculty, academic advisors, and student services. Under the plan, financial aid for more than half of all California resident undergraduate students would increase faster than tuition and fees. The additional aid would help cover other costs, including basic needs like rent, food, and health care. While tuition for a cohort remains flat, available aid would grow every subsequent year as new cohorts enroll, reducing the need to work or borrow. Currently, the expected contribution from parents was zero dollars for about 54,000 students and rose based on parent income and assets. With the help of Pell Grants, Cal Grants, and UC Grants, all students had a similar self-help amount of about \$10,000, half of which came from work-study and the other half from loans. Students with the greatest financial challenges would have to work extraordinary hours or make significant sacrifices in their standard of living to avoid borrowing. Under the new plan, campuses would leverage new State and federal aid and UC return-to-aid to reduce self-help to \$7,500 for some students, which could be covered with about 15 hours of work-study and no loans. For those who opt for less work and some borrowing, their expected debt at graduation would be half of what it currently was. This strategy would be scaled based on how much federal, State, and UC aid would be available. For instance, a modest increase in the Pell Grant and Cal Grant reform could cover former foster youth. A larger increase to the Pell Grant, like that proposed by the Biden administration, would allow UC to expand this strategy to those with zero expected parent contribution. The University was a strong supporter of the UC Student Association's (UCSA) Double the Pell campaign. UC must also ensure that there were sufficient on- and off-campus work-study opportunities, which could include service learning opportunities such as California Volunteers and AmeriCorps.

Chancellor Christ stated that her strong support for a cohort-based tuition model was based on many years of data and UC Berkeley's efforts to recover from severe budget deficits and to create a viable, sustainable financial model. The campus relied mainly on core funding due to its lack of a healthcare system. Tuition and fees comprised the majority of core funds, and State support comprised less than one-third. Furthermore, UCB was receiving \$100 million less from the State than in 2008. The campus spent two-thirds of its core funds on faculty and staff. While the cost of goods and services have remained stable, expenses related to human resources, such as pension, health care, and merit increases, were escalating. The next large investment was in financial aid, followed by operating costs like debt service, equipment, utilities, and technology licensing. To reduce costs and reduce budgetary pressure, UCB has already eliminated hundreds of administrative positions and was developing sources of reliable revenue, including its current fundraising campaign. Further reduction of staff and faculty levels would threaten UC Berkeley's academic core, excellence, the ability of students to thrive, and its role in the state economy. The campus could not respond to demands to increase student support and faculty, sufficiently maintain buildings and make seismic retrofits, invest in new technologies, enhance remote work solutions, invest in research facilities, libraries, and more. While the budgetary impact of

COVID-19 was expected to subside in the next fiscal year, it would still persist for many years to come. UC Berkeley was unlikely to achieve a balanced budget absent an increase in tuition. The ability to offer courses in the sequence needed, provide graduate student support, and promote staff recruitment and retention have eroded. This plan would provide critical support to programs and services that students need and deserve. In Chancellor Christ's view, the benefits to students and the public would be more than commensurate with the cost.

Chancellor Wilcox stated that, in a typical year, operating costs at UC Riverside rose by about three percent. The campus' core budget was half-funded by tuition, which has remained flat. Therefore, even if State support also rose by three percent, UCR faced a 1.5 percent funding increase with three percent cost increases, which has been the case for nearly a decade. Providing services to students has become more difficult over time. This plan also made financial aid more predictable. Chancellor Wilcox was often invited around the country to speak about student success at UCR, and he would speak of fundamentals, such as tuition support. UC had a three-part program to provide that support, through the Pell Grant, Cal Grant, and UC return-to-aid. In the last decade, UC's return-to-aid has remained flat while the Pell Grant and Cal Grant have increased. With this plan, financial aid officers across the system would be able to anticipate what aid would be available and to communicate that to students and their families earlier. Chancellor Wilcox stated that he was a strong supporter of the proposal.

Regent Ortiz Oakley expressed empathy for campus revenue challenges but expressed discomfort with the rhetoric being used to promote the plan. He did not agree that this was an affordability strategy. The plan was tied to the rate of inflation, and the country was likely to enter into a high inflation period, which meant that the cost of housing and transportation would rise. He was not opposed to the plan but wished to see UC clarify its rhetoric, because costs were not limited to tuition. He suggested separating the discussion about this tuition plan from the discussion about doubling the Pell Grant. During the Obama administration, the Pell Grant and tuition both increased, which led to a lack of affordability. Federal policymakers might be trying to prevent that from happening.

Regent Ortiz Oakley asked how the cohort-based tuition model would apply to students who take a leave of absence and return later to finish their degree. Mr. Brostrom replied that a waiver or exception policy would be needed for students who have to step away and return later. Regent Ortiz Oakley noted that those students tended to be the most vulnerable, and UC should not penalize them. The University should be ready to discuss this issue the next time the plan is presented to the Regents.

Chair Pérez recalled a chart on time to degree that had been presented to the Regents one year ago. Some members of the Board did not want to make this a long-term plan, but the plan had been predicated on basing the default cohort period on the amount of time most students took to graduate. A student with an anomalous break in study could then petition for a waiver. Mr. Alcocer confirmed that this was correct. Institutions with a four-year window also had an appeals process, which could itself be anxiety-inducing, so UC decided that the default would be six years. This window accounted for nearly all UC students, and

those who graduated in six years tended to have entered UC with less academic preparation, which skewed more toward lower-income and underrepresented minority students. The University did not believe this would conflict with the four-year graduation expectation.

Regent Ortiz Oakley asked how UC would transparently communicate to students and their families the benefits of the plan and how UC would use these resources. Mr. Brostrom responded that, with tuition held flat, there were no additional resources from the current tuition rate to help with rising costs of housing and transportation. The plan would provide additional financial aid to those who paid no tuition in order to cover costs. Debt has been relatively level for the last ten years because of the growth in the number of nonresident students who did not qualify for UC Student Aid Program funding. Benefits included predictability for students who paid tuition and students who relied on financial aid, as well as the quality of and reinvestment in UC campuses. At the Finance and Capital Strategies Committee meeting, UC Berkeley reported that it had grown by 6,000 students over projections while faculty and staff were reduced. The effects were becoming apparent based on UC Undergraduate Experience Survey (UCUES) responses. Students could not declare their major of choice, time to degree had risen due to bottlenecks of courses, and more students did not know a professor well enough to ask for a reference letter. UC should demonstrate that the plan is an investment in predictability that also preserves or enhances the quality of education.

Chair Pérez remarked that cost and affordability have often been conflated. Over time, the Regents' discussion has evolved from the percentage of students who paid no fees and the total cost of attendance to students' unmet needs. Anticipated Cal Grant reform, along with this plan, raised a separate question: how to communicate net cost of attendance to students. In his conversations with the California Student Aid Commission, he envisioned a future in which students knew what the cost of attending any given institution would be when they received their financial award. It was incumbent upon campuses to include information about cost, aid, and the net cost of attendance in offer letters. Students would then be informed with regard to affordability, not perception of cost.

Regent Ortiz Oakley asked how UC could articulate this message to the public and to students. Increasing tuition could erode the Pell Grant amount a student receives. The University was asking the federal government and the State to help increase UC revenue through their financial aid policies when UC should be expressing its need for more revenue in general, without using students. From a student's perspective, tuition has been predictable. Chair Pérez stated that non-tuition costs had gone up, and the base from which UC provides financial aid has not kept pace with those costs. Students have taken on more debt, more work, and more unmet basic needs as a result.

Regent Muwakkil stated that there was a time when tuition could be paid with a part-time job. Today, one would have to be a day trader to meet one's tuition obligation. Currently, UC tuition was the highest it has ever been but also lower than it would be in the future. This was a value statement on who should bear the burden of UC; in this case, it was individual students. Regent Muwakkil asked in what ways UC was a public institution. This question should be front of mind when asking who bears the burden. He also asked

about an exit strategy if this plan had an unfavorable outcome. Chair Pérez stated that Regents always had the reserved right to cancel an action. This plan was informed by a review of previous tuition increases' effect on admissions, enrollment, and persistence. It would be problematic if the Regents changed course and decided to implement across-the-board tuition increases after promising that tuition would be held steady.

Regent Muwwakkil asked whether tuition would be lowered if inflation were to decrease. Mr. Alcocer replied that, if inflation were less one year than a prior year, tuition would be increased at a lower rate. Lower tuition would be possible if there was deflation, in which the Consumer Price Index was negative. Such a scenario was quite rare. The Board could always intervene and make a modification.

Regent Muwwakkil asked in what scenario tuition would decrease. Mr. Brostrom responded that a deflationary environment was needed. Chair Pérez added that the Board also has the right to suggest lowering tuition. For example, UC had a 20-year freeze in pension contributions because pensions had been overfunded. The length of that suspension created unmet obligations. The Board reserved the right to make adjustments.

Regent Muwwakkil remarked that California public higher education was some of the best value higher education in the nation. UC must maintain its value for California residents. If the cohort-based tuition model is approved, UC should actively consider a debt-free option and lower the faculty-to-student ratio, which had an effect on UC excellence.

Regent Cohen expressed his wish to see improvements to this presentation, which had similarities to the previous one. He asked if the Cal Grant was being excluded from a chart in the presentation slides, which he found somewhat misleading. Mr. Alcocer responded in the negative, clarifying that the chart included all core funds. The Cal Grant paid tuition and fees for a large portion of UC students and was included in the chart.

Regent Cohen asked if return-to-aid was not currently one-third of all tuition revenue. Mr. Alcocer responded in the affirmative, explaining that UC had a lower percentage of return-to-aid in the past. Since the mid-1990s, return-to-aid has been one-third of tuition revenue. Regent Cohen asked if return-to-aid was currently about 28 percent of tuition revenue. Mr. Alcocer replied that this was correct for the undergraduate level; the percentage was somewhat higher at the graduate level. Regent Cohen asked when UC would reach one-third return-to-aid based on this cohort-based tuition model.

Chair Pérez asked if return-to-aid was less than one-third because in-state and out-of-state tuition was being conflated. Mr. Alcocer replied that, early in its financial aid program, UC did not set aside a full one-third, sometimes due to budget constraints. While UC currently set aside one-third, the average return-to-aid was 28 to 29 percent. UC would have to set aside more than one-third to reach an average of one-third, but it would get closer to one-third over time through enrollment growth and tuition increases.

Regent Cohen shared that he felt agnostic about the cohort-based tuition plan; he called for better documentation and echoed Regent Ortiz Oakley's calls for better messaging. Regent

Cohen stated that he would support plan if there was a way to reach one-third return-to-aid in three to five years. In his view, UC's messaging regarding one-third return-to-aid was misleading to students, their families, and the public.

Regent Cohen stated that UC must better articulate the true value of this plan. Students have had to occasionally fight tuition increases but had relative predictability already. He agreed with Chancellor Wilcox's depiction of the issue. Regent Cohen acknowledged that tuition had to go up at some point, but, if the cohort-based model is adopted, he would not vote on further tuition changes unless it would be a decrease. UC had a moral obligation to commit to a policy, particularly for the sake of high school students and counselors, even if there were future State budget cuts. The harm to the Board and the University's reputation would far exceed any marginal benefit of any significant tuition increase. Regent Cohen asked that more formalized documents be presented at the next meeting that instructed the Regents about what they would potentially be adopting.

Regent Cohen noted that the return-to-aid would be a relatively fixed pot of money if the set-aside amount is not changed. He expressed concern that the help that lower-income students receive might have a negative impact on higher-income students who were still receiving financial aid. He asked if a change to the financial aid policy would be proposed to the Regents in July or if such a change would be made under delegated authority. Mr. Alcocer remarked that it was important to have the Regents' input regardless of whether it is an approval or an endorsement. The number of students who could be offered a debt-free path was contingent on external services, and UC did not want to shift dollars away from middle-income families. UC would be changing its packaging policies such that the increases in the Pell Grant, Cal Grant, and UC tuition accrue towards those most in need. In response to Regent Ortiz Oakley's earlier comments, Mr. Alcocer agreed that the University must be extremely careful about linking this tuition plan with the Double the Pell campaign. Increasing the Pell Grant would help UC expand its debt-free pathway, but this tuition model was proposed before the Double the Pell campaign gained momentum. Still, UC did not want to create the impression that it was considering a tuition increase because of additional federal aid. Regent Cohen stated that his suggestion of increasing the set-aside would help expedite any upcoming tuition proposal.

Chair Pérez stated that he had not supported a broad-based tuition increase, even when UC was experiencing a financial crisis, until a model like this one was presented. He stressed the benefit of discussions that Regent Cohen and others were leading.

Regent Estolano agreed that the messaging was not persuasive. She compared the plan to a marginal tax rate. She emphasized Chancellor Wilcox's explanation of UC Riverside's funding difficulties and UCR's extraordinary accomplishments in eliminating the achievement gap. UC should make clear that much investment was needed—in staff, faculty, and support services—to provide an excellent education to a student body that mirrored the population of the state. Students with the ability to pay more might pay more, but everyone would have the expected faculty and staff ratios, as well access to support services. She had previously been skeptical of the plan, but the proposal to reduce the self-help expectation to \$7,500 was persuasive. Reducing self-help, providing a debt-free

pathway, and making high-quality work-study opportunities available were powerful. Regent Estolano offered her help in clarifying the information and graphics.

Regent Stegura asked if, under this tuition plan, more students would qualify for financial aid or those who already qualify would receive more financial aid. Executive Director of Student Financial Support Shawn Brick responded that students who currently qualify for financial aid would receive more aid. Under the plan, return-to-aid and the Cal Grant would cover the tuition increase for incoming students in need and also offset other costs that all students in need faced. As the financial aid pool grows, UC would be able to include students who previously did not qualify for aid.

Regent Stegura asked about those in the middle class who did not qualify for financial aid but faced increased tuition. Mr. Brick responded that this raised the question of what was considered middle class. The over 100,000 California students who qualified for need-based aid at UC would see their financial aid packages increase under the cohort-based tuition plan. These included students with a family income of about \$100,000 per year. The Middle Class Scholarship program, for students with a family income of up to \$180,000 in income per year, would also provide some relief for a tuition increase. Mr. Brostrom added that students would have certainty regarding their tuition for their whole time at UC.

Chair Pérez explained that he had authored the legislation for the Middle Class Scholarship program in response to multiple years of fee increases at UC following an \$800 million reduction in State funding for UC during the Great Recession. Cal Grant reform would create a seamless relationship between the Middle Class Scholarship and the Cal Grant for both families and financial aid offices. This plan would be consistent by providing continuity of coverage. However, income would be perceived differently if a family had multiple students in college.

Regent Stegura stated that financial aid award letters must make clear the expected family contributions and must also be consistently presented in all the different campus letters. She expressed her wish that messaging to end users is refined. Mr. Brick shared that UC has contracted with a third-party reviewer of financial aid offer letters, and UCSA has helped create student focus groups. From this, the University planned to develop systemwide and campus recommendations. He credited Regent Stegura's leadership with this progress. He concurred that the University must communicate the cohort-based tuition plan very clearly.

Regent Reilly asked about the greatest risks of adopting this model. Mr. Brostrom replied that the greatest risk was a precipitous and lasting decline in State revenues. The University's general funds were 40 percent State funds, 40 percent in-state tuition, and 20 percent other funds, mostly nonresident tuition. If tuition grew by three percent year-over-year but State funding was cut by ten percent or more, UC might have the financial resiliency to manage the situation for a few years but not necessarily beyond that. A similar model was implemented when President Drake was president of Ohio State University, and it worked extremely well.

Regent Reilly asked if UC could jeopardize its State funding by raising tuition, citing previous State support that had been contingent on UC not raising tuition. Chair Pérez stated that, like the Board, the Legislature and the Governor had certain reserved rights and could ask UC to keep tuition flat in any given year.

Regent Anguiano recalled that, in November 2020, the Academic and Student Affairs Committee looked at seven alternative approaches to financial aid. She asked if the options aside from the debt-free pathway were still in consideration. Mr. Brick replied that this plan built on that conversation and provided a blueprint for how to proceed if outside resources were identified. The way in which return-to-aid revenue would be used was left open. As structured, this plan would use return-to-aid in the same ways that UC had before. He recalled that the Committee had expressed interest in a differential self-help and debt-free options. More feedback would be needed from the Committee.

Regent Anguiano asked how these approaches would relate to any changes to financial aid. Provost Brown replied that the tuition plan and the financial aid approaches were not mutually exclusive; multi-layered approaches would be needed. The tuition plan seemed to be a reasonable place to do the greatest amount of good and on which UC could build.

Regent-designate Zaragoza cited examples of students who would not qualify for financial aid under this plan: LGBTQ+ youth who were estranged from their parents; those who were too old to qualify for the Cal Grant, such as transfer and parenting students; and those who had difficulty gathering documentation, such as formerly incarcerated, low-income, unemployed, or disabled students. There would be a significant population of students who would be paying increased tuition who were not affluent. Financial aid also did not necessarily go directly to students. The Blue and Gold Opportunity Plan was not a guarantee that one would not go into debt. Students receiving financial aid were given enough to cover tuition and not much additional aid to last the whole term. Students did not want a tuition increase. In Regent Zaragoza's view, in the past decade, the University has not given students a reason to have faith in it. Students whose basic needs are not met are not able to explore the opportunities that UC has to offer. From the students' point of view, the University has constantly taken from them, but not given more to them. She counted about eight times when supplemental tuition was increased or established since 2016. There have been 16 agenda items on financial aid, none of which were action items. Movements such as Double the Pell were started by students, not UC. The California Community Colleges advocated for Cal Grant reform that also helped UC and California State University students. Regent Zaragoza asked when UC was going to be as passionate about financial aid as it has been about tuition increases and not simply rely on students.

Regent-designate Zaragoza asked when financial aid, which was increasing at a lower rate than tuition, would provide financial stability for a majority of students under this plan. Mr. Brick replied that the cohort-based model would contribute to financial stability for students. The total cost of attendance was rising every year, and a reliable source of funding was needed to offset it. The model alone would not address all issues but was a step in the right direction. He viewed financial aid as a form of preemptive basic needs support in addition to the basic needs infrastructure that UC now had. He had been working with

statewide leadership to ensure that financial aid and basic needs support are coordinated. Campus financial aid directors have spoken to a representative of LGBTQ+ students regarding specific challenges. Regent-designate Zaragoza suggested that the Regents engage in a future discussion about financial stability for students. Student homelessness was another example of ways in which financial aid did not help all students.

Regent-designate Zaragoza, calling attention to the lack of shared governance between UC and its students, asked what recourse students had when tuition was too high. Mr. Brostrom stated that students had recourse through the Regental process and through advocacy. There could be changes to federal healthcare or the pension system such that UC did not need to keep cohort-based tuition. Currently, UC had documented capital and operating needs. Chair Pérez added that there could be a major shift in federal policy with regard to direct support for students. Currently, students could petition the Board or engage in advocacy.

Regent Kounalakis stated that the University was slated to receive an estimated \$685 million from the American Rescue Plan, and Governor Newsom was restoring budget cuts to UC due to the State surplus. This political activity signaled a recognition that the cost of public higher education needed to be brought down. By discussing a tuition increase, UC appeared not to be paying attention. The University has not presented the Board with the pros and cons of this tuition plan, nor had it presented other options for addressing future funding challenges. Regent Kounalakis regarded this presentation as a sales pitch. She underscored Regent Ortiz Oakley's concern that this plan was being presented as an affordability strategy when the plan entailed sustained tuition increases. She asked that the Regents be presented with the proposed tuition plan's impact on students. She wished to know which students would have to pay tuition and how much they would have to pay. This information should be part of a presentation to the Regents before a decision is made.

Regent-designate Lott asked if the potential increase in financial aid would be available to international or undocumented students. Chair Pérez stated that return-to-aid from in-state students was not available to out-of-state or international students. Senate Bill 77, which passed several years ago, allowed a portion of Nonresident Supplemental Tuition to be used to support international and undocumented students. This law had a sunset provision and was set to expire, but UC hoped that the sunset provision would be removed or that the law would be extended. Mr. Brick added that the vast majority of undocumented UC students qualified for in-state aid under Assembly Bill 540.

Regent Mart acknowledged that things had changed significantly since he had attended UC Berkeley and paid more for books than tuition. The cohort-based tuition plan was designed to improve predictability and dependability, help UC fund student aid, and provide stability to the budget. He was inclined to view this as a good program but agreed with Regent Kounalakis' remarks with regard to the timing of a tuition increase with extra money available. Regent Mart noted that there appeared to be more unintended consequences than intended ones, as well as many unknowns. In the event that the tuition plan is implemented, he suggested that UC regularly report outcomes to the Regents.

Staff Advisor Jeffrey expressed support for the plan. In her 40 years at UC, she has seen 30 years of budget cuts that have never been restored, or UC would receive one-time, targeted funding that was not available for regular operations, such as staff salaries, facility maintenance, campus networks, and human resources and research administration support. While the plan would not solve all of the University's problems, it did provide budgeting predictability. Pay increases for represented staff were taken from the budgets for policy-covered staff, resulting in unfilled positions and layoffs. Ms. Jeffrey questioned the sustainability of the current model. She concurred with Regent Estolano in that there were costs to providing a high-quality education and services for California.

Regent Leib asked how much needed to be set aside over the next five years to bring the total amount of return-to-aid to one-third of tuition revenue. Mr. Alcocer replied that this information could be provided at a future meeting. Mr. Brostrom stated that a portion of the State appropriation was used to normalize financial aid, so that no campus would be affected by the profile of its students. Regent Leib remarked that, while he would prefer no tuition, this plan was constructed like a very progressive tax model, and there were people who could afford to pay full tuition. He was concerned about how UC could implement a plan such that financial aid could be increased.

Regent Butler asked whether it was the case that there would be a debt-free pathway and an increase to financial aid if there was increased federal and State funding, more available work-study, and low inflation. Mr. Brostrom responded in the affirmative, adding that AmeriCorps fellowships in areas of interest to students would be of particular value. Provost Brown added that the number of students who could qualify for a debt-free pathway could expand. Regent Butler noted that the large number of conditions argued against the notion of the plan's predictability.

Regent Butler asked how likely these conditions were to occur. Chair Pérez replied that there was a high likelihood of an increase in the Pell Grant though the amount was unknown. He also had a high degree of confidence in an increase in State financial aid. He also had a high degree of confidence in work-study expansion, but UC needed to find the right partnerships. If the University does not act, it would only be a matter of time before non-tuition costs eclipse financial aid, resulting in a sharp increase in the number of students with unmet basic needs.

Regent Butler asked if the predictions of increased revenue matched the timeframe of the tuition plan, and whether they should match. Chair Pérez noted that the current proposal was not substantially different from the proposal one year ago. He did not wish to be overly optimistic about the long-term prospects of the State economy, which had experienced the shock of the pandemic. The State budget was able to rebound because of federal aid, and State revenues rose to \$75 billion above projections, not above 2019 revenues. Chair Pérez was not very confident that such increases would repeat year after year. In the State allocation, UC must discern what was restoration, increases in ongoing funding, and one-time infusions. UC must also differentiate how it used one-time and ongoing funding.

Regent Cohen stated that it was unlikely that UC could avoid substantial decreases in ongoing funding over time; the severity and frequency of any decreases depended on the State's long-term fiscal management and use of its rainy day fund. He expressed hope that the rainy day fund would become a critical tool for preventing reductions to higher education funding. UC should have a plan for one-time increases and assume that some funding reductions would happen. Chair Pérez added that the State's rainy day fund was designed to substantially insulate against a normal, cyclical market downturn. Regent Cohen stated that it was becoming harder to determine what a normal downturn was.

Regent Butler, noting to the number of unknowns, asked if a new plan should be proposed after about seven years. Chair Pérez stated that this plan would take five years to fully implement and included a built-in review at a five-year point. Mr. Brostrom stated that key metrics, such as student debt levels, the number of students on the debt-free pathway, and time to degree, would be presented to the Board every year. Chair Pérez added that the Board would also review the applicant pool to ensure that UC was not losing a disproportionate share of first-generation or low-income students under tuition plan.

General Counsel Robinson clarified that this was a discussion of a proposal and advised those contemplating attending UC not to rely upon this discussion in making their plans. Chair Pérez added that nothing in this discussion anticipated tuition changes in the next academic year.

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

Chair Pérez stated that Chairs of Committees and Special Committees 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

The Committee presented the following from its meeting of May 12, 2021:

A. *Eligibility in the Local Context*

Regent Anguiano reported that the Eligibility in the Local Context (ELC) program, which guaranteed UC admission to the top nine percent of students from participating high schools, helped diversify UC's admissions pool, especially in light of the elimination of the SAT, and provide opportunities to students throughout the state. Schools needed to be accredited and maintain a minimum number of A–G courses in order to qualify. In 2020, the State Auditor suggested that UC resume outreach to non-ELC schools, and UC contacted 1,000 non-ELC schools in February 2021. The Committee would be updated on new ELC schools in a future meeting.

B. *Update on Open Access and Academic Journal Contracts*

Regent Anguiano reported that the Committee heard a presentation on UC's work in expanding access to scholarly publishing. Open access allowed payment at the point of publishing and made scholarship broadly available. UC had been an advocate for open access in the last two years, and about 30 percent of the University's publishing was open access. UC has executed nine open access agreements, including an agreement with Elsevier, the world's largest commercial publisher, following a negotiation impasse. UC aimed to make over 70 percent of its research output available through open access agreements.

Report of the Finance and Capital Strategies Committee

The Committee presented the following from its meeting of May 12, 2021:

A. *Design Following Action Pursuant to the California Environmental Quality Act, Aggie Square Phase 1 Mixed Use Residential and Alice Waters Institute for Edible Education Project and Budget, Scope, and External Financing, Campus Program Space Tenant Improvements, UC Davis Sacramento Campus*

The Committee recommended that:

- (1) The 2020–21 Budget for Capital Improvements and the Capital Improvement Program be amended to include the following project:

Davis: Aggie Square Phase 1 Campus Program Space Tenant Improvements – preliminary plans, working drawings, construction, and equipment – \$15,696,000 to be funded by external financing.
- (2) The scope of the Aggie Square Phase 1 Campus Program Space Tenant Improvements Project shall provide approximately 14,700 gross square feet of space for campus programs.
- (3) The President of the University be authorized to obtain external financing in an amount not to exceed \$15,696,000 plus additional related financing costs for the Aggie Square Phase 1 Campus Program Space Tenant Improvements. The President shall require that:
 - a. Interest only, based on the amount drawn, shall be paid on the outstanding balance during the construction period.
 - b. As long as the debt is outstanding, the general revenues of the Davis campus shall be maintained in amounts sufficient to pay the debt service and to meet the requirements of the authorized financing.
 - c. The general credit of the Regents shall not be pledged.

- (4) Following review and consideration of the environmental consequences of the Aggie Square Phase 1 Mixed Use Residential and Alice Waters Institute for Edible Education Project, as required by the California Environmental Quality Act (CEQA), including any written information addressing this item received by the Office of the Secretary and Chief of Staff no less than 48 hours in advance of the beginning of this Regents meeting, testimony, or written materials presented to the Regents during the scheduled public comment period and the item presentation, the Regents:
 - a. Following review and consideration of the previously certified UC Davis Sacramento Campus 2020 Long Range Development Plan Update (2020 LRDP Update) Supplemental Environmental Impact Report (EIR), of which the Aggie Square Phase 1 Mixed Use Residential and Alice Waters Institute for Edible Education Project is a part, determine that no further environmental analysis pursuant to CEQA is required and adopt CEQA Findings for the Aggie Square Phase 1 Mixed Use Residential and Alice Waters Institute for Edible Education Project.
 - b. Make a condition of approval the implementation of applicable mitigation measures within the responsibility and jurisdiction of UC Davis as identified in the Mitigation Monitoring and Reporting Program adopted in connection with the 2020 LRDP Update EIR.
 - c. Approve the design of the Aggie Square Phase 1 Mixed Use Residential and Alice Waters Institute for Edible Education Project.
- (5) The President or designee be authorized, in consultation with the Office of the General Counsel, to execute all documents necessary in connection with the above.

Regent Park reported that the ground floor of the apartment complex would be a full catering kitchen with associated utilities and infrastructure.

B. *Budget, Scope, External Financing, and Design Following Action Pursuant to the California Environmental Quality Act, Aggie Square Phase 1 Science and Technology East and Lifelong Learning Tenant Improvements, UC Davis Sacramento Campus*

The Committee recommended that:

- (1) The 2020–21 Budget for Capital Improvements and the Capital Improvement Program be amended to include the following project:

Davis: Aggie Square Phase 1 Science and Technology East and Lifelong Learning Tenant Improvements Project – preliminary plans,

working drawings, construction, and equipment – \$307,778,000 to be funded by external financing (\$257,778,000) and campus funds (\$50 million).

- (2) The scope of the Aggie Square Phase 1 Science and Technology East and Lifelong Learning Tenant Improvements Project shall provide a total of approximately 340,500 gross square feet (GSF) to 370,500 GSF in the Lifelong Learning Building and Science and Technology Building East. The Lifelong Learning Building shall consist of classrooms, research, co-working, and administrative space and the Science and Technology Building East shall consist of laboratory space, research, and core facilities.
- (3) The President of the University be authorized to obtain external financing in an amount not to exceed \$257,778,000 plus additional related financing costs. The President shall require that:
 - a. Interest only, based on the amount drawn, shall be paid on the outstanding balance during the construction period.
 - b. As long as the debt is outstanding, the general revenues of the Davis campus shall be maintained in amounts sufficient to pay the debt service and to meet the requirements of the authorized financing.
 - c. The general credit of the Regents shall not be pledged.
- (4) Following review and consideration of the environmental consequences of the proposed Aggie Square Phase 1 Science and Technology Building and Lifelong Learning Tenant Improvements Project, as required by the California Environmental Quality Act (CEQA), including any written information addressing this item received by the Office of the Secretary and Chief of Staff no less than 48 hours in advance of the beginning of this Regents meeting, testimony or written materials presented to the Regents during the scheduled public comment period, and the item presentation, the Regents:
 - a. Following review and consideration of previously certified UC Davis Sacramento Campus 2020 Long Range Development Plan Update (2020 LRDP Update) Supplemental Environmental Impact Report (EIR) of which the Aggie Square Phase 1 Science and Technology East and Lifelong Learning Tenant Improvements Project is a part, determine that no further environmental analysis pursuant to CEQA is required and adopt CEQA Findings for the Aggie Square Phase 1 Tenant Improvements program.
 - b. Make a condition of approval the implementation of applicable mitigation measures within the responsibility and jurisdiction of UC

Davis as identified in the Mitigation Monitoring and Reporting Program adopted in connection with the 2020 LRDP Update Supplemental EIR.

- c. Approve the design of the Aggie Square Phase 1 Science and Technology East and Lifelong Learning Tenant Improvements Project.
- (5) The President be authorized, in consultation with the General Counsel, to execute all documents necessary with the above.

Regent Park noted that tenant improvements would be funded mostly from external financing.

C. ***Design Following Action Pursuant to the California Environmental Quality Act, La Jolla Innovation Center, San Diego Campus***

The Committee recommended that, following review and consideration of the environmental consequences of the La Jolla Innovation Center project as required by the California Environmental Quality Act (CEQA), including any written information addressing this item received by the Office of the Secretary and Chief of Staff to the Regents no less than 48 hours in advance of the beginning of this Regents meeting, testimony or written materials presented to the Regents during the scheduled public comment period, and the item presentation, the Regents:

- (1) Certify the Environmental Impact Report for the La Jolla Innovation Center project.
- (2) Adopt the Mitigation Monitoring and Reporting Program, and make a condition of approval the implementation of mitigation measures within the responsibility and jurisdiction of UC San Diego.
- (3) Adopt the CEQA Findings.
- (4) Approve the project design.
- (5) Direct the President of the University, or designee, in consultation with the Office of the General Counsel, to execute all documents necessary in connection with the above.

Regent Park reported that this project was a public-private partnership located adjacent to the San Diego campus that would bring health sciences dry laboratories and offices into one building, as well as parking and retail space. The project would bring in programs that were currently in leased spaces that did not meet the UC Seismic Safety Policy. UCSD intended to occupy 100 percent of the space.

D. ***Fiscal Year 2021–22 Budget for the University of California Office of the President***

The Committee recommended that the Regents approve the Fiscal Year 2021–22 Budget for the University of California, Office of the President, as provided in Attachment 1, with an amendment designating \$50,000 in matching funds for the Regents' Award for Former Foster Youth.

Regent Park reported that President Drake committed to reviewing whether additional resources were necessary for cybersecurity needs. The near-term needs identified by the Regents Working Group on Innovation Transfer and Entrepreneurship could be funded using the President's Strategic Priorities Fund. The Committee also discussed how information from Regents' private briefings is incorporated into Committee meetings. Regent Park suggested that the current Chair or the next Chair advise Board members and the Office of the President on what future practices should be.

E. ***Consent Agenda:***

(1) ***Budget, Scope, External Financing, and Design Following Action Pursuant to the California Environmental Quality Act, Mann Laboratory, Jungerman Hall, Sprocket Building, Voorhies Hall, Young Hall, and the Social Sciences and Humanities Building Seismic Improvements, Davis Campus***

The Committee recommended that:

- a. The 2020–21 Budget for Capital Improvements and the Capital Improvement Program be amended as follows:

From: Davis: Mann Laboratory Seismic Improvements – preliminary plans – \$130,000 to be funded by campus funds.

From: Davis: Jungerman Hall Seismic Improvements – preliminary plans – \$700,000 to be funded by external financing supported by State General Fund appropriations.

From: Davis: Sprocket Building Seismic Improvements – preliminary plans – \$690,000 to be funded by external financing supported by State General Fund appropriations.

From: Davis: Voorhies Hall Seismic Improvements – preliminary plans – \$1.4 million to be funded by external financing supported by State General Fund appropriations.

From: Davis: Young Hall Seismic Improvements – preliminary plans – \$1.4 million to be funded by external financing supported by State General Fund appropriations.

From: Davis: Social Sciences and Humanities Building Seismic Improvements – preliminary plans – \$1.8 million to be funded by external financing supported by State General Fund appropriations.

To: Mann Laboratory, Jungerman Hall, Sprocket Building, Voorhies Hall, Young Hall, and Social Sciences and Humanities Building Seismic Improvements – preliminary plans, working drawings, and construction – \$111.4 million to be funded by campus funds (\$130,000) and external financing supported by State General Fund appropriations (\$111.27 million).

- b. The scope of the Mann Laboratory (17,182 gross square feet or gsf), Jungerman Hall (32,700 gsf), Sprocket Building (20,000 gsf), Voorhies Hall (55,279 gsf), Young Hall (93,000 gsf), and Social Sciences and Humanities Building (173,079 gsf) Seismic Improvements project shall provide seismic improvements in the six buildings on the Davis campus in accordance with the UC Seismic Safety policy; all six buildings would be improved to a Seismic Performance Rating of IV. The scope would also address critical deferred maintenance in at least five of the buildings (Mann Laboratory, Sprocket Building, Voorhies Hall, Young Hall, and the Social Sciences and Humanities Building) and provide code-triggered upgrade work including access and fire safety upgrades as required in all buildings.
- c. The President of the University be authorized to obtain external financing in an amount not to exceed \$111.27 million plus related interest expense and additional related financing costs to finance the preliminary plans, working drawings, and construction phases of the project. The President shall require that the Davis campus satisfy the following requirements:
 - i. Interest only, based on the amount drawn, shall be paid on the outstanding balance during the period.
 - ii. The primary source of repayment shall be from State General Fund appropriations, pursuant to the Education Code Section 92493 et seq. Should the 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.
- d. Following review and consideration of the environmental consequences of the proposed Mann Laboratory, Jungerman Hall, Sprocket Building, Voorhies Hall, Young Hall, and Social Sciences and Humanities Building Seismic Improvements, as required by the California Environmental Quality Act (CEQA), including any written information addressing this item received by the Office of the Secretary and Chief of Staff no less than 48 hours in advance of the beginning of this Regents meeting, testimony or written materials presented to the Regents during the scheduled public comment period, and the item presentation, the Regents:
 - i. Determine that the Mann Laboratory, Jungerman Hall, Sprocket Building, Voorhies Hall, Young Hall, and the Social Sciences Building Seismic Improvement Project is exempt from CEQA.
 - ii. Approve the design of the Mann Laboratory, Jungerman Hall, Sprocket Building, Voorhies Hall, Young Hall, and the Social Sciences and Humanities Building Seismic Improvement Project.
- e. The President be authorized, in consultation with the General Counsel, to execute all documents necessary in conjunction with the above and to make changes in the terms that do not materially increase the cost of the project or obligations to the Regents.

(2) ***Preliminary Plans Funding, Sacramento Ambulatory Surgery Center, UC Davis Health, Davis Campus***

The Committee recommended that the 2020–21 Budget for Capital Improvements and the Capital Improvement Program be amended to include the following project:

Davis: Sacramento Ambulatory Surgery Center – preliminary plans – \$26.6 million to be funded with hospital reserves.

(3) ***Preliminary Plans Funding, Parnassus Research and Academic Building and West Campus Site Improvements, San Francisco Campus***

The Committee recommended that the 2020–21 Budget for Capital Improvements and the Capital Improvement Program be amended to include the following project:

San Francisco: Parnassus Research and Academic Building and West Campus Site Improvements – preliminary plans – \$32 million funded from campus funds.

(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 2021–22 fiscal year remain at 4.75 percent of a 60-month moving average of the market value of a unit invested in the GEP.

(5) ***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) and apply to distributions from the General Endowment Pool (GEP) to be made after July 1, 2021, 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.

F. ***2021 Long Range Development Plan and Physical Design Framework, Berkeley Campus***

Regent Park reported that this Long Range Development Plan would be presented to the Committee and full Board for approval at a future meeting.

G. ***2021 Long Range Development Plan and Physical Design Framework, Riverside Campus***

Regent Park reported that this Long Range Development Plan would be presented to the Committee and full Board for approval at a future meeting.

H. ***Albany Village Graduate Student Housing, Berkeley Campus***

Regent Park reported that, according to this information item, the proposed public-private partnership project would add 760 single-occupancy beds for graduate students without children, tripling the current supply. The campus would return to the Regents with proposed business terms for action.

I. ***Viterbi Family Vision Research Center, San Diego Campus***

Regent Park reported that, according to this information item, the project was supported by a philanthropic gift from the Viterbi family for programmatic costs. UCSD planned to use external financing for capital development for the project, which would have an estimated 55,000 assignable square feet. Preliminary plans funding for the project would be presented for approval at a future meeting.

Regent Park noted that this was Associate Vice President Peggy Arrivas' last Regents meeting as she was retiring. The Committee thanked her for her contributions.

Upon motion of Regent Park, duly seconded, the recommendations of the Finance and Capital Strategies Committee were approved, Regents Anguiano, Butler, Cohen, Drake, Elliott, Estolano, Guber, Kounalakis, Lansing, Leib, Mart, Muwwakkil, Ortiz Oakley, Park, Pérez, Reilly, Sherman, Stegura, and Sures voting "aye."

Governance Committee

The Committee presented the following from its meeting of May 12, 2021:

A. ***Acceptance of the Report of the Regents Working Group on Innovation Transfer and Entrepreneurship***

The Committee recommended that the Regents accept the Report of the Regents Working Group on Innovation Transfer and Entrepreneurship.

B. ***Adoption of Regents Policy on Innovation Transfer and Entrepreneurship***

The Committee recommended that the Regents adopt the Policy on Innovation Transfer and Entrepreneurship, as shown in Attachment 2.

C. ***Establishment of Regents' Special Committee on Innovation Transfer and Entrepreneurship***

The Committee recommended that the Regents:

- (1) Establish the Special Committee on Innovation Transfer and Entrepreneurship for a two-year period, effective upon approval, and review the need for an extension no later than May 2023; and
- (2) Adopt the Charter of the Special Committee on Innovation Transfer and Entrepreneurship, as shown in Attachment 3.

D. ***Amendment of Bylaw 23.5 – Authority and Duties of Principal Officers***

The Committee recommended that:

- (1) Following service of appropriate notice, the Regents amend Bylaw 23.5(d) – Authority and Duties of Principal Officers, as shown in Attachment 4, provided such Bylaw amendment will not become effective if the Board does not accept the Report of the Working Group on Innovation Transfer and Entrepreneurship; and
- (2) The President of the University or his designee, in consultation with the General Counsel, will take such actions as are appropriate with respect to conflicting University policy/guidelines to effectuate the amendment of Bylaw 23.5(d) as they relate to an Authorized Campus.

Chair Pérez stated that Bylaw 23.5 would be amended to allow the President of the University to delegate authority over equity generated on campuses to the campuses under certain terms and conditions. The President, in consultation with the Special Committee on Innovation Transfer and Entrepreneurship and with the support of UC Investments, UC Legal, and the Knowledge Transfer Office at the Office of the President, would determine if the preapproval or certification process should be required in order for a campus to manage its own equity.

Upon motion of Regent Pérez, duly seconded, the recommendations of the Governance Committee were approved, Regents Anguiano, Butler, Cohen, Drake, Elliott, Estolano, Guber, Kounalakis, Lansing, Leib, Mart, Muwwakkil, Ortiz Oakley, Park, Pérez, Reilly, Sherman, Stegura, and Sures voting “aye.”

Report of the Health Services Committee

The Committee presented the following from its meeting of April 6, 2021:

A. ***Update of the COVID-19 Impact on the University of California: UC Health Issues***

This item was not summarized.

B. ***Speaker Series – Community Partnerships: Healthy Davis Together, Davis Campus and Vaccination Superstation at PETCO Park, San Diego Campus***

Regent Lansing reported that the Committee heard a presentation on the community partnerships between UC Davis and the City of Davis to control COVID-19 and the UCSD mass vaccination site at PETCO Park.

C. ***Existing State of Health Benefit Plans***

Regent Lansing reported that the Committee discussed ways that the University could improve its self-funding health benefit plans.

D. *Strategic Plan and Fiscal Year 2021–22 Budget for UC Health Division, Office of the President*

This item was not summarized.

Report of the Investments Committee

The Committee presented the following from its meeting of May 11, 2021:

A. *Update on University of California Investment Products – Retirement, Endowment, and Working Capital*

Regent Sherman reported that the Committee heard an update on UC investment products. As of March 31, 2021, the University had \$160.1 billion in total assets under management, an increase of \$7.4 billion from the previous quarter, with \$17.9 billion in the General Endowment Pool, \$85.4 billion in the pension, \$24.1 billion in working capital, and \$32.5 billion in the Retirement Savings Program. Asset allocation, investment objectives, and the markets were discussed, and the Committee heard presentations on the Office of the Chief Investment Officer’s diversity, equity, and inclusion efforts as well as the Diversified Returns Report. UC Berkeley Professor Christina Romer provided her outlook on inflation.

B. *Amendment of Regents Policy 6110: University of California Blue and Gold Endowment Investment Policy Statement and Rescission of Regents Policy 6405: University of California Blue and Gold Endowment Asset and Risk Allocation Policy*

The Committee recommended that the Regents:

- (1) Amend Regents Policy 6110 – University of California Blue and Gold Endowment Investment Policy Statement, as shown in Attachment 5.
- (2) Rescind Regents Policy 6405 –University of California Blue and Gold Endowment Asset and Risk Allocation Policy, as shown in Attachment 6.

These amendments are retroactively effective July 1, 2020.

Regent Sherman reported that this action would align the asset allocation and policy statement of the Blue and Gold Pool to the General Endowment Pool but with more liquidity. There would be a benchmark of 80 percent equity and 20 percent fixed income, with a target spending rate of 3.75 percent for the campuses.

Upon motion of Regent Sherman, duly seconded, the recommendation of the Investments Committee was approved, Regents Butler, Cohen, Drake, Elliott, Estolano, Guber, Kounalakis, Lansing, Leib, Mart, Muwwakkil, Ortiz Oakley, Park, Pérez, Reilly, Sherman, Stegura, and Sures voting “aye.”

Report of the Public Engagement and Development Committee

The Committee presented the following from its meeting of May 12, 2021:

A. *Conversation with State Senator Monique Limon*

Regent Leib reported that State Senator Monique Limon, a co-chair of the UC Legislative Roundtable, spoke to the Committee about legislative issues. Ms. Limon was a UC alumna and previously worked at UC Santa Barbara.

B. *Advancing Student Mental Health and Well-being with Equity and Inclusion*

Regent Leib reported that the Committee heard presentations by students who shared the challenges they faced and the importance of increasing counseling and other mental health services on campus. He observed that the lack of mental health services was a prevailing issue raised by students when Regents visit campuses. The Committee heard from a panel of campus leaders regarding efforts at UC Berkeley, UCLA, and UC Santa Cruz. The Committee also heard a presentation from statewide advocates regarding Proposition 63 funding.

C. *Proposal for Annual Regents' Award Recognizing Current and Former Foster Youth Attending the University of California*

Regent Leib reported that Regent Muwakkil presented a proposal for an award for current and former foster youth, a product of the Regents' Working Group on Foster Youth. Regent Muwakkil had received verbal commitments from Regents for donations totaling \$25,000; Regent Leib encouraged all Regents to commit to donating. Also at the meeting, Regent Cohen stated that he would propose an amendment to the Office of the President budget to include matching funds up to \$50,000.

D. *State Governmental Relations Update*

Regent Leib reported that State budget announcements were forthcoming.

E. *Federal Governmental Relations Update*

Regent Leib reported that the Committee learned about proposed changes to federal legislation, including making undocumented students known as Dreamers eligible for the Pell Grant, increasing the maximum Pell Grant award by \$400, and funding increases for the National Institutes of Health and other agencies that support UC research.

Regent Leib recognized the service of Regents Mart and Stegura, whose terms were ending, and he noted that this was his last meeting as Committee Chair. Regent Leib expressed his eagerness to resume community visits after the pandemic.

Report of the Special Committee on Nominations

The Special Committee presented the following from its meeting of April 26, 2021:

Recommendations for Election of Officers and Appointments to Standing Committees for 2021–22

The Special Committee recommended that the following appointments of Board officers and Standing Committee Chairs, Vice Chairs, and members for 2021–22 be approved:

- A. Regent Cecilia V. Estolano be elected Chair of the Board of Regents for the year commencing July 1, 2021.
- B. Regent Rich Leib be elected Vice Chair of the Board of Regents for the year commencing July 1, 2021.
- C. Standing Committee Chairs, Vice Chairs and members, including non-voting advisory members, be appointed commencing July 1, 2021 as shown in Attachment 7. All terms are for one year unless noted. Bylaw 24.6, Standing Committees – Term “No Regent may serve consecutively in the position of Committee Chair or in the position of Committee Vice Chair for more than four terms” be suspended for one year commencing July 1, 2021 for the Investments Committee.

Upon motion of Regent Sherman, duly seconded, the recommendation of the Special Committee on Nominations was approved, Regents Anguiano Butler, Cohen, Drake, Elliott, Estolano, Guber, Kounalakis, Lansing, Leib, Mart, Muwwakkil, Ortiz Oakley, Park, Pérez, Reilly, Sherman, Stegura, and Sures voting “aye.”

9. RESOLUTION IN APPRECIATION – ERIC MART

Upon motion of Regent Butler, the following resolution was adopted, Regents Anguiano, Butler, Cohen, Drake, Elliott, Estolano, Guber, Kounalakis, Lansing, Leib, Muwwakkil, Park, Pérez, Reilly, Sherman, Stegura, and Sures voting “aye” and Regent Mart abstaining.

WHEREAS, on June 30, 2021, Eric Mart will complete his term on the Board of Regents, having conscientiously and meticulously fulfilled all of the duties and responsibilities incumbent upon him as a Regent-designate and then as an Alumni Regent, a period of committed service reflecting his lifelong dedication to the University and its well-being; and;

WHEREAS, he has made enormous contributions as an alumni volunteer for the University and its Berkeley campus, serving on the Board of Directors of the Cal Alumni Association and as its immediate past President, as well as serving as an ex officio member of the UC Berkeley Foundation Board of Trustees, and as Vice President of the Alumni Associations of the University of California; and

WHEREAS, a graduate of the Berkeley campus, he went on to achieve great professional success in the field of outdoor recreation and the promotion of the enjoyment of public lands in the great State of California, including serving on the National Forest Recreation Association, the Southern California Mountain Foundation, the Giant Sequoia National Monument Association, and the Lake Tahoe Federal Advisory Committee; and

WHEREAS, his enthusiasm for the University and its success and his wise counsel has added immeasurably to the work of several Regents' Committees, including the Academic and Student Affairs Committee, the National Laboratories Committee, the Public Engagement and Development Committee, as well as to the Working Group on Board and Committee Structure; and

WHEREAS, in recognition of his devoted service as a member of the Board of Regents of the University of California, and in the hope of his continued contributions to the welfare and success of the University; the Regents do hereby confer upon Eric Mart the title Regent Emeritus;

NOW, THEREFORE, BE IT RESOLVED that the Regents of the University of California express their appreciation and admiration to Eric, who has enriched the University in countless ways from his days as a dedicated alumni volunteer to his current service as a member of the Board of Regents;

AND BE IT FURTHER RESOLVED that the Regents extend to Eric 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.

Regent Butler shared that she had the pleasure of working with Regent Mart on an assignment to examine the structure and organization of the Board. Regent Mart brought his professional experience and expertise, as well as his passion and love for the University, to his service.

Regent Mart thanked Chair Pérez, Regents Butler and Leib, and President Drake for their kind comments. His service on the Board was one of most fulfilling things he had ever done and was one of the great honors of his life. He added that COVID-19 frustrated his opportunity to engage with his fellow Board members in person. It was also an honor to work with fellow Alumni Regent Stegura.

10. RESOLUTION IN APPRECIATION – JAMAAL MUWWAKKIL

Upon motion of Regent Estolano, the following resolution was adopted, Regents Anguiano, Butler, Cohen, Drake, Estolano, Guber, Kounalakis, Lansing, Leib, Mart, Park, Pérez, Reilly, Sherman, Stegura, and Sures voting "aye" and Regent Muwwakkil abstaining.

WHEREAS, Jamaal Muwwakkil, a graduate of the University of California, Los Angeles and the University of California, Santa Barbara and doctoral candidate at the University of

California, Santa Barbara, will complete his term as the forty-sixth 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 for the well-being of students at the University of California; and

WHEREAS, he has contributed immeasurably to the University community, as an undergraduate at UCLA, where he was a peer mentor, and at UC Santa Barbara as the president of the Black Graduate Student Association, and as an advocate for transfer students and underrepresented students on issues of basic needs, outreach and accessibility, and educational equity; and

WHEREAS, he is regarded by his colleagues on the Board as a reflective, conscientious, and articulate Regent, one whose balanced judgments and perceptive insights have made him a valued member of the Public Engagement and Development, Finance and Capital Strategies, and Investments Committees, and the Working Group on Innovation Transfer and Entrepreneurship, 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 complex and challenging issues faced by the Board and the University during his tenure, and in recognition of his abilities and his unwavering efforts on behalf of communities that are not traditionally represented in the halls of power, he was appointed Chair of the Special Committee on Basic Needs and Chair of the Working Group on Foster Youth; and

WHEREAS, he has transformed his passion and deep concern for equity and diversity in education and for making colleges and universities accessible to all who seek an educational pathway to a better life into concrete results, including advancing a strategic vision to address basic needs insecurity, leaving a lasting legacy;

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

AND BE IT FURTHER RESOLVED that the Regents extend to Jamaal their very best wishes for success in the future, secure in the knowledge that he will continue to be an effective advocate for youth and underserved students and will improve higher education 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 Estolano praised Regent Muwwakkil's passionate advocacy of students, perceptive insights into complex issues, vast knowledge of policy, and a keen understanding of his fellow Board members. She commended Regent Muwwakkil outstanding leadership of the

Special Committee on Basic Needs and Regents' Working Group on Foster Youth, particularly his commitment in creating an endowment for foster youth.

Regent Muwwakkil thanked Regent Estolano for her remarks and his fellow Board members. He expressed regret that half of his term time was remote and hoped to maintain these relationships into the future. He had not expected to finish his undergraduate education and never thought he would serve as a Regent. He praised his colleagues as thoughtful, gracious, kind, and well-intentioned, thanking them for embracing him as a peer and not merely a student. He was grateful for the opportunity to chair a Special Committee and lead a Working Group as a student, and he hoped that the same trust would be afforded to future Student Regents.

11. **RESOLUTION IN APPRECIATION – DEBBY STEGURA**

Upon motion of Regent Leib, the following resolution was adopted, Regents Anguiano, Butler, Cohen, Drake, Elliott, Estolano, Guber, Kounalakis, Lansing, Leib, Mart, Muwwakkil, Park, Pérez, Reilly, Sherman, and Sures voting “aye” and Regent Stegura abstaining.

WHEREAS, in June 2021, Debby Stegura will complete her term on the Board of Regents having provided distinguished and thoughtful leadership to the University as a Regent-designate and then as an Alumni Regent, at all times exhibiting a deep and sensitive understanding of the values of the University and an abiding concern for the needs of its students; and

WHEREAS, as a proud Aggie through and through, who received her bachelor's degree from UC Davis, she has contributed tremendously to the Davis campus and wider University of California community, serving on the University Library Leadership Board, as past President of the Cal Aggie Alumni Association, as a UC Davis Foundation trustee, and as President of the Alumni Associations of the University of California; and

WHEREAS, the members of the Board have benefitted greatly from her thoughtful and incisive observations, and she has demonstrated great concern for the well-being of the University's students and future students through dedicated service as Vice Chair of the Public Engagement and Development Committee, and as a member of the Academic and Student Affairs Committee and the Investments Committee, and has gone above and beyond the usual duties of a Regent, serving as an indispensable member of the Special Committee on Basic Needs and Working Groups on Proposition 16 and Board and Committee Restructuring; and

WHEREAS, her commitment to the University community and to equity, inclusion, and accessibility to higher education is evidenced by her philanthropic endeavors, including establishing the Women and Philanthropy initiative at UC Davis, creating with her family two endowments assisting students, and her support of the Dream Scholarship; and

WHEREAS, in recognition of her devoted and indefatigable service as a member of the Board of Regents of the University of California, and in the hope that she will continue as an active and vital participant in the life of the University, the Regents do hereby confer upon Debby Stegura the title, Regent Emerita;

NOW, THEREFORE, BE IT RESOLVED that the Regents of the University of California express their sincerest gratitude and admiration to Debby for her highly visible, articulate, and enthusiastic advocacy of her beloved alma mater;

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

Regent Leib stated that he was honored to partner with Regent Stegura in leading the Public Engagement and Development Committee. He praised her thoughtfulness, transparency, and strong advocacy of causes she believed in. Regent Stegura was also a member of the Rolling Hills Estates City Council. Regent Leib shared a list of Regent Stegura's many other commitments while serving on the Board.

Regent Stegura thanked Regent Leib for his remarks. She likened the University to a social justice program in admitting more deserving students. In her view, this Board has made much progress in making UC such a social justice program. It had been the honor of her life to serve as Regent.

12. **RESOLUTION IN MEMORY – BRUCE D. VARNER**

Upon motion of Chair Pérez, the following resolution was adopted, Regents Anguiano, Butler, Cohen, Drake, Elliott, Estolano, Guber, Kounalakis, Lansing, Leib, Mart, Muwakkil, Park, Pérez, Reilly, Sherman, Stegura, and Sures voting "aye."

WHEREAS, the Regents of the University of California are profoundly saddened by the death of University of California, Santa Barbara alumnus and Regent Emeritus Bruce D. Varner, a true public servant, beloved colleague, and effective and staunch champion of the University; and

WHEREAS, his professional achievements in the field of corporate law were matched only by his devoted public service to the University of California and to his community in the Inland Empire through his dedication to multiple civic, business, and educational organizations, most notably as Chairman of the Board of Directors of the Inland Empire Economic Partnership, and as a member of the University of California, Riverside Foundation Board of Trustees and the California State University, San Bernardino Board of Governors; and

WHEREAS, during his 12 years as a Regent, he contributed his valuable expertise, wisdom and professional judgment to nearly every Committee of the Board, and as Chairman of the Board, his calm and resolute leadership style ensured a seamless transition to a new

University President, preserving the legacy of the University of California as the premier institution of public higher education worldwide; and

WHEREAS, his extraordinary and sustained advocacy on behalf of the University of California, Riverside over more than 25 years helped lead to the establishment of the University of California Riverside School of Medicine, serving the health care needs of underserved populations to the benefit of all residents of the Inland Empire; and

WHEREAS, his philanthropy culminated in a generous gift establishing the Bruce D. and Nancy B. Varner Presidential Endowed Chair in Cancer Research at the University of California, Riverside, as a legacy to his late beloved wife's extraordinary fundraising and organizing efforts to support local cancer patients;

NOW, THEREFORE, BE IT RESOLVED that the Regents of the University of California mourn the passing of Bruce D. Varner, a dedicated public servant, who unselfishly gave his time, leadership, and considerable talent to benefit the people of California;

AND BE IT FURTHER RESOLVED that the Regents extend to his children and to the entire Varner family their heartfelt condolences over the loss they have sustained and direct that suitably inscribed copies of this resolution be sent to them as a symbol of the Regents' profound admiration and regard for Bruce.

Chair Pérez stated that Regent Emeritus Varner had served on the Board from 2006 to 2018 and was Board Chair from 2013 to 2015. He was what the University needed during his time as Chair, and his soft skills were accompanied by his expertise in law, finance, and business. He was dedicated to his community in the Inland Empire through his participation in multiple organizations. He and his wife, Nancy, were pillars in their community.

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

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

Approvals Under Interim Action

A. The Chair of the Board, the Vice Chair of the Board, and the President of the University approved the following recommendation:

Amendments to the 2021–22 Budget Plan and State Budget Request and Approval of Participation of Certain Employees in Systemwide Salary Program

- (1) The amendments to the University of California's 2021–22 budget plan as shown in Attachment 8, Proposed Amendments to the 2021–22 Budget Plan; and

- (2) In congruence with a three percent salary increase for most policy-covered faculty and staff, the participation in the 2021–22 systemwide salary program of Senior Management Group Level One employees, for whom Regents’ approval is required provided that no individual increase exceeds three percent for such employees as listed in Attachment 9; and
- (3) Authority for the President of the University to approve other salary increases in the 2021-22 systemwide salary program that might normally require Regental approval, provided that no individual increase exceeds three percent for such employees.

The base salaries for the Senior Management Group Level One employees listed in Attachment 9 shall constitute the University’s total commitment for base salary until modified by the Regents, as applicable under Regents policy, and shall supersede all previous oral and written commitments. Compensation recommendations and final actions will be released to the public as required in accordance with the standard procedures of the Board of Regents.

- B. The Chair of the Board and the Vice Chair of the Board approved the following recommendation:

Approval of Participation by the President of the University of California in the 2021–22 Systemwide Salary Program

That participation by President Michael V. Drake in the 2021–22 systemwide salary program for a three percent salary increase, as noted in the chart below, be approved. No other changes to President Drake’s compensation were requested.

Current Salary	Proposed Salary Increase	Proposed Annual Base Salary	Funding Source
\$890,000	3.0%	\$916,700	Partially or Fully State Funded

The base salary presented above shall constitute the University’s total commitment for base salary until modified by the Regents, as applicable under Regents policy, and shall supersede all previous oral and written commitments. Compensation recommendations and final actions will be released to the public as required in accordance with the standard procedures of the Board of Regents.

14. REPORT OF MATERIALS MAILED BETWEEN MEETINGS

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

To the Regents of the University of California:

- A. From the Executive Vice President of UC Health, a COVID-19 and Coronavirus Update. March 5, 2021.
- B. From the President of the University, the *Annual Report on Student Health and Counseling Centers and UC Student Health Insurance Plan*. March 9, 2021.
- C. From the President of the University, forwarding an article, “UC secures landmark open access deal with world’s largest scientific publisher,” regarding the University’s recent agreement with Elsevier. March 17, 2021.
- D. From the President of the University, the *2019–20 Annual Report on Student Financial Support*. March 23, 2021.
- E. From the President of the University, the *UC Health Report on Affiliation Impacts, May 2020*. March 23, 2021.
- F. From the Associate Vice President, External Relations and Communications, the Federal Update, 2021, Issue 3. March 30, 2021.
- G. From the Secretary and Chief of Staff to the Regents, the Summary of Communications Received for February, 2021. March 31, 2021.
- H. From the President of the University, a communication to the UC Community regarding a data security incident affecting the UC Community. April 2, 2012.
- I. From the Executive Vice President of UC Health, a COVID-19 and Coronavirus Update. April 5, 2021.
- J. From the Chair of the Board, a summary of communications sent to the UC community regarding the Accellion cyber/data breach. April 19, 2021.
- K. From the Secretary and Chief of Staff to the Regents, the University announcement of a review period for a proposed vaccine policy requiring students, faculty, academic appointees and staff who access campus facilities at any UC location to be immunized against SARS-CoV-2 (the virus that causes COVID-19) beginning this fall. April 22, 2021.
- L. From the Associate Vice President, External Relations and Communications, the Federal Update, 2021, Issue 4. April 30, 2021.

To the members of the Health Services Committee:

- M. From the President of the University, the *UC Medical Centers Report for the Six Months Ended December 31, 2020*. April 5, 2021.

To the members of the Investments Committee:

- N. From the Chief Investment Officer, the 2020 Diversified Return Report: UC Investments' Annual Diversity, Equity and Inclusion Report. April 30, 2021.

To the members of the Public Engagement and Development Committee:

- O. From the Associate Vice President, External Relations and Communications, a summary of the American Rescue Plan Act of 2021, outlining the impact to the University as well as identifying the funding opportunities that may be available as UC continues to respond to the COVID-19 pandemic. March 12, 2021.

President Drake noted the passing of Marye Anne Fox, former Chancellor of UC San Diego. She was a great leader, representative of the University, and representative of women in science. She earned the National Medal of Science during the Obama administration. He praised her contributions to UC and to the country.

The meeting adjourned at 3:25 p.m.

Attest:

Secretary and Chief of Staff

UNIVERSITY
OF
CALIFORNIA

Fiscal Year 2021-22 Budget for UC Office of the President

May 12-13, 2021



TO THE REGENTS OF THE UNIVERSITY OF CALIFORNIA:

FISCAL YEAR 2021-22 BUDGET FOR THE UNIVERSITY OF CALIFORNIA OFFICE OF THE PRESIDENT (UCOP)

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FY21-22: A YEAR OF RENEWED OPTIMISM

The UC Office of the President's (UCOP) FY21-22 budget benefits from signs of COVID-19 recovery in the coming year.

This FY21-22 budget proposal reflects renewed optimism as the State of California signaled in their January budget proposal, that they will restore direct appropriation funding cuts from FY20-21 to FY19-20's pre-COVID-19 levels. The \$43.2M restoration will impact three direct appropriations - for UCOP, for the UC Agriculture and Natural Resources Division (ANR), and for UCPath. This funding restoration makes the proposed FY21-22 budget comparable to the FY19-20 budget, and hence FY19-20 budget has been included in the financial schedules for comparison purposes.

UCOP's proposed cost structure is predicated on this revenue restoration and follows Presidential guidance to rationalize existing costs to make way for new priorities, to allow both revenue and expenditure growth where aligned with the UC mission, and to build in some flexibility to address yet unknown issues with Strategic Priorities Funds.

For UCOP, this valuable state unrestricted funding will support investments in technology, finance and information systems, allow UCOP to conform with systemwide compensation programs, and provide the UC President some flexibility to address urgent and emergent issues or to shape new strategies and priorities. UCOP has carefully evaluated all unrestricted funding and priorities which total \$271.4M, which is a \$32.8M increase (13.7%) from FY20-21, and yet remains \$14.6M (5%) below the FY19-20 budget.

UCOP reviewed key services provided to the campuses and other activities funded by designated funds focusing on controlling costs that would impact the campuses. With campus consultation, UCOP is proposing investments in UC Legal, UC Investments and UC Health where resource needs have been constrained for several years. The FY21-22 \$441.3M designated budget is \$26.1M (6%) more than FY20-21, and reflects a moderate inflationary increase of \$13.6M (3%) from FY19-20.

Budget increases in restricted funds were welcomed and not constrained. The growth in this category versus FY20-21 is driven by the anticipation of \$34.0M in increased research grant awards for the State supported Tobacco-related Disease Research Project (TRDRP). Through UCOP, this program grants research awards to UC campuses and other California researchers. Critical enhancements to the UC Pension Administration System (known as "Redwood") also drive increased demands on restricted funds. The FY21-22 \$247.8M restricted budget increases \$39.6M (19%) from FY20-21 and increases \$19.8M (9%) from FY19-20.

This budget item provides an overview of UCOP's function and how it aligns to the UC mission. It will present alternative approaches used to evaluate the budget, and demonstrate where financial resources have been directed to achieve objectives. This year's item includes additional emphasis to show sources and uses of funds by fund type. As per past budget items, details for UCOP's reserves and fund balances are included. Presidential Initiatives are defined with budgets in the appendix. The appendix includes all financial schedules as in prior years, however for this year, FY19-20 is also included for comparison purposes.

ACHIEVING THE MISSION

The University of California is a powerful engine for the State of California, driving \$82 billion in economic output per year, generating \$21 of economic output for each \$1 invested¹ by the state. UC supports the economy as the state's third-largest employer, directly employing about 229,000 full- and part-time faculty and staff and, through external programs, supporting more than half a million jobs in total.

The UC's commitment to excellence in education is deeply rooted in fostering equity, access, and opportunity, serving more than 285,000 students across 10 campuses, including seven prestigious Association of American Universities (AAU) campuses, and five campuses designated as Hispanic Serving Institutions (HSIs). Roughly 40% of undergraduates are the first in their family to attend college, and 37% are from low-income families. While student debt is a national issue, almost 60% of California in-state students have all their tuition and fees covered by financial aid.

The UC drives research and innovation and delivers medical breakthroughs that have local, national, and global impacts. UC averages five inventions every day, and last year alone received over 500 patents, bringing the university's total to over 5,000 active U.S. patents and nearly 6,000 foreign patents. UC Health, recognized for excellence in patient care, teaching and research, recently served the nation and the state supporting COVID-19 testing, clinical trials, and vaccinations across the state. Importantly, UC Health serves Medicare, Medi-Cal and uninsured patients, with a commitment to California's most vulnerable populations.

As the land grant university for California since its founding in 1868, UC's Agriculture and Natural Resources Division (ANR) has a presence in every California county to provide research and education in agriculture, natural resources, and nutrition. ANR also supports community-based programs such as 4-H and nutrition education programs such as the California Expanded Food Nutrition Program in 24 counties and the CalFresh Healthy Living Program in 31 counties.

Note 1: Beacon Economics. *"The University of California Economic, Fiscal and Social Impact Analysis"*, 2021.
<https://beaconecon.com/practice-areas/economic-fiscal-and-social-impact-analysis/>

THE FUNCTION OF THE UC OFFICE OF THE PRESIDENT

The University of California Office of the President (UCOP) supports the UC system by providing the leadership to execute the mission cohesively, by incubating, funding, coordinating, and managing systemwide programs and initiatives, and by supporting operations and realizing efficiencies through Systemwide and Core Services.

UCOP's FY21-22 budget of \$960.6M is approximately 2.3% of total UC expenditures of ~\$41.6 billion in FY20-21. The budget primarily supports two major areas, Programs and Initiatives and Systemwide and Core Services which are described below.

Programs and Initiatives – UCOP manages almost 30 State & Federal programs and systemwide programs that support the teaching, research, and public service mission of the University. These programs provide thousands of students learning and research opportunities, fund researchers across the state through competitive grant programs, and promote access and diversity through its outreach programs. While UCOP directs these programs, the funding largely passes through to the campuses and

other California-based researchers where they employ scientists, fund research studies, and utilize funding in alignment with the UC mission.

State and Federal Programs: UCOP oversees these programs on behalf of the state or the federal government, and some are required by state legislation. These programs are primarily funded by restricted (~60%) and designated funds (~40%).

Key examples of State & Federal Programs include:

Research Programs

- ✓ ANR
- ✓ Tobacco-Related Diseases (TRDRP)
- ✓ Breast Cancer
- ✓ UC National Laboratories

Outreach & Public Service Programs

- ✓ ANR
- ✓ California Subject Matter Project (CSMP)
- ✓ GearUp
- ✓ Graduate Medical Education

Systemwide Programs: UCOP oversees programs that benefit the state or one or more campuses, and are funded on an-ongoing basis. These programs include unrestricted, discretionary (~40%) and designated funds (~60%) with a negligible amount of restricted funds.

Key examples of Systemwide Programs include:

Teaching Programs

- ✓ Innovative Technology Learning Initiative (ILTI)
- ✓ UC Sacramento
- ✓ UC Washington Center

Research Programs

- ✓ California HIV/AIDS Research
- ✓ Multi-campus Research Programs
- ✓ National Lab Research Programs
- ✓ UC Astronomy
- ✓ UC Press

Outreach & Public Service Programs

- ✓ HBCU fellowship and summer intern programs
- ✓ Natural Reserve System
- ✓ San Joaquin Valley PRIME Program
- ✓ Student Academic Preparation and Educational Partnerships (SAPEP)

Systemwide and Core Services – UCOP performs Systemwide and Core functions on behalf of the University to maximize efficiencies, eliminate redundancies, and reduce risk. Systemwide and Core Services are funded through a combination of fee-for-service, designated, and unrestricted funds.

Examples of these services are:

- | | | |
|--|--------------------------------|--|
| ✓ Undergraduate/Transfer Admissions | ✓ UCPath | ✓ UC Investments (retirement, endowment funds, etc.) |
| ✓ Student Aid | ✓ Employee benefit programs | ✓ Capital financing and bonding |
| ✓ Academic Personnel and Programs | ✓ Retirement Center | ✓ Corporate accounting |
| ✓ Institutional Research and Academic Planning | ✓ Labor relations | ✓ Energy purchases |
| ✓ Knowledge Transfer and Intellectual Property | ✓ Systemwide Title IX | ✓ Risk services/insurance |
| | ✓ UC Legal | ✓ Information technology |
| | ✓ Ethics, Compliance and Audit | ✓ Government Relations |

FY21-22 BUDGET CLIMATE

Funding Outlook

The economy and the UC system are still recovering from the COVID-19 pandemic and uncertainties regarding funding and on-going impacts to teaching and research remain, therefore UCOP remains conservative in prioritizing and budgeting revenues and expenditures in FY21-22.

Despite the remaining uncertainty, there are many reasons for optimism with UC receiving a record number of admissions applications and the likelihood that students will return to campuses this fall. The State of California's preliminary January budget for the FY21-22 further signaled optimism and support for overall economic recovery and included funding restoration and increases for education. The FY21-22 revised Governor's state budget is expected in mid-May, which occurs subsequent to the development of the UCOP budget proposal.

UCOP and the campuses favor a campus assessment funding stream model; in the event this model is approved for reinstatement for FY21-22, UCOP has committed that the proposed unrestricted fund expenditure plan for FY21-22 would remain the same to ensure campuses are not impacted, and because this budget appropriately addresses FY21-22 priorities.

Given the state's preliminary budget proposal, the UCOP FY21-22 budget assumes a full restoration of the \$43.2M (12.7%) COVID-19-related state funding cuts made in FY20-21, bringing UCOP state direct appropriations back to FY19-20 levels in three separate direct appropriations: UCOP (\$215.2M), Agriculture & Natural Resources (\$72.6M), and UCPath (\$52.4M) for a total of \$340.2M.

While the proposed state funds restoration helps to shore up funding for key activities, unrestricted funding, which makes up over one-quarter of UCOP's budget, remains a significant challenge. Including the proposed restoration, state unrestricted funding has remained flat for five years (since FY17-18). During these five years, one-time unrestricted fund balances have been depleted, funding for the President's Strategic Priorities Fund was cut by a third, cost reductions were made that impacted the campuses, and staffing and other costs were significantly constrained to accommodate contracted increases and limited strategic investments.

Comparison of FY21-22 Budget to FY19-20 Budget due to FY20-21 Pandemic Impacts

Given that the FY20-21 budget contained a significant one-time state funding reduction and other temporary cost reduction measures, FY20-21 budget figures may be less comparable to FY21-22 than FY19-20 which provides a more relevant baseline comparison. For this reason, comparisons to both FY19-20 and FY20-21 are included.

FY21-22 UCOP BUDGET - EXECUTIVE SUMMARY

In developing this budget, UCOP first reviewed alternative revenue scenarios before consideration of expenditure or cost structure. Additionally, the President set the organizational direction to: 1) balance the budget by fund source type, 2) issue 3% savings targets to all divisions to rationalize unrestricted budgets, 3) work with division leaders and campuses to fund key priorities and to enhance valued UCOP services, including fee-for-service and other areas supported on designated funds, 4) evaluate areas that may no longer be priorities or that may need to be de-emphasized in trade-offs, 5) maximize output (both revenues and expenses) for restricted budgets including research grant programs which pay for researchers and programs on campuses, and finally, 6) restore some flexibility by increasing the Strategic

Priorities Fund.

UCOP's total proposed budget for FY21-22 is \$960.6M, which is an \$18.9M (2%) increase over FY19-20 and a \$98.5M increase over FY20-21 (11.4%). Compared to FY19-20, FY21-22 expenditures using unrestricted fund sources remain lower by \$14.6M (5.1%) as campuses increased their share of costs for services conducted or contracted by UCOP (including CENIC, CDL, and UCAApply), but directly benefitting the campuses. It is critical to understand the context and drivers behind the year-over-year changes and the major components of the budget.

Budget Changes – Three-Year Trend

When **compared to the FY19-20 budget**, the FY21-22 budget growth of \$18.9M is due to:

- Investment in UC Legal, UC Investments and UC Health services (\$15.4M, 2%)
- Increase in costs and investments for Finance and UC Operations systems (\$11.7M, 1.3%)
- Growth in restricted research funds received, largely for Tobacco Related Disease Research Program (TRDRP) (\$10.8M, 1.1%)
- Addition of designated and restricted Strategic Priorities Fund (\$8.8M, 0.9%)
- Additional UC Labs and UCPath designated funding and activities (\$6.7M, 0.7%);
- Offset by reductions of \$34.5M or -3.7%, including reductions on unrestricted funding such as loan restructurings for UC Observatories, California Digital Library content costs managed by CDL at UCSD, and CENIC direct costs for high-speed campus connectivity

When **compared to the FY20-21 budget**, which was heavily impacted by COVID-19 related cuts, the \$98.5M FY21-22 budget change is due to three main factors:

- Restoration of both designated and unrestricted direct state appropriations, (\$43.2M, or 44% of the \$98.5M budget increase) supporting costs across UCOP, UCPath and ANR
- Net growth in Programs and Initiatives led by restricted research grant funds in the state-legislated TRDRP (\$31.4M, or 32% of the \$98.6M increase)
- Increased activities on designated funds in Systemwide and Core Services including UC Health Collaborative, UC Legal, and UC Investments (\$18.6M, or 19% of the \$98.6M budget increase)

Budget Funding – Fund Types, Fluctuations, and Flexibility

Approximately 72% of UCOP's funding is either restricted or designated. Given that restricted and designated funding can only be used for their specific, defined purposes aligned to the research, teaching, and public service mission or to provide critical services, 72% of UCOP's funding is either externally restricted or committed to designated purposes and therefore not currently available for discretionary spending.

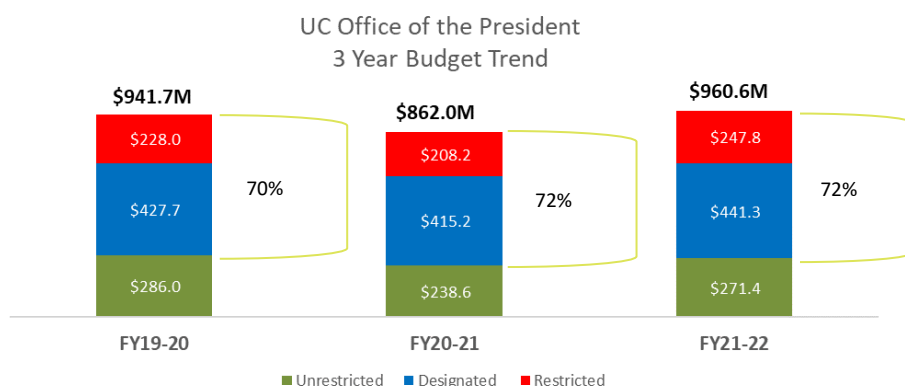
Restricted funds can fluctuate significantly from year to year depending on grant funding available from outside sources, including the state. For example, funding for Tobacco Related Disease Research Programs has gone up and down by millions of dollars from year to year resulting from changes in tobacco tax collections and timing of grant awards.

Designated funds are most affected by changes in designated state appropriations for UC Path and ANR and by changes in campus-sponsored fee-for-service (e.g. UC Legal, UC Health) or self-supporting activities (e.g. UC Investments). Increases in these areas benefit or are in service of the campuses and fee-for-service increases are closely reviewed by the UCOP Executive Budget Committee which includes either senior administrative or academic leaders from each campus.

Only unrestricted funds, which make up 28% of UCOP’s budget, come without a pre-defined purpose. However, UCOP’s unrestricted funds have been flat for five years and remain fully committed to supporting systemwide Program and Initiatives and critical Systemwide and Core Services.

The unrestricted Strategic Priorities Fund (SPF) is the only funding available to support new Presidential initiatives and urgent and emergent issues, such as systemwide safety reforms, COVID-related expenses, a new patent tracking system, and other technology upgrades. This is the sole fund source over which the President has flexible discretion and is budgeted at \$30M (3.1% of the total budget). However, due to prior year commitments and pre-existing ongoing Presidential Initiatives, only \$10M (1% of the total UCOP budget) of the SPF is available for spending at the President’s discretion for FY21-22.

Figure 1: UCOP Budget by Fund Type (FY19-20 to FY21-22)



- 72% of UCOP’s budget is either restricted or designated and can only be used for defined purposes
- Restricted funds, in red, fluctuate with availability of grant funds
- Designated funds, in blue, are impacted by designated state appropriations and fee-for-service or self-funded services
- Unrestricted funds, in green, are largely from state appropriations and have been flat over five years (with the exception of the COVID-19 related state reduction in FY20-21)

FY21-22 Budget Considerations – Opportunities and Risks

With the anticipated restoration of state direct appropriations, a detailed review of new and shifting priorities, the continuation of the hiring freeze, and targeted cuts in other areas on unrestricted funds, UCOP expects to be able to mitigate impacts to the campuses, fund critical priorities, address contracted increases, align with systemwide salary programs, and restore FY20-21 cuts to the Strategic Priorities Fund.

The UCOP Executive Budget Committee (EBC) played an active role throughout the budget process to provide input regarding campus priorities, evaluate increases in fee-for-service activities, and provide its annual budget recommendation letter to the President.

The primary risks inherent in the FY21-22 budget proposal are:

- The assumption of full restoration of state appropriation funds to FY19-20 levels prior to the approval of the state budget.
- Continued flat unrestricted funding levels which have required UCOP to reallocate and cut costs on unrestricted funds to absorb required increases may no longer be sustainable after many years of cutting, and the organization risks impacts to staffing and service levels provided to the campuses and critical core functions.
- A lack of sufficient one-time funds to fill budget gaps and UCOP’s lack of opportunities to generate new unrestricted income continues to create organization risk.
- Unknown on-going or new COVID-19 pandemic-related costs.
- Even with the reinstatement of the SPF to \$30M, the amount of discretionary funding available to the President remains limited at \$10M, and this may be particularly challenging in a new administration.

FY21-22 BUDGET DETAIL

The following section provides FY21-22 budget details for sources, uses of funds, and year-over-year changes. In addition, this section shares more information about Special Expense Classification activities, specifically Pass-Through expenditures and Fee-for-Service shared services. Lastly, this section provides an overview of UCOP fund balances and reserves.

FY20-21 to FY21-22 Budget Summary

Figure 2 summarizes and compares the proposed FY21-22 budget with the current budget and the FY19-20 budget and includes fund balances and reserves.

Figure 2: FY20-21 to FY21-22 Budget Summary¹

UCOP Budget Summary (Adapted from CSA Figure 11¹)
Overall UCOP

\$ in millions

	FY19-20 Budget	FY20-21 Budget	FY21-22 Budget	Variance: Increase/(Decrease)	
				FY21-22 Budget vs FY19-20 Budget	FY21-22 Budget vs FY20-21 Budget
UCOP USES					
Programs and Initiatives	\$ 408.2	\$ 357.1	\$ 392.1	(\$16.1)	\$ 35.0
Systemwide and Core Services	409.8	380.7	432.5	22.7	51.8
Strategic Priorities Fund ¹ Unrestricted	30.0	20.0	30.0	-	10.0
Strategic Priorities Fund ¹ Desig. & Restricted	-	13.5	8.8	8.8	(4.7)
SUBTOTAL USES	\$ 848.0	\$ 771.3	\$ 863.4	\$ 15.4	\$ 92.1
UCPath	93.7	90.8	97.2	3.5	6.4
TOTAL USES	\$ 941.7	\$ 862.0	\$ 960.6	\$ 18.9	\$ 98.5
			% Change:	2.0%	11.4%
			% Change Unrestricted:	-5.1%	13.7%
INCLUDED IN USES ABOVE					
Fee-For-Service	\$ 276.9	\$ 281.0	\$ 310.9	34.0	29.9
Pass-Throughs	364.5	310.9	341.2	(23.3)	30.3
Total Fee-For-Service and Pass-Throughs	\$ 641.4	\$ 591.9	\$ 652.1	\$ 10.7	\$ 60.3
CENTRAL OPERATING RESERVE²		\$ 15.0			
NON-OPERATING AND PROGRAM RESERVES³		\$ 114.1			
			6/30/21 Balance	Commitments	Remaining Balance
FORECASTED FUND BALANCES NET OF RESERVES³					
Unrestricted	\$	18.6	\$	14.8	\$ 3.8
Designated		68.0		29.3	38.7
Restricted		3.9		-	3.9
Total Forecasted Fund Balances Net of Reserves	\$	90.5	\$	44.1	\$ 46.4

¹ Figure 11 in CSA Report 2016-130 issued April 25, 2017.

² Held in President's Endowment Fund

³ Reserves and Fund Balances provided are projections at June 30, 2021

The FY21-22 UCOP Budget Categories

UCOP organizes its budget according to three different categories defined below.

Sources of Funds	Uses of Funds	Special Expense Classifications
<ul style="list-style-type: none"> Unrestricted Designated Restricted 	<ul style="list-style-type: none"> Programs and Initiatives Systemwide and Core Services UCPath Strategic Priorities Funds <ul style="list-style-type: none"> Unrestricted Designated/Restricted 	<ul style="list-style-type: none"> Pass-Through Fee-for-Service

In addition to the Sources and Uses of Funds, UCOP shows **pass-through** dollars which flow through the UCOP budget to campuses, researchers, and the public for systemwide programs. The largest programs are Agriculture and Natural Resources and the statewide Tobacco-Related Disease Research Program, managed by Academic Affairs.

Systemwide **fee-for-service** activities are provided by UCOP to campuses on a fee basis. The largest fee-for-service activities include UCPath, legal services, and management of investment assets and employee/retiree benefits. The three budget categories are displayed in Figure 3.

Figure 3: FY21-22 Budget Summary by Category

\$ millions

	FY21-22 Budget	% of Total
Sources of Funds		
Unrestricted	\$ 273.1	27.9%
Designated	\$ 458.8	46.8%
Restricted	\$ 247.8	25.3%
Total Sources	\$ 979.7	100.0%
Uses of Funds		
Programs and Initiatives	\$ 392.1	40.8%
Systemwide and Core Services	\$ 432.5	45.0%
UCPath	\$ 97.2	10.1%
Strategic Priorities Funds	\$ 38.8	4.0%
Total Uses	\$ 960.6	100.0%
Special Expense Classification		
Pass-Throughs	341.2	35.5%
Fee-For-Service	310.9	32.4%
Total Special Expense Classification	652.1	67.9%
Budget Net of Expense Classification	\$ 308.5	32.1%

72% of the sources of funds are designated for specific programs and services or restricted for use by a third party.

41% of the uses of funds are dedicated to ~30 programs managed by UCOP on behalf of the State, Federal Government, Regents and the UC system.

32% is the remaining UCOP budget net of dollars passed through UCOP to recipients across the state and fee-for-service activities.

Key Budget Drivers

The FY21-22 budget of \$960.6M is higher than FY20-21 by \$98.5M. Key drivers for the change from the FY20-21 to FY21-22 budget include:

- Growth in State / Federal Programs driven by restricted grant funding in TRDRP (\$33.9M)
- Anticipated restoration of unrestricted state appropriations (\$27.3M)
- Campus support for services in UC Health Collaborative, UC Legal, and UC Investments (\$18.6M)
- Anticipated restoration of designated state direct appropriations for ANR and UCPath (\$15.9M)

While fund restoration, growth in grant funding, and increased funding for Systemwide and Core Services are important steps to address some immediate priorities, UCOP continues to practice financial discipline and budget conservatively. UCOP has controlled growth in light of the current uncertain environment. Many FY20-21 savings initiatives continue into FY21-22 including:

- Targeted 3% operating expense reductions on unrestricted funds
- Extended hiring freeze through the full FY21-22 fiscal year
- Reduced travel budgets which are approximately half of pre-COVID-19 FY19-20 levels
- Support costs offset for ApplyUC with revenues from UC applications, and
- Redirection of CENIC (a systemwide high-capacity computing internet service) and UCOP's contribution to systemwide library content purchases to campus fee-based services

For FY21-22, UCOP expenditure increases are driven by:

- Higher distribution of grant awards for Tobacco-Related Diseases Research and Lab Fees Research awards
- Higher service levels in Systemwide and Core Services in UC Legal, UC Health and UC Investments
- Restoration of the unrestricted Strategic Priorities Fund to the intended \$30M
- Increased costs related to contracts, leases, systems licenses and other infrastructure
- Required improvements to the retirement benefits administration system and stabilization of new Oracle finance and budget systems
- Required UCPath efforts to implement deferred PeopleSoft software updates

Budget Requests, Reduced or Not Funded

Annually, divisions submit budget augmentation requests for new or continuing activities. During this budget cycle, UCOP rejected, reduced or required divisions' budgets to absorb approximately \$19M to balance the budget. The compromises were made across all divisions, and some of the items not funded included:

- UC Legal's increase for outside counsel, funded by the campuses, was reduced by half
- Reduction to iCAMP (Integrated Capital Asset Management Program) to more accurately true-up activities in the planned year
- A portion of requested financial resource increases to support new financial systems and processes including Accounts Payable
- An increase to UCOP's baseline cybersecurity contract which supports all campuses
- Systems projects to develop a data center and a labor relations contracting database
- New position funding requests in Academic Affairs, UC Operations and UC Legal
- A request to fund the *Student-pay UCPath project* from unrestricted SPF. Instead campuses requested to fund this item using designated SPF dollars

FY21-22 Budget: Key Takeaways

Budget Summary

1. The UCOP proposed **\$960.6M** budget is a **\$98.5M (11.4%) increase** compared to FY20-21, and an **\$18.9M (2%) increase** compared to FY19-20 which is more comparable from a state direct appropriation funding view.
2. **\$706.6M or 72.1%** of the budget is in restricted and designated activities.
3. The budget is **\$308.5M (32.1% of total budget)** when pass-through and fee-for-service activities are excluded.
4. **Key drivers** of increases include: restored funding from the state, restricted grant funding growth, and growth in services in UC Health, UC Legal, and UC Investments.

Programs and Initiatives (P&I) (Schedule C)

1. The FY21-22 budget for Programs and Initiatives (P&I) is **\$392.1M (40.8%)** of the UCOP total budget.
2. **\$341.2M (35.5% of total budget)** is **pass-through** funding; these funds are distributed to campuses, researchers, K-12 programs, and other recipients throughout California in support of the University's teaching, research and public service mission.
3. State and Federal programs make up **\$289.6M** of the P&I budget; Agriculture and Natural Resources (ANR) and the Tobacco-related Disease Research Program (TRDRP) comprise **\$254.0M** of that total.
4. Program support for FY21-22 is **\$35.0M (9.8%)** higher, rebounding from COVID-19 impacts.

Systemwide and Core Services and UCPath (Schedule D)

1. The FY21-22 budget for Systemwide and Core Services is **\$432.5M (45.0%)** of the UCOP total budget across designated and unrestricted funds.
2. **Fee-for-service** activities are primarily in the Systemwide and Core Services budget and total **\$310.9M (32.4% of total budget)**.
3. The Systemwide and Core Services budget **supports critical services in finance, human resources, compliance, legal, health, communications, government relations and others**; this budget is \$52M (14%) higher than FY20-21; increases are driven primarily by higher operating costs, systems projects for the retirement system, and service increases to UC Legal, UC Investments and UC Health.
4. The **UCPath operations budget** of \$97.2M is up from \$90.8M in FY20-21 or 7.0% due to deferred software updates and staffing level targets.

Strategic Priorities Funds (SPF) (Schedules F1 and F2)

1. The Unrestricted Strategic Priorities Fund is restored to **\$30M**, allowing the President \$10M in discretionary funds for new priorities and initiatives.
2. The **Designated/Restricted Strategic Priorities Fund** includes \$8.8M in projects including the retirement system, ICAMP and UCPath.

Fund Balances and Reserves (Schedules G, H)

1. Unrestricted fund balances are forecasted to be **\$3.8M**, an **85%** reduction from the current year.
2. Designated fund balances are primarily held by **UCNL (81% of total fund balances)** from lab fees collected from managing multi-billion-dollar federal lab contracts. UCNL presents these balances annually to the Regents each July.
3. Forecasted year-end **reserve balances are \$122.7M**. The majority of the reserves support multi-billion-dollar systemwide national lab contracts and the housing loan program.

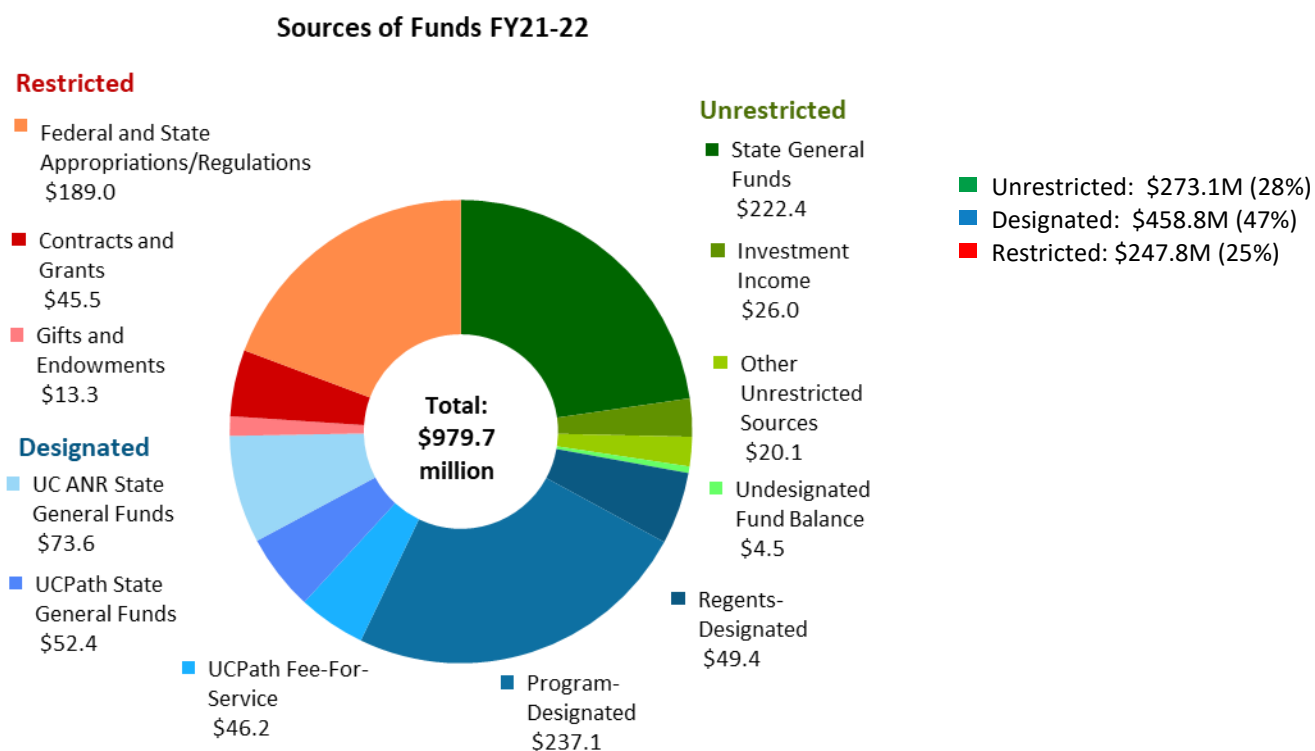
FY21-22 UCOP BUDGET

UCOP’s total proposed budget for FY21-22 is \$960.6M. The following sections describe the sources and uses, which are also detailed in Schedules A-E. The section also includes details on the various categories of the budget: Programs and Initiatives, Systemwide and Core Services, UCPATH and the Strategic Priorities fund. In addition, there is a walk-through of the Pass-Through and Fee-for-Service designations. Finally, a summary of uses by fund type is included.

Source of Funds

In FY21-22, UCOP’s budget provides sources totaling \$979.7M which are detailed in the attached Schedule A. As shown in Figure 4 below, **72% of fund sources are either restricted or designated**. The UCOP budget proposal plans for restoration of the FY20-21 state budget reductions of \$43.2M, or 12.7% of FY19-20 budget levels. The three UCOP appropriations (for UCOP, UCPATH, and ANR) will increase to \$340.2M. The three state general funds appropriations comprise 35% of UCOP budgeted sources of funds.

Figure 4: Source of Funds



¹ Unrestricted state general funds include \$215.2 in direct appropriation, as well as state funds appropriated for faculty diversity and UC’s capital program. \$4.5M in Undesignated fund balances are also included in the Unrestricted sources.

Due to timing of sources and uses, the net margin reflects a surplus of \$19.1M for FY21-22. Surplus funds, primarily from UCNL will be used in subsequent years and/or added to the fund balances for future expenditures. Additional information can be found in Schedule B. Figure 5 below shows the source changes between FY20-21 and FY21-22 by fund type.

Figure 5: Change in Source of Funds

\$ millions

Fund Type	FY19-20 Budget	FY20-21 Budget	FY21-22 Budget	Variance FY21-22 vs FY20-21	
				\$ Incr/(Decr)	% Incr/(Decr)
Unrestricted	\$ 286.0	\$ 238.6	\$ 273.1	\$ 34.5	12.6%
Designated	\$ 427.7	\$ 421.5	\$ 458.8	\$ 37.3	8.1%
Restricted	\$ 228.0	\$ 208.5	\$ 247.8	\$ 39.3	15.9%
Total	\$ 941.7	\$ 868.7	\$ 979.7	\$ 111.0	11.3%

- Increase on unrestricted funds from restored state appropriations cut in FY20-21
- Increase on designated funds driven by ANR and UCPATH state appropriation restorations and fee-for-service activities
- Restricted funds increase from state tobacco revenues

Use of Funds

The FY21-22 budgeted use of funds is \$960.6M. Programs and Initiatives and Systemwide and Core Services combined make up 86% of the budget. UCPATH represents 10% of the budget, and the Strategic Priorities Funds comprise approximately 4% of the budget. Figure 6 provides an overview of UCOP uses by functional area.

Figure 6: Use of Funds

\$ in millions

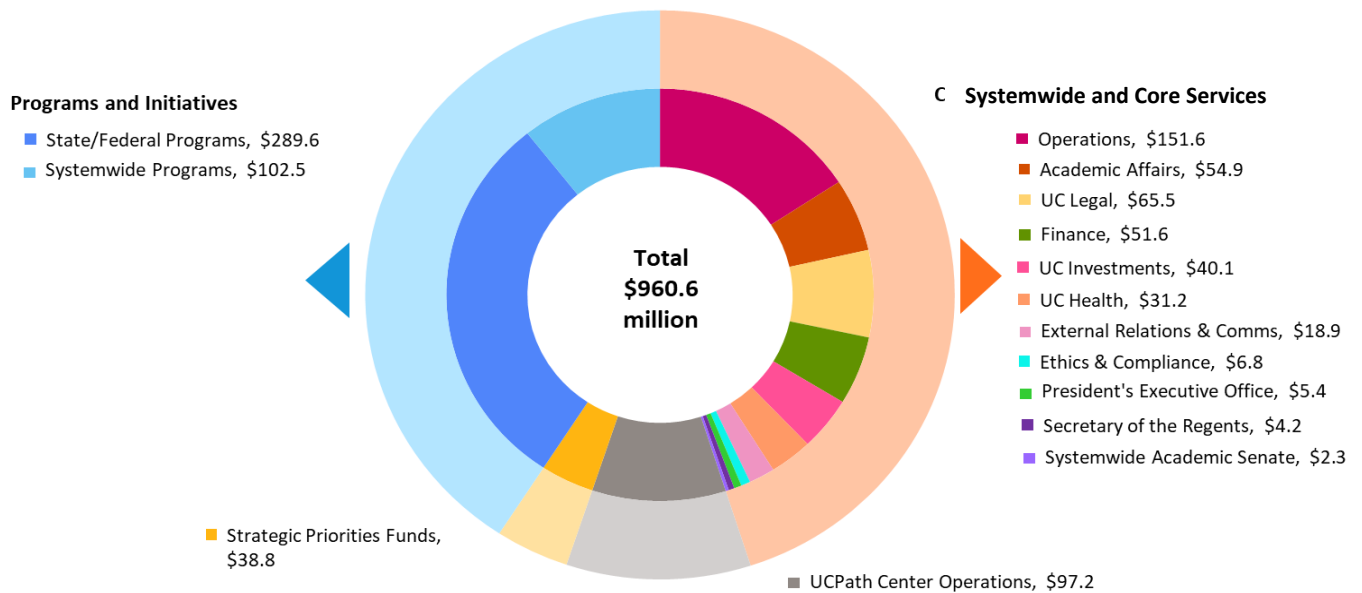


Figure 7 below outlines the changes in the budget by functional area. Additional detail on the Uses of Funds, including budgets, forecasts and variances are included in the section below and **Schedules A-E**.

Figure 7: Change in Uses of Funds

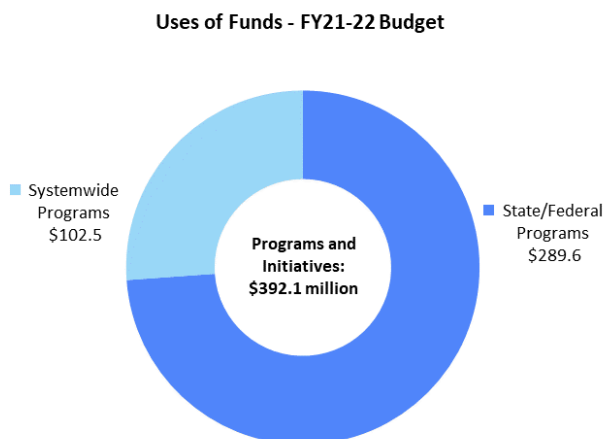
Functional Area	FY19-20 Budget	FY20-21 Budget	FY21-22 Budget	Variance		
				FY21-22 vs FY20-21		
				\$	%	
	Incr/(Decr)	Incr/(Decr)				
Programs and Initiatives	\$ 408.2	\$ 357.1	\$ 392.1	\$ 35.0	9.8%	
Systemwide and Cores Services	409.8	380.7	\$ 432.5	\$ 51.8	13.6%	
UCPath	93.7	90.8	\$ 97.2	\$ 6.4	7.0%	
Strategic Priorities Fund, Unrestricted	30.0	20.0	\$ 30.0	\$ 10.0	50.0%	
Strategic Priorities Fund, Desig. & Restricted	-	13.5	8.8	\$ 4.7	34.7%	
Total	\$ 941.7	\$ 862.0	\$ 960.6	\$ 107.9	12.5%	
	excl. UCPath	\$ 848.0	\$ 771.3	\$ 863.4	\$ 92.1	11.9%

The total budget has increased by \$92.1M, or 11.9% excluding UCPath

Programs and Initiatives

The proposed FY21-22 Programs and Initiatives budget is \$392.1M, or 40.8% of the budget. Figure 8 below shows the distribution between approximately 30 State/Federal and Systemwide programs. Most programs are managed by Academic Affairs as part of the research and public service the university provides on behalf of the state and federal governments. The complete list of programs, budgets, forecasts and comparisons, can be found in **Schedule C**.

Figure 8: Programs and Initiatives
\$ in millions



74% - State/Federal Programs are either required by legislation or operated by UC on behalf of the state or federal government, e.g., ANR and the Tobacco-Related Disease Research program.

26% - Systemwide Programs benefit the UC campuses and many other statewide recipients, e.g., SAPEP, UCPress, UC research and astronomy programs.

Variances for the current year and comparison to the FY21-22 budget are in **Schedule C**.

Figure 9 below details the Pass-through funds, virtually all of which are in the Programs and Initiatives portion of the budget. Pass-through funds flow through the UCOP budget directly to campuses or other California institutions, individuals or researchers. The largest pass-through program is ANR which UC operates as the land-grant University for the State of California (see **Schedule E**). The majority of pass-through funds are distributed by the Academic Affairs division for research, diversity programs, online learning initiatives, undocumented students and more.

Figure 9: Pass-through Funds Programs

\$ in millions

	FY19-20 Budget	FY20-21 Budget	FY21-22 Budget
Pass-Throughs			
Agriculture & Natural Resources	\$ 173.2	\$ 162.3	\$ 162.3
Research Grant Programs	\$ 93.2	\$ 70.6	\$ 101.5
UC Observatories	\$ 22.2	\$ 16.1	\$ 16.2
National Laboratory Programs	\$ 14.0	\$ 9.8	\$ 14.4
Public Service Programs	\$ 11.6	\$ 9.3	\$ 11.7
UC Research Initiative	\$ 9.7	\$ 7.4	\$ 7.4
Diversity Initiatives	\$ 5.0	\$ 6.2	\$ 6.7
Online Education Initiatives	\$ 4.0	\$ 4.3	\$ 0.8
Public Service & Law Fellowship	\$ 5.2	\$ 4.2	\$ 3.0
Other Academic Pass-Throughs	\$ 2.5	\$ 4.2	\$ 5.4
iCAMP	\$ -	\$ 3.5	\$ 0.5
Undocumented Students	\$ 2.2	\$ 2.2	\$ 1.4
UC Health Initiatives	\$ 1.9	\$ 2.0	\$ 3.2
UC-Mexico Programs	\$ -	\$ 2.0	\$ -
UC Libraries	\$ 11.8	\$ 0.3	\$ 0.7
All Others	\$ 8.1	\$ 6.7	\$ 6.0
Total Pass-Throughs	\$ 364.5	\$ 310.9	\$ 341.2
	Year-Over-Year Increase \$	\$	30.3
	Year-Over-Year Increase %		9.8%

- The top two pass-through programs account for **77%** of the total
- Research grant programs are higher primarily due to a funding cycle delay resulting from the pandemic
- UC Observatories reduction results from loan restructuring savings
- UC-Mexico program funding was moved out of UCOP's budget to the UC Riverside campus budget
- The change to UC Libraries reflects CDL content purchases coordinated by UCSD

For FY21-22, the pass-through funds increased \$30.3M (9.8%). Of the total,

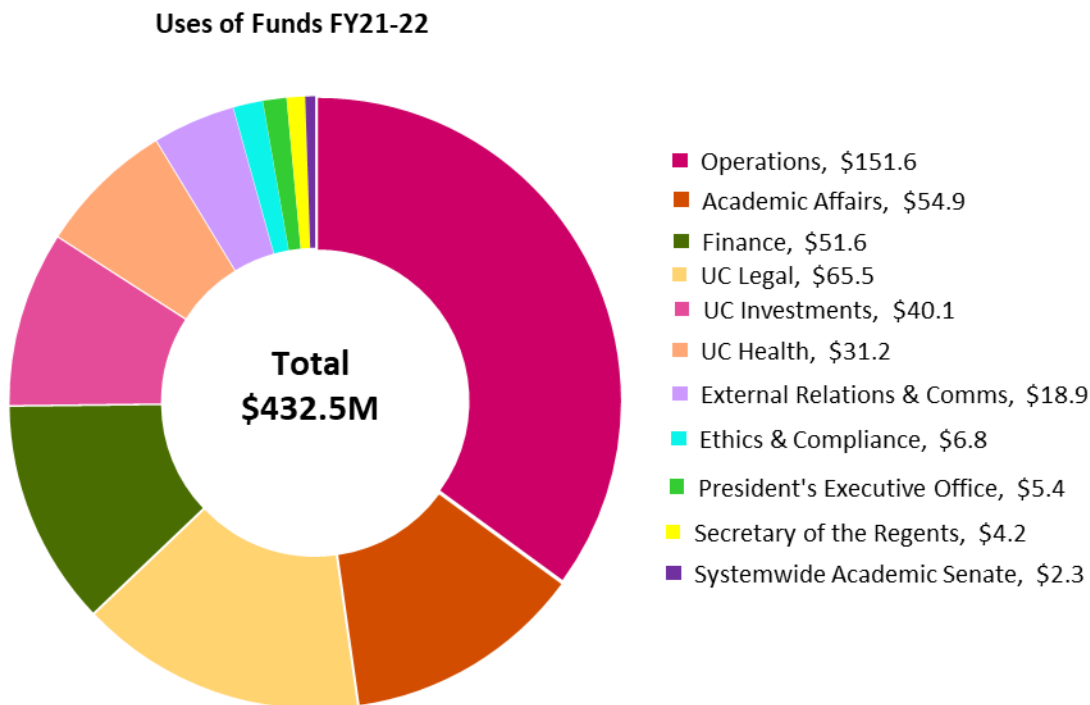
- \$34M is an increase in grant payments for the Tobacco Disease Research program.
- \$4.6M is an increase due to the Lab Fees Research Program biannual grant competition.
- An approximately \$3M reduction is due to lower anticipated revenues for the California Breast Cancer Research Program, and another \$3M reduction is related to the iCAMP program advancing to *the Infrastructure and Inventory Assessment* phase of the project.

The funding for CDL content will be covered in FY21-22 by UCOP relieving the campuses of this expense for another year, and UCOP TRIP funds will be used for this purpose.

Systemwide and Core Services

Systemwide and Core Services, including UCPath, make up \$529.7M or 55.1% of the total budget. Figure 10 below and **Schedule D** provide a budget overview by division. The Systemwide and Core Services budget supports critical systemwide services and UCOP internal operations. The UC Operations division, which makes up a third of this budget, provides systemwide HR, benefits and retirement management, technology services, energy programs, strategic planning, and internal UCOP operations.

Figure 10: Systemwide and Core Services
\$ in millions



Projected variances for the current year and a comparison to the FY21-22 budget are shown on **Schedule D**. The majority of UCOP Fee-for-Service activities, shown in Figure 11 below, are contained within the Systemwide and Core Services budget.

Figure 11: Fee-for-Service Activities

\$ in millions

	FY19-20 Budget	FY20-21 Budget	FY21-22 Budget
Fee-for-Service			
UCPath	\$ 93.7	\$ 94.5	\$ 98.6
Office of the General Counsel	\$ 45.4	\$ 44.7	\$ 51.7
Investments & Asset Management	\$ 37.6	\$ 39.7	\$ 46.4
UC Retirement System	\$ 29.4	\$ 34.9	\$ 43.1
Employee Benefits Administration	\$ 27.7	\$ 27.2	\$ 29.7
UC Health Collaborative	\$ 20.2	\$ 17.8	\$ 22.5
Risk Management	\$ 6.9	\$ 6.7	\$ 7.2
Information Technology Services	\$ 6.2	\$ 4.6	\$ 0.9
Bond Management	\$ 3.4	\$ 3.0	\$ 3.8
Patent Royalty Administration	\$ 2.7	\$ 2.4	\$ 2.5
UC Mortgage Origination Plan	\$ 2.1	\$ 2.2	\$ 2.3
Other Services	\$ 1.6	\$ 3.3	\$ 2.3
Total Fee-for-Service	\$ 276.9	\$ 281.0	\$ 310.9
	Year over Year Increase \$		29.9
	Year over Year Increase %		10.7%

- The top six fee-for-service activities account for **93% of the total**.
- UC Retirement System is higher as work on the pension system project converts from 3rd party to in-house technical support and there will be expense overlap during the transition phase.
- UCPath Operations is higher due to deferred software updates and staffing level targets

Fee-for-service activities are functions that UCOP operates on behalf of the UC system to avoid redundancy on campuses and to save costs. UCPath provides systemwide payroll and human resource services. UC Legal fees fund third-party legal costs that UC Legal coordinates on behalf of the campuses. UCOP also manages investment, systemwide retirement and employee benefit programs.

UCPath

UCPath, operational systemwide, has transformed many human resource processes across the university. It has centralized and standardized human resources, payroll benefits, general ledger, work force administration and academic processes. It now services over 230,000 employees.

For FY21-22, the UCPath operating budget is \$97.2M, up 7.9% from \$90.1M in FY20-21. Cost increases result from year one interest payments on project loans as well as increases to support software updates and system enhancements. The budget includes \$52.4M in direct state appropriations, which reflects restoration of the 12.7% reduction in FY20-21. Consistent with past practice, UCPath will fund \$44.8M from a W-2 fee-for-service campus allocation model.

In order to mitigate cost increases that the campuses would have expected to incur in FY21-22, UCPath leadership restructured the loan in FY20-21 to defer project C3 loan principle repayments for two years, requiring interest only in FY21-22 and FY22-23. This effort saves approximately \$18M each year for the next two years, however loan payments increase in future years due to the two-year deferral of payments on the principal balance.

Work will continue in FY21-22 to enhance this critical system and supporting processes including efforts to integrate with a systemwide common chart of accounts, and to implement deferred software updates now that all locations are live.

Two critical one-time projects, shown in the Designated SPF (see **Schedule F-2**) include:

- A \$1.2M project to complete a campus requested student pay pilot project. This project will pilot biweekly pay for (1) quarter-based and (1) semester-based campus to assess viability of further rollout to all locations. A goal is to enable improved automation allowing more timely, flexible and less complex payment cycles for student employees on campuses.
- A \$0.2M one-time project cost to support PeopleSoft

Unrestricted Strategic Priorities Fund (SPF)

The SPF was created in FY17-18 at \$30M to fund emergent and urgent priorities, Presidential initiatives, and key projects requiring one-time funding. Many SFP priorities and projects span two or more years, meaning that a portion of the \$30M budget is already committed at the start of the fiscal year to priorities started in the previous fiscal year. The remaining uncommitted portion allows the President to fund new priorities and projects throughout the year.

This budget proposal restores the unrestricted SPF from \$20M to \$30M which is the original level approved by the Regents. **Schedule F-1** details the projected FY20-21 forecast and FY21-22 known commitments of approximately \$19.9M, which include:

- On-going support for undocumented students
- Programs that support the academic mission, students, and researchers

- Bridge funding for new student association initiatives
- Several IT projects to improve technology and software systems (HR, finance, and others)
- Systemwide Integrated Library System Initiative
- Presidential initiatives, described in further detail in Appendix 2

The \$30M SPF currently includes \$10.1M in uncommitted funds. These funds, while limited, remain at the discretion of the President and may be used to set new strategic direction for the university. However, these uncommitted funds also are used for unforeseen requirements, such as systemwide safety reforms, COVID-related expenses and technology upgrades, which can further limit the flexibility of the President.

Designated and Restricted Strategic Priorities Fund (SPF)

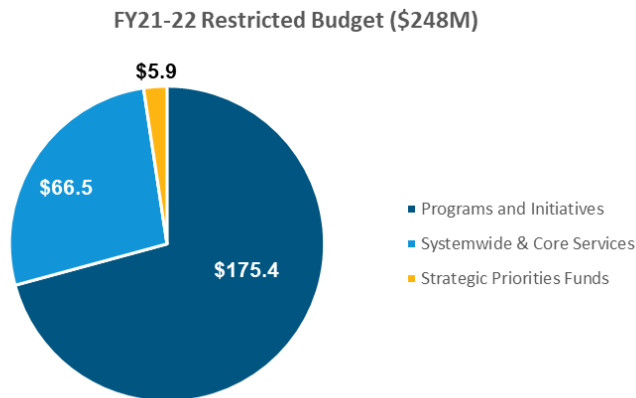
In addition to the unrestricted SPF, one-time designated and restricted projects can be funded with the Designated and Restricted SPF. This approach continues to provide transparency to short-term projects funded on designated or restricted funds so they may be accounted for separately from annual departmental operating budgets.

Schedule F-2 shows the planned projects to be funded by this SPF totaling \$8.8M. These projects appropriately utilize designated and restricted funds and although they increase the overall size of the UCOP budget, they do not have the same flexibility as unrestricted funds. This year, major projects include further improvements to the retirement administration system and processes, iCAMP which addresses facility and infrastructure needs through lifecycle management across all campuses, and the previously mentioned Student-Pay project for UCPATH. All requests were reviewed by the Executive Budget Committee, UCOP leadership, and the President and only critical projects are budgeted.

Use of Funds by Fund Type

Figure 12: FY21-22 Restricted Fund Uses

61% of restricted funds primarily support two large State and Federal programs, ANR and TRDRP. Restricted funds also support the UC retirement administration and systems, including one-time funds in the restricted SPF to stabilize and enhance the retirement administration system (the Redwood project).



Programs and Initiatives, \$175.4M:

- \$173.5M of this total is from state / federal Programs with ANR and TRDRP accounting for \$65.3M and \$87.0M, respectively

Systemwide Services, \$66.5M:

- \$49.5M of this total is in Systemwide Human Resources associated with management of UC's systemwide retirement program

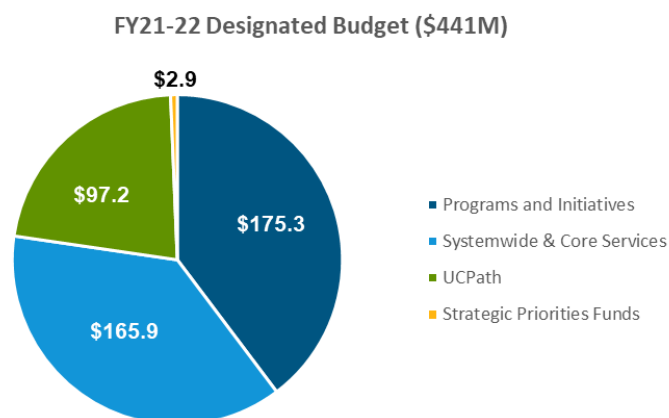
Strategic Priorities Fund, \$5.9M:

- Required enhancements to the Retirement Benefits Administration system are funded by the retirement program funds

FY21-22 Designated funds total \$441.3M. Designated funds may only be used for a specific program, initiative or expenditure. Examples include UC Press, UC National Laboratories, and UC Investments. UCPATH is also entirely funded on designated funds.

In FY21-22, Designated funds increase by \$28.2M from FY20-21. The change is driven by increases in ANR and UCPATH, which combined include \$15.9M in restored direct appropriations. Increases in Systemwide and Core Services or fee-for-service activities (which were reviewed with and supported by the Executive Budget Committee) including UC Legal, UC Investments, and UC Health.

Figure 13: FY21-22 Designated Fund Uses



Programs and Initiatives, \$175.3M (40%):

- \$115.2M of the total is in state / federal programs including ANR \$101.5M and UC National Labs \$8.6M
- \$60.2M of the total is in Systemwide programs: UC Press \$20.9M, Lab Fees Research Program \$15.2M, CA HIV/Aids Research Program \$8.3M

Systemwide and Core Services, \$165.9M (38%):

- UC Legal \$54.2M, Risk Services \$8.6M, UC Investments \$40.1M, UC Health \$24.7M

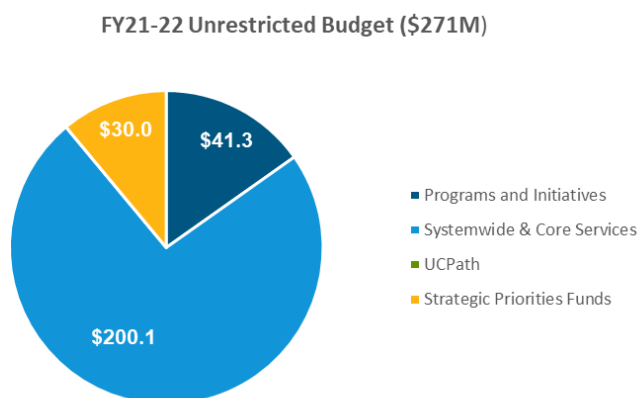
UCPATH, \$97.2M (22%)

Strategic Priorities Fund, \$2.9M: (1%)

- \$2.9M includes UCPATH's implementation of student-pay \$1.2M and iCAMP \$1.5M

Figure 14: FY21-22 Unrestricted Fund Uses

The FY21-22 budget includes total unrestricted funds of \$271.4M, including \$27.3M state appropriation restoration. 74% of these funds go toward Systemwide and Core Services to provide services across the system, gain efficiencies and reduce redundancies. The FY21-22 budget proposal shows a \$13M reduction as compared to FY19-20, even with equivalent state direct appropriations. This decrease is mainly due to the shift of CENIC and CDL expenses to the campuses where these services are used, to the introduction of application fees to manage the ApplyUC system, and the depletion of one-time unrestricted fund balances used for operations. Detailed expenditures by fund type are provided in the Regents Schedule C-1 and D-1 in the appendix.



Systemwide and Core Services, \$200.1M (74%):

- External Relations & Communications \$12.6M, Finance \$28.5M, UC Operations \$84.6M (including IT, Systemwide Human Resources), UC Legal \$10.4M, and Other (President’s Executive Office, Secretary of the Regents, and more)

Programs and Initiatives, \$41.3M (15%):

- Funding supports research and teaching: UC Observatories, \$7.5M; Multi-campus Research Program Initiative \$8.3M, UC Washington \$1.5M
- And also supports public service: SAPEP \$5.7M, HBCUs \$4M

Strategic Priorities Fund, \$30.0M (11%)

RESERVES

UCOP reserves are funds intentionally allocated and accrued from fund sources for use in the event of revenue disruption, for maintenance of assets including buildings and infrastructure, or used by UC National Laboratories for business development opportunities or potential post-contract liability risks.

UCOP completed a comprehensive review of best practices and peer benchmarking and established target funding levels for all reserves. The largest UCOP reserves, for the National Labs and UC Housing Loan programs, are reserves against multi-billion-dollar portfolios that are managed by UCOP and overseen by the Regents.

Reserves are not fund balances. While a reserve is intentionally accrued to manage risk, a fund balance is the net position, or the cumulative revenues (sources) received in excess of expenditures (uses) for a fund at any given time. Reserve funds are maintained separately from operating funds in order to manage each more effectively and transparently.

Reserve Target Funding Levels

In March 2019, UCOP established and reviewed guiding principles for UCOP reserves with the Board of Regents. The guiding principles include target funding levels, and controls for monitoring, reporting, and drawing on funds. 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, funding source and circumstances for drawing on the Central Operating Reserve. The central

operating reserve is unchanged from previous years and set at \$15M or at least 3.5% of covered funds and expenses and maintained in the President’s Endowment Fund.

Forecasted Reserves

UCOP reports reserve balances and target funding levels to the Regents twice annually, during the presentation of the budget, and after fiscal year close. At the time the budget is presented, the fiscal year is not yet finalized, and therefore reserve balances are forecasted. Figure 15 below projects a total reserve balance of \$129.1M as of June 30, 2021. Details are in **Schedule G**.

Figure 15 – UCOP Reserve Balances

\$ in millions

UCOP RESERVES	Reserve Target Minimum	Reserve Target Maximum	6/30/21 Forecasted Reserve	Variance:
				6/30/21 Reserve Over Max / (Under Min)
Building and Capital Assets Reserves ¹	\$ 3.0	\$ 8.5	\$ 1.3	\$ (1.7)
Program Reserves ²	65.9	83.3	60.7	(5.2)
Other Required Reserves	49.9	64.5	52.0	
Sub-Total Program and Non-Operating Reserves	\$ 118.8	\$ 156.3	\$ 114.1	
Central Operating Reserve	15.0	15.0	15.0	-
TOTAL UCOP RESERVES³	\$ 133.8	\$ 171.3	\$ 129.1	

¹ The Capital Maintenance and Renewal reserve is under the target minimum currently due to significant capital expenditures in FY20-21 on the Oakland consolidation program. These reserves will be built back to the target range over the next three years.

² Program Reserves are currently under the minimum due to two new UCNL reserves, increasing over the next 2 to 9 years to the target amount. FY20-21 approved spend plan here: <https://regents.universityofcalifornia.edu/regmeet/july20/n1.pdf>

³ See Schedule G for additional details.

Individual reserves mainly fall within the established target funding range minimum of \$133.8M and maximum of \$171.3M, except where noted above. The Housing Loan program reserve requirement has been increased to accurately reflect a 3.5% maximum reserve target on the overall size of the loan portfolio of approximately \$1.5 billion. The Regents determined in [January 2012](#) that the program is required to maintain a 3.5% maximum reserve target. Given the current economic uncertainty, and need to accommodate requests for loan forbearance, the Office of Loan Programs recommended to management increasing the maximum target to 4.0%, with a resulting target maximum of \$64.5M. The forecasted reserve is below that maximum.

FUND BALANCES

Fund balances reflect the difference at a point in time between sources and uses, less any known encumbrances and commitments. Because fund balances are one-time non-recurring funding sources, they must not be relied upon to fund recurring operations. **Schedule H, UCOP Fund Balances by Fund Type**, provides additional detail to the fund balances described below.

Actual and Forecasted Balances

To develop the FY21-22 budget, UCOP analyzed actual fund balances as of March 31, 2021 and then forecasted fund balances for June 30, 2021. UCOP also reviewed known commitments identified for next year. Restricted or designated fund balances may only be used for their defined purpose.

Figure 16 shows a breakdown of fund balance by fund type, forecasted as of June 30, 2021. Overall, fund balances are projected to decrease by \$54.5M or 54% compared to last year, the largest reduction (85%) taking place in the unrestricted funds.

Figure 16: UCOP Fund Balances

\$ millions

	6/30/20						
	6/30/19 Balance	Forecasted Balance	Commitments	Remaining Balance	Change in Fund Balance		% Change
Unrestricted	\$ 25.9	\$ 18.6	\$ 14.8	\$ 3.8	\$ (22.1)		-85%
Designated	65.4	68.0	29.3	38.7	(26.7)		-41%
Restricted	9.6	3.9	-	3.9	(5.7)		-60%
Total Fund Balance	\$ 100.9	\$ 90.5	\$ 44.1	\$ 46.4	\$ (54.5)		-54%

Unrestricted Fund Balances afford the most flexibility for use. Unrestricted balances total \$3.8M or 5% of the total remaining fund balance. Historically, UCOP relied on these balances to address emergent priorities, but this practice was replaced in FY18-19 with the establishment of the Strategic Priorities Fund. Some of the key causes of the change in unrestricted fund balances include:

- \$7.8M committed to campus-specific seismic work, interest on commercial loans and systems replacements
- \$4.5M committed for the FY21-22 UCOP Strategic Priorities Fund
- \$3.3M due to lower than anticipated short-term investment earnings
- \$2.5M in general funds used to offset lower current year investment income

At this time, given that only \$3.8M remains in the forecasted balance, and this is based on a projection of year-end balances, UCOP is not recommending a reallocation of this fund balance. Balances will be reviewed by UCOP after the June 30, 2021 fiscal close and reported in the FY20-21 Budget-to-Actuals item presented at the November 2021 Regents Meeting.

Designated Funds Balances total \$38.7M or 83% of the forecasted remaining fund balance. A designated balance is considered committed by the Regents or UCOP for an intended purpose. The largest balance, \$34.5M, or 74% of total fund balances, is Regents-designated for the management of the UC National Laboratories and the Lab Fees Research Program. The Office of National Labs provides a spending and reserves plan to the Regents each July for approval.

Designated fund balances also include balances for self-funded programs. The causes of change are due to:

- \$14.7M decrease in the Lab Fees Research program to fund campus research opportunities
- \$7.2M decrease in endowment cost recovery funds planned for campus development work
- \$3.4M decrease in iCAMP capital asset planning funding for work to be done through FY21-22

Restricted Fund Balances by definition, 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 slightly lower based on disbursements to the campuses and laboratories. Restricted balances represent 5% of the forecasted remaining fund balance.

EXECUTIVE BUDGET COMMITTEE RECOMMENDATIONS

The Executive Budget Committee (EBC) issued its annual budget letter to President Drake in mid-April. UCOP and all campuses continue to advise caution in planning the coming year, but share optimism as well and recommend selective investments over time to advance the mission. The Committee's feedback, recommendations, and guiding principles include support for:


- A return to the campus assessment funding model to enable more integrated planning between UCOP, the campuses and the system
- Restoration of the SPF to \$30M or the intended funding level of \$30M to ensure Presidential flexibility to advance select university priorities
- Use of FY19-20 as a more meaningful base comparison to the FY21-22 budget proposal; the committee acknowledges the state's decision to restore full funding to the university in FY21-22 as a truly important action for the entire university
- Use of 3% reduction targets on unrestricted funds and a continued hiring freeze; however, the EBC recognizes that this is not a strategic approach and cannot sustain optimal resource allocations over an extended period
- Increased focus and time spent on budget uses funded by unrestricted or designated sources to control growth; there is universal agreement that restricted funds are generally variable and impacted by factors outside direct control of UCOP
- Funding CDL for one more year as a systemwide expense funded by TRIP funds; however, there is interest to return to the campus assessment funding model and potentially revisit specific costs that should better function within an assessment; and
- Finally, as a result of deep dive reviews, the EBC suggested more accountability and transparency from the ANR division; and support for campus funded increases for valued services from UC Investments, UC Health and UC Legal

This committee continues to serve a major role in UCOP finances with strong collaboration and partnership.

PRESIDENT'S RECOMMENDATION

UCOP has developed this budget based on anticipated FY21-22 funding that delivers valued programs and services. This budget was developed in anticipation of more normal university operations effective fall 2021. The proposed budget is comprehensive, transparent and demonstrates UCOP's contributions to the University's teaching, research, and public service mission.

Pursuant to Regents Policy 5101, the President of the University recommends approval of the UCOP FY21-22 Budget by the Board of Regents.

A photograph of a modern building interior. The upper portion shows a large, cantilevered blue overhang against a light-colored wall. The lower portion shows a staircase with wooden steps and railings, leading up to a brightly lit area. The overall color palette is dominated by blues, oranges, and whites.

Appendices

Schedule A

Sources and Uses by Year

Overall UCOP

\$ in millions

	FY19-20 Budget	FY20-21 Budget	FY20-21 Forecast	FY21-22 Budget	Variance Increase/(Decrease)		
					FY21-22 Budget vs FY20-21 Forecast	FY21-22 Budget vs FY20-21 Budget	FY21-22 Budget vs FY19-20 Budget
SOURCES							
Unrestricted Sources							
State General Funds	209.8	193.3	192.7	222.4	29.7	29.1	12.5
Investment Income	25.2	26.1	24.0	26.0	2.0	0.0	0.9
Other Unrestricted Sources	17.0	17.8	17.5	20.1	2.6	2.4	3.2
Undesignated Fund Balance	34.1	1.5	5.6	4.5	(1.1)	3.0	(29.6)
Subtotal - Undesignated Sources	\$286.0	\$238.6	\$239.8	\$273.1	\$33.2	\$34.4	(13.0)
Designated							
Regents-Designated	24.5	29.5	44.9	49.4	4.5	20.0	25.0
Program-Designated	236.9	234.2	224.4	237.1	12.7	2.9	0.2
UCPath Fee-For-Service	41.3	48.7	46.9	46.2	(0.7)	(2.5)	5.0
UCPath State General Funds	52.4	45.7	45.8	52.4	6.6	6.7	0.0
UC ANR State General Funds	72.6	63.4	63.4	73.6	10.2	10.2	1.0
Subtotal - Designated Sources	\$427.7	\$421.5	\$425.5	\$458.8	\$33.3	\$37.3	\$31.1
Restricted Sources							
Gifts and Endowments	12.5	13.3	16.0	13.3	(2.7)	0.0	0.8
Contracts and Grants	51.6	48.8	49.1	45.5	(3.6)	(3.3)	(6.1)
Federal and State Appropriations/Regulations	164.0	146.5	149.7	189.0	39.3	42.6	25.1
Subtotal - Restricted Sources	\$228.0	\$208.5	\$214.8	\$247.8	\$33.0	\$39.3	\$19.8
Total Sources	\$941.7	\$868.7	\$880.1	\$979.7	\$99.5	\$111.0	\$37.9
USES							
Programs and Initiatives							
State/Federal Programs	290.1	256.2	252.1	289.6	37.5	33.4	(0.5)
Systemwide Programs	118.2	100.9	93.8	102.5	8.7	1.5	(15.7)
Subtotal - Programs and Initiatives	\$408.2	\$357.1	\$345.8	\$392.1	\$46.2	\$34.9	(16.1)
Systemwide and Core Services							
Academic Affairs	61.2	51.2	52.4	54.9	2.5	3.7	(6.3)
Ethics & Compliance	7.3	6.7	6.5	6.8	0.3	0.1	(0.5)
External Relations & Communications	17.8	18.2	17.4	18.9	1.5	0.7	1.1
Finance	45.7	47.4	46.0	51.6	5.6	4.2	5.8
Operations	145.8	129.5	138.9	151.6	12.7	22.1	5.9
President's Executive Office	4.6	4.4	4.0	5.4	1.4	1.0	0.8
Secretary of the Regents	3.6	3.0	2.9	4.2	1.3	1.2	0.6
Systemwide Academic Senate	2.4	2.2	2.0	2.3	0.4	0.1	(0.1)
UC Health	29.1	26.3	25.1	31.2	6.0	4.8	2.1
UC Investments	34.3	33.6	41.1	40.1	(1.1)	6.4	5.7
UC Legal	58.0	58.1	62.2	65.5	3.3	7.4	7.5
Subtotal - Systemwide and Core Services (excl UCPath)	\$409.8	\$380.7	\$398.5	\$432.5	\$34.0	\$51.8	\$22.6
SPF - Unrestricted	30.0	20.0	21.5	30.0	8.5	10.0	-
SPF - Designated/Restricted	0.0	13.5	11.2	8.8	(4.7)	(2.4)	8.8
Strategic Priorities Funds	30.0	33.5	32.7	38.8	6.2	5.3	8.8
SUBTOTAL USES	\$848.0	\$771.3	\$776.9	\$863.4	86.4	92.1	15.3
UCPath	93.7	90.8	91.7	97.2	5.6	6.4	3.5
TOTAL USES	\$941.7	\$862.0	\$868.6	\$960.6	\$92.0	\$98.5	\$18.9
NET MARGIN SURPLUS (DEFICIT)							
Included in Sources and Uses Above							
Pass-Throughs	364.5	310.9	306.6	341.2	34.7	30.3	(23.3)
Fee-For-Service	276.9	281.0	292.2	310.9	18.7	29.9	34.0
Total Fee-For-Service and Pass-Throughs	\$641.4	\$591.9	\$598.8	\$652.1	\$53.4	\$60.3	\$10.7

Notes to Schedule A:

Sources

Unrestricted Sources

1. State General Funds: \$224.4M reflects the State budget appropriation restoration of \$27.3M for FY21-22 plus an increase in ICAMP funds.
2. Investment Income: \$26.0M estimate based on historical returns; approximately flat to FY20-21.
3. Other Unrestricted: \$20.1M estimate based on historical returns plus an increase in procurement incentives ~\$2M;
4. Undesignated Fund Balance: \$4.5M estimate based on Q3 Forecast.

Designated Sources

5. Regents Designated: \$49.4M increased by \$20.0M (67.8%) for UCNL fee income, partially designated for reserves.
6. Program-Designated: \$237.1M increased by \$2.9M (1.2%) primarily in the UC Health Collaborative based on growth in several key initiatives.
7. UCPath Fee-For-Service: \$46.2M decreased by \$2.5M compared to FY20-21 due to the restoration of state funding, and increased over FY19-20 by \$5.0M to address deferred maintenance and student pay pilot project.).
8. UCPath State General Funds: \$52.4M increased by \$6.6M (14.4%) over FY20-21 forecast budget due to state funds restoration.
9. UC ANR State General Funds: \$73.6M increased by \$10.2M (16.1%) over FY20-21 forecast and budget due to state funds restoration + \$1M one time funds; increased by \$1M (1.4%) over FY19-20 budget due to one-time allocation for Fire Advisors.

Restricted Sources

10. Gifts and Endowments: \$13.3M is flat to FY20-21.
11. Contracts and Grants: \$45.5M decreased \$3.3M (-6.8%) driven by reductions to ANR's extramural funding.
12. Federal and State Appropriations: \$189M increased by \$42.6M (29.1%) due to the timing of Prop 56 funds for tobacco disease research.

Notes regarding Uses are appended to Schedules, C, D and F

Schedule B

Expenditure by Fund

Overall UCOP

\$ in millions

	Unrestricted Funds	Designated Funds	Restricted Funds	FY21-22 Budget
TOTAL SOURCES	273.1	458.8	247.8	979.7
USES				
Programs and Initiatives				
State/ Federal Programs	1.0	115.2	173.5	289.6
Systemwide Programs	40.4	60.2	2.0	102.5
Subtotal - Programs and Initiatives	\$41.3	\$175.3	\$175.4	\$392.1
Systemwide and Core Services				
Academic Affairs	42.4	10.3	2.3	54.9
Ethics & Compliance	6.7	0.0	0.0	6.8
External Relations & Communications	12.6	5.0	1.3	18.9
Finance	28.5	20.0	3.1	51.6
Operations	84.6	11.3	55.8	151.6
President's Executive Office	5.0	0.3	0.2	5.4
Secretary of the Regents	4.2	0.0	0.0	4.2
Systemwide Academic Senate	2.2	0.0	0.1	2.3
UC Health	3.6	24.7	2.9	31.2
UC Investments	0.0	40.1	0.0	40.1
UC Legal	10.4	54.2	0.9	65.5
Subtotal - Systemwide and Cores Services (excl UCPath)	\$200.1	\$165.9	\$66.5	\$432.5
Strategic Priorities Funds	30.0	2.9	5.9	38.8
SUBTOTAL USES	\$271.4	\$344.1	\$247.8	\$863.4
UCPath	0.0	97.2	0.0	97.2
TOTAL USES	\$271.4	\$441.3	\$247.8	\$960.6
NET MARGIN: SURPLUS (DEFICIT)¹	\$1.6	\$17.5	\$0.0	\$19.1

¹Due to timing of sources and uses, the net margin reflects a surplus for FY21-22. Surplus funds will be used in subsequent years and/or added to the fund balances for future expenditures. The implementation of a new UCOP budgeting system in FY19-20 enabled the capability of separately budgeting sources and uses. Unrestricted funds are budgeted centrally by UCOP's budget team. UCOP divisions budget most designated and restricted sources based on anticipated revenues such as UC Office of National Laboratories' (UCNL) lab management fees or restricted revenues as in the case for Tobacco-related Disease Research (Proposition 56) funds. Revenues and expenses may differ due to timing differences. Of the \$19.1M budget surplus, \$17.5M is from designated funds, mainly attributed to anticipated UCNL fee income (\$16.7M) which will be allocated through the annual spend plan approved by the Regents, and \$1.6M is in unrestricted funds from procurement incentive initiatives (\$1.5M).

Schedule C

Budget by Programs and Initiatives

Programs and Initiatives

\$ in millions

	FY19-20 Budget	FY20-21 Budget	FY20-21 Forecast	FY21-22 Budget	Variance Increase/(Decrease)		
					FY21-22 Budget vs FY20-21 Q2Forecast	FY21-22 Budget vs FY20-21 Budget	FY21-22 Budget vs FY19-20 Budget
PROGRAMS AND INITIATIVES							
State/Federal Programs							
Agriculture and Natural Resources (ANR)	178.7	167.2	160.2	167.0	6.8	(0.1)	(11.7)
California Breast Cancer Research Program	12.8	12.9	7.4	9.7	2.3	(3.2)	(3.1)
California Subject Matter Project (CSMP)	8.6	8.1	10.1	8.6	(1.5)	0.5	0.0
Gaining Early Awareness and Readiness for Undergraduate Programs	3.5	3.2	3.9	3.5	(0.3)	0.3	0.0
Graduate Medical Education	2.0	2.1	1.9	1.9	(0.1)	(0.3)	(0.1)
Office of the National Laboratories (UCNL)	5.4	6.8	6.7	8.6	1.9	1.8	3.2
Other State/Federal Programs	0.5	0.4	0.5	0.6	0.0	0.2	0.1
Tobacco-Related Disease Research Program (TRDRP)	76.2	53.0	59.0	87.0	28.0	33.9	10.8
UC Research: Cancer Research Coordinating Committee (CRCC)	2.3	2.4	2.3	2.7	0.4	0.3	0.4
Subtotal - State/Federal Programs	290.1	\$256.2	\$252.1	\$289.6	\$37.5	\$33.4	\$(0.5)
Systemwide Programs							
California HIV/AIDS Research Program (CHRP)	8.8	8.6	8.3	8.3	0.0	(0.3)	(0.4)
Eligibility in the Local Context (ELC)	1.0	0.9	1.2	1.0	(0.2)	0.0	0.0
Historically Black Colleges and Universities (HBCU) Fellowship Initiative	1.8	1.7	2.0	2.0	0.0	0.3	0.2
Historically Black Colleges and Universities (HBCU) Summer Research Initiative	1.8	1.9	2.1	2.0	(0.1)	0.1	0.2
Innovative Learning Technology Initiative (Online Education)	9.0	8.1	5.8	5.8	0.0	(2.2)	(3.2)
Natural Reserve System (NRS)	3.0	2.5	3.0	2.5	(0.4)	0.0	(0.4)
Other Systemwide Programs	1.8	1.8	2.0	1.9	(0.1)	0.1	0.1
San Joaquin Valley PRIME program	1.9	1.9	1.9	1.9	0.0	0.0	0.0
SAPEP	9	7.1	7.1	8.1	1.0	1.0	(0.9)
UC Astronomy: University of California Observatories (UCO)	7.5	7.5	7.5	7.5	0.0	0.0	0.0
UC Astronomy: W.M. Keck Observatory (Keck)	14.6	8.8	8.8	8.8	0.0	0.0	(5.8)
University of California Press	23.9	23.4	23.4	21.9	(1.4)	(1.4)	(2.0)
UC Research: Laboratory Fees Research Program (LFRP)	14.9	10.6	5.8	15.2	9.4	4.6	0.2
UC Research: Multi-Campus Research Programs and Initiatives (MRPI)	8	8.6	8.6	8.5	(0.2)	(0.2)	0.4
University of California Washington Center (UCDC)	8.2	7.4	6.3	7.2	0.9	(0.2)	(1.0)
Valley Fever Research	2.9	0.0	0.0	0.0	0.0	0.0	(2.9)
Subtotal - Systemwide Programs	\$118.2	\$100.9	\$93.8	\$102.5	\$8.7	\$1.5	\$(15.7)
TOTAL USES	\$408.2	\$357.1	\$345.8	\$392.1	\$46.2	\$34.9	\$(16.1)

Notes to Schedule C: Budget by Programs and Initiatives
FY21-22 Budget Increased/Decreased Compared to FY20-21 Budget > \$1M

State / Federal Programs

1. California Breast Cancer Research Program: \$9.7M decreased by \$3.2M (-24.8%) due to lower projected revenues.
2. Office of the National Laboratories (UCNL): \$8.6M increased by \$1.8M (26.5%) due to investments in business development and the SoCal Hub project.
3. Tobacco-Related Disease Research Program (TRDRP): \$87.0M increased by \$33.9M (64.0%) due to additional projected Prop 56 tax revenues and related grant awards.

Systemwide Programs

4. Innovative Learning Technology Initiative (Online Education): \$5.8M decreased by \$2.2M (-27%) due to the reduction in the state's UC appropriation.
5. SAPEP: \$8.1M increased by \$1.0M (14.1%) due to a restoration of state funding.
6. UC Press: \$21.9M decreased by \$1.4M (-6.0%) due to the hiring/travel freeze.
7. UC Research Initiatives: Laboratory Fees Research Program (LFRP): \$15.2M increased by \$4.6M (43.4%) due to timing of grant awards

Schedule C-1

Programs and Initiatives by Fund

\$ in millions

	Unrestricted Funds	Designated Funds	Restricted Funds	FY21-22 Budget
PROGRAMS AND INITIATIVES				
State/ Federal Programs				
Agriculture and Natural Resources (ANR)	0.2	101.5	65.3	167.0
California Breast Cancer Research Program	0.0	0.0	9.7	9.7
California Subject Matter Project (CSMP)	0.2	5.0	3.4	8.6
Gaining Early Awareness and Readiness for Undergraduate Programs	0.0	0.0	3.5	3.5
Office of the National Laboratories (UCNL)	0.0	8.6	0.0	8.6
Other State/ Federal Programs	0.5	0.1	0.0	0.6
Tobacco-Related Disease Research Program (TRDRP)	0.0	0.0	87.0	87.0
UC Research: Cancer Research Coordinating Committee (CRCC)	0.0	0.0	2.7	2.7
Subtotal - State/ Federal Programs	1.0	115.2	173.5	289.6
Systemwide Program				
California HIV/ AIDS Research Program (CHRP)	0.0	8.3	0.0	8.3
Eligibility in the Local Context (ELC)	0.0	1.0	0.0	1.0
Historically Black Colleges and Universities (HBCU) Fellowship Initiative	2.0	0.0	0.0	2.0
Historically Black Colleges and Universities (HBCU) Summer Research Initiative	2.0	0.0	0.0	2.0
Innovative Learning Technology Initiative (Online Education)	0.0	5.8	0.0	5.8
Natural Reserve System (NRS)	1.8	0.0	0.8	2.5
Other Systemwide Programs	1.9	0.0	0.0	1.9
San Joaquin Valley PRIME program	0.0	1.9	0.0	1.9
SAPEP	5.7	1.2	1.2	8.1
UC Astronomy: University of California Observatories (UCO)	7.5	0.0	0.0	7.5
UC Astronomy: W.M. Keck Observatory (Keck)	8.8	0.0	0.0	8.8
University of California Press	1.0	20.9	0.0	21.9
UC Research: Laboratory Fees Research Program (LFRP)	0.0	15.2	0.0	15.2
UC Research: Multi-Campus Research Programs and Initiatives (MRPI)	8.3	0.1	0.0	8.5
University of California Washington Center (UCDC)	1.5	5.7	0.0	7.2
Subtotal - Systemwide Programs	40.4	60.2	2.0	102.5
TOTAL USES	\$41.3	\$175.3	\$175.4	\$392.1

Schedule D

Budget by Division and Sub-Division

Systemwide and Core Services

\$ in millions

	FY19-20 Budget	FY20-21 Budget	FY20-21 Forecast	FY21-22 Budget	Variance Increase/(Decrease)		
					FY21-22 Budget vs FY20-21 Q2Forecast	FY21-22 Budget vs FY20-21 Budget	FY21-22 Budget vs FY19-20 Budget
SYSTEMWIDE AND CORE SERVICES USES							
Academic Affairs							
Academic Personnel and Programs	29.4	19.2	19.4	20.8	1.4	1.7	(8.6)
Immediate Office	6.5	6.2	6.2	6.6	0.4	0.4	0.1
Institutional Research and Academic Planning	4.1	5.1	5.2	5.5	0.3	0.4	1.4
Research and Innovation	9.9	8.0	7.8	8.4	0.6	0.5	(1.4)
Graduate, Undergraduate and Equity Affairs	11.2	12.7	13.8	13.5	(0.3)	0.8	2.3
Subtotal - Academic Affairs	61.2	51.2	52.4	54.9	2.5	3.7	(6.3)
Ethics & Compliance	7.3	6.7	6.5	6.8	0.3	0.1	(0.5)
External Relations & Communications							
Alumni and Constituent Affairs	0.7	0.5	0.5	0.5	0.0	0.0	(0.2)
Executive Communications & Engagement	0.8	0.8	0.8	0.8	0.0	0.0	0.0
Federal Government Relations	2.8	2.9	2.8	2.9	0.1	0.0	0.0
Institutional Advancement	2.0	2.3	2.1	2.2	0.1	0.0	0.2
Legislative Analysis	0.8	0.8	0.7	0.8	0.1	0.0	0.0
Marketing and Communications	6.3	5.4	5.1	5.9	0.8	0.4	(0.4)
Media Relations	0.9	0.8	0.9	0.9	0.0	0.1	(0.1)
State Government Relations	2.9	2.8	2.8	2.8	0.1	0.0	0.0
Immediate Office	0.6	1.9	1.6	2.1	0.5	0.2	1.5
Subtotal - ER&C	17.8	18.2	17.4	18.9	1.5	0.7	1.1
Finance							
Budget Analysis and Planning	2.3	2.0	1.9	2.0	0.1	0.0	(0.3)
Capital Asset Strategies & Finance	12.4	13.3	13.5	15.2	1.7	1.9	2.8
Financial Accounting	10.5	11.1	11.0	12.5	1.5	1.4	2.0
Risk Services	8.3	8.0	7.4	8.6	1.2	0.6	0.3
Strategic Sourcing/Procurement	10.9	11.8	10.9	12.0	1.0	0.2	1.1
Immediate Office	1.3	1.2	1.3	1.3	0.1	0.2	0.1
Subtotal - Finance	45.7	47.4	46.0	51.6	5.6	4.2	5.8
Operations							
Energy and Sustainability	4.4	4.4	4.5	4.6	0.1	0.2	0.2
Information Technology Services	51.5	44.3	43.7	40.4	(3.3)	(3.9)	(11.1)
Operational Expenses	8.0	1.8	2.4	4.0	1.6	2.2	(4.0)
Strategic Program Management Office	1.8	1.7	1.6	1.9	0.4	0.3	0.2
Systemwide Human Resources	48.2	46.3	50.6	56.4	5.8	10.1	8.2
UCOP Operations	30.8	29.7	34.7	42.9	8.2	13.2	12.1
Immediate Office	1.1	1.3	1.3	1.4	0.0	0.0	0.2
Subtotal - Operations	145.8	129.5	138.9	151.6	12.7	22.1	5.9
President's Executive Office	4.6	4.4	4.0	5.4	1.4	1.0	0.8
Secretary of the Regents	3.6	3.0	2.9	4.2	1.3	1.2	0.6
Systemwide Academic Senate	2.4	2.2	2.0	2.3	0.4	0.1	(0.1)
UC Health							
Self-Funded Health Plans	4.6	4.8	4.2	4.7	0.5	(0.1)	0.0
UC Health Core	4.3	3.8	3.7	0.0	(3.7)	(3.8)	(4.3)
Academic Health Sciences	0.0	0.0	0.0	3.3	3.3	3.3	3.3
Center for Data Driven Insights and Innovation	5.4	5.7	5.7	7.1	1.4	1.4	1.7
Clinical Strategy & Operations	7.4	5.7	5.1	4.1	(0.9)	(1.6)	(3.2)
Finance and Administration	0.0	0.0	0.0	4.5	4.5	4.5	4.5
Leveraging Scale for Value	7.4	6.4	6.5	7.4	1.0	1.1	0.0
Subtotal - UC Health	29.1	26.3	25.1	31.2	6.0	4.8	2.1
UC Investments	34.3	33.6	41.1	40.1	(1.1)	6.4	5.7
UC Legal	58.0	58.1	62.2	65.5	3.3	7.4	7.5
SUBTOTAL USES	\$409.8	\$380.7	\$398.5	\$432.5	\$34.0	\$51.8	\$22.6
UCPath	93.7	90.8	91.7	97.2	5.6	6.4	3.5
TOTAL USES	\$503.5	\$471.4	\$490.1	\$529.7	\$39.6	\$58.2	\$26.2

Notes to Schedule D: Systemwide and Core Services
FY21-22 Budget Increased/Decreased Compared to FY20-21 Budget > \$1M

Academic Affairs

1. Academic Personnel and Programs: \$20.8M increased by \$1.7M (8.9%) due to increased restricted funds in CDL of \$1.2M, and an increase in personnel costs, mainly in CDL.

Finance

2. Capital Asset Strategies & Finance: \$15.2M increased by \$1.9M (14.3%) due to restored positions and a new central bank project
3. Financial Accounting: \$12.5M increased by \$1.4M (12.6%) due to licenses and three additional FTEs for the new financial system (Oracle Cloud ERP), and increased audit fees.

Operations

4. Information Technology Services: \$40.4M decreased by \$3.9M (-8.8%) due to recharge reductions.
5. Operational Expenses: \$4.0M increased by \$2.2M (122%) due to inclusion of equity pool.
6. Systemwide Human Resources: \$56.4M increased by \$10.1M (21.8%) Redwood stabilization costs increasing due to overlap in support costs as they transition from an outside vendor to internal IT resources.
7. UCOP Operations: \$42.9M increased by \$13.2M (44.4%) due to lease and occupancy expenses for Oakland buildings, \$7.5M; FTEs to support new financial systems, \$1.8M and strategic FTE increases to build capacity based on the Huron study, \$1.6M.

UC Health

8. UC Health: \$31.2M increased by \$4.8M (18.3%) overall due to \$1.25M for the Global Health Institute and FTEs to support the Center for Data Driven Insights and Leveraging Scale for Value initiatives, \$2M, plus restoration of several key positions, \$1.5M.
Note that UC Health realigned their division for FY21-22, so the year-over-year comparison at the sub-division level is not meaningful.

Other Divisions

9. President's Immediate Office: \$5.4M increased by \$1.0M (22.7%) in personnel, consulting and travel increases.
10. Secretary of the Regents: \$4.2M increased by \$1.2M (40%) due to restoration of in-person meetings including facilities and security, along with the restoration of a frozen position.
11. UC Investments: \$40.1M increased by \$6.4M (19.0%) due to service contract increases and changes in accounting for their incentive program.
12. UC Legal: \$65.5M increased by \$7.4M (12.7%) due to outside counsel increase (\$3.1M), systemwide litigation fund (\$2.5M) and 7 new positions (\$1.8M)
13. UCPath Center Operations: \$97.2M increased by \$6.4M (7.0%) for compensation and deferred maintenance expenses.

Schedule D-1

Systemwide and Core Services by Fund

\$ in millions

	Unrestricted Funds	Designated Funds	Restricted Funds	FY21-22 Budget
SYSTEMWIDE AND CORE SERVICES USES				
Academic Affairs				
Academic Personnel and Programs	17.2	1.7	1.9	20.8
Immediate Office	6.5	0.0	0.1	6.6
Institutional Research and Academic Planning	5.5	0.0	0.0	5.5
Research and Innovation	5.8	2.7	0.0	8.4
Graduate, Undergraduate and Equity Affairs	7.4	5.9	0.2	13.5
Subtotal - Academic Affairs	42.4	10.3	2.3	54.9
Ethics & Compliance	6.7	0.0	0.0	6.8
External Relations & Communications				
Alumni and Constituent Affairs	0.0	0.5	0.0	0.5
Executive Communications & Engagement	0.8	0.0	0.0	0.8
Federal Government Relations	2.2	0.7	0.0	2.9
Institutional Advancement	0.0	1.7	0.5	2.2
Legislative Analysis	0.8	0.0	0.0	0.8
Marketing and Communications	3.5	1.7	0.7	5.9
Media Relations	0.8	0.0	0.1	0.9
State Government Relations	2.8	0.0	0.0	2.8
Immediate Office	1.7	0.4	0.0	2.1
Subtotal - ER&C	12.6	5.0	1.3	18.9
Finance				
Budget Analysis and Planning	2.0	0.0	0.0	2.0
Capital Asset Strategies & Finance	8.4	6.8	0.0	15.2
Financial Accounting	7.1	2.5	2.9	12.5
Risk Services	0.0	8.6	0.0	8.6
Strategic Sourcing/ Procurement	10.4	1.6	0.0	12.0
Immediate Office	0.6	0.5	0.2	1.3
Subtotal - Finance	28.5	20.0	3.1	51.6
Operations				
Energy and Sustainability	3.4	1.2	0.0	4.6
Information Technology Services	33.0	3.9	3.5	40.4
Operational Expenses	2.9	1.1	0.0	4.0
Strategic Program Management Office	1.9	0.0	0.0	1.9
Systemwide Human Resources	6.9	0.0	49.5	56.4
UCOP Operations	35.5	5.0	2.4	42.9
Immediate Office	0.9	0.0	0.5	1.4
Subtotal - Operations	84.6	11.3	55.8	151.6
President's Executive Office	5.0	0.3	0.2	5.4
Secretary of the Regents	4.2	0.0	0.0	4.2
Systemwide Academic Senate	2.2	0.0	0.1	2.3
UC Health				
Self-Funded Health Plans	0.0	2.0	2.7	4.7
Academic Health Sciences	1.3	2.0	0.0	3.3
Center for Data Driven Insights and Innovation	0.0	7.1	0.0	7.1
Clinical Strategy & Operations	0.6	3.4	0.1	4.1
Finance and Administration	1.7	2.7	0.1	4.5
Leveraging Scale for Value	0.0	7.4	0.0	7.4
Subtotal - UC Health	3.6	24.7	2.9	31.2
UC Investments	0.0	40.1	0.0	40.1
UC Legal	10.4	54.2	0.9	65.5
SUBTOTAL USES	200.1	165.9	66.5	432.5
UCPath	0.0	97.2	0.0	97.2
TOTAL USES	\$200.1	\$263.1	\$66.5	\$529.7

Schedule E

UC ANR Budget within UCOP

Budget by Program and Unit - All Funds

\$ in millions

	FY19-20 Budget	FY20-21 Budget	FY20-21 Forecast	FY21-22 Budget	Variances: (Increase/Decrease)		
					FY21-22 Budget vs FY20-21 Q2Forecast	FY21-22 Budget vs FY20-21 Budget	FY21-22 Budget vs FY19-20 Budget
SOURCES							
Federal AES	7.5	8.2	8.2	8.2	0.0	0.0	0.7
State UCCE	72.6	63.4	63.4	73.6	10.2	10.2	1.0
Federal UCCE	11.9	12.2	12.1	12.4	0.3	0.1	0.5
Endowment Payout	9.9	10.4	9.8	9.5	(0.2)	(0.8)	(0.4)
Extramural Funding	42.1	40.2	36.8	35.1	(1.7)	(5.0)	(7.0)
Other Sources	34.7	32.8	27.4	28.1	0.8	(4.7)	(6.6)
TOTAL UC ANR Budget within UCOP	\$178.7	\$167.2	\$157.6	\$167.0	\$9.4	(\$0.1)	(\$11.7)
USES							
Unrestricted Sources							
AES Campuses							
Other Campus-Based Academics	0.2	0.3	0.3	0.7	0.4	0.4	0.6
UC Berkeley	7.3	7.2	7.0	7.8	0.7	0.6	0.5
UC Davis	24.1	21.0	20.6	23.0	2.4	2.0	(1.1)
UC Riverside	6.6	5.6	5.6	6.0	0.5	0.5	(0.6)
Subtotal - AES Campuses	38.2	34.0	33.5	37.5	4.0	3.5	(0.7)
Statewide Programs & Institutes							
Agriculture Issues Center	0.3	0.2	0.2	0.3	0.0	0.0	0.0
California Institute for Water Resources	0.7	1.1	1.0	1.1	0.1	0.0	0.4
Elkus Ranch Youth Development Center	0.8	0.4	0.4	0.5	0.1	0.0	(0.4)
Informatics & Geographic Information Systems	0.7	1.0	0.9	1.1	0.1	0.1	0.4
Integrated Pest Management	4.6	5.8	5.5	5.6	0.1	(0.2)	1.0
Nutrition Policy Institute	9.1	4.7	4.4	4.4	0.0	(0.3)	(4.7)
Statewide Programs & Initiatives	4.1	3.2	3.1	2.9	(0.2)	(0.2)	(1.2)
Sustainable Agriculture Research & Education	0.8	0.8	0.8	0.8	0.0	0.0	0.0
Volunteer Based Programs (MFP, MG, Naturalist)	1.5	1.6	1.5	0.9	(0.6)	(0.7)	(0.6)
Youth, Family & Communities	3.9	6.6	6.4	2.7	(3.6)	(3.8)	(1.2)
Subtotal - Statewide Programs & Institutes	26.6	25.3	24.2	20.2	(4.0)	(5.1)	(6.4)
Research and Extension Centers (RECs)							
County-Based Research and Extension	16.0	16.4	15.7	17.0	1.2	0.6	1.0
County-Based Research and Extension							
General Administration	18.4	18.3	17.7	19.2	1.4	0.9	0.8
UCPath	1.6	0.4	0.3	1.7	1.4	1.3	0.1
Subtotal - Administration	20.0	18.6	18.1	20.9	2.8	2.2	0.8
Institutional Support							
	5.9	4.9	4.8	5.4	0.6	0.5	(0.5)
TOTAL UC ANR Budget within UCOP	\$178.7	\$167.2	\$160.2	\$167.0	\$6.8	(\$0.1)	(\$11.7)
NET MARGIN SURPLUS (DEFICIT)	\$0.0	\$0.0	\$2.6	\$0.0	\$0.0	\$0.0	\$0.0

Schedule F-1
Strategic Priorities Fund
Unrestricted Funds
Overall UCOP

\$ in millions

	FY20-21		FY21-22	Variance Increase/(Decrease)		
	Budget	Forecast	Budget	FY20-21 Forecast vs FY20-21 Budget	FY21-22 Budget vs FY20-21 Forecast	FY21-22 Budget vs FY20-21 Budget
	YearTotal	YearTotal	YearTotal			
Campus Program						
Clean Energy Research Center on Energy and Water	-	-	-	-	-	-
Subtotal - Campus Program	-	-	-	\$0.0	\$0.0	\$0.0
Systemwide and Core Services						
Corporate Financial System Replacement Project: Phase 2 (FCCS)	1.6	1.7	1.4	0.1	(0.3)	(0.3)
FIS Phase II - EFA/ CFS-AST	-	-	0.6	-	0.6	0.6
Lease Accounting System - GASB 87	0.3	0.2	0.5	(0.1)	0.3	0.2
Mainframe Services Migration	0.2	0.2	0.0	-	(0.1)	(0.1)
Mainframe Services Retirement	2.3	2.3	4.8	0.1	2.4	2.5
Audit Response - Finance Resources	0.1	0.2	-	0.0	(0.2)	(0.1)
Audit Response - Workforce Planning	0.2	0.2	-	(0.0)	(0.2)	(0.2)
UCOP Presidential Search	0.3	0.3	-	(0.1)	(0.3)	(0.3)
President Transition	-	0.0	0.1	0.0	0.1	0.1
UCM Chancellor Search	0.0	0.0	-	0.0	(0.0)	(0.0)
Transfer Guarantee Implementation: Communications & Advising	0.3	0.3	-	(0.0)	(0.3)	(0.3)
DACA Program Communications Support	0.1	0.0	-	(0.1)	(0.0)	(0.1)
HR TAMS and ePerformance Project Resources	0.1	0.1	-	0.0	(0.1)	(0.1)
OP Operations Change Management Resources	0.6	0.6	-	0.0	(0.6)	(0.6)
Cybersecurity Audit	0.1	-	-	(0.1)	-	(0.1)
Case Management System for UC Title IX Offices	0.1	0.1	0.0	0.0	(0.1)	(0.1)
Student Pay Project Manager	0.0	0.0	-	0.0	(0.0)	(0.0)
Litigation Cost & Whistle Blower Allegations	0.1	0.8	0.2	0.6	(0.6)	0.1
COVID-19 Communications	0.2	0.3	0.1	0.0	(0.1)	(0.1)
Lived Name & Gender Identity	-	-	1.3	-	1.3	1.3
UCSA/ UCGPC bridge funding	-	-	0.7	-	0.7	0.7
UC Health Digital Donor Library (DDL)	-	-	0.6	-	0.6	0.6
Subtotal - Systemwide and Core Services	6.7	7.3	10.3	\$0.6	\$3.0	\$3.6
Presidential Initiatives						
Carbon Neutrality Initiative (CNI)	1.3	1.2	1.3	(0.1)	0.1	(0.0)
Public Law Service Fellowship	4.1	4.0	3.0	(0.1)	(1.0)	(1.1)
Global Food Initiative (GFI)	0.4	0.4	0.4	(0.0)	0.0	-
Presidential Public Service Fellowship	0.1	0.1	0.1	(0.1)	-	(0.1)
UC National Center for Free Speech & Civic Engagement	1.0	0.9	0.9	(0.0)	-	(0.0)
Subtotal - Presidential Initiatives	6.9	6.5	5.7	(\$0.4)	(\$0.8)	(\$1.2)
Systemwide Programs						
Presidential Postdoc Fellowship Program - Supplemental Funding	0.2	0.2	-	(0.0)	(0.2)	(0.2)
ASSIST Project	1.3	0.6	0.3	(0.7)	(0.3)	(1.0)
Undocumented Students - Campus Services & Financial Aid	2.2	3.0	1.4	0.8	(1.6)	(0.8)
UC-Mexico Program	0.8	0.8	-	-	(0.8)	(0.8)
UC Mexico Program Consolidation	1.2	1.2	-	-	(1.2)	(1.2)
Subtotal - Systemwide Programs	5.7	5.7	1.7	\$0.0	(\$4.0)	(\$3.9)
Systemwide Initiatives						
Systemwide Intergrated Library System Initiative	0.6	0.6	2.1	0.0	1.5	1.5
Subtotal - Systemwide Initiatives	0.6	0.6	2.1	\$0.0	\$1.5	\$1.5
Committed Funds	19.9	20.2	19.9	\$0.3	(\$0.4)	(\$0.0)
Uncommitted Funds	0.1	1.3	10.1	\$1.2	\$8.9	\$10.0
Total Strategic Priorities Fund	\$20.0	\$21.5	\$30.0	\$1.5	\$8.5	\$10.0

**Notes to Schedule F-1: Unrestricted Strategic Priorities Fund
FY21-22 Budget Increased/Decreased Compared to FY20-21 Budget**

Systemwide and Core Services

Systemwide & Core Services - \$2.5M Mainframe Retirement, to migrate UC applications from mainframe to cloud solutions which will generate future savings and reduce dependence on outdated hardware investments; \$1.3M Lived Name, the effort to upgrade numerous ITS-controlled systems to support the new non-binary gender and preferred name (or “lived name”) designations

Presidential Initiatives (See Appendix 2 for details)

(\$1.1M) Public Law Service Fellowship; based on the guidance of President Drake to fund other emerging needs at UCOP

Systemwide Programs

(\$2.0M) UC Mexico has been moved to UCR campus to manage, (\$1.0M) Reduce funded need to manage the ASSIST Project & (\$0.8M) Reduction to Undocumented Students support funding (glide path funding from FY19-20 through FY21-22) approved by the former President J. Napolitano

Systemwide Initiatives

\$1.5M SILS based on timing of approved project spending in the 3rd and final year

**Schedule F-2
Strategic Priorities Fund
Designated/Restricted Funds
Overall UCOP**

\$ in millions

	Designated	Restricted	FY 2021-22 Budget
Central & Administrative Services			
1 Redwood Stabilization	-	5.6	5.6
2 iCamp	1.5	-	1.5
3 Student Pay Project	1.2	-	1.2
4 Lived Name & Gender Identity	-	0.3	0.3
5 Oracle PeopleSoft Upgrade	0.2	-	0.2
Subtotal - Central & Administrative	2.9	5.9	8.8
Total Strategic Priorities Fund	\$ 2.9	\$ 5.9	\$ 8.8

**Notes to Schedule F-2: Designated and Restricted Strategic Priorities Fund
FY21-22 Budget Increased/Decreased Compared to FY20-21 Budget**

1. Redwood Stabilization: \$5.6M funded from restricted retirement investment funding for required system stabilization and enhancements.
2. iCAMP: \$1.5M to support systemwide assessments of campus infrastructure managed by the CFO division using designated funds.
3. Student Pay Project: \$1.2M to move all student employees to a standardized biweekly pay cycle

Schedule G

UCOP Reserves

\$ in millions

	Reserve Target		6/30/20 Actual Reserve	6/30/21 Forecasted Reserve	Variance:		6/30/21 Reserve Target Over Max / (Under Min)
	Minimum	Maximum			6/30/20 Actual vs 6/30/21 Forecast		
UCOP RESERVES							
Building and Capital Assets Reserves							
Capital Maintenance and Renewal	\$ 2.6	\$ 7.9	\$ 4.2	\$ 0.7	\$ (3.5)	\$ (1.9)	
UCOP IT Infrastructure	0.4	0.6	0.6	0.6	-	-	
Sub-Total Building and Capital Assets Reserves	\$ 3.0	\$ 8.5	\$ 4.8	\$ 1.3	\$ (3.5)		
Program Reserves							
UC National Laboratories							
LANS and LLNS-LLC Post Contract Contingency ¹	19.0	19.0	18.0	21.0	3.0	2.0	
LANS and LLNS-LLC Fee Contingency ¹	7.0	7.0	6.5	6.5	-	(0.5)	
TRIAD Reserve Fund ¹	10.0	10.0	2.2	4.2	2.0	(5.9)	
Capital and Campus Opportunity Fund ¹	10.0	10.0	4.2	8.4	4.2	(1.6)	
LBNL Post Contract Contingency ²	4.0	4.0	3.3	3.5	0.3	(0.5)	
LBNL Building Commitment ²	10.0	23.0	11.7	8.4	(3.3)	-	
LBNL Guest House Renewal & Replacement ²	1.5	2.5	1.5	1.2	(0.3)	-	
UC National Laboratories SubTotal	61.5	75.5	47.2	53.1	5.9		
UC Press	1.5	1.5	1.5	1.5	0.0	-	
UC Washington Center (UCDC) ³	2.9	6.3	6.0	6.1	0.1	-	
Sub-Total Program Reserves	\$ 65.9	\$ 83.3	\$ 54.7	\$ 60.7	\$ 6.0		
Other Required Reserves							
Housing Loan Program ⁴	49.9	64.5	39.3	52.0	12.7	-	
Sub-Total Other Required Reserves	\$ 49.9	\$ 64.5	\$ 39.3	\$ 52.0	\$ 12.7	\$ -	
SUB TOTAL NON-OPERATING AND PROGRAM RESERVES	\$ 118.8	\$ 156.3	\$ 98.8	\$ 114.1	\$ 15.2		
Central Operating Reserve⁵	15.0	15.0	15.0	15.0	-	-	
TOTAL UCOP RESERVES	\$ 133.8	\$ 171.3	\$ 113.8	\$ 129.1	\$ 15.2		

¹ UCNL TRIAD (LANL) and LLNS-LLC reserves and reserve targets are established by the UC Regents.

² LBNL reserves targets are established by LBNL and UCNL management.

³ UCDC reserve includes \$0.8M in reserves and \$5.3M in TRIP.

⁴ The Housing Loan Program reserve has increased to reflect a maximum of 4% of outstanding loans, plus \$6.3M which is set aside for campus supplemental home loans.

⁵ Central Operating Reserve is held in the President's Endowment Fund. Per the established Presidential guidelines, the Central Operating Reserve may be supplemented with up to an additional \$100M or three months of covered funds from a variety of sources.

Schedule H

UCOP Fund Balances by Fund Type ^{1, 2, 3}

\$ in millions

	6/30/21				
	6/30/20 Balance	Forecasted Balance	Commitments ³	Remaining Balance	Change in Fund Balance
UNRESTRICTED					
Undesignated - UCOP					
Investment Income	\$ 2.0	\$ 5.4	\$ 4.5	\$ 0.9	\$ (1.1)
UC General Funds	9.5	1.4	-	1.4	(8.1)
Legal Settlements	3.3	3.4	2.5	0.9	(2.4)
Other	2.9	0.7	-	0.7	(2.2)
Sub-Total Undesignated - UCOP	\$ 17.7	\$ 10.8	\$ 7.0	\$ 3.8	\$ (13.9)
Undesignated - Systemwide					
General Obligation Bond Income	\$ 8.2	\$ 7.8	\$ 7.8	\$ -	\$ (8.2)
Sub-Total Undesignated - Systemwide	\$ 8.2	\$ 7.8	\$ 7.8	\$ -	\$ (8.2)
Sub-Total Undesignated	\$ 25.9	\$ 18.6	\$ 14.8	\$ 3.8	\$ (22.1)
DESIGNATED					
Regents Designated					
DOE Laboratories ⁴					
LLC	\$ 9.6	\$ 11.3	\$ -	\$ 11.3	\$ 1.7
LBNL	7.6	8.5	-	8.5	0.9
Triad	6.0	5.9	-	5.9	(0.1)
Lab Fees Research	23.5	24.0	15.2	8.8	(14.7)
Programs and Initiatives					
UC Healthcare Collaborative	\$ 1.6	\$ 1.3	\$ -	\$ 1.3	\$ (0.3)
California Digital Library	2.4	2.3	0.9	1.4	(1.0)
ICAMP	3.4	3.3	3.3	0.0	(3.4)
UC Washington Center	2.5	0.4	-	0.4	(2.1)
Procurement Initiatives	3.1	3.4	1.9	1.5	(1.6)
Writing Placement Exam	0.1	0.1	-	0.1	0.0
Other	(5.8)	(0.7)	-	(0.7)	5.1
Central Services Designated					
Endowment cost recovery	9.2	\$ 10.0	8.0	2.0	(7.2)
Energy and sustainability	1.1	0.8	-	0.8	(0.3)
Other	1.1	(2.5)	-	(2.5)	(3.6)
Sub-Total Designated	\$ 65.4	\$ 68.0	\$ 29.3	\$ 38.7	\$ (26.7)
RESTRICTED					
Federal and Special State Appropriations/Regulations	\$ 5.0	\$ 0.5	\$ -	\$ 0.5	\$ (4.5)
Gifts and Endowments	4.6	3.4	-	3.4	(1.2)
Sub-Total Restricted	\$ 9.6	\$ 3.9	\$ -	\$ 3.9	\$ (5.7)
TOTAL BALANCES - before building proceeds	\$ 100.9	\$ 90.5	\$ 44.1	\$ 46.4	\$ (54.5)
Capital Projects	\$ 12.3	\$ 4.9	\$ 4.9	-	(12.3)
TOTAL BALANCES	\$ 113.2	\$ 95.4	\$ 49.0	\$ 46.4	\$ (66.8)

¹ Fund balances are exclusive of Reserve amounts

² Systemwide and pass-through fund balances are excluded, such as health and welfare benefits balances, wholesale power program funds, systemwide procurement incentives and patent royalty income

³ Commitments include \$4.5M in fund balances used in the FY21-22 budget, \$7.8M for future campus seismic work and interest expense, \$15.2M for commitments on the Lab Fees Research grants to be sent out in FY21-22, \$3.3M for ICAMP to be spent in FY21-22 and \$8M for campus development efforts.

⁴ DOE Laboratories fund balances include DOE fee income from the three UC-run national labs, for lab oversight and building operations.

APPENDIX 2: FY21-22 PRESIDENTIAL INITIATIVES

Presidential Initiatives Detail FY19-20 and FY21-22

The following provides a description of each UC Presidential Initiative including how it furthers the mission of the university.

	Presidential Initiatives	FY19-20 Budget	FY20-21 Budget	FY20-21 Revised ¹	FY21-22 Budget	Incr / (Decr) ²
1	Carbon Neutrality Initiative (CNI)	\$ 1,380,383	\$ 1,330,000	\$ 1,321,800	\$ 1,321,800	\$ -0-
2	Global Food Initiative (GFI)	496,000	421,200	421,200	421,200	-0-
3	Presidential Public Service Fellowship	168,142	145,928	72,691	72,691	-0-
4	Public Service Law Fellowships	5,080,000	4,050,000	3,950,480	2,962,860	(987,620)
5	UC National Center for Free Speech and Civic Engagement	565,000	950,000	920,000	920,000	-0-
	Total	\$ 7,689,525	\$ 6,897,128	\$ 6,686,171	\$ 5,698,551	\$ (987,620)

1. The FY20-21 Budget was revised by the President, identifying savings to be shifted to non-budgeted COVID-19 expenses.
2. Increase/(Decrease) for FY21-22 relative to the revised FY20-21 Budget.

1. **Carbon Neutrality Initiative (CNI)**

The Carbon Neutrality Initiative (CNI) launched in 2013, committing UC to emit net zero 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. This initiative also furthers the University’s mission to provide **instruction** by giving undergraduate and graduate students the opportunity to study issues and fund student-generated projects that support the UC system’s carbon neutrality goal through its Carbon Neutrality Student Fellowship Program. 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.

2. **Global Food Initiative (GFI)**

The Global Food Initiative (GFI) was launched in 2014 to address 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.

3. **Presidential Public Service Fellowship**

The Presidential Public Service Fellowship launched in FY15-16. This need-based fellowship annually supports up to three students per undergraduate campus, or 27 students in all, to participate in internships through the UC Washington Center (UCDC) and UC Center Sacramento (UCCS), gaining firsthand exposure to the American political process and attaining valuable work experience. Fellows receive \$1,000 in financial support to defray costs (including incidental expenses such as travel and the cost of appropriate business attire) of enrollment at UCDC or UCCS. Fellows apply and are selected based on financial need and a demonstrated commitment to civic engagement and service for the public good. This initiative advances UC's **instruction** and **public service** mission components.

4. **Public Service Law Fellowships**

The Public Service Law Fellowship launched in FY16-17 to support both summer and post-graduate fellowships 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 annual UC National Public Service Law Conference is held 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.

5. **UC National Center for Free Speech and Civic Engagement**

The UC system and the Free Speech Movement have long been synonymous. As an extension of this great legacy, President Napolitano launched the UC National Center for Free Speech and Civic Engagement in FY17-18 to further the **public service** mission of the University. The Center is housed at UC Irvine and at UCDC, the Washington D.C. location of the University of California. It serves as a national leader and resource on issues including how simultaneously to encourage robust inquiry and dialogue while safeguarding other institutional values such as equity and inclusivity. Through its programming, publications and preeminent fellows, the Center is blazing a trail to prominence as it **researches** how the fundamental democratic and academic principles of free speech and civic engagement enrich the discovery and transmission of knowledge in America's colleges and universities.

APPENDIX 3: KEY TO ACRONYMS

Acronym	Description
ANR	Agriculture and Natural Resources
CAS	Systemwide and Core Services
CDL	California Digital Library
CFO	Chief Financial Officer
COO	Chief Operating Officer
CSA	California State Auditor
CSU	California State University
EBC	Executive Budget Committee
FY	Fiscal Year
GAAP	Generally Accepted Accounting Principles
GO Bond	General Obligation Bond
HSI	Hispanic Serving Institutions
HR	Human Resources
Incr/(Decr)	Increase/(Decrease)
IT	Information Technology
LANL	Los Alamos National Laboratory
LBNL	Lawrence Berkeley National Laboratory
LLNL	Lawrence Livermore National Laboratory
SAPEP	Student Academic Preparation and Academic Partnerships
SPF	Strategic Priorities Fund
TRDRP	Tobacco-Related Disease Research Program
UC	University of California
UCDC	University of California Washington Center
UCNL	University of California National Laboratories
UCOP	University of California Office of the President



Regents Policy XXXX: Policy on Innovation Transfer & Entrepreneurship

POLICY SUMMARY/BACKGROUND

This policy is in response to the findings and recommendations formed by the Regents Working Group on Innovation Transfer and Entrepreneurship from December 2019 to April 2021.

The purpose of this policy is to ensure that the University's innovation transfer and entrepreneurship programs – at both the campus and systemwide levels – achieve the following objectives:

- Promote the translation of UC's discoveries into useful products, services, and innovations that not only provide value to individuals and society, but also endeavor to uplift the human condition;
- Inspire the passion of our faculty and student inventors, as well as provide the problem-solving and collaborative support necessary to translate those ideas into real-world solutions having societal benefit; and
- Pursue fair value for our intellectual property so UC can continue to grow its excellence in scholarship, research, and global impact.

POLICY TEXT

A. Governance

The responsibility, authority, and accountability for innovation transfer and entrepreneurship shall reside generally with the campuses. Those campuses with defined strategies, as well as adequate programmatic infrastructure and internal controls, will have the authority and flexibility necessary to execute its charge.

The Office of the President shall continue to play an important role in facilitating the success of UC's innovation transfer enterprise by supporting and facilitating the execution of campus-based strategies and solutions. Its highest and best value comes in leveraging the power and potential of its ten campuses and to perform services no one campus can cost-effectively do on its own, as well as coordinating or addressing multi-campus needs.

B. Funding

The University shall endeavor to provide or raise funds to provide seed capital for early stage development and nascent innovations that have market potential to help the University meet its mission, as identified above.

C. Policy

The University shall periodically review, update and modernize those policies which are core to governing its innovation transfer and entrepreneurship enterprise, as necessary, but no less than every five years.

D. Culture / Reputation

With input from both internal and external stakeholders, the University shall take actions to create an environment encouraging and valuing translational research, innovation, and entrepreneurship on par with other UC enterprises and fields of scholarship and research.

E. Innovation Management System

The University shall endeavor to operate and maintain a state-of-the-art Innovation Management System to handle the IT infrastructure needs of its innovation transfer enterprise, including, at a minimum:

- Marketing and business development;
- Patent Prosecution;
- Intellectual property tracking and management;
- Accounting, billing, and revenue distribution; and
- Stakeholder and client relationship management

F. Performance Metrics

The University shall develop goals and measure innovation transfer and entrepreneurship activities with respect to the following: public impact; short and long-term financial returns; customer satisfaction; impact on students; and the participation of women, person with disabilities, and other historically marginalized groups.

REPORTING

The Office of the President shall provide an annual written report detailing progress, successes, failures, and barriers to implementation for each of the areas under Policy Text.

RELATED DOCUMENTS

Report of the Regents Working Group on Innovation Transfer and Entrepreneurship

Charter of the Special Committee on Innovation Transfer and Entrepreneurship

A. Purpose / Oversight Responsibilities

The charge of the Special Committee on Innovation Transfer and Entrepreneurship is as follows:

1. Oversight of the successful implementation of the proposals detailed in the May 2021 report of the Regents Working Group on Innovation Transfer and Entrepreneurship.
2. The exploration and development of additional solutions serving to further optimize the manner in which the University of California promotes innovation transfer and entrepreneurship, and translates its discoveries into practical products, services, and innovations having societal impact. These include, but are not limited to:
 - i. Improving the manner in which UC protects its intellectual property rights, including contract enforcement.
 - ii. Promoting the more inclusive participation of students in translational research, innovation, and entrepreneurship.

B. Duration

The Special Committee on Innovation Transfer and Entrepreneurship shall be established for two years, effective upon approval by the Regents.

C. Membership / Appointment / Term

The Special Committee shall be comprised of no fewer than five Regents and a quorum of the committee shall be a majority of voting members. The Special Committee may include non-voting advisory members, including Chancellors and/or UC-affiliated and external individuals.

Appointments will be made by the Chair of the Board for one-year terms. The initial appointments will be made in consultation with the Chair and Vice Chair of the Regents Working Group on Innovation Transfer and Entrepreneurship established in 2019.

D. Expert Advisors

As necessary to conduct its business, the Special Committee shall have the authority to retain ad-hoc advisors with expertise relevant to the work of the Committee. Appointments will be made by the Chair of the Special Committee.

Any advisors not otherwise subject to University policy, shall be subject to the laws and policies applicable to Regents governing 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.

D. Reporting

The Special Committee shall report at least annually to the Board on progress.

Addition shown by underscoring

Bylaw 23. Officers of the Corporation

23.5 Authority and Duties of Principal Officers.

* * * * *

(d) Chief Investment Officer

The Chief Investment Officer serves as the chief University official having charge of all investment matters pertaining to the Corporation and University. The Chief Investment Officer provides advice and counsel to the Regents, to Board leadership and to University leadership regarding investment policy and performance and has direct access to the Board. The Chief Investment Officer oversees the acquisition, management and disposition of all assets held for investment purposes, as directed by Regents Policy, the Board and/or the President of the University, and acts as the custodian of all investment assets belonging to University; however, the Chief Investment Officer and the President will each have authority over the acquisition, management and disposition of all equity received by University campuses pursuant to licensing, incubator/accelerator activities and other commercial arrangements. Subject to the administrative oversight of the President of the University, the Chief Investment Officer provides investment services to the University and oversees all investment managers retained by the University to deliver such services. The Chief Investment Officer reports to the Board and to the President of the University. The Chief Investment Officer is expected to report to the Board any significant concerns regarding the Office of the President that could result in substantial financial, reputational or other harm to the University. With regard to audits and investigations of the Office of the President, the Chief Investment Officer reports solely and exclusively to the Board.

Additions shown by underscoring; deletions shown by strikethrough

**UNIVERSITY OF CALIFORNIA
BLUE AND GOLD ENDOWMENT
[UC BGE]**

**INVESTMENT POLICY
STATEMENT**



Effective: July 1, 2020

Replaces the BGE Investment Policy Statement and BGE Asset and Risk Allocation Policy effective November 15, 2018

UNIVERSITY OF CALIFORNIA BLUE AND GOLD ENDOWMENT INVESTMENT POLICY STATEMENT

PURPOSE

The purpose of this Investment Policy Statement (“Policy” or “IPS”) is to define the objectives and policies established for the management of the investments of the University of California (“UC”) BLUE AND GOLD ENDOWMENT (BGE). The management of BGE is subject to state and federal regulations and laws, and all other University investment policies, which may not be listed in this document.

The Policy consists of the following sections:

1. Roles and Responsibilities
2. Objectives
3. Investment Guidelines
4. Strategic Allocation
5. Risk Management
6. Benchmarks
7. Rebalancing
8. Monitoring and Reporting
9. Policy Maintenance
10. No Right of Action
11. Disclosures

POLICY SUMMARY/BACKGROUND

~~The purpose of this Investment Policy Statement (“Policy” or “IPS”) is to define the objectives and policies established for the management of the investments of the University of California BLUE AND GOLD ENDOWMENT (BGE). The management of BGE is subject to state and federal regulations and laws, and all other University investment policies, which may not be listed in this document. The investment policy statement consists of the following sections:~~

- ~~● Investment Objectives~~
- ~~● Payout Policy~~
- ~~● Monitoring and Reporting~~
- ~~● Conflicts of Interest~~
- ~~● Disclosures~~
- ~~● Policy Maintenance~~

~~This policy reflects the Governance Framework outlined in Bylaws 22 and 23 of the University and the Finance and Capital Strategies Committee Charter. The Board defines the goals and objectives of BGE and is responsible for establishing and approving changes to this IPS. The Finance and Capital Strategies Committee and Investments Subcommittee are responsible for establishing the Asset and Risk Allocation Policy (with Board approval), which defines the strategic asset allocation, risk tolerance, asset types, and benchmarks of the portfolio.~~

~~The Chief Investment Officer (or “Office of the Chief Investment Officer”) is responsible for implementing the approved investment policies and developing investment processes and procedures for asset allocation, risk management, investment manager selection and termination, monitoring and evaluation, and the identification of management strategies that will improve the investment efficiency of BGE assets.~~

UNIVERSITY OF CALIFORNIA BLUE AND GOLD ENDOWMENT INVESTMENT POLICY STATEMENT

1. ROLES AND RESPONSIBILITIES

Board of Regents

The Board defines the goals and objectives of BGE and is responsible for establishing and approving changes to this Policy.

The Board of Regents may delegate the implementation of this policy to the Chief Investment Officer and investment advisors.

Chief Investment Officer

The Chief Investment Officer (“CIO”, “OCIO”, “Office of the Chief Investment Officer” or “UC Investments”) is responsible for implementing the approved investment policies and developing investment processes and procedures for asset allocation, risk management, investment manager selection and termination, monitoring and evaluation, and the identification of management strategies that will improve the investment efficiency of BGE assets.

Investment Managers

UC Investments may delegate to external Investment Managers responsibility for managing all or a portion of the assets. Any external Investment Managers will assume the roles and responsibilities of “investment manager” under Section 3(38) of ERISA, including but not limited to acknowledging in writing that such Investment Manager is a fiduciary with respect to the assets it manages on behalf of BGE. The Investment Manager will accept assets and invest in compliance with all relevant regulations and laws, the Investment Manager’s individual investment management agreement(s), and as applicable, the stated investment guidelines in this Policy.

Trustee/Custodian

The role of the Trustee/Custodian is to provide safekeeping, accounting and valuation of Trust assets.

2. OBJECTIVES

Overall Objective

~~BGE is an investment pool established by the Regents and is available to UC campuses and other related entities.~~ with the objective of BGE is to provide a low cost, liquid, diversified investment vehicle in which the various UC organizations may invest their long-term excess capital reserves to earn a higher return than would otherwise be expected from short-term cash management vehicles (such as TRIP and STIP). This objective is subject to risk and liquidity tolerances established with the Office of the President, Chief Financial Officer, and campuses. BGE seeks to achieve this objective by taking advantage of the economies of scale of investing a large liquid pool of assets. The pool intends to invest in the most liquid and transparent investments available that provide appropriate market exposure, at the lowest possible expense, in order to provide the opportunity for immediate withdrawal of funds by an investor with minimum impact on other investors in the pool. BGE is available to all University groups and affiliates.

Return Objective

~~BGE seeks to maximize its return on investment, consistent with BGE’s overall objectives levels of investment risk as stated below that are prudent and reasonable given long-term capital market~~

UNIVERSITY OF CALIFORNIA BLUE AND GOLD ENDOWMENT INVESTMENT POLICY STATEMENT

expectations, including liquidity maximization and expense minimization. ~~The performance of BGE will be measured relative to its objectives and policy benchmark found in the Asset and Risk Allocation Policy.~~ Subject to the risk objective below, BGE's return objective is to earn a return consistent with a portfolio allocated between public equities and high-quality bonds.

Risk Objective

While the Board recognizes the importance of the preservation of capital, it also recognizes that achieving BGE's overall objectives requires prudent risk-taking, and that risk is the prerequisite for generating investment returns. Therefore, investment risk cannot be eliminated but should be managed. Risk exposures should be identified, measured, monitored, and tied to responsible parties, and risk should be taken consistent with the BGE's objectives and the expectations for return from the risk exposures. The BGE should have a low probability of loss of capital and/or a loss of purchasing power over a full market cycle (typically four to eight years).

Payout Policy

BGE will have an annual payout rate that provides investors with a source of income that is perpetual, growing, and predictable.

The objective of the payout rate is to allow BGE to grow on a total return basis while "smoothing" the payout to mitigate disruptions in the budgets of end-investors throughout economic and market cycles.

The payout rate for eligible assets in BGE is 3.75%.

Sustainability Objectives

~~UC Investments~~ ~~The Office of the Chief Investment Officer (OCIO)~~ shall incorporate environmental sustainability, social responsibility, and governance (ESG) into the investment evaluation process as part of its overall risk assessment in its investments decision-making. ESG factors are considered with the same weight as other material risk factors influencing investment decision-making.

~~The OCIO~~ UC Investments uses a proprietary sustainability framework to provide core universal principles that inform the decisions and assist in the process of investment evaluation. ~~The OCIO-UC Investments~~ manages BGE consistent with these sustainability principles. The Framework can be found on the ~~OCIO~~ UC Investments website in the sustainability section.

3. INVESTMENT GUIDELINES

Permitted Investments

Below is a list of asset class types in which the BGE may invest so long as they do not conflict with the constraints and restrictions described elsewhere in this document. The criteria used to determine which asset classes may be included are:

- Positive contribution to the investment objective of BGE
- Widely recognized and accepted among institutional investors

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- Diversification with some or all of the other accepted asset classes

Public Equity

Includes publicly traded common stock of issuers domiciled in U.S., Non-U.S., and Emerging Markets. The objective of the growth portfolio is to generate investment returns while maintaining high levels of liquidity and transparency through a diversified portfolio of common stocks.

Fixed Income

Income includes a variety of income related asset types. The portfolio will invest in interest-bearing and income-based instruments such as corporate and government bonds, inflation-linked securities, cash, and cash equivalents. The objective of the income portfolio is to provide interest income and necessary liquidity for cash flows and portfolio rebalancing needs and to diversify the risks present in the growth portfolio.

Derivatives

A derivative is a contract or security whose value is derived from another security or risk factor. There are three fundamental classes of derivatives – futures, options, and swaps – each with many variations. In addition, some securities are combinations of derivatives or contain embedded derivatives. Use of derivatives to create economic leverage is prohibited, except for specific strategies only. Permitted applications for derivatives are: efficient substitutes for physical securities, managing risk by hedging existing exposures, to implement arbitrage or other approved active management strategies.

Given the mandate for liquidity, transparency and minimal expense, a passive implementation of all assets is expected. Derivatives are expected to be used to improve liquidity and minimize tracking error to passive indices.

Each asset class is assigned a benchmark that represents the opportunity set and risk and return characteristics associated with the asset class.

Investment Restrictions

The Regents have established that the purchase of securities issued by tobacco companies and companies with business operations in Sudan are prohibited in separately managed accounts. The Chief Investment Officer will determine what constitutes a tobacco or Sudan company based on standard industry classification of the major index providers and must communicate this list to investment managers annually and whenever changes occur.

4. STRATEGIC ALLOCATION

The purpose of the Strategic Asset Allocation (“SAA”) is to reflect BGE’s purpose and objectives, as well as the investment beliefs and organizational capability of UC Investments. The actual portfolio exposures will deviate from the Strategic Asset Allocation as a result of price drifts, opportunity set, and value-adding activities of UC Investments.

The investment strategy of BGE will incorporate the risk tolerance of the Board of Regents and the

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Investments Committee, the relationship between current and projected assets, evolution of the University's financial needs, namely BGE payout, budget, contributions, and growth expectations.

Below are the strategic asset allocation long-term weights and allowable ranges:

Table 1

	<u>Allowable Ranges</u>		
	<u>Strategic Asset Allocation</u>	<u>Minimum</u>	<u>Maximum</u>
<u>Global Equity</u>	<u>80%</u>	<u>60%</u>	<u>90%</u>
<u>Fixed Income</u>	<u>20%</u>	<u>10%</u>	<u>40%</u>
<u>Total</u>	<u>100%</u>		

5. RISK MANAGEMENT

The primary risks to BGE are the inability to meet planned spending and/or the inability to return capital to the owners of BGE assets. The principal factors that determine BGE's asset volatility and the parties responsible for managing them are as follows:

Capital market risk is the risk that the investments decline in value or do not create a positive real rate of return over a full market cycle. Responsibility for determining the overall level of capital market risk lies with the Board at the recommendation of the Investments Committee. The implementation of this risk is the responsibility of the Chief Investment Officer, who will employ a passive investment program.

Liquidity risk is the risk that investments cannot be liquidated in time to meet requested redemption requests.

Although the management of investment portfolios may be outsourced, investment oversight and risk management are primary fiduciary duties of the Board of Regents that are delegated to and performed by the Chief Investment Officer.

Tracking Error: BGE shall be managed so that its annualized tracking error budget shall not exceed 100 basis points. This budget is consistent with the ranges around the combined asset classes and incorporates asset/sector allocation and security selection differences from the aggregate benchmark.

Liquidity Risk: BGE shall be managed so that at least 20% of its total assets can be liquidated within three business days.

UC Investments is responsible for managing both total risk and liquidity risk as well as other portfolio risk including foreign exchange risk and credit risk. UC Investments shall implement procedures and safeguards so that the combined risk exposures of all portfolios taken together are kept within limits appropriate to the BGE's risk tolerance.

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6. BENCHMARKS

BGE’s performance will be evaluated against appropriate benchmarks including a strategic asset allocation benchmark (“Total BGE Portfolio Benchmark”) and specific benchmarks for each asset class and investment manager. The Total BGE Portfolio Benchmark is a weighted average consisting of the asset class benchmarks listed below weighted by the SAA target weights. The benchmarks for each asset class are shown in Table 2:

Table 2

<u>Asset</u>	<u>Benchmark</u>
<u>Public Equity</u>	<u>MSCI All Country World Index (ACWI) Investable Market Index (IMI) Tobacco and Fossil Free - Net Dividends</u>
<u>Fixed Income</u>	<u>Bloomberg Barclays 1-5 Year US Government/Credit Index</u>

The **Total Portfolio Benchmark** is a weighted average consisting of each of the monthly returns of the benchmarks noted above weighted by the Strategic Asset Allocation percentages.

7. REBALANCING

There will be periodic deviations in actual asset weights from the strategic target weights. Causes for periodic deviations are market movements, cash flows, tactical tilts, and asset selection. Significant movements from the asset class policy weights will alter the intended expected return and risk of BGE. Accordingly, BGE may be rebalanced when necessary to ensure adherence to this policy and the Investment Policy.

UC Investments will monitor the actual asset allocation. The Board directs UC Investments to take all actions necessary, within the requirement to act prudently, to implement the asset allocation in a manner that ensures that BGE achieves its risk and return objectives.

UC Investments shall assess and manage the trade-off between the cost of rebalancing and the active risk associated with the deviation from Strategic Asset Allocation weights. The Chief Investment Officer may delay a rebalancing program when the Chief Investment Officer believes the delay is in the best interest of BGE.

8. MONITORING AND REPORTING

The ~~OCIO~~ UC Investments is responsible for monitoring the portfolio and investment managers on an ongoing basis. UC Investments should monitor and report to the Investments Committee and Board of Regents on the following items.

1. Asset Allocation and Risk Allocation Measures and Exposures
2. Investment Performance and Attribution (against benchmarks identified in ~~the BGE Asset and Risk Allocation Policy~~ this Policy)

UNIVERSITY OF CALIFORNIA BLUE AND GOLD ENDOWMENT INVESTMENT POLICY STATEMENT

3. Material Changes to Organization and Investment Strategy
4. Potential Material Issues and Risks

While short-term results will be monitored, it is understood that BGE's objectives are long-term in nature and progress toward these objectives will be evaluated from a long-term perspective.

On at least an annual basis the CIO will report on the implementation of the UC's Sustainability Framework, which will include a discussion on the portfolio's environmental, social, and governance risks considered during the year.

9. POLICY MAINTAINANCE

The Policy should be reviewed at least annually and updated as necessary. Revisions may be recommended by UC Investments or the Investments Committee, and approved by the Board of Regents.

10. 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.

11. DISCLOSURES

The Chief Investment Officer provides investment-related information on BGE to the Regents' Investments Committee in a manner consistent with the requirements outlined in this policy. Current and historical materials are publicly available on the Regents' website. The Chief Investment Officer's Annual Report for the most recent fiscal year is also available on the Chief Investment Officer's UC Investments website.

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.

~~PROCEDURES AND RELATED DOCUMENTS~~

~~BGE Asset and Risk Allocation Policy
Investment Implementation Manual*~~

~~*Changes to the Investment Implementation Manual do not require Regents approval, and inclusion or amendment of references to these documents can be implemented administratively by the Office of the Chief Investment Officer.~~

Additions shown by underscoring; deletions shown by strikethrough

Regents Policy 6405: University of California Blue and Gold Endowment Asset and Risk Allocation Policy

Adopted November 15, 2018

~~POLICY SUMMARY/BACKGROUND~~

The purpose of this Asset and Risk Allocation Policy (Policy) is to define the asset types, strategic asset allocation, risk management, benchmarks, and rebalancing for the University of California BLUE AND GOLD ENDOWMENT (BGE).

~~POLICY TEXT ASSET CLASS TYPES~~

Below is a list of asset class types in which BGE may invest so long as they do not conflict with the constraints and restrictions described in the BGE Investment Policy Statement. The criteria used to determine which asset classes may be included are:

- Positive contribution to the investment objective
- Widely recognized and accepted among institutional investors
- Low cross-correlations with some or all of the other accepted asset classes
- Highly liquid
- Highly transparent
- Available at minimal expense

Based on the criteria above, the types of assets for building the portfolio allocation are:

1. Growth

Includes publicly traded common stock of issuers domiciled in U.S., Non-U.S., and Emerging Markets. The objective of the growth portfolio is to generate investment returns while maintaining high levels of liquidity and transparency through a diversified portfolio of common stocks.

2. Income:

Income includes a variety of income-related asset types. The portfolio will invest in interest-bearing and income-based instruments such as corporate and government bonds, inflation-linked securities, cash, and cash equivalents. The objective of the income portfolio is to provide interest income and necessary liquidity for cash flows and portfolio rebalancing needs and to diversify the risks present in the growth portfolio.

3. Derivatives:

A derivative is a contract or security whose value is derived from another security or risk factor. There are three fundamental classes of derivatives — futures, options, and swaps — each with many variations; in addition, some securities are combinations of derivatives or contain embedded derivatives. Use of derivatives to create economic leverage is prohibited, except for specific strategies only. Permitted applications for derivatives are: efficient substitutes for physical securities, managing risk by hedging existing exposures, to implement arbitrage or other approved active management strategies.

Given the mandate for liquidity, transparency, and minimal expense, a passive implementation of all assets is expected. Derivatives are expected to be used to improve liquidity and minimize tracking error to passive indices.

Each asset class is assigned a benchmark that represents the opportunity set and risk and return characteristics associated with the asset class.

RISK MANAGEMENT

Three principal factors affect BGE's financial status: 1) budget use, 2) payout, and 3) investment performance. The level of risk tolerance will take account of all three factors. At certain levels of assets and a given payout policy, it could be possible that the investments do not achieve the necessary performance to meet the spending budget. The result would be that either payout policy, use in budget, or risk tolerance would have to be changed.

There are different types of risk tied to various responsible parties at each level of BGE investment management. Thus, different risk metrics are appropriate at each level.

The principal risks that impact the BGE, and the parties responsible for managing them are as follows:

- Capital market risk is the risk that the investments decline in value or do not create a positive real rate of return over a full market cycle. Responsibility for determining the overall level of capital market risk lies with the Board at the recommendation of the Investments Subcommittee. The implementation of this risk is the responsibility of the Chief Investment Officer who will employ a passive investment program.
- Liquidity risk is the risk that investments cannot be liquidated in time to meet requested redemption requests.

Although the management of investment portfolios may be outsourced, investment oversight and risk management are primary fiduciary duties of the Board that are delegated to and performed by the Chief Investment Officer. The Chief Investment Officer shall report on risk exposures and the values of the several risk measures to the Board.

Product level (Board, Investments Subcommittee, and Office of the Chief Investment Officer)

- Payout Risk (insufficient assets to meet planned payout)
 - Measures the risk of inappropriate investment policy and strategy
 - Loss of purchasing power and loss of capital
- Total Investment Risk (volatility of total return)
 - Measure the risk of asset allocation policy

Implementation level (Office of the Chief Investment Officer)

- Active Risk or "Tracking Error" (volatility of deviation from style or benchmark)
 - Measures the risk of unintended exposures or ineffective implementation
 - If passive implementation is used, active risk also captures tracking error caused by asset allocation deviations from the strategic allocation
- Liquidity Risk

Risk Measures:

Tracking Error: BGE shall be managed so that its annualized tracking error budget shall not exceed 100 basis points. This budget is consistent with the ranges around the combined asset classes and incorporates asset / sector allocation and security selection differences from the aggregate benchmark.

Liquidity Risk: BGE shall be managed so that at least 20% of its total assets can be liquidated within 3 business days.

The Office of the Chief Investment Officer (OCIO) is responsible for managing risk and shall implement procedures and safeguards so that the combined risk exposures of all portfolios taken together are kept within risk bands. Further, within limits of prudent diversification and risk budgets, total and active risk exposures are fungible. That is, the OCIO may allocate risk exposures within and between asset types in order to optimize return.

STRATEGIC ALLOCATION

The purpose of the Strategic Asset Allocation is to reflect BGE's purpose and objectives, as well as the investment beliefs and organizational capability of the OCIO. The actual portfolio exposures will deviate from the Strategic Asset Allocation as a result of price drifts, opportunity set, and value-adding activities of the OCIO.

The investment strategy of BGE will incorporate the risk tolerance of the Board, Finance and Capital Strategies Committee, and the Investments Subcommittee, the relationship between current and projected assets, evolution of the University's financial needs, namely BGE payout, budget, contributions, and growth expectations.

Below are the strategic asset allocation long term weights and allowable ranges:

Table 1

	Strategic Asset Allocation	Allowable Ranges	
		Minimum	Maximum
Growth	70%	60%	80%
Income	30%	20%	40%
Total	100%		

The program will invest primarily in liquid, low cost, marketable securities.

BENCHMARKS

The following criteria have been adopted for the selection of benchmark indices. It is understood that not all benchmarks will meet the entire list of criteria, but ideally, benchmarks that meet most of the criteria will be selected. There may be instances where tradeoffs are made between benchmarks that meet some of the criteria but not others.

1. Unambiguous: the names and weights of securities comprising the benchmark are clearly delineated.
2. Investable: is possible to replicate the benchmark performance by investing in the benchmark holdings.
3. Measurable: it is possible to readily calculate the benchmark's return on a reasonably frequent basis.
4. Appropriate: the benchmark is consistent with investment preferences or biases.
5. Specified in Advance: the benchmark is constructed prior to the start of an evaluation period.
6. Reflects Current Investment Opinion: Investment professionals in the asset class should have views on the assets in the benchmark and incorporate those views in their portfolio construction.

Benchmarks are a tool against which to measure the effectiveness of investment strategy either at a total fund level, at an asset class or strategy level, or at the mandate level. Based on the benchmark selection criteria, the following strategic policy benchmarks have been chosen:

Table 2

Asset Class	Benchmark
Growth	MSCI All Country World Index (ACWI)- Investable Market Index (IMI) Tobacco- Free – Net Dividends
Income	Bloomberg Barclays US Aggregate Index

The Total Portfolio Benchmark is a weighted average consisting of each of the monthly returns of the benchmarks noted above weighted by the Strategic Asset Allocation percentages.

REBALANCING

There will be periodic deviations in actual asset weights from the strategic target weights. Causes for periodic deviations are market movements, cash flows, tactical tilts, and asset selection. Significant movements from the asset class policy weights will alter the intended expected return and risk of BGE. Accordingly, BGE may be rebalanced when necessary to ensure adherence to this policy and the Investment Policy.

The OCIO will monitor the actual asset allocation. The Board directs the OCIO to take all actions necessary, within the requirement to act prudently, to implement the asset allocation in a manner that ensures that BGE achieves its risk and return objectives.

The OCIO shall assess and manage the trade off between the cost of rebalancing and the active risk associated with the deviation from Strategic Asset Allocation weights. The Chief Investment Officer may delay a rebalancing program when the Chief Investment Officer believes the delay is in the best interest of BGE.

COMPLIANCE/DELEGATION

The BGE Asset and Risk Allocation Policy Statement should be reviewed at least annually and updated as necessary. The Investments Subcommittee may recommend action which will be placed on the Consent Agenda for approval by the Board.

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.

PROCEDURES AND RELATED DOCUMENTS

[BGE Investment Policy Statement](#)
Investment Implementation Manual*

*Changes to the Investment Implementation Manual do not require Regents approval, and inclusion or amendment of references to that document can be implemented administratively by the Office of the Chief Investment Officer.

UNIVERSITY OF CALIFORNIA BLUE AND GOLD ENDOWMENT INVESTMENT POLICY STATEMENT

PURPOSE

The purpose of this Investment Policy Statement (“Policy” or “IPS”) is to define the objectives and policies established for the management of the investments of the University of California (“UC”) BLUE AND GOLD ENDOWMENT (BGE). The management of BGE is subject to state and federal regulations and laws, and all other University investment policies, which may not be listed in this document.

The Policy consists of the following sections:

1. Roles and Responsibilities
2. Objectives
3. Investment Guidelines
4. Strategic Allocation
5. Risk Management
6. Benchmarks
7. Rebalancing
8. Monitoring and Reporting
9. Policy Maintenance
10. No Right of Action
11. Disclosures

POLICY SUMMARY/BACKGROUND

The purpose of this Investment Policy Statement (“Policy” or “IPS”) is to define the objectives and policies established for the management of the investments of the University of California BLUE AND GOLD ENDOWMENT (BGE). The management of BGE is subject to state and federal regulations and laws, and all other University investment policies, which may not be listed in this document. The investment policy statement consists of the following sections:

- Investment Objectives
- Payout Policy
- Monitoring and Reporting
- Conflicts of Interest
- Disclosures
- Policy Maintenance

This policy reflects the Governance Framework outlined in Bylaws 22 and 23 of the University and the Finance and Capital Strategies Committee Charter. The Board defines the goals and objectives of BGE and is responsible for establishing and approving changes to this IPS. The Finance and Capital Strategies Committee and Investments Subcommittee are responsible for establishing the Asset and Risk Allocation Policy (with Board approval), which defines the strategic asset allocation, risk tolerance, asset types, and benchmarks of the portfolio.

The Chief Investment Officer (or “Office of the Chief Investment Officer”) is responsible for implementing the approved investment policies and developing investment processes and procedures for asset allocation, risk management, investment manager selection and termination, monitoring and evaluation, and the identification of management strategies that will improve the investment efficiency of BGE assets.

UNIVERSITY OF CALIFORNIA BLUE AND GOLD ENDOWMENT INVESTMENT POLICY STATEMENT

1. ROLES AND RESPONSIBILITIES

Board of Regents

The Board defines the goals and objectives of BGE and is responsible for establishing and approving changes to this Policy.

The Board of Regents may delegate the implementation of this policy to the Chief Investment Officer and investment advisors.

Chief Investment Officer

The Chief Investment Officer (“CIO”, “OCIO”, “Office of the Chief Investment Officer” or “UC Investments”) is responsible for implementing the approved investment policies and developing investment processes and procedures for asset allocation, risk management, investment manager selection and termination, monitoring and evaluation, and the identification of management strategies that will improve the investment efficiency of BGE assets.

Investment Managers

UC Investments may delegate to external Investment Managers responsibility for managing all or a portion of the assets. Any external Investment Managers will assume the roles and responsibilities of “investment manager” under Section 3(38) of ERISA, including but not limited to acknowledging in writing that such Investment Manager is a fiduciary with respect to the assets it manages on behalf of BGE. The Investment Manager will accept assets and invest in compliance with all relevant regulations and laws, the Investment Manager’s individual investment management agreement(s), and as applicable, the stated investment guidelines in this Policy.

Trustee/Custodian

The role of the Trustee/Custodian is to provide safekeeping, accounting and valuation of Trust assets.

2. OBJECTIVES

Overall Objective

BGE is an investment pool established by the Regents and is available to UC campuses and other related entities. with the objective of BGE is to provide a low cost, liquid, diversified investment vehicle in which the various UC organizations may invest their long term excess capital reserves to earn a higher return than would otherwise be expected from short term cash management vehicles (such as TRIP and STIP). This objective is subject to risk and liquidity tolerances established with the Office of the President, Chief Financial Officer, and campuses. BGE seeks to achieve this objective by taking advantage of the economies of scale of investing a large liquid pool of assets. The pool intends to invest in the most liquid and transparent investments available that provide appropriate market exposure, at the lowest possible expense, in order to provide the opportunity for immediate withdrawal of funds by an investor with minimum impact on other investors in the pool. BGE is available to all University groups and affiliates.

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UNIVERSITY OF CALIFORNIA BLUE AND GOLD ENDOWMENT

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Risk Objective

~~While the Board recognizes the importance of the preservation of capital, it also recognizes that achieving BGE's overall objectives requires prudent risk taking, and that risk is the prerequisite for generating investment returns. Therefore, investment risk cannot be eliminated but should be managed. Risk exposures should be identified, measured, monitored, and tied to responsible parties, and risk should be taken consistent with the BGE's objectives and the expectations for return from the risk exposures. The BGE should have a low probability of loss of capital and/or a loss of purchasing power over a full market cycle (typically four to eight years).~~

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UNIVERSITY OF CALIFORNIA BLUE AND GOLD ENDOWMENT

INVESTMENT POLICY STATEMENT

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The investment strategy of BGE will incorporate the risk tolerance of the Board of Regents and the

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Capital market risk is the risk that the investments decline in value or do not create a positive real rate of return over a full market cycle. Responsibility for determining the overall level of capital market risk lies with the Board at the recommendation of the Investments Committee. The implementation of this risk is the responsibility of the Chief Investment Officer, who will employ a passive investment program.

Liquidity risk is the risk that investments cannot be liquidated in time to meet requested redemption requests.

Although the management of investment portfolios may be outsourced, investment oversight and risk management are primary fiduciary duties of the Board of Regents that are delegated to and performed by the Chief Investment Officer.

Tracking Error: BGE shall be managed so that its annualized tracking error budget shall not exceed 100 basis points. This budget is consistent with the ranges around the combined asset classes and incorporates asset/sector allocation and security selection differences from the aggregate benchmark.

Liquidity Risk: BGE shall be managed so that at least 20% of its total assets can be liquidated within three business days.

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**UNIVERSITY OF CALIFORNIA BLUE AND GOLD ENDOWMENT
INVESTMENT POLICY STATEMENT**

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BGE's performance will be evaluated against appropriate benchmarks including a strategic asset allocation benchmark ("Total BGE Portfolio Benchmark") and specific benchmarks for each asset class and investment manager. The Total BGE Portfolio Benchmark is a weighted average consisting of the asset class benchmarks listed below weighted by the SAA target weights. The benchmarks for each asset class are shown in Table 2:

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<u>Public Equity</u>	<u>MSCI All Country World Index (ACWI) Investable Market Index (IMI) Tobacco and Fossil Free – Net Dividends</u>
<u>Fixed Income</u>	<u>Bloomberg Barclays 1-5 Year US Government/Credit Index</u>

The **Total Portfolio Benchmark** is a weighted average consisting of each of the monthly returns of the benchmarks noted above weighted by the Strategic Asset Allocation percentages.

7. REBALANCING

There will be periodic deviations in actual asset weights from the strategic target weights. Causes for periodic deviations are market movements, cash flows, tactical tilts, and asset selection. Significant movements from the asset class policy weights will alter the intended expected return and risk of BGE. Accordingly, BGE may be rebalanced when necessary to ensure adherence to this policy and the Investment Policy.

UC Investments will monitor the actual asset allocation. The Board directs UC Investments to take all actions necessary, within the requirement to act prudently, to implement the asset allocation in a manner that ensures that BGE achieves its risk and return objectives.

UC Investments shall assess and manage the trade-off between the cost of rebalancing and the active risk associated with the deviation from Strategic Asset Allocation weights. The Chief Investment Officer may delay a rebalancing program when the Chief Investment Officer believes the delay is in the best interest of BGE.

8. MONITORING AND REPORTING

The OCIO UC Investments is responsible for monitoring the portfolio and investment managers on an ongoing basis. UC Investments should monitor and report to the Investments Committee and Board of Regents on the following items:

1. Asset Allocation and Risk Allocation Measures and Exposures
2. Investment Performance and Attribution (against benchmarks identified in the BGE Asset and Risk Allocation Policy this Policy)

UNIVERSITY OF CALIFORNIA BLUE AND GOLD ENDOWMENT INVESTMENT POLICY STATEMENT

~~3. — Material Changes to Organization and Investment Strategy~~

~~4. — Potential Material Issues and Risks~~

~~While short-term results will be monitored, it is understood that BGE's objectives are long-term in nature and progress toward these objectives will be evaluated from a long-term perspective.~~

~~On at least an annual basis the CIO will report on the implementation of the UC's Sustainability Framework, which will include a discussion on the portfolio's environmental, social, and governance risks considered during the year.~~

9. POLICY MAINTAINANCE

~~The Policy should be reviewed at least annually and updated as necessary. Revisions may be recommended by UC Investments or the Investments Committee, and approved by the Board of Regents.~~

10. 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.~~

11. DISCLOSURES

~~The Chief Investment Officer provides investment related information on BGE to the Regents' Investments Committee in a manner consistent with the requirements outlined in this policy. Current and historical materials are publicly available on the Regents' website. The Chief Investment Officer's Annual Report for the most recent fiscal year is also available on the Chief Investment Officer's UC Investments website.~~

~~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.~~

PROCEDURES AND RELATED DOCUMENTS

~~BGE Asset and Risk Allocation Policy
Investment Implementation Manual*~~

~~*Changes to the Investment Implementation Manual do not require Regents approval, and inclusion or amendment of references to these documents can be implemented administratively by the Office of the Chief Investment Officer.~~

COMMITTEE ASSIGNMENTS FOR 2021-22

<p><u>Academic and Student Affairs</u></p> <p><i>Regents</i> Park (Chair) Anguiano (Vice Chair) Butler Elliott Lansing Rendon Sures Torres Zaragoza</p> <p><i>Chancellors</i> Block Larive May Yang</p>	<p><u>Finance and Capital Strategies</u></p> <p><i>Regents</i> Cohen (Chair) Ortiz Oakley (Vice Chair) Blum Kounalakis Leib Lott Makarechian Pérez Reilly Sherman</p> <p><i>Chancellors</i> Christ Gillman Hawgood Khosla Muñoz Wilcox</p>
<p><u>Public Engagement and Development</u></p> <p><i>Regents</i> Reilly (Chair) Torres (Vice Chair) Blum Guber Lansing Leib Lott Ortiz Oakley Sherman</p> <p><i>Chancellors</i> Block Larive May Muñoz Wilcox</p>	<p><u>Compliance and Audit</u></p> <p><i>Regents</i> Elliott (Chair) Butler (Vice Chair) Cohen Anguiano Makarechian Park Pérez Rendon Sures Zaragoza</p> <p><i>Chancellors</i> Christ Gillman Hawgood Khosla Yang</p>

<p><u>Health Services *</u></p> <p><i>Regents</i> Pérez*** (Chair) Sures ** (Vice Chair) Park *** Lansing** Sherman ** Blum ** Guber ***</p> <p><i>Chancellors</i> Block Hawgood Khosla</p> <p><i>Advisors</i> Hernandez (term ending 6/30/2024) Marks (term ending 6/30/2024) Ramamoorthy (term ending 6/30/2022) Spahlinger **</p> <p>*terms are 3 years for voting members; Charter specifies 7 Regents; **previously appointed to a term ending 6/30/22 ***appoint to a three-year term ending 6/30/2024</p>	<p><u>Investments</u></p> <p><i>Regents</i> Sherman (Chair) Anguiano (Vice Chair) Blum Cohen Elliott Leib Lott Makarechian</p> <p><i>Chancellors</i> Hawgood Khosla Muñoz Wilcox</p> <p><i>Advisors</i> Lybarger Zager</p>
<p><u>National Labs</u></p> <p><i>Regents</i> Sures (Chair) Kounalakis (Vice Chair) Cohen Ortiz Oakley Reilly</p> <p><i>Chancellors</i> Hawgood Larive Khosla</p>	

Proposed Amendments to the 2021-22 Budget Plan

The University proposes that the 2021-22 Budget Plan be amended by the addition of the items shown below. All figures are in millions.

Ongoing Investments and Resources

<i>Proposed Changes in Expenditures</i>		<i>Proposed Changes in Revenue/Resources</i>	
3% salary adjustment for policy-covered faculty and staff	\$ 85.6	State General Funds	\$ 141.4
Retirement contributions	\$ 12.8		
Student Academic Preparation and Educational Partnership (SAPEP) Programs	\$ 23.0		
Support for disadvantaged student populations	\$ 20.0		
<i>Expenditures Total</i>	<i>\$ 141.4</i>	<i>Revenue/Resources Total</i>	<i>\$ 141.4</i>

Additional One-Time State Funding Requests

Addressing critical capital and infrastructure needs. <i>Support for projects in addition to those previously included in the 2021-22 budget plan, to be disaggregated into two tiers (\$720 million and \$500 million)</i>	\$ 1,220.0
Telehealth investments to expand student mental health	\$ 10.0
Support for technology and pedagogy for on-line instruction	\$ 13.0
Repatriation of tribal remains	\$ 7.0
<i>Total One-Time Requests</i>	<i>\$ 1,250.0</i>

2021 UC Systemwide Salary Program Level One SMG Increases

The base salaries presented below shall constitute the University's total commitment for base salary until modified by the Regents, as applicable under Regents policy, and shall supersede all previous oral and written commitments. Compensation recommendations and final actions will be released to the public as required in accordance with the standard procedures of the Board of Regents.

Title	Incumbent		Current Salary	Proposed Salary Increase	Proposed Annual Base Salary	Funding Source
Direct and/or Dual Reports to the Regents						
Chief Investment Officer and VP of Investments	Jagdeep	Bachher ¹	\$692,208	3.0%	\$712,974	Non State Funded
General Counsel and Vice President - Legal Affairs	Charles	Robinson	\$482,268	3.0%	\$496,736	Partially or Fully State Funded
Secretary and Chief of Staff to the Regents	Anne	Shaw	\$253,248	3.0%	\$260,845	Partially or Fully State Funded
Senior Vice President - Chief Compliance and Audit Officer	Alex	Bustamante	\$371,328	3.0%	\$382,468	Partially or Fully State Funded
Chancellors – Campuses With Health Services						
Chancellor - UCD	Gary	May	\$525,156	3.0%	\$540,911	Partially or Fully State Funded
Chancellor - UCI	Howard	Gillman	\$545,880	3.0%	\$562,256	Partially or Fully State Funded
Chancellor - UCLA	Gene	Block	\$496,728	3.0%	\$511,630	Partially or Fully State Funded
Chancellor - UCR	Kim	Wilcox	\$431,256	3.0%	\$444,194	Partially or Fully State Funded
Chancellor - UCSD	Pradeep	Khosla	\$490,872	3.0%	\$505,598	Partially or Fully State Funded
Chancellor - UCSF	Sam	Hawgood	\$869,460	3.0%	\$895,544	Partially or Fully State Funded
Chancellors – Campuses Without Health Services						
Chancellor - UCB	Carol	Christ	\$564,336	3.0%	\$581,266	Partially or Fully State Funded
Chancellor - UCM	Juan	Munoz	\$425,000	3.0%	\$437,750	Partially or Fully State Funded
Chancellor - UCSB	Henry	Yang	\$438,216	3.0%	\$451,362	Partially or Fully State Funded
Chancellor - UCSC	Cynthia	Larive	\$425,000	3.0%	\$437,750	Partially or Fully State Funded

Attachment 2
2021 UC Systemwide Salary Program
Level One SMG Increases

Title	Incumbent		Current Salary	Proposed Salary Increase	Proposed Annual Base Salary	Funding Source
Chief Executive Officers - Health Systems						
VC-Health and Human Services and Chief Executive Officer - UCD	David	Lubarsky ²	\$772,500	3.0%	\$795,675	Non State Funded
Chief Executive Officer - UCI	Chad	Lefteris ¹	\$885,000	3.0%	\$911,550	Non State Funded
Chief Executive Officer - UCLA	Johnesse	Spisso ¹	\$1,393,000	3.0%	\$1,434,790	Non State Funded
Chief Executive Officer - UCR	Donald	Larsen ¹	\$500,000	3.0%	\$515,000	Non State Funded
Chief Executive Officer - UCSD	Patricia	Maysent ¹	\$934,422	3.0%	\$962,455	Non State Funded
Chief Executive Officer - UCSF	Mark	Laret ¹	\$1,472,917	3.0%	\$1,517,105	Non State Funded
Lawrence Berkeley Laboratory Director						
Laboratory Director (LBNL)	Michael	Witherell	\$500,040	3.0%	\$515,041	Non State Funded
OP - Direct Reports to the President						
Executive Vice President - Chief Operating Officer	Rachael	Nava	\$392,544	3.0%	\$404,320	Partially or Fully State Funded
Executive Vice President – Chief Financial Officer	Nathan	Brostrom	\$450,216	3.0%	\$463,722	Partially or Fully State Funded
Executive Vice President - UC Health	Carrie	Byington ¹	\$869,800	3.0%	\$895,894	Partially or Fully State Funded
Provost and Executive Vice President - Academic Affairs	Michael	Brown	\$402,084	3.0%	\$414,147	Partially or Fully State Funded
Senior Vice President – External Relations and Communications	Claire	Holmes	\$370,800	3.0%	\$381,924	Partially or Fully State Funded
Vice President - Agriculture and Natural Resources	Glenda	Humiston	\$304,500	3.0%	\$313,635	Partially or Fully State Funded
Vice President for UC National Labs	Craig	Leasure	\$384,500	3.0%	\$396,035	Partially or Fully State Funded

¹Eligible for Incentive Pay (OCIO AIP or CEMRP)

²Eligible for annual HSCP Fixed "Y" Payment - \$200.7k