The Regents of the University of California

FINANCE AND CAPITAL STRATEGIES COMMITTEE
November 17, 2021

The Finance and Capital Strategies Committee met on the above date at UCSF-Mission Bay Conference Center, 1675 Owens Street, San Francisco and by teleconference meeting conducted in accordance with California Government Code §§ 11133.

Members present: Regents Cohen, Kounalakis, Leib, Lott, Makarechian, Ortiz Oakley, Pérez, Reilly, Sherman, and Zaragoza; Ex officio members Drake and Estolano; Advisory members Horwitz and Pouchot; Chancellors Christ, Gillman, Hawgood, Khosla, Muñoz, and Wilcox; Staff Advisor Lakireddy

In attendance: Secretary and Chief of Staff Shaw, Chief of Staff and Special Counsel Drumm, Executive Vice President and Chief Financial Officer Brostrom, Executive Vice President and Chief Operating Officer Nava, Senior Vice President Colburn, Vice President Lloyd, Chancellor Larive, and Recording Secretary Johns

The meeting convened at 1:40 p.m. with Committee Chair Cohen presiding.

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

Upon motion duly made and seconded, the minutes the meeting of September 29, 2021 were approved, Regents Cohen, Drake, Estolano, Leib, Lott, Makarechian, Ortiz Oakley, Reilly, Sherman, and Zaragoza voting "aye."[1]

2. **CONSENT AGENDA**

A. ***Preliminary Plans Funding for Entire Project, Working Drawings Funding and Scope for Site and Make-Ready Work Portion of the Project, and External Financing, the New Hospital at UCSF Helen Diller Medical Center at Parnassus Heights Project, San Francisco Campus***

The President of the University recommended that:

(1) The 2021-22 Budget for Capital Improvements and the Capital Improvement Program be amended to include the following project:

From: San Francisco: New Hospital at UCSF Helen Diller Medical Center at Parnassus Heights – partial preliminary plans – $135 million funded from hospital reserves.

---

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

To: San Francisco: New Hospital at UCSF Helen Diller Medical Center at Parnassus Heights – preliminary plans for the entire project and working drawings for Site and Make-Ready Work portion of the project – $202 million funded from external financing ($160.1 million) and hospital reserves ($41.9 million).

(2) The scope of the Site and Make-Ready (SMR) work portion of the New Hospital at UCSF Helen Diller Medical Center at Parnassus Heights project shall provide abatement and demolition of Langley Porter Psychiatric Institute buildings and Long Hospital Magnetic Resonance Imaging Annex; grading and road improvements; relocation of existing utilities, new utilities and tie-ins at the central utility plant; renovation of the existing hospital loading dock; removal of existing oxygen and medical gas tanks and installation of new gas tanks; and select renovations in Moffitt and Long hospitals to facilitate this SMR work.

(3) The President be authorized to obtain external financing for the New Hospital at the Helen Diller Medical Center at Parnassus Heights project in an amount not to exceed $160.1 million 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, general revenues from UCSF Health shall be maintained in an amount sufficient to pay the debt service and to meet the related requirements of the authorized financing.

c. The general credit of the Regents shall not be pledged.

(4) The President, in consultation with the General Counsel, be authorized to execute all documents necessary in connection with the above.

B. ***Preliminary Plans Funding, Folsom Medical Office Building, UC Davis Health, Davis Campus***

The President of the University recommended that the 2021-22 Budget for Capital Improvements and the Capital Improvement Program be amended to include the following project:

Davis: Folsom Medical Office Building – preliminary plans – $6.9 million to be funded with hospital reserves.

C. ***Construction Funding and Design Following Action Pursuant to the California Environmental Quality Act, Advanced Work Phase of the California Hospital Tower, UC Davis Sacramento Campus***

The President of the University recommended that:

(1) The 2021-22 Budget for Capital Improvements and the Capital Improvement Program be amended to include the following project:

From: Davis: Hospital Bed Replacement Tower – preliminary plans and Advanced Work Phase working drawings – $127,618,000 funded with hospital reserves.

To: Davis: California Hospital Tower – preliminary plans, Advanced Work Phase working drawings and Advanced Work Phase construction – $234,218,000 funded with hospital reserves.

(2) Following review and consideration of the environmental consequences of the California Hospital Tower 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:

a. Certify the Environmental Impact Report (EIR) for the UC Davis Sacramento Campus California Hospital Tower 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 in connection with the UC Davis Sacramento Campus California Hospital Tower EIR.

c. Adopt the CEQA Findings and Statement of Overriding Considerations for the Advanced Work Phase of the California Hospital Tower project.

d. Approve the design of the Advanced Work Phase of the California Hospital Tower project.

D. ***Approval of Business Terms for an Amendment of a Ground Lease with Irvine Campus Housing Authority, University Hills Area 12-1, Irvine Campus***

The President of the University recommended that:

(1) The President or his designee be authorized to approve and execute, after consultation with the General Counsel and following appropriate action pursuant to the California Environmental Quality Act, an amendment to the Ground Lease and any related documents between the Regents, as Lessor, and the Irvine Campus Housing Authority (ICHA), as Lessee, to add land to the existing land covered by the Ground Lease as follows:

a. Add approximately four gross acres (Area 12-1) of the Irvine Campus Inclusion Area, for a total Ground Lease area of approximately 307 acres (Property).

(2) All costs associated with the future development of Area 12-1 and ongoing operation of the Property, including maintaining the landscaped area and road improvements, shall be the obligation of the Ground Lessee during the term of the Ground Lease.

(3) The Regents' reversionary interest in the land shall not be subordinated, and no encumbrances of the Ground Lessee's interest in Area 12-1 shall extend beyond the term of the Ground Lease.

(4) The President or his designee, after consultation with General Counsel, shall be authorized to approve and execute any additional documents necessary to implement the Ground Lease amendment and to facilitate the development of Area 12-1 by ICHA.

[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.]

Committee Chair Cohen briefly introduced the consent agenda.

Upon motion duly made and seconded, the Committee approved the President's recommendations and voted to present them to the Board, Regents Cohen, Drake, Estolano, Leib, Lott, Makarechian, Ortiz Oakley, Reilly, Sherman, and Zaragoza voting "aye."

3. LONG RANGE DEVELOPMENT PLAN AMENDMENT AND DESIGN OF UNIVERSITY HILLS AREA 12-1 FOLLOWING ACTION PURSUANT TO THE CALIFORNIA ENVIRONMENTAL QUALITY ACT, IRVINE CAMPUS

The President of the University recommended that:

A. The scope of the University Hills Area 12-1 project (Project) shall consist of approximately 102 for-sale stacked flats in eight four- and five-story buildings to facilitate the recruitment and retention of faculty and staff at the Irvine campus. Each home would contain three bedrooms, two full bathrooms, a two-car garage, and a private outdoor patio. The Project includes supporting streets, utilities, trails, and other community infrastructure. The scope also includes the demolition of 50 vacant apartment units on the Area 12-1 site.

B. Following review and consideration of the environmental consequences of the proposed University Hills Area 12-1 project and Long Range Development Plan (LRDP) Amendment No. 4, 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:

(1) Adopt the Initial Study and Mitigated Negative Declaration for the University Hills Area 12 project and LRDP Amendment No. 4.

(2) Adopt the Mitigation Monitoring and Reporting Program for the University Hills Area 12-1 project and LRDP Amendment No. 4, and make a condition of approval the implementation of mitigation measures within the responsibility and jurisdiction of UC Irvine.

(3) Adopt the CEQA Findings for the University Hills Area 12-1 project and LRDP Amendment No. 4.

(4) Approve LRDP Amendment No. 4.

(5) Approve the design of the University Hills Area 12-1 project, Irvine campus.

[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.]

Chancellor Gillman explained that the Irvine campus was proposing to add four acres of campus land to the Irvine Campus Housing Authority (ICHA) ground lease to enable UCI to build the next phase of critically needed faculty and staff housing. There were two items on the agenda that day. One, just approved, was an amendment to the ground lease, and the other was the current item, for a Long Range Development Plan amendment and approval of design. UCI's housing program was a vital tool for recruiting and retaining faculty and staff. In recent years, with the escalation of housing prices in the surrounding community, almost all incoming faculty have looked to UCI's University Hills community for affordable housing. At the March 2021 meeting, in closed session, the campus discussed its plans to demolish an existing two-story faculty and staff apartment complex and replace it with a mix of three-story townhomes and detached cluster homes. The Committee encouraged the campus to consider a denser project that would better make use of campus land and accommodate more housing demand. UCI listened to these concerns and planned a higher-density project that would still address its affordability goals. The campus was now proposing to redevelop the existing Las Lomas apartment site in two phases. The first phase, proposed in this project, would construct 102 for-sale, stacked flats in four- and five-story buildings. The average unit would include about 1,820 square feet and would be priced in the low $700,000s. By comparison, similarly sized homes in the Irvine resale market averaged over $1 million. UCI considered the possibility of even higher-density housing, but this would require a building podium with subterranean parking, which would greatly increase costs and would not produce housing affordable for faculty. After the first phase of this Area 12 development was completed, the campus intended to return to the Regents with plans for a second phase, which UCI believed would include about 108 for-sale units. Overall, this two-phase plan would provide 50 percent more housing than the concept presented in March, resulting in 210 units rather than 140 units.

President Drake expressed support for this item. UC Irvine would not be the same campus without the University Hills development.

Regent Makarechian asked who would be operating the condominiums. Chancellor Gillman responded that the ICHA had oversight of the overall University Hills community of staff and faculty housing. ICHA would take over this additional space and operate it as ICHA has successfully operated University Hills.

Regent Makarechian asked if ICHA had experience with multi-story buildings. Chancellor Gillman responded that ICHA had successfully operated all University Hills housing for decades. ICHA had much experience, and the campus community understood how ICHA functioned. UCI was fortunate in having a well-established and well-trusted entity with a proven track record of success for oversight of this housing project.

In response to another question by Regent Makarechian, Chancellor Gillman explained that the existing University Hills community had a mixture of single-family detached homes, townhomes, and some apartments.

Upon motion duly made and seconded, the Committee approved the President's recommendation and voted to present it to the Board, Regents Cohen, Drake, Estolano, Leib, Lott, Makarechian, Ortiz Oakley, Reilly, Sherman, and Zaragoza voting "aye."

4. **2021 LONG RANGE DEVELOPMENT PLAN FOLLOWING ACTION PURSUANT TO THE CALIFORNIA ENVIRONMENTAL QUALITY ACT, RIVERSIDE CAMPUS**

The President of the University recommended that, following review and consideration of the environmental consequences of the UC Riverside 2021 Long Range Development Plan (2021 LRDP), 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:

A. Certify the UC Riverside 2021 LRDP Environmental Impact Report (2021 LRDP

EIR).

B. Make a condition of approval the implementation of applicable mitigation measures within the responsibility and jurisdiction of UC Riverside as identified in the Mitigation Monitoring and Reporting Program adopted in connection with the 2021 LRDP EIR.

C. Adopt the Mitigation Monitoring and Reporting Program for the 2021 LRDP.

D. Adopt the CEQA Findings and Statement of Overriding Considerations for the 2021 LRDP.

E. Approve the 2021 LRDP (November 2021), Riverside campus.

[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.]

Chancellor Wilcox recalled that, over the course of two and a half years, UC Riverside had been engaged in a comprehensive campus and community planning effort in developing its 2021 Long Range Development Plan (LRDP), with seven working groups and 121 members. UCR engaged students, faculty, staff, alumni, community members, and elected officials in these discussions. The campus conducted dozens of working sessions and open forums to solicit input. With the support of the City and County of Riverside, the LRDP projected enrolling up to 35,000 students by 2035. This would require approximately 5.5 million net new gross square footage, primarily for student housing and instructional and research space. There were seismic safety and deferred maintenance needs, and needs for faculty and staff hiring.

The Riverside Mayor's office, the City Council, and other community stakeholders were invested in UCR's role as an anchor institution for the region. Together, UCR and these stakeholders aimed to stimulate innovation and economic development as well as bring more high-paying jobs to the City of Riverside and the Inland Empire. UC enrollment growth was a tool for furthering UCR's aim of increasing graduate student enrollment to 20 percent of total enrollment and further aligning UCR with the average enrollment of Association of American Universities (AAU) public institutions. UCR would deliberately build mechanisms to increase sustainability with solar arrays and electric power and to decrease UCR's carbon footprint over the next decade. This would include pursuing high standards for all new facilities and retrofitting existing facilities to create significant utility efficiencies. Central to the LRDP was a new focus on physical growth on the east side of the campus, reserving the west side for agricultural research and much-needed green space in the heart of Riverside. This focus represented a significant change from the existing LRDP, which envisioned significant construction on these agricultural lands. UCR was committed to making adjustments to the LRDP based on evolving conditions, such as changing assumptions regarding in-person campus operations after the COVID-19 pandemic and opportunities to leverage instructional technology. Chancellor Wilcox noted that the LRDP planning work took place in large part before the pandemic; some lessons learned during the pandemic were not fully realized in the LRDP.

Regent Ortiz Oakley asked about the proportion of dormitory beds to be set aside for freshmen versus transfer students, given projections for enrollment growth. Chancellor Wilcox responded that UCR hoped to house 7,000 of these new students on campus. This would bring the percentage of students living on campus to about 40 percent of total enrollment; currently only about 26.4 percent were housed on campus. UCR had not been able to guarantee housing opportunities for transfer and graduate students, including international students, and this would be a high priority.

Committee Chair Cohen asked how quickly UCR would be able to add 10,000 new students, presuming funding. Chancellor Wilcox responded that the campus would be able to move fairly quickly. It takes a few years to build buildings, and UCR needed to build classroom, laboratory, and living space. The need for office space was now not as bad as it had been before the COVID-19 pandemic. With a few years of construction, UCR could work energetically toward adding these students.

Regent Estolano praised the development pattern being proposed, which was compact development, trying to build a sense of community, and preserving the west side of the campus, which responded to comments received about the LRDP, most of which were concerns about using up open and agricultural space. The campus was making use of opportunities to work in partnership with the City of Riverside, which needs UCR growth for the City's own economic vitality. The campus envisioned a proper University gateway, a true district with neighborhood-serving retail. The presence of reasonable transportation nodes near campus was critical. UCR had strong support to grow from the City of Riverside, which was not the case for other campuses. There were transportation linkages and space to grow. There was general acknowledgment that UCR was the economic impetus for good-paying jobs in the region, unlike the growth of warehouse jobs in the Inland Empire. She urged the campus to make the connections to Metrolink and regional rail services so that UCR would be the centerpiece of Inland Empire economic dynamism. She expressed strong support for the LRDP.

Faculty Representative Horwitz referred to information in the background material according to which academic faculty and staff were projected to grow by 49.5 percent by 2035, while non-academic staff were projected to grow by 64.6 percent. He asked who was in these two categories. Chancellor Wilcox responded that, over the last five to six years, UCR faculty had increased by almost 40 to 50 percent. The campus had focused on faculty growth, and largely on ladder-rank faculty. UCR was falling behind on clerical and facilities staff.

Mr. Horwitz asked about this increase in non-academic staff in the context of the student-faculty ratio. Chancellor Wilcox responded that, in 2012-13, UCR lagged behind the UC system average student-faculty ratio by almost three; UCR was now within 0.5 of the system average, but was still behind the system average for the student-staff ratio.

Regent Zaragoza asked how the campus had addressed public comments that it received. Vice Chancellor Gerry Bomotti responded that comments received during public forums were duplicates of comments received in writing. He believed that all comments had been addressed. Some comments concerned the potential loss of agricultural land and there were questions about how UCR could increase housing. In response to another question by Regent Zaragoza, Regent Estolano noted that a summary of comments and responses could be found in the California Environmental Quality Act Findings, and that the Final Environmental Impact Report contained all the responses.

Upon motion duly made and seconded, the Committee approved the President's recommendation and voted to present it to the Board, Regents Cohen, Drake, Estolano, Kounalakis, Leib, Lott, Makarechian, Ortiz Oakley, Reilly, Sherman, Zaragoza voting "aye."

5. **UNIVERSITY OF CALIFORNIA 2021-27 CAPITAL FINANCIAL PLAN**

The President of the University recommended that the University of California 2021-27 Capital Financial Plan be approved.

[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 and Chief Financial Officer Brostrom noted that, per State reporting requirements, this 2021-27 Capital Financial Plan covered all identified campus and medical center capital needs for this year and the next five years through 2026. UC had total identified capital needs of $75 billion, had found funding sources for $29 billion, but had $46 billion of unfunded capital need. The COVID-19 pandemic had had a significant effect on campus operations, and these impacts would influence UC's capital plan.

Associate Vice President David Phillips explained that the Capital Financial Plan examined capital need in three program categories: campus education in general, campus auxiliaries, and medical centers. The capital needs for campus education in general had increased by 46 percent with this update. Of the $14 billion increase over the 2020-26 Capital Financial Plan, $9 billion was related to seismic safety and deferred maintenance. The remaining $5 billion was related to enrollment, program improvements, and other capital needs. The campus auxiliaries category included for the most part campus student housing programs. In the past year, needs in this category had increased by over $4 billion or 52 percent, largely in response to the continuing need for more housing and the need to complete seismic upgrades for existing buildings. Declines in revenue over the past two years, due to the pandemic, had resulted in use of reserves previously planned for capital projects. The current $4.8 billion in identified funding was only about 70 percent of the funding that had been in place two years prior. In the past year, the capital needs for UC medical centers remained relatively constant. Most of this planned spending was for the seismic retrofit of existing medical facilities and construction of new replacement hospitals to comply with the 2030 regulatory deadline. Funding had been identified for almost all of these capital needs.

The campus education in general program included construction and renovation of instructional and research infrastructure and all other spaces that support the University's academic program. Unlike housing or medical center functions, most of these uses did not have associated revenue streams, and it was more challenging to identify a funding plan for them. The impact of assessing UC's seismic and deferred maintenance needs was reflected in the identified seismic safety need, which increased by 34 percent or $3 billion. Needs related to aging facilities and infrastructure increased by 82 percent or $6 billion. Most of these needs were present the prior year, but had been quantified more accurately through recent UC initiatives. The current Capital Financial Plan included an increase of almost $4 billion to support expanded enrollment, though much of this was still unfunded.

The University continued to rely on a variety of funding mechanisms to support its capital program. Of the $75 billion in identified need, over 60 percent was not yet funded. Most of the unfunded need was State-eligible education and general facilities space. Over $20 billion was funded by general funds, reserves, or financing feedback from those sources. Federal funds supported the capital plan for Lawrence Berkeley National Laboratory. UC also relied on gifts and public-private partnerships to complete its capital funding plan. Regents' approval of the Capital Financial Plan did not constitute capital budget approval. After approval by the Regents, the Capital Financial Plan would be submitted to the State to comply with the statutory requirement for providing a five-year capital outlay plan. After last year's submission, the University received some welcome good news. The 2020-21 State budget included the largest State investment in UC's history, with $325 million for deferred maintenance and energy efficiency projects. In addition, the State established the Higher Education Student Housing Grant Program to provide one-time grants for student housing projects. The program's goal was to provide affordable housing for low-income students enrolled in all three postsecondary education segments in California. This year's allocation appropriated $500 million to support these housing grants. The program earmarked half of the program funds to the California Community Colleges (CCC), 30 percent to the California State University (CSU), and 20 percent to UC. In response, the University submitted almost $600 million in proposed projects to the State the past month. The University was deeply grateful for the State's support.

Mr. Phillips concluded by noting that the COVID-19 pandemic had had a significant impact on campuses, and it was clear that the experience of the last few years would result in long-term changes in how UC operates. The University was assessing this, and the results would help inform updates to these Capital Financial Plans in the future.

Committee Chair Cohen asked how many years it would take to replenish the reserves being spent. Mr. Brostrom responded that the University had experienced an approximately 60 percent decline in revenues from housing and auxiliaries. UC was able to bolster some of this with taxable borrowing. He anticipated that the housing reserves would be replenished quickly, and this was the main revenue source that had been depleted. The medical centers rebounded quickly and the decline they experienced was mostly in margins rather than in reserves.

Regent Leib referred to the current lack of staff at UC dining halls and asked if this was a staff issue or also had to do with facilities. Mr. Phillips responded that there was a severe labor shortage in many parts of UC operations. Campuses were struggling to find dining workers. Mr. Brostrom added that the dining facilities were in good shape. Mr. Phillips noted that some campuses have closed dining facilities due to lack of staff.

Regent Estolano referred to the Higher Education Student Housing Grant Program. She asked if UC believed that it could make better use of this source in the form of a revolving loan program and about the status of discussions on reframing this fund. Mr. Brostrom responded that UC was very appreciative of this grant program but strongly felt that it would function better as a revolving loan fund. Mr. Brostrom had provided testimony in Sacramento on this topic the past week. This would lower the University's cost of borrowing, which was one of the major components of affordability. Currently, UC was borrowing at a rate of less than three percent. The revolving fund approach could reduce this to 1.5 percent for housing, and this would reduce the overall cost of housing. Otherwise, these funds would be gone in three years. In a revolving fund, these funds could last for 15 to 20 years.

Regent Estolano asked what would be required to change this grant program, or the University's portion of it, into a revolving loan program. Mr. Brostrom responded that a change in legislation would be needed. The program began as a revolving loan fund but was changed to a grant program at some point in the State budget process. The University was in favor of a revolving loan program, but CSU and CCC were still considering this. This was the first year in a three-year program, and this year it would function as a grant program. The bulk of the funds would come in the following two years, and a $1 billion revolving loan fund would go a long way for UC's building program.

Regent Pérez commented that this idea was first discussed as a revolving loan fund. This structure worked well for UC but not for CSU and CCC. The State's budget staff tried to create one template for all three education systems. The State was now open to creating differences in how systems use the money, while remaining true to the allocation, district by district. Because of the nature of UC operations, the University would derive much more value from this money over time in a revolving loan fund.

Regent Ortiz Oakley referred to the impact of the pandemic on future space utilization at UC, which had been mentioned in the presentation. The University now had an opportunity to rethink this matter and should do so, reconsidering use of space, offices, and instruction and the use of technology, particularly as this related to enrollment growth. UC should take advantage of this time to rethink how it uses its space. Mr. Brostrom anticipated that such rethinking would occur and would be seen in the conversion of administrative spaces and changes to instruction. Providing classrooms that would allow for both remote and in-person learning would require some investment. UC would greatly expand the flexibility of its classrooms and its ability to absorb more student enrollment.

Committee Chair Cohen suggested that, in presenting future capital projects, the Office of the President highlight how UC's thinking about and approach to the use of space has evolved.

Regent Reilly expressed agreement with Regent Ortiz Oakley's comments and asked if each campus was undertaking a space utilization plan. Mr. Brostrom responded that the Office of the President was discussing this issue with vice chancellors of administration and vice chancellors of planning and budget. In the context of planning for enrollment growth, the chancellors were considering how to use UC's current footprint to expand and to better serve students.

Chancellor Khosla referred to the Higher Education Student Housing Grant Program and stated that, even if the State decided that this must be a grant program, this would be acceptable as long as the State allowed UC to use its grant as it wishes. Chancellor Khosla suggested that the University should make this grant a revolving fund internal to the UC system. He had testified to this effect before a State legislative committee.

President Drake reflected that UC would see what the return to work, after working remotely, was like. UC Health activities were at full force. Instructional activities had largely returned, and were perhaps at 85 to 90 percent of pre-pandemic levels. Many administrative functions were still being carried out remotely. Over the next few months and in the course of a year, the University would have a better idea of how much office space it needed and how it would manage this. UC was considering enrollment growth, but square footage would not grow at the same rate in the future; UC would seek more efficient ways of educating its students. The University was actively studying these questions.

Regent Reilly asked how concerned the Regents should be about the gap between identified need and identified funding. Mr. Brostrom responded that one must be cognizant of this issue, and the Office of the President would continue presenting this issue to the Regents. The University was in a better position now that it knew the actual need. UC had known earlier that it had seismic safety concerns, but now it could rank them and first address those buildings that posed the greatest risk to life safety. The amount of funding the State was able to provide for deferred maintenance and seismic safety was very gratifying, because those were the areas where UC had no new revenue sources. Every campus was aware of this issue, and it figured prominently in their prioritization of capital projects.

Upon motion duly made and seconded, the Committee approved the President's recommendation and voted to present it to the Board, Regents Cohen, Drake, Estolano, Kounalakis, Leib, Lott, Makarechian, Ortiz Oakley, Pérez, Reilly, Sherman, and Zaragoza voting "aye."

6. **UNIVERSITY OF CALIFORNIA FINANCIAL REPORTS, 2021**

The President of the University recommended that the Regents adopt the 2020-21 Annual Financial Reports for the University of California, the University of California Retirement System, and the five University of California Medical Centers.

[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.]

Committee Chair Cohen thanked Director Ruth Satorre for her work on closing the University's books this year. This was no small task.

Executive Vice President and Chief Financial Officer Brostrom commented that, in spite of the fiscal impact of the COVID-19 pandemic, the University's financial position improved in 2021, due primarily to a strong performance in investments. Pension expenses saw the greatest change and decreased by $3.3 billion due to favorable market performance. The net pension liability decreased by about $16 billion. UC benefited from and was grateful for financial resources provided by the federal government during the pandemic. UC campuses received $456 million in Coronavirus Aid, Relief, and Economic Security (CARES) Act funding, and the medical centers received $424 million. Housing and dining revenues declined. The University borrowed considerably, taking advantage of low interest rates, such as $2 billion in taxable debt for working capital financing. The University issued another almost $4 billion to refund debt and finance new facilities, primarily student housing. Overall, the University's net position improved by nearly $5 billion, mainly due to investment returns.

Upon motion duly made and seconded, the Committee approved the President's recommendation and voted to present it to the Board, Regents Cohen, Drake, Estolano, Kounalakis, Leib, Lott, Makarechian, Ortiz Oakley, Pérez, Reilly, Zaragoza voting "aye."

7. APPROVAL OF THE UNIVERSITY OF CALIFORNIA'S 2022–23 BUDGET FOR CURRENT OPERATIONS

The President of the University recommended that the Regents approve the proposed budget plan shown in Attachment 1, *University of California 2022–23 Budget Plan for Current Operations*.

[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 and Chief Financial Officer Brostrom commented that this proposed action was timely, because UC needed to submit its request for a budget to the Governor and the State Department of Finance for consideration in the Governor's January budget proposal. The Regents would receive updates as this item moved through submission and the budget process in the Legislature and as new revenue estimates became available.

This budget reflected a rebound in UC operations from the 2020-21 academic year, when most teaching and learning occurred online. To date, fall enrollment had increased by 2.4 percent over the past year, including a two percent increase in undergraduates. This included steady increases in California undergraduates and a rebound in some nonresident enrollment. There was a slight decline of one percent in new community college transfers.

Graduate student enrollment increased most substantially, by nearly five percent, in academic and professional degree programs. This came after a lull the prior year brought on by the decline in international students. This year's undergraduate and graduate classes were increasingly diverse.

The 2019-20 State Budget Act provided UC with funding to grow enrollment by over 4,800 California resident undergraduates. UC campuses had far exceeded this target due to record high enrollments. This was excellent in terms of student access but created a funding gap between the number of students on campus and the funding UC was receiving for them.

As part of this budget plan, the University would seek both ongoing, permanent funding for core operations, increased enrollment, closing equity gaps, and investing in high-priority activities as well as a large infusion of one-time funds to invest in deferred maintenance, seismic safety, and energy efficiency, and funding for investments to address climate change and resilience.

Associate Vice President David Alcocer drew attention to resources that would cover the cost of sustaining core operations. These included a proposed reduction in the UC Retirement Plan (UCRP) employer contribution rate from 15 percent to 14 percent, effective the following year, in light of positive trends in the funded status of the UCRP. For campus operating budgets, this would free up nearly $28 million in core funds. The University was also assuming new savings from systemwide procurement efforts, and a small net contribution from a modest growth in nonresident students at campuses below the policy cap of 18 percent enrollment of these students. The plan also included $41 million in net revenue from the multi-year tuition stability plan approved by the Regents in July. Effective fall 2022, the adjustment effectuated by this plan would apply only to incoming undergraduates, who could expect the rates to remain flat for six years, and to new and continuing graduate students. The remainder of the cost of core operations would be funded by a proposed increase of just under $200 million, or five percent, to UC's permanent State appropriation.

The 2019-20 State Budget Act funded growth of 4,860 undergraduates over a two-year period. UC campuses exceeded that goal by nearly 4,400 California resident undergraduates. These were students UC continued to enroll but who had not yet been funded by the State; securing this support was part of the University's 2022-23 budget plan. The plan included further growth of 2,000 more California undergraduates next year, over current levels. This growth would come in two forms; first by reducing nonresident enrollment by 900 students at three campuses and replacing those students with new California resident students. This was consistent with the Legislature's intent as expressed in the current Budget Act to increase resident enrollment at these campuses by buying out the nonresident tuition revenue that these campuses would otherwise receive. The remaining 1,100 resident undergraduates would be funded through UC's traditional funding model with the State. Altogether, under the plan, UC would serve 11,220 more California resident undergraduates next year than it did in 2018-19. This growth was closely aligned with the funding provided in the 2019-20 Budget Act, plus the further growth target of 6,230 students cited but not yet funded in the current Budget Act. The University's plan also called for an increase of 500 graduate students.

The financial premise of this enrollment growth included the marginal cost of expanding enrollment, with $48.8 million for the roughly 4,400 undergraduates already enrolled above the State's last target, funding for an additional 2,000 California resident undergraduates and 500 graduate students, and a commensurate increase in financial aid to support these students. The 2030 framework agreement with the State did not only call for enrollment growth, but included ambitious goals for closing equity gaps in graduation rates at every campus. The University's plan included $31.3 million to enhance advising, tutoring, analytical tools, and innovations in instructional delivery to keep students on track, increase degree completion rates, and reduce time to degree. All these investments would be funded by a combination of the tuition and fees generated by enrollment growth and additional State support.

Mr. Alcocer then discussed other high-priority investments directly related to student success and health care. The UC plan included new resources generated by the tuition stability plan for student financial aid. Together with additional support from the Cal Grant program, these funds would allow UC to fully cover the tuition adjustment next year for new students who qualify for UC grants. The plan asked the State to make permanent the one-time funds UC received this year for its Student Academic Preparation and Educational Partnerships (SAPEP) programs, which provide outreach, counseling, and educational resources to K-12 students throughout the state to better prepare them to pursue and thrive in higher education. The plan included funding to support students who were former foster youth, undocumented students, and students affected by the carceral system, who face an altogether different set of challenges compared to traditional UC students. This funding also included $4 million to expand the impact of the UC Cancer Consortium, with investments in precision medicine, improving patient access to UC cancer expertise, the UC-wide cancer database, and improving infrastructure for clinical trials.

There was a great deal of overlapping between elements of the University's budget plan and budget priorities approved by the board of the UC Student Association; support for SAPEP, disadvantaged student populations, and the budget for instruction were prominent among these priorities, as they were in the UC plan. This boded well for advocacy efforts in the winter and spring and should offer many opportunities for partnering with students on these efforts.

Mr. Brostrom then enumerated one-time funding opportunities. The University would be requesting $600 million for deferred maintenance, energy efficiency, seismic upgrades, and capital investments that would enable UC to expand its instructional capacity. UC would also seek $9 million to support a program for psychiatric mental health nurse practitioners. This would be a post-master's degree program shared among the UC Davis, UCLA, and UCSF Schools of Nursing which would prepare about 300 students over the next five years. UC wished to work with the Governor's Office and the Legislature on the overarching proposal to combat climate change and to make California more climate-resilient. Last year's State budget included $3.7 billion directed to these efforts over the next three fiscal years, and UC's strength in research, education, and outreach would make it a good partner for the State and the other higher education segments in these efforts.

President Drake commented that it was uplifting to see the items in this budget, items that the University was focusing its time and attention on. These were items that would have a direct impact on and improve students' lives and prospects. This was an excellent opportunity to have the University grow and serve as it was intended to do at its founding. He noted that there was a placeholder in the budget for a three percent salary increase for policy-covered staff. President Drake proposed to amend this and to make this a 4.5 percent increase, recognizing the current pressures related to inflation experienced during the COVID-19 pandemic. He also proposed an adjustment for faculty salary scales, increasing this from three to four percent, and adding a 1.5 percent equity salary adjustment for faculty.

Committee Chair Cohen asked about the cost of implementing the amendment proposed by President Drake. Mr. Brostrom responded that the change to staff compensation would amount to about $22 million. Employer retirement contributions would also increase, because these were based on covered compensation, perhaps by $3 million. Mr. Alcocer stated that the change to faculty compensation would represent an increase of $24 million in pay and $3 million in contributions to the UCRP. Mr. Brostrom summarized this as an overall increase of $52 million to the University's budget request.

Regent Estolano expressed approval for the proposed amendment, which was fair and reflected current realities. She asked about the ratios of enrollment growth projected in the 2030 framework. The growth in graduate students seemed low and not in proper proportion, since most of the enrollment growth from 2018-19 to 2022-23 would be growth in undergraduate enrollment. Mr. Brostrom responded that the Office of the President was now working with the chancellors on adding 20,000 more students by 2030, of which 4,000 would be graduate students. The 500 graduate students referred to in the presentation materials represented one-eighth of that growth. The numbers of the increase in graduate students would vary from campus to campus.

Regent Estolano stated her understanding that the University was behind on hiring ladder-rank faculty by 1,100. She asked if UC was starting to catch up in faculty hiring with this budget proposal. Mr. Brostrom responded that, when UC calculated the numbers for enrollment growth, the estimated cost of this growth included ladder-rank faculty growth, as well as other academic support services. The current plan would help UC catch up with faculty hiring over time, if it was funded.

Regent Pérez referred to President Drake's amendment and asked if the proposed increase for policy-covered staff from three to 4.5 percent would bring them closer in alignment with represented staff. Mr. Brostrom responded in the affirmative. Committee Chair Cohen commented that this would add about $50 million in cost with the notion that UC would request State General Funds to cover this cost.

Regent Pérez asked about implications for the employer contribution to the UCRP. He asked if, when UC reduced the employer contribution, this would decrease the net employer cost. Mr. Brostrom responded that increasing covered compensation would increase the employer contribution by a small amount, even if UC lowered the employer contribution to 14 percent.

Regent Estolano noted that the proposed amendment assumed the existing contribution rate to the UCRP; it did not take into account reductions to retirement contributions that were proposed in another item.

Mr. Alcocer explained that the approximately $6 million cost increase in employer contributions to the UCRP under President Drake's amendment was projected in a scenario with a 15 percent employer contribution. The cost would decrease slightly, perhaps by a few hundred thousand dollars, with a 14 percent employer contribution.

Upon motion duly made and seconded, President Drake's amendment was approved, Regents Cohen, Drake, Estolano, Kounalakis, Leib, Lott, Makarechian, Ortiz Oakley, Pérez, Reilly, Sherman, and Zaragoza voting "aye."

Regent Estolano asked if funding for the Programs in Medical Education (PRIME) would be increased, given the shortage of medical professionals in California, particularly in low-income communities. Mr. Alcocer responded that UC was successful this year in receiving full funding for PRIME. There was interest in expanding PRIME, in particular the joint degree program offered by UC Berkeley and UCSF. Some of the growth in graduate students could be allocated to PRIME.

Regent Leib urged the University to seek ongoing funding for the SAPEP program. He also noted that increasing the state's mental health workforce was a priority for the Governor. Mr. Brostrom responded that, in addition to the one-time funding for the degree program for psychiatric mental health nurse practitioners, there was a large State allocation for behavioral health yet to be allocated, and UC might benefit from this funding.

Regent Reilly asked if the University had sought ongoing funding for SAPEP in the prior year. Mr. Brostrom responded in the affirmative. Regent Reilly asked what different strategy UC might pursue. Mr. Brostrom responded that the strategy was to communicate that this is an ongoing program which is labor-intensive. SAPEP needed long-term commitments to build up the pipeline in the schools it serves.

Regent Pérez recalled that SAPEP had received its largest infusion of funding around 1997. UC should seek to replicate that. Regent Leib suggested changing the name of the program; this might help advocacy efforts.

Committee Chair Cohen asked about a possible Regents' interim action on the State climate change proposal. President Drake explained that UC was developing an appropriate climate proposal, including appropriate budgetary targets. In the coming weeks, the University would work with the Governor's Office to coordinate with the State government and formulate a proposal balanced with the Governor's interest. Mr. Brostrom added that UC wished to receive feedback from the Governor about what projects would be most effective in meeting State goals.

Upon motion duly made and seconded, the Committee approved the President's recommendation as amended and voted to present it to the Board, Regents Cohen, Drake, Estolano, Kounalakis, Leib, Lott, Makarechian, Ortiz Oakley, Pérez, Reilly, Sherman, and Zaragoza voting "aye."

8. **ACADEMIC SEISMIC REPLACEMENT BUILDING (EVANS HALL SEISMIC REPLACEMENT), BERKELEY CAMPUS**

[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.]

This information item was not discussed.

9. **KRESGE COLLEGE NON-ACADEMIC, SANTA CRUZ CAMPUS**

[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 and Chief Financial Officer Brostrom noted that this project had been submitted to the State's Higher Education Student Housing Grant Program. The project, already underway, would enable the Santa Cruz campus to add much-needed dormitory space and student beds.

10. **ANNUAL ACTUARIAL VALUATIONS FOR THE UNIVERSITY OF CALIFORNIA RETIREMENT PLAN AND ITS SEGMENTS AND FOR THE 1991 UNIVERSITY OF CALIFORNIA-PUBLIC EMPLOYEES' RETIREMENT SYSTEM VOLUNTARY EARLY RETIREMENT INCENTIVE PROGRAM**

[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 and Chief Operating Officer Nava reported that the market value rate of return on UC Retirement Plan (UCRP) assets during 2020-21 was approximately 30 percent. The University uses five-year asset smoothing, and the rate of return on the smoothed assets, or the actuarial value of assets, was 11 percent. This smoothed return was the key reason for changes and for many results of the 2021 valuation, such as the funded ratio and the unfunded liability. As of July 1, 2021, the UCRP was 94 percent funded on a market basis, compared to 76 percent in the prior year. On an actuarial value of assets basis, the funded ratio was 83 percent, compared to 79 percent the prior year. With regard to financial position, the UCRP had assets of nearly $92 billion on a market value basis, and $81 billion on an actuarial basis. This included $600 million which was transferred from the Short Term Investment Pool (STIP) in 2021. The actuarial accrued liability for all plan members at the valuation date grew by $97 billion. When compared to the smoothed or actuarial value of assets of $81 billion, the result was an unfunded liability of about $16 billion, or about $5 billion on a market basis, which was a significant decrease from $22 billion in the prior year. For the campus and medical center segment of the UCRP, the total funding policy contribution for 2022-23 was 32.68 percent of covered payroll, a decrease from the prior year. Based on actions taken by the Regents in 2019, the employer contribution rate to UCRP increased to 15 percent as of July 1, 2021. Absent any action by the Regents, this rate would continue to increase by half a percent each July until it reached 17 percent.

Committee Chair Cohen asked if there were differences in the numbers of retirements and deaths over the past year compared to what was expected. Actuarial Services Manager John Monroe responded that, under the current mortality table assumptions, UC expected slightly more than 1,500 retiree deaths in the last fiscal year. There were in fact slightly more than 1,800 deaths, or about 300 more than expected, a 20 percent increase. The University did not know how many of these deaths were due to COVID-19. When more deaths than expected occur, this creates an actuarial gain and reduces the actuarial accrued liability. UC would continue to monitor this and did not know how COVID-19 would affect mortality over the long term, although the pandemic had clearly led to excess deaths in the last year. With regard to retirements, there was a decrease in the number of retirements during 2020, with fewer retirements than expected. In the most recent year, retirements were in line with actuarial assumptions.

Committee Chair Cohen asked when an experience study would be carried out to review the assumptions. Mr. Monroe responded that the next study would occur in 2023.

Committee Chair Cohen referred to the recommended total funding policy contribution rate of 32.68 percent of covered payroll. He asked how this was funded under current policy and if there was a funding gap. Mr. Monroe responded that that this rate of 32.68 percent was an actuarially determined contribution or the total funding policy contribution. It consisted of the normal cost, which was about 21 percent of payroll. The normal cost was the cost allocated to the current year of service for active members. Every year an active member accrues a year of service, there is a cost of 21 percent of pay. Along with the normal cost, there is also a calculated amortization payment on the unfunded liability of about 11 to 12 percent, for a total of 32 percent. This was an actuarially calculated amount based on a funding policy. The Regents approve the actual contributions to the UCRP. These contributions do not need to match the actuarially determined contribution. The actuarially determined contribution was calculated using a smoothed, actuarial value of assets. In the current year, when there was a 30 percent rate of return, the actuarial value only reflected one-fifth of the excess return above the current return assumption of 6.75 percent. Over the next four years, the rest of the 30 percent return would be reflected in the actuarial value of assets. Currently there was a shortfall, but this shortfall was expected to decrease over the next four years as the 30 percent return was reflected in the actuarial value of assets. The current approved employer contribution rate was 15 percent of pay, while members contributed about eight percent of pay. Historically, the

Regents have approved transfers from STIP, with about $600 million transferred in the current year. This was a significant portion of payroll.

Regent Makarechian asked about the $600 million transfer from STIP. Executive Vice President and Chief Financial Officer Brostrom explained that this was a contribution from STIP to UCRP. It remained on the STIP books as a note receivable.

Regent Makarechian stated that this was borrowing from campuses' cash. Mr. Brostrom confirmed that this was correct. The University had used this approach over the past ten years, and it had added about 11 percent to the UCRP funding status.

Regent Makarechian asked about the University's mortality assumptions. Mr. Monroe explained that he had reported on the experience of the last fiscal year. The University would use the same assumptions, adopted in 2019, in the coming years. UC was not assuming that the experience of the last year would continue.

Regent Makarechian raised the issue of differences in the number of employees contributing to the retirement system in the past compared to today. Ms. Nava responded that UC was still using demographic and mortality assumptions adopted in 2019. These would be reviewed in an experience study by the consultant Segal in 2023.

Regent Makarechian stated his understanding that there were fewer employees contributing to the UC retirement system today than ten or 15 years prior. There were fewer people contributing and there were more retirees. There was an older population on UC's books and they were living longer. Mr. Brostrom responded that all of these factors were reflected in the normal cost, which had increased from 17 percent to 20.5 percent. Everything mentioned by Regent Makarechian was captured by this funding ratio.

Committee Chair Cohen referred to a chart in the background materials which showed the volatility of UC assets. There was a dramatic jump between 2020 and 2021. He asked if this was based on the 30 percent investment return or what was being measured in this instance. Segal representative Paul Angelo explained that one takes the assets, in this case the valuation of smoothed assets, and divides this by payroll. Due to the increase in assets, even after smoothing, there were more assets per payroll. Any future change in assets would appear larger as a percentage of payroll. The liability volatility ratio was similar. The greater the assets, the greater that ratio would be, and any future percentage change in assets would appear larger in proportion to payroll.

11. **AUTHORIZATION TO DECREASE THE UNIVERSITY EMPLOYER CONTRIBUTION RATE AND MAKE ADDITIONAL CONTRIBUTIONS THROUGH TRANSFERS FROM THE SHORT TERM INVESTMENT POOL AND/OR EXTERNAL FINANCING TO THE UNIVERSITY OF CALIFORNIA RETIREMENT PLAN**

The President of the University recommended that:

A. The University contribution rate on behalf of active members in the Campus and Medical Centers and Lawrence Berkeley National Laboratory segments of the University of California Retirement Plan (UCRP) and on behalf of active participants in "Savings Choice" be decreased from 15 percent and seven percent (effective for fiscal year 2021-22), respectively, to:

Effective Date	University Contribution Rate to UCRP	
	UCRP Active Members[2]	Savings Choice "UAAL Surcharge"[3]
July 1, 2022	14%	6%

B. The Regents' July 2017 action, *Authorization to Increase the University Employer Contribution Rate and Make Additional Contributions to the University of California Retirement Plan*, be amended by adding Sections L, M, N, and O as follows:

Additions shown by underscoring

L. Transfer funds from the Short Term Investment Pool (STIP) to UCRP in FY 2022-23 and FY 2023-24 in amounts equal to $500 million each year. Should STIP have insufficient funds, funds will be transferred from the Total Return Investment Portfolio (TRIP) to STIP. These transfers shall satisfy the requirements below and will not exceed $500 million in FY 2022-23 and $500 million in FY 2023-24:

(1) Maintenance of rating agency STIP and TRIP liquidity requirements at all times.

(2) The creation of an internal note receivable ("STIP Note") for the amounts above, owned by STIP participants.

(3) The ability to set the repayment terms on the STIP Note, which will have a final maturity no later than FY 2041-42.

(4) Assessment of all University fund sources making UCRP payments to include an additional amount for principal and interest payments on the STIP Note, divided proportionally based on covered compensation.

(5) For funding sources, such as federal contracts and grants, where interest payments for the STIP Note are not billable as direct program costs, the campuses will be required to pay these charges using non-federal sources.

---

2 Excludes UCRP member class known as "Tier Two", which is a frozen group that had three active members as of July 1, 2021. For Tier Two, employer rates are one-half of the rates for non-Tier Two members.
3 The "UAAL Surcharge" is an employer contribution to UCRP on behalf of active employees who elected "Savings Choice" as their primary retirement benefit and are current participants in the Defined Contribution Plan. The UAAL Surcharge helps pay down UCRP's Unfunded Actuarial Accrued Liability (UAAL).

M. Obtain external financing not to exceed $1 billion, plus additional related financing costs in lieu of or in addition to the STIP transfers, for the purpose described above in Section L if it is expected that this option could be accomplished at a lower cost or is more practical for the University. The repayment of external financing is anticipated to be from the same University fund sources that would be responsible for making payments on the STIP Note as outlined above.

N. For Sections L and M above, the total amount of the STIP transfers and external financing shall not exceed $1 billion plus additional related financing costs.

O. Take all actions as appropriate and execute all documents necessary as appropriate in connection with Sections L through N above.

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

Executive Vice President and Chief Financial Officer Brostrom explained that this action item would affect the employer contribution to the UC Retirement Plan (UCRP). The Regents had last approved changes to the employer contribution to the UCRP in 2019, a strategy of moving from 14 percent in 2019 to 17 percent in 2025 in annual one-half-percent increments. The contribution was currently at 15 percent of compensation. This item proposed reducing this rate from 15 percent to 14 percent, and combining this with transfers from the Short Term Investment Pool (STIP) to UCRP which would actually increase the amount going into the UCRP. As discussed in the previous item, the UCRP funded ratio had increased from 75 percent to 93 percent based on the market value of assets, while the unfunded liability had been reduced from $21 billion to $6 billion. The University had considered changing the contribution rate, transferring additional funds from STIP, or a combination of the two, which was now being recommended. The item recommended that, beginning July 1, 2022, UC reduce the University contribution rate to UCRP from 15 percent to 14 percent of compensation. The UC rate for the Savings Choice Plan would decrease from seven percent to six percent. UC would transfer $1 billion over the next two years, $500 million each year, from STIP to UCRP. This was part of a broader strategy of optimizing the returns on UC's investment pools. There was still $9 billion in STIP, and UC would like to reduce this toward $4 billion. Decreasing the University contribution rates would provide budgetary relief for campuses and medical centers and allow them to make critical resource investments.

Mr. Brostrom presented charts with projections for the UCRP under the proposed action. This action would be taken for the next two years, and the University would consider additional strategies following the next experience study. The first chart assumed that the UCRP achieved a 6.75 percent return every year. The second chart projected a bad year with a zero percent return, followed by 6.75 percent returns. The second scenario would necessitate additional STIP borrowing. A subsequent chart indicated that funding on an actuarial value of assets basis, now at 82 percent, would climb dramatically to 96 percent if the 6.75 percent return was achieved. There would be a slow increase to full funding of

100 percent. Even if returns were at zero percent, UCRP would still remain in the range of 90 percent to 92 percent funded.

The proposed action would provide budgetary relief to the campuses and medical centers, would enable UC to optimize its investments and move funds from STIP, where they were earning less than 50 basis points, to UCRP, where, over the long term, UC would anticipate earning 6.75 percent. The University would continue to monitor the UCRP, and when the next experience study was completed, UC would present a follow-on strategy to the Regents for consideration.

Committee Chair Cohen noted that this was a two-year proposal and asked what would happen in year three. He asked if the 14 percent contribution rate would become permanent or if the University would return to the previous policy. Mr. Brostrom responded that the rate would remain at 14 percent until the Regents took a subsequent action.

Regent Ortiz Oakley expressed misgivings about the proposed action. He observed that it was easier to reduce than to increase the contribution. He recalled that other Regents who had served longer on the Board had said that it had been a mistake to reduce the contribution in the past. He asked how the University could be certain that it was not making a mistake now. Mr. Brostrom responded that, since beginning the current strategy in 2010, the University had never reduced the contribution, but had increased it. The proposed action would in fact result in an increase in the overall contribution, but from two different sources. UC would reduce the employer contribution but increase the amount transferred from STIP. He likened this to moving money from a checking account to a 401(k) account. This would result in moving more funds into UCRP and better managing UC's investment pools. Executive Vice President and Chief Operating Officer Nava added that, when the experience study was carried out in 2023, this would be an opportunity for the Board to review assumptions including the employer contribution.

Regent Ortiz Oakley asked how the University had arrived at a situation of having too much money in its figurative checking account and if this was the best investment it could make, given the amount of money in that account. Mr. Brostrom responded that UC did not have too much money in this account, but was working with rating agencies on lowering the University's liquidity requirement. From the rating agencies' point of view, UC had too little liquidity. A stand-alone medical center is supposed to have 180 days' cash on hand, which the UC medical centers did not have. UC benefited from the overall size and scale of its system and could provide liquidity across the board. The University was considering various strategies. One would be to maximize investments in the Total Return Investment Pool (TRIP), which also produced higher returns than STIP, and doing this in a more automated way. Campuses were moving more funds into funds functioning as endowments.

Committee Chair Cohen asked about the total debt to STIP since borrowing from STIP had begun. Mr. Brostrom responded that there had been $6.4 billion in borrowing, but UC had also borrowed externally because rates were low. The borrowing from STIP amounted to about $5.5 billion.

Committee Chair Cohen stated his understanding, based on the background information provided, that the interest on this debt would rise to roughly two percent. Mr. Brostrom responded that this was a lagging indicator, based on last year's STIP. Currently, UC anticipated that the rate would be much lower, based on STIP interest rates. Committee Chair Cohen asked if this projection was based on the assumption that this proposed action would be approved. Mr. Brostrom responded in the affirmative.

Regent Pérez stated that this proposal was admirable in seeking to free up funds for the campuses but expressed concern about using a one-time asset to replace an ongoing contribution and that this model might put UC at greater risk in a future economic downturn. There might be other models for using STIP funds which would not expose UC to the same risk further in the future.

Committee Chair Cohen observed that, if one returned to an annual increase of 0.5 percent, one would not have projections that show a shortfall in later years.

Regent Makarechian expressed agreement with Regent Pérez that the intention of this proposed action was good, which was to provide funds for the campuses. He recalled that, in the past, the University had had to increase contributions to the UCRP at an inopportune time of State budget cuts and economic downturn. He also recalled the contribution "holiday" decades earlier, when the University stopped making contributions to the UCRP, and the negative consequences of that action. In his view, it would be wiser to move funds from STIP into TRIP. He was opposed to the proposal. Mr. Brostrom responded that the University expected TRIP to earn about four to 4.5 percent interest, while the UCRP was expected to earn 6.75 percent. There was currently an approximately $5 billion liability in the UCRP. One could move $5 billion from STIP to UCRP and achieve full funding of the UCRP, with only the normal cost to be paid. The University was not proposing this, but was proposing a slow increase over time to reach full funding.

Regent Makarechian cautioned against relying on current market values, which were not permanent and could go down. He suggested that UC wait another year before proposing this action. Mr. Brostrom responded that the proposal was based on market value as of June 30, last year's market value, and all the assumptions from the last experience study.

In response to another question by Regent Makarechian, Mr. Brostrom commented that one should consider long-term returns, over 15, 20, and 25 years. The UCRP had always outperformed the discount rate, at 7.1 percent, 7.3 percent, and eight percent, even during times such as the financial crisis of 2007-08 and the COVID-19 pandemic.

Regent Makarechian suggested that this item be deferred until September 2022.

Faculty Representative Horwitz reported that several Academic Senate committees had examined this proposal and expressed reservations about it. They did not object to the calculations and they appreciated the fact that the campuses would receive funds. But the Academic Senate was concerned that, in the future, it would be hard to restore the 15 percent contribution when returns are not as good as at present. Mr. Horwitz suggested that, instead of conducting an experience study in 2023, include a hard "sunset" clause which would make the rate return to 15 percent unless the Regents voted not to do so.

Regent Pérez stated that suspending the contribution increase for a certain period would save some costs for the campuses.

President Drake explained that the idea for this proposal was developed last year, when the University felt, based on status of the UCRP, that contribution rates could remain at the same level, without a need for an increase. In two years there would be an experience study which would identify potential problems. A change in contributions from 14 percent to 15 percent would be much easier to manage than an increase from zero to any number; this had been the case with the resumption of contributions after the pension contribution "holiday." The campuses and students would immediately benefit from this action. If, in two years, following the experience study, the University found itself in a place where it did not want to be, it could increase the contribution again. The campuses would understand this as a pause period.

Regent Estolano expressed support for Mr. Horwitz's proposal and agreement with President Drake that this action would provide resources right now to better support students with financial aid, affordable housing, and mental health counseling, among other things. The recommendation did not assume extraordinary returns on the UCRP, but 6.75 percent. There was sufficient history to demonstrate that the University was capable of achieving this discount rate. She moved that the item be amended to include a hard "sunset" clause which would make the rate return to 15 percent unless the Regents voted not to do so.

Committee Chair Cohen asked if, under such a proposal, the return to the 15 percent contribution rate would in fact take place in 2024. Mr. Brostrom responded in the affirmative. The 14 percent contribution would occur in 2022 and 2023. Committee Chair Cohen added that the contribution would be 15 percent in 2024, and then increase in one-half-percent increments.

Regent Estolano stressed that the UCRP was performing well in terms of actuarial value.

Regent Reilly asked if lowering the employer contribution rate would in any way affect the employee contribution or open the door for further reductions in employee contributions. Mr. Brostrom responded in the negative. The employee contribution only covered a portion of the normal cost. The current normal cost was about 20.5 percent. Employees paid seven to nine percent, less than half of the normal cost. Until the UCRP was fully funded, there would be no consideration of changes to the employee contribution.

Committee Chair Cohen recalled that, during the pension "holiday," UC did not pay the normal cost. One of the elements of the California Public Employees' Pension Reform Act (PEPRA) was a requirement that the normal cost be met. This proposed action would not go below the normal cost. It was a question of how UC paid the debt on its pension system.

Regent Pérez observed that UC would reduce the contribution under the assumption that it would allow campuses to make investments in student-related services. If, in two years, the experience study indicated that an increase was necessary, it would be difficult to carry out an increase. When campuses make decisions about the expansion of services and programs, they are making ongoing commitments. The University was offering the campuses a two-year period with a certain amount of money; but in two years, the funding might return to the same level as today. Regent Pérez stated that he could not support the amendment.

Regent Leib suggested that the amendment could state that these funds for the campuses would be one-time funds.

President Drake commented that the funding that would be made available to the campuses was not a very large amount. He noted that the campuses would benefit from the cohort tuition plan and increased enrollment. Campuses would increase enrollments without increasing fixed costs, and would be able to fund themselves better with these marginal increases. Campuses were looking at a period of prudent investment in the future with flexibility. The proposed action would provide more flexibility. If UC was able to meet its actuarial assumptions, it would continue to move forward in decreasing the unfunded liability of the UCRP while always covering the normal cost. President Drake anticipated that, even if there was a sharp downturn in returns, UC would still meet the normal cost. Campuses would be able to make adjustments on the margins.

Regent Makarechian agreed with Regent Pérez's position and stated that he could not support the amendment.

In response to a question by Regent Kounalakis, Committee Chair Cohen explained that, under the proposal, in two years there would be an agenda item that would allow the Regents to change the proposal.

Regent Kounalakis asked if the funds that would be freed up might create an expectation of ongoing funding.

Committee Chair Cohen observed that campus budgets were complex, with many different factors. It was difficult for chancellors to know which funding was ongoing. Budget cuts can occur in any year. It was difficult to have any comfort about a budget three years in the future.

Chancellor Gillman commented that this funding would be more problematic if it were tied to a specific program. The campuses had different needs at any one time. There were many pressures on the campuses. It would make sense to let the campuses figure this out. To designate these funds would pit different priorities against each other and complicate the issue and undermine the value of freeing up these funds.

Ms. Nava remarked that, when campuses carried out multi-year budget planning, they would be aware that employer contributions would revert to the 15 percent level and could plan for this budget impact. This would address the concerns of Regents Pérez and Kounalakis about not investing in projects for which there would be funding shortfalls.

In response to a question by Regent Makarechian, Mr. Brostrom recalled that the University had been using STIP for a number of years to augment the contribution. If no action were taken, the rate would increase to 15.5 percent in July 2022, and there would be no borrowing from STIP.

Regent Makarechian asked whether, if the contribution level was lowered to 14 percent, there would be no need to borrow. Mr. Brostrom responded that UC would invest more in TRIP, but a better model was to put funds into the UCRP.

Regent Makarechian stressed that lowering the contribution rate and investing funds in pools were separate issues. Mr. Brostrom responded that his concern would be that UC was not putting enough funds into the UCRP to grow toward 100 percent funding.

Committee Chair Cohen reiterated that the amendment would limit the proposal as presented to two years, after which point, in 2024, the employer contribution would revert to 15 percent, increasing annually by one-half-percent thereafter, as under current policy.

In response to a question by Regent Makarechian, Mr. Brostrom explained that the amendment would be the original proposal, reducing the contribution for two years as stated by Committee Chair Cohen, and would authorize two years of borrowing from STIP up to $1 billion. The employer contribution rate would automatically revert to 15 percent thereafter unless further action were taken by the Board. Segal representative Paul Angelo explained that the existing schedule would be moved out two years.

Upon motion duly made and seconded, the amendment was approved, Regents Cohen, Drake, Estolano, Kounalakis, Leib, Lott, Reilly, and Zaragoza voting "aye," Regent Makarechian abstaining, and Regents Ortiz Oakley and Pérez voting "no."

Committee Chair Cohen stated his understanding that UC was running a year-by-year funding policy. He asked Mr. Angelo for his actuarial view of the discussion that had just taken place. Mr. Angelo commented that there were no rules specifying that one must fund a plan on an actuarially determined basis. Many systems were funded on a fixed rate basis, as was UC. The actuary for a fixed rate plan needs to assess the adequacy of the fixed rate, to determine if the fixed rate, in combination with current assets, is sufficient to pay all expected benefits. According to industry standards, this does not have to be the case, but if it is not, the actuary must make this statement publicly, in the actuarial report. Segal performs these kinds of assessments. Mr. Angelo opined that, with regard to the UCRP, if all assumptions came true, even with the proposed action, UCRP would move toward 100 percent funding. This action would pass the proposed standard of practice, which was a test of sufficiency and adequacy. There were actuarial tests for factors like negative amortization and how long it would last, and there were disclosure requirements. Mr. Angelo believed that what the University was proposing in this item would pass actuarial rules as proposed.

Upon motion duly made and seconded, the Committee approved the President's recommendation as amended and voted to present it to the Board, Regents Cohen, Drake, Estolano, Kounalakis, Leib, Lott, Reilly, and Zaragoza voting "aye" and Regents Makarechian, Ortiz Oakley, and Pérez voting "no."

12. ANNUAL ACTUARIAL VALUATION OF THE UNIVERSITY OF CALIFORNIA RETIREE HEALTH BENEFIT PROGRAM

[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 and Chief Operating Officer Nava recalled that the Retiree Health Benefit Program was administered on a pay-as-you-go basis. It was part of UC's overall benefits program to attract and retain talent. The actual cash costs for fiscal year 2021 were $332 million, $2 million lower than expected. The projected cash costs were $347 million for the current fiscal year, funded through assessments to the campuses and medical centers at a rate of 2.36 percent of covered payroll. UC's contribution for this fiscal year was projected to increase by 4.5 percent due to changes in the number of covered retirees, which was offset by some lower rates. The University continued to actively manage costs and evaluated its program annually for more efficient and effective ways to deliver benefits. For example, for calendar year 2022, the average retiree medical premium rate would increase by 1.5 percent; UC had been anticipating an increase of 5.1 percent. A point has been communicated to employees and retirees over the years that retiree health benefits are not accrued or a vested benefit entitlement and can be changed by the University at any time.

Deloitte representative Michael de Leon commented that, in general, the major factor contributing to liability for the plan is the discount rate, which was based on an index for 20-year tax-exempt general obligation municipal bonds. This remained stable and so the liability remained stable as well.

Committee Chair Cohen asked, if the University were to switch to a pre-funding model, like that for its pension system, how many years of commitment to a pre-funding model it would take before the discount rate would be adjusted. Mr. de Leon responded that, under Government Accounting Standards Board (GASB) accounting standards, one can change the discount rate once the commitment has been made. Actuaries can determine if it is reasonable to assume that an entity will commit to this. If the commitment is acceptable and believable, once it is in place, the organization can start to recognize the impact on the discount rate. There was a requirement that the assets be greater than the benefit payments, so there would need to be at least $350 million in assets in the University's plan. Once this takes place, the actuary carries out a projection to see if the expected contributions are sufficient to cover the future liability. If that is the case, the higher discount rate can be used immediately.

13. **AMENDMENT OF THE FISCAL YEAR 2021-22 BUDGET FOR THE UNIVERSITY OF CALIFORNIA OFFICE OF THE PRESIDENT**

The President of the University recommended that the Regents approve the amendment of the Fiscal Year 2021-22 Budget for the University of California, Office of the President totaling $1,006.6 million, as shown in Attachment 2.

[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.]

Committee Chair Cohen observed that this item was in conformance with the annual State budget. Executive Vice President and Chief Operating Officer Nava explained that the Office of the President (UCOP) received additional revenue of $46 million for its budget from the State for this fiscal year. Of this, $35.3 million was a direct appropriation for Agriculture and Natural Resources, while $10.7 million was to increase programs in Academic Affairs, primarily those that support student outreach. This represented a 4.8 percent increase to the UCOP budget. There was a policy threshold specifying that if the budget increase exceeds five percent, this must come to the Regents for authorization. Given how close the increase was to five percent, it seemed prudent to ask the Regents to amend the budget.

Upon motion duly made and seconded, the Committee approved the President's recommendation and voted to present it to the Board, Regents Cohen, Kounalakis, Leib, Lott, Ortiz Oakley, Pérez, and Reilly voting "aye."

14. **REPORT OF BUDGET TO ACTUAL EXPENDITURES FOR FISCAL YEAR 2020-21 FOR THE OFFICE OF THE PRESIDENT AND FIRST QUARTER FISCAL YEAR 2021-22 RESULTS**

[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 and Chief Operating Officer Nava presented this item, the annual report on the Office of the President's (UCOP) performance against budget for the prior fiscal year. Total actual expenditures for UCOP were $843 million, 2.1 percent below the budget of $862 million, and, compared to the Quarter Three forecast, about 2.4 percent lower. This year's outcome demonstrated continued improvement by UCOP in forecasting expenditures accurately. The variances in budget to actuals had decreased from eight percent two years ago to about two percent this year.

The COVID-19 pandemic had an impact on UCOP expenditures, specifically in programs and initiatives. Agriculture and Natural Resources had actual expenditures that were under budget by about nine percent. This was due to the limited ability to receive and spend research grant awards during the pandemic.

UCOP overall reserves were $113.4 million, within the recommended ranges. UCOP continued to assess these reserves for adequacy every year. Overall fund balances totaled $60 million, net of commitments. The unrestricted fund balance at the end of the last fiscal year was down to zero; those funds were fully expended.

With regard to the budget to actuals for the current fiscal year, Ms. Nava reported that, through September 30, UCOP was running about $107.8 million against budget, or under budget by about 18 percent for the first quarter. This had to do with the timing of expenditures. The UCOP Budget Office was working to have more precision in anticipating expenditures and to budget these on a monthly basis.

Committee Chair Cohen recalled that the reduction of discretionary reserves to zero was a decision of the Regents. He observed that, now that UCOP had returned to the campus assessment model for funding, this did not leave much room for unexpected expenses. He asked how UCOP dealt with this issue. Ms. Nava responded that the Strategic Priorities Fund was built into the budget. This provided some flexibility, at the President's discretion, to fund urgent and emergent priorities not already budgeted. As UCOP moved to the campus assessment, it would aim to be as precise as possible regarding the assessment amount and expenditures. If UCOP comes under budget, this net amount is rolled into the campus assessment for the next year. UCOP would seek the campuses' concurrence.

The meeting adjourned at 4:25 p.m.

Attest:

Secretary and Chief of Staff

University of California
2022-23 Budget Plan for Current Operations

Attachment 1

(dollars in millions)

2021-22 CORE FUNDS FOR CURRENT OPERATIONS

Total Core Funds (State General Funds, Student Tuition and Fee Revenue, and UC General Funds)	**$ 10,527**

PROPOSED CHANGES IN EXPENDITURES			**PROPOSED CHANGES IN REVENUE / RESOURCES**		
Sustaining Core Operations					
Proposed Investments			*University Sources*		
Faculty compensation (policy-covered)	$	86.8	Reduce UCRP employer contribution rate by 1%	$	27.9
Faculty merit program	$	35.0	Procurement savings	$	10.1
Staff compensation (policy-covered)	$	66.7	Nonresident enrollment growth, net (200)	$	3.7
Contractually committed compensation	$	30.5	Tuition/Student Svcs Fee Adjustment (net of aid)	$	27.7
Retirement contributions	$	30.8	Nonresident tuition adjustment (net of aid)	$	13.6
Employee heath benefits	$	23.0	Subtotal	$	83.0
Retiree health benefits	$	6.3			
Non-salary price increases	$	40.4	*State General Funds*		
Debt service for AB 94 capital projects	$	15.0	Base budget adjustment (6.3%)	$	251.5
Subtotal	***$***	***334.5***		***$***	***334.5***
Funding the UC 2030 Framework: Student Access and Success					
Proposed Investments			*University Sources*		
State share of unfunded CA growth, 19-20 to 21-22	$	48.8	Tuition/fees from enrollment growth (net of aid)	$	14.2
2022-23 enrollment growth (2,000 UG/500 GR)			Return-to-aid from enrollment growth	$	7.1
Enrollment marginal cost (1,100 UG/500 GR)			Subtotal	$	21.3
From State support	$	17.9			
From Tuition/Fees	$	14.2	*State General Funds*		
Convert 900 nonresident to resident UG			State share of unfunded CA growth, 19-20 to 21-22	$	48.8
Lost nonresident tuition revenue	$	27.2	2022-23 enrollment growth (1,100 UG/500 GR)	$	17.9
Financial aid			Offset to lost nonresident tuition revenue	$	27.2
Enrollment growth (1,100 UG/500 GR)	$	7.1	Aid for 900 add'l CA residents	$	3.9
900 add'l aid-eligible CA residents	$	3.9	Eliminate equity gaps in graduation rates	$	31.3
Eliminate equity gaps in graduation rates	$	31.3	Subtotal	$	129.1
Subtotal	***$***	***150.3***		***$***	***150.3***
Other High-Priority Investments					
Proposed Investments			*University Sources*		
Financial aid from Tuition/Fee/NRST adjustments	$	26.6	Financial aid: Tuition/Fee adjustments	$	23.2
Convert one-time SAPEP funds to ongoing	$	22.5	Financial aid: NRST adjustments	$	3.4
Foster/Undoc/Carceral system-impacted youth	$	15.0	Subtotal	$	26.6
UC Cancer Consortium	$	4.0			
			State General Funds		
			Convert one-time SAPEP funds to ongoing	$	22.5
			Foster/Undoc/Carceral system-impacted youth	$	15.0
			UC Cancer Consortium	$	4.0
			Subtotal	$	41.5
Subtotal	***$***	***68.1***		***$***	***68.1***
EXPENDITURES TOTAL	**$**	**552.9**	**REVENUE / RESOURCES TOTAL**	**$**	**552.9**

ADDITIONAL REQUESTS FOR ONE-TIME STATE FUNDS		
Psychiatric Mental Health Nurse Practitioners	**$**	**9.0**
Deferred Maintenance, Energy, and Capital Investments	**$**	**600.0**

Figures may not sum to totals due to rounding.

Schedule A
Sources and Uses by Year
Total UCOP

$ in millions

	FY21-22 FY21-22 May Regents	FY21-22 Nov Amended	Variance: Incr. / (Decr.)
SOURCES			
Unrestricted Sources			
State General Funds	222.4	7.1	(215.2)
Investment Income	26.0	26.0	0.0
Other Unrestricted Sources	20.1	20.1	0.0
UCOP Campus Assessment	0.0	215.2	215.2
Undesignated Fund Balance	4.5	4.5	0.0
Subtotal - Unrestricted	**$273.1**	**$273.1**	**$0.0**
Designated Sources			
Regents-Designated	49.4	49.4	0.0
Program-Designated	237.1	247.8	10.7
UCPath Fee-For-Service	46.2	98.6	52.4
UCPath State General Funds	52.4	0.0	(52.4)
UC ANR State General Funds	73.6	108.9	35.3
Subtotal - Designated	**$458.8**	**$504.8**	**$46.0**
Restricted Sources			
Gifts and Endowments	13.3	13.3	0.0
Contracts and Grants	45.5	45.5	0.0
Federal and State Appropriations/Regulations	189.0	189.0	0.0
Subtotal - Restricted	**$247.8**	**$247.8**	**$0.0**
Total Sources	**$979.7**	**$1,025.6**	**$46.0**
USES			
Programs and Initiatives			
State/Federal Programs	289.6	331.9	42.3
Systemwide Programs	102.5	105.7	3.2
Subtotal - Programs and Initiatives	**$392.1**	**$437.6**	**$45.5**
Central and Administrative Services			
Academic Affairs	54.9	55.4	0.5
Ethics & Compliance	6.8	6.8	0.0
External Relations & Communications	18.9	18.9	0.0
Finance	56.2	56.2	0.0
Operations	147.0	147.0	0.0
President's Executive Office	5.4	5.4	0.0
Secretary of the Regents	4.2	4.2	0.0
Systemwide Academic Senate	2.3	2.3	0.0
UC Health	31.2	31.2	0.0
UC Investments	40.1	40.1	0.0
UC Legal	65.5	65.5	0.0
Subtotal - Central and Administrative Services (excl UCPath)	**$432.5**	**$433.0**	**$0.5**
Strategic Priorities Funds	38.8	38.8	0.0
SUBTOTAL USES	**$863.4**	**$909.3**	**$46.0**
UCPath	97.2	97.2	0.0
TOTAL USES	**$960.6**	**$1,006.6**	**$46.0**
NET MARGIN SURPLUS (DEFICIT)	19.1	19.1	0.0
Included in Sources and Uses Above			
Pass-Throughs	341.2	386.7	45.5
Fee-For-Service	310.9	310.9	0.0
Total Fee-For-Service and Pass-Throughs	**$652.1**	**$697.6**	**$45.5**

Schedule C
Budget by Programs and Initiatives
Programs and Initiatives
$ in millions

	FY21-22		
	FY21-22 May Regents	FY21-22 Nov Amended	Variance: Incr. / (Decr.)
PROGRAMS AND INITIATIVES			
State/Federal Programs			
Agriculture and Natural Resources (ANR)	167.0	202.3	35.3
California Breast Cancer Research Program	9.7	9.7	0.0
California Subject Matter Project (CSMP)	8.6	15.6	7.0
Gaining Early Awareness and Readiness for Undergraduate Programs	3.5	3.5	0.0
Graduate Medical Education	1.9	1.9	0.0
Office of the National Laboratories (UCNL)	8.6	8.6	0.0
Other State/Federal Programs	0.6	0.6	0.0
Tobacco-Related Disease Research Program (TRDRP)	87.0	87.0	0.0
UC Research: Cancer Research Coordinating Committee (CRCC)	2.7	2.7	0.0
Subtotal - State/Federal Programs	**$289.6**	**$331.9**	**$42.3**
Systemwide Programs			
California HIV/AIDS Research Program (CHRP)	8.3	8.8	0.4
Eligibility in the Local Context (ELC)	1.0	1.0	0.0
Historically Black Colleges and Universities (HBCU) Fellowship Initiative	2.0	2.0	0.0
Historically Black Colleges and Universities (HBCU) Summer Research Initiative	2.0	2.0	0.0
Innovative Learning Technology Initiative (Online Education)	5.8	8.1	2.3
Natural Reserve System (NRS)	2.5	2.5	0.0
Other Systemwide Programs	1.9	1.9	0.0
San Joaquin Valley PRIME program	1.9	1.9	0.0
SAPEP	8.1	8.6	0.5
UC Astronomy: University of California Observatories (UCO)	7.5	7.5	0.0
UC Astronomy: W.M. Keck Observatory (Keck)	8.8	8.8	0.0
University of California Press	21.9	21.9	0.0
UC Research: Laboratory Fees Research Program (LFRP)	15.2	15.2	0.0
UC Research: Multi-Campus Research Programs and Initiatives (MRPI)	8.5	8.5	0.0
University of California Washington Center (UCDC)	7.2	7.2	0.0
Subtotal - Systemwide Programs	**$102.5**	**$105.7**	**$3.2**
TOTAL USES	$392.1	$437.6	$45.5

Schedule E
UC ANR Budget within UCOP
Budget by Program and Unit - All Funds
$ in millions

	FY21-22		
	FY21-22 May Regents	FY21-22 Nov Amended	Variance: Incr. / (Decr.)
SOURCES			
Federal AES	8.2	8.2	0.0
State UCCE	73.6	108.9	35.3
Federal UCCE	12.4	12.4	0.0
Endowment Payout	9.5	9.5	0.0
Extramural Funding	35.1	35.1	0.0
Other Sources	28.1	28.1	0.0
TOTAL UC ANR Budget within UCOP	**$167.0**	**$202.3**	**$35.3**
USES			
Unrestricted Sources			
AES Campuses			
Other Campus-Based Academics	0.7	1.0	0.3
UC Berkeley	7.8	8.5	0.7
UC Davis	23.0	26.0	3.0
UC Riverside	6.0	6.9	0.9
Subtotal - AES Campuses	**37.5**	**42.4**	**4.9**
Statewide Programs & Institutes			
Agriculture Issues Center	0.3	0.2	0.0
California Institute for Water Resources	1.1	1.2	0.1
Elkus Ranch Youth Development Center	0.5	0.8	0.3
Informatics & Geographic Information Systems	1.1	1.1	0.0
Integrated Pest Management	5.6	5.7	0.1
Nutrition Policy Institute	4.4	4.5	0.1
Statewide Programs & Initiatives	2.9	5.0	2.0
Sustainable Agriculture Research & Education	0.8	0.9	0.1
Volunteer Based Programs (MFP, MG, Naturalist)	0.9	1.0	0.1
Youth, Family & Communities	2.7	3.0	0.3
Subtotal - Statewide Programs & Institutes	**20.2**	**23.3**	**3.1**
Research and Extension Centers (RECs)	17.0	23.5	6.5
County-Based Research and Extension	66.0	74.8	8.8
Administration			
General Administration	19.2	22.3	3.2
UCPath and Systems Implementation	1.7	6.3	4.6
Subtotal - Administration	**20.9**	**28.6**	**7.7**
Institutional Support	**5.4**	**9.7**	**4.3**
TOTAL UC ANR Budget within UCOP	**$167.0**	**$202.3**	**$35.3**
NET MARGIN SURPLUS (DEFICIT)	$0.0	$0.0	$0.0