The Regents of the University of California

FINANCE AND CAPITAL STRATEGIES COMMITTEE
July 17, 2024

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

Members present: Regents Cohen, Elliott, Lee, Makarechian, Pérez, and Sherman; Ex officio members Drake and Reilly; Advisory member Cheung; Chancellors Hawgood, Larive, and May

In attendance: Regents-designate Brooks and Komoto, Secretary and Chief of Staff Lyall, General Counsel Robinson, Executive Vice President and Chief Financial Officer Brostrom, Executive Vice President and Chief Operating Officer Nava, Vice Presidents Kao and Lloyd, Chancellors Khosla, Lyons, and Muñoz, and Recording Secretary Johns

The meeting convened at 3:15 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 May 15, 2024 were approved, Regents Cohen, Drake, Elliott, Lee, Makarechian, Pérez, Reilly, and Sherman voting "aye."[1]

2. CONSENT AGENDA

A. ***Indemnification Terms in Banking Agreements***

The President of the University recommended that:

(1) The President be authorized to approve the terms of the agreement(s) with the Bank of New York Mellon Corporation (BNY Mellon), including a provision to "indemnify and hold harmless BNY, from any cost, liability or expense (including reasonable attorneys' fees) arising out of any claim by a third party with respect to any Monetary Disbursement or funds transfer request, including without limitation any claim of any person that BNY Mellon is responsible for any act or omission by UC or an Authorized Person. In no event shall BNY Mellon be liable for any consequential, special, punitive or indirect loss or damage or legal costs or attorneys' fees that UC may incur in connection with this Agreement, including without

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

limitation, any loss or damage from subsequent wrongful dishonor resulting from BNY Mellon's acts or omissions pursuant to this Agreement."

(2) The President or designee, after consultation with the General Counsel, be authorized to approve and execute any documents necessary in connection with the above.

(3) The President or designee, after consultation with the General Counsel, be authorized to execute agreements with other banking institutions whose standard terms and conditions contain substantially similar indemnification language, and to ratify any such agreements that have already been signed containing similar such provisions.

B. ***Pepper Canyon East District Phase 1, San Diego Campus: Preliminary Plans Funding***

The President of the University recommended that the 2024-25 Budget for Capital Improvements and the Capital Improvement Program be amended to include:

San Diego: Pepper Canyon East District Phase 1 – preliminary plans – $60 million, to be funded from auxiliary-student housing reserves.

[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 items.

Upon motion duly made and seconded, the Committee approved the President's recommendations and voted to present them to the Board, Regents Cohen, Drake, Elliott, Lee, Makarechian, Pérez, Reilly, and Sherman voting "aye."

3. **SEGUNDO INFILL STUDENT HOUSING, DAVIS CAMPUS: BUDGET, SCOPE, EXTERNAL FINANCING, AND DESIGN FOLLOWING CONSIDERATION OF AN ADDENDUM TO THE 2018 LONG RANGE DEVELOPMENT PLAN ENVIRONMENTAL IMPACT REPORT PURSUANT TO THE CALIFORNIA ENVIRONMENTAL QUALITY ACT**

The President of the University recommended that:

A. The 2024-25 Budget for Capital Improvements and the Capital Improvement Program be amended as follows:

From: Davis: Segundo Infill Student Housing – preliminary plans – $4.1 million to be funded from housing reserves.

To: Davis: Segundo Infill Student Housing – preliminary plans, working drawings, construction, and equipment – $100,047,000 to be funded from external financing ($98,297,000) and housing reserves ($1.75 million).

B. The scope of the Segundo Infill Student Housing project be approved. The project shall provide a five-story building of approximately 116,000 gross square feet. The building will house approximately 494 student residents in 206 rooms and will include community and support spaces with outdoor amenities.

C. The President be authorized to obtain external financing in an amount not to exceed $98,297,000 plus additional related financing costs to finance the Segundo Infill Student Housing project and declare that external financing may be used to reimburse prior expenditures. The President shall require that:

(1) Interest only, based on the amount drawn, shall be paid on the outstanding balance during the construction period.

(2) As long as the debt is outstanding, the general revenues of the Davis campus shall be maintained in amounts sufficient to pay the debt service and to meet the related requirements of the authorized financing.

(3) The general credit of the Regents shall not be pledged.

(4) Any reimbursements will meet all requirements set forth in Treasury Regulations Section 1.150-2.

D. Following review and consideration of the environmental consequences of the Segundo Infill Student Housing 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 the 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 CEQA Findings for the Segundo Infill Student Housing project, having considered both the 2018 Long Range Development Plan (LRDP) Environmental Impact Report (EIR) for the Davis campus and June 2024 Addendum to the 2018 LRDP EIR.

(2) Make a condition of approval the implementation of applicable mitigation measures within the responsibility and jurisdiction of the Davis campus as identified in the Mitigation Monitoring and Reporting Program adopted in connection with the 2018 LRDP EIR.

(3) Approve the design of the Segundo Infill Student Housing project, Davis 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 May introduced the item, which requested approval for the construction of a new residence hall. This complex, the Segundo Infill Student Housing project, would have 206 rooms accommodating 494 students. The campus had added 6,500 beds since 2017 to meet the demands of undergraduate housing guarantees and enrollment growth and to make progress toward Long Range Development Plan (LRDP) goals and Memorandum of Understanding (MOU) commitments to the City of Davis. Rent for on-campus residence halls was approximately 28 percent below comparable units in the Davis market and UC Davis was committed to keeping campus housing rates substantially below market.

Vice Chancellor for Student Affairs Pablo Reguerín reiterated that the campus had added 6,500 beds since 2017 and commented that this new inventory had enabled the campus to offer a one-year housing guarantee to all incoming first-year undergraduate students and a two-year guarantee for incoming transfer students. The Segundo Infill project would ensure that UC Davis can continue to meet its housing guarantees, which was especially important with respect to enrollment growth and goals included in the University's Compact with the Governor. As of fall 2023, 38 percent of Davis-based undergraduate and graduate students lived on campus. This project would enable the campus to progress toward its LRDP goals and MOU commitments to the City, which would be to house 48 percent of Davis-based students on campus.

There were 206 residence hall rooms planned in this project, and the campus planned to accommodate 494 student beds by programming the complex at 60 percent double occupancy and 40 percent triple occupancy. Currently, approximately 30 percent of UC Davis students chose a triple room as their first choice, largely due to the lower cost, and most of the remaining students indicated that they would be satisfied with a triple room as their second choice. Students satisfaction surveys showed equivalent scores for students living in double and triple rooms. All residence hall rooms on the campus built since 2003 are between 206 and 220 square feet in size and were appropriately designed to configure as both double and triple occupancy rooms. This project was designed with a room size of 220 square feet, a size which has worked well at UC Davis, resulted in high satisfaction scores from students, and was in alignment with the existing inventory of residence halls.

Vice Chancellor for Finance, Operations and Administration Clare Shinnerl referred to the architectural renderings in the background material. The campus gave a great deal of thought to the architectural aspects of this facility to ensure that students enjoy their time both indoors and out. The project's total size was about 16,000 square feet, but Ms. Shinnerl stressed that this was the inside space; the campus was also focused on outdoor landscaping. There would be 600 bicycle spaces, an important feature for UC Davis. The building would be five stories in height and would stand out compared to the two- and three-story projects around it. The campus believed that this building would establish a new height context for future development or redevelopment in the neighborhood. The project would be constructed using the design-build method, which UC Davis had used for about a decade for housing projects, and which helped manage cost and schedule. Ms. Shinnerl drew attention to charts in the background material which compared the cost of this project with ten other comparable projects, at UC and other universities. In terms of adjusted building construction cost per gross square foot, three projects were more expensive than the Segundo Infill project, five projects had similar costs, and two projects were less expensive. The project targeted a Leadership in Energy and Environmental Design (LEED) minimum building certification level of Gold, with a goal to achieve Platinum. The entire project would be 100 percent electric. If approved, the campus would begin construction in spring 2025, with completion anticipated in fall 2027.

Regent Makarechian asked about the rationale for the floor plan and the location of bathrooms in relation to the bedroom units. He asserted that the actual project cost per square foot was higher than stated. Mr. Reguerín responded that the floor plan and location of bedrooms and bathrooms was based on a cluster design. This design was used in other UC Davis housing projects, and student surveys showed a high level of satisfaction with those projects. Associate Vice Chancellor Mike Sheehan explained that this was a cluster design with eight bedrooms per bathroom. In recent surveys and focus groups, UC Davis compared two projects, Tercero Phase Four, which had a similar cluster design, and Shasta Hall, with semi-private bathrooms. The surveys found no difference in resident satisfaction; they were happy with both designs. Custodial, maintenance, and residential life staff expressed a preference for the off-hallway cluster design. These considerations had led to the use of the cluster design in this project.

Regent Makarechian questioned the stated building cost per gross square foot of $536. Ms. Shinnerl acknowledged that construction was expensive and outlined some items that contributed to the total cost. This site would require almost $4 million worth of investment in exterior utilities. UC Davis was converting the entire campus from natural gas to electric power, and it would be challenging to connect this site to the campus' Big Shift project. The campus administration cost of $5.99 million reflected the campus' role as developer; she hoped that this cost would ultimately be lower than projected. "Group 2 & 3 Equipment" represented the cost of equipment and furniture, and not all projects have included these. Another significant cost item was interest during construction. The campus would incur about $5 million worth of interest on this project. The steel frame of this building, which the campus hoped would give the project a long life cycle, also added to the construction cost compared to wood frame projects.

Regent Makarechian stated that these cost items were included in the other projects used for comparison. Other projects also used a suite floor plan, which was more expensive to build than this design, in which bathrooms on different floors are right above each other and which allows for the cheapest piping installation. He questioned the accuracy of student surveys. Students might have stated they were satisfied simply because they did not have an alternative. Mr. Reguerín responded that, in surveys, students sometimes reported feeling isolated and lonely and expressed a wish for more communal spaces. This was also considered in the design, as well as feedback from residential life staff, people who work with students on a daily basis. Mr. Sheehan articulated how the elements of bedroom, bathroom, floor lounge, and dining facilities were part of the community

the affiliation a decade ago, UCSF conceived that it would be running a single pediatric or children's hospital enterprise at two different sites as well as in a number of ambulatory sites throughout the Bay Area. The two sites were run by a single management team. Patients go to the hospital, in Oakland or San Francisco, where the services are best aligned to their particular health issue. This arrangement of operating the two hospitals together allowed UCSF to conceive of the hospitals as a single financial entity and to maintain supplemental payments from the State government due to the Oakland location's status as a safety net hospital.

Regent Reilly commended and congratulated UCSF on this project. The Benioff Children's Hospitals were an important asset here in the Bay Area.

Upon motion duly made and seconded, the Committee approved the President's recommendation and voted to present it to the Board, Regents Cohen, Drake, Elliott, Lee, Makarechian, Pérez, Reilly, and Sherman voting "aye."

7. **UNIVERSITY OF CALIFORNIA RETIREMENT PLAN – AMENDMENT TO PROVIDE VESTING CREDIT FOR ELIGIBLE EMPLOYEES TRANSFERRING FROM DIGNITY HEALTH FACILITIES TO UCSF**

The President of the University recommended that:

A. The University of California Retirement Plan ("UCRP") be amended to grant an eligible Dignity Health employee who transitions employment directly from Dignity to the University of California, San Francisco ("UCSF") on or after the closing date of the Affiliation Agreement between UCSF and Dignity Health, and as a direct result of the affiliation, and who otherwise is eligible to begin accruing service credit in UCRP as a UCSF employee, service credit under UCRP solely for vesting purposes (and not for purposes of benefit accrual) that is equivalent to the vesting service accrued by the employee under plans administered by Dignity Health and its affiliates (the "Dignity Plans") as of the employee's transition date, taking into account the different methods of crediting vesting service under the UCRP and the Dignity Plans.

B. The cost of providing the vesting credit under UCRP be funded by the acquired hospitals through UCSF via a supplemental contribution to UCRP during calendar year 2024.

C. Authority be delegated to the Plan Administrator to amend the UCRP as necessary to implement the change.

[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 explained that this item requested authorization for the President to amend the UC Retirement Plan (UCRP) to implement the terms of the agreement between UC and Dignity Health (Dignity), specifically regarding the provision of UCRP vesting credit for service earned at Dignity by eligible employees who were transitioning to UC employment following the acquisition.

Vice President Lloyd reported that the UCSF acquisition of Saint Francis Memorial Hospital, St. Mary’s Medical Center, and associated outpatient clinics, as well as the affiliation agreement between UC and Dignity, was scheduled to close on August 1. The agreement reflected a member substitution arrangement, meaning that there would be no termination and rehiring of Dignity employees. Unlike other recent UC Health transactions, in this case the employees would transition or transfer to University employment on the closing date. Recognizing transitioning employees’ Dignity service for UCRP vesting purposes would support the acquisition and was in alignment with the affiliation agreement and UCSF past acquisitions, ensuring consistent treatment for employees at the same location. Prior Dignity service would only count toward the first five-year vesting requirement for UCRP. It would not affect benefit accruals, which are based only on actual UC service. Nor would prior service count toward retiree health benefit eligibility. For example, if a Dignity employee had three years of vesting service at Dignity and transitioned to UCSF, the employee would be fully vested in the UCRP after accruing two additional years of service credit at UCSF. If the employee chose to retire after two years at UCSF, they would be eligible to retire but their retirement benefit formula would only take into account the two years of UC service. The Regents’ consulting pension actuary, Segal, estimated that providing this vesting service credit would result in an increase in the UCRP’s present value of benefits of approximately $30 million. This represented the anticipated cost for allowing retirement benefits to be paid to employees who leave employment during their first five years at UC. A monthly pension benefit would be paid instead of the refund of member contributions that would normally be paid to an employee who leaves before being vested in the UCRP.

Committee Chair Cohen asked about the $30 million estimate and when UCSF had learned of this, stressing that the closing would occur in only a few weeks’ time. Mr. Gunasekaran responded that UCSF had not insisted on a data transfer during the due diligence phase and so missed a window of opportunity for actuarial engagement. Subsequently, during the acquisition process and an extended review process by the Attorney General, UCSF did not have access to the data. UCSF only gained access to the data 45 days prior. Mr. Gunasekaran acknowledged that UCSF could have asked the actuary to use the black box data to provide an estimate but failed to do so and missed an opportunity. Once UCSF approved the term sheet, it was no longer able to access employee data until closing of the deal. Nevertheless, he believed that, even if UCSF had received this information, this would have been a cost estimate. There had been significant employee turnover during the last year, while the transaction was being negotiated. The current data were much more accurate than the data UCSF would have had earlier. There was a misstep in the black box process that UCSF did not anticipate.

Committee Chair Cohen asked if it was the responsibility of Mr. Gunasekaran and his team to anticipate the implications for the UCRP. Mr. Gunasekaran responded in the affirmative and stated that this was his mistake. The business group negotiating the transaction identified this as a cost. He knew that there was a cost but had failed to ascertain it.

Committee Chair Cohen asked how this $30 million estimate was derived. He requested confirmation that there would not be a cross subsidy between incoming employees and existing employees and UCRP participants. Segal representative Todd Tauzer responded that, once data were obtained on the employees' service, salary, gender, and other factors. Segal analyzed these data in scenarios with and without vesting based on service with Dignity. This was a fairly straightforward calculation. He confirmed that no cross subsidy would occur.

Committee Chair Cohen noted that UCSF would pay $30 million and asked about the effect or consequences if this estimate were incorrect. Mr. Tauzer responded that, once these employees entered the UC system, their data would be reviewed again, and the evaluation of this cost would become more accurate. He remarked that Segal was considering the total present value of benefits, not just the cost in year one, but the anticipated cost over time as the benefit is provided all members. This was being funded right at the beginning, which was a conservative way to address the cost. Ms. Nava added that, once the acquisition was complete and UCSF knew which employees would be transitioning to UC, the liability would be recalculated, and UCSF would fund this amount.

Regent Pérez requested confirmation that in this vesting credit, the financial exposure was limited to the first five years. During this period, employees who retire and who would otherwise not have been fully vested in UCRP and who would have received a rebate would now receive a benefit. Mr. Tauzer confirmed that this understanding was correct.

Regent Pérez asked if UC would have closed the window for liabilities after five years. Mr. Tauzer responded that the only vesting credit was from past service with Dignity. Service with Dignity can be used for vesting purposes only. It would not be used to provide any additional benefits. He confirmed that the liability was limited to years zero to five.

Upon motion duly made and seconded, the Committee approved the President's recommendation and voted to present it to the Board, Regents Cohen, Drake, Elliott, Lee, Makarechian, Pérez, Reilly, and Sherman voting "aye."

8. UPDATE ON THE FINAL 2024-25 STATE BUDGET

[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 informed the Committee that, in the last three days, the University had successfully sold $1.683 billion in bonds. This would help the University with new acquisitions and refunding. The University's credit remained strong.

Mr. Brostrom then recalled that Governor Newsom had signed State budget legislation at the end of June. The Budget Act of 2024 reflected total expenditures of about $298 billion with $211 billion from State General Funds, which was about $14 billion less in expenditures of State General Funds compared with the prior year budget. The State was proposing a multi-year approach to resolving the budget deficit, which was the largest ever single-year budget shortfall. The State was proposing actions intended to address a $48 billion deficit in 2024-25 and a projected deficit of $28.4 billion in 2025-26 through a mix of strategies including the use of the State's "rainy day" fund. Under the multi-year plan, the State would use $5.1 billion from the rainy day fund in 2024-25 and $7.1 billion in 2025-26. The final budget was a serendipitous outcome for the University. Following the Governor's May Revision, UC was expecting a reduction of $137 million to its ongoing support. Instead, the final budget provided UC with an increase of about $135 million or a 2.9 percent increase over the past year. The University would also receive $2.4 million in one-time funding for research.

Interim Associate Vice President Caín Diaz reported that the University would receive about $259 million in new ongoing support, consistent with elements of the budget plan approved by the Regents in November 2023. This included about $228 million to support core operations, equivalent to a five percent base budget adjustment. Per the Compact with the Governor, a portion of this funding would be used to support enrollment growth next year. The budget also included $31 million for the third year of the nonresident tuition buyout at UC Berkeley, UCLA, and UC San Diego. The Regents' request for $4.3 million to establish three new programs in health sciences was not funded.

Mr. Diaz then outlined funding outside the Regents' budget request. The State would provide $14.5 million in ongoing support to finance a new medical education building at UC Merced. This was consistent with the Legislature's intent as expressed in the Budget Act of 2019. However, to address the budget deficit, the State also included adjustments to the University's budget: a reduction of $125 million, expected to be restored next year, and the removal of $13.5 million in State General Funds previously provided in addition to Proposition 56 tobacco tax revenues, to bring total support for graduate medical education from both fund sources to $40 million.

With respect to one-time funding, and funding or actions outside the Regents' budget request, the University would receive $2.4 million to support the Nutrition Policy Institute, in Agriculture and Natural Resources. The University's request for $1.2 billion in one-time capital support was unfortunately not funded. The needs that these capital projects were intended to address—replacing failing building systems, improving energy efficiency, seismic safety, and expanding capacity—were still present and growing, but UC would need to find other ways to address them over time.

As mentioned earlier, the State had a multi-year plan for addressing the budget deficit, and this was outlined through 2025-26. The Budget Act also included intent language reflecting proposed funding levels for the University through 2026-27 and deferral funding that would be received in 2027-28. While a current Legislature cannot commit a future Legislature to specific funding levels as State revenues and the general economy can change, this nevertheless gave the Office of the President an opportunity to work with the campuses to plan over multiple fiscal years. The State budget anticipated a net reduction of a little over $250 million next year to the University's ongoing support. While the $125 million reduction this year was expected to be restored, UC would also receive a 7.9 percent reduction, consistent with cuts that other State entities were beginning to absorb this year. Deferrals of ongoing investments in UC consistent with the Compact were put in place through 2027-28. The funding the University would have otherwise received in 2025-26 was deferred to 2026-27, and funding for 2026-27 was deferred to 2027-28. The State budget included one-time funds in 2026-27 and 2027-28 meant to recognize support UC would have received in the prior year.

Mr. Brostrom related that the State budget included language requiring the campuses to notify students in advance of the upcoming fall term of existing State and federal law as well as institutional policies, processes, and resources which are intended to protect freedom of speech but also ensure the safety of students, staff, and faculty on campus. The State made $25 million of UC's ongoing General Fund appropriation contingent on the submission of a formal report by October 1 on these activities. The Middle Class Scholarship program would be funded at $926 million this year, higher than the prior year funding level. This was a very important element in UC's efforts to provide debt-free pathways for students. As part of its budget solutions to address the deficit, the State was withdrawing $5 million in one-time funding that had been appropriated to UC in 2021-22 to support faculty equal opportunity hiring practices.

The University would continue to prioritize its commitment to the Compact and its goals. Most of these goals corresponded to goals that UC had already embraced, such as increasing graduation rates, closing equity gaps, working toward debt-free pathways, and enhancing collaboration with the California Community Colleges. The fiscal outlook for the next several years was not promising. The intent language in the Budget Act signaled a net reduction over the next two years, with a year deferral of the restoration of Compact funding. The Legislature had approved an education bond for the November 24 ballot but funding for UC and the California State University was not included in the measure. The University would need to work with the Legislature and the Governor's administration on other opportunities for capital funding, most notably lease revenue bonds.

While the State budget was a positive development, the outcome fell short of the budget approved by the Regents in November 2023. That budget had anticipated a shortfall between revenues and expenses. Fortunately, there has been positive financial news, and other revenue sources would help bridge the shortfall. Most notably, the investment returns on UC's working capital pools—the Short Term Investment Pool (STIP), the Total Return Investment Pool (TRIP), and the Blue and Gold Pool—far outpaced what UC had budgeted for investment income. Preliminary information indicated a return of over 12 percent for TRIP, over 15 percent for the Blue and Gold Pool, and 5.5 percent for STIP. Given that UC had ended the fiscal year with working capital pools totaling $19.6 billion, this would yield hundreds of millions of dollars in additional discretionary revenues. These were one-time revenues that campuses could use for bridge funding strategies and capital projects.

The University would also consider other revenue opportunities. One such opportunity was nonresident tuition, which had been part of the Tuition Stability Plan since its inception. UC nonresident tuition levels were significantly below those at the University of Virginia and the University of Michigan, two comparator schools. The Office of the President would develop a proposal on nonresident tuition for discussion and action at future meetings. There were questions about the timeline and type of increase, whether a percentage or absolute dollar increase. If the University doubled the increase it was anticipating under the Tuition Stability Plan, which was about 3.5 percent, this would yield an additional $815 million systemwide. The Office of the President would also recommend removing return to aid on nonresident tuition, currently at 20 percent. Many campuses already used some form of discounting for nonresident students, and a systemwide return to aid might be redundant. Another possible action would be for the Regents to adopt a maximum for nonresident tuition while allowing campuses to set lower levels. This would be especially important for those campuses with nonresident student enrollment levels below the 18 percent cap—Santa Cruz, Riverside, and Merced.

Student observer Miguel Craven emphasized the importance of including students in budget discussions now and in the coming years, at campuses and systemwide, so that the University is aware of student priorities, which might change over time. As the campuses develop their budgets and are forced to make cuts to programs, the University might consider systemwide guidelines regarding which programs should not be cut, thus protecting certain programs on all campuses. This would be desirable for programs pertaining to student retention and graduation rates. The University should avoid hiring freezes, especially as student enrollment was increasing.

Regent Pérez reflected that the budgets being discussed were expressions of values. It was fortunate that the Legislature and the Governor reached a solution that valued the investment in public higher education. Nevertheless, it would be a mistake for the University to take the good news of this year and not make significant adjustments in its own budgeting for the next year. The University must also regard the signals being given for next year and let them guide UC through the adjustments it should make in the current budget year. It would be appropriate to examine nonresident tuition as a source of additional revenue, and in the context of the cohort model. He asked when the current cohort period would end. Mr. Brostrom responded that this was the fifth and last year of the program, which would be reviewed in spring 2025.

Regent Pérez stated that UC, at this juncture, must decide on its actions regarding California resident students and then have a discussion about whether to make adjustments to nonresident tuition. It made sense to allow for variability among the locations, but there should be guidelines. Campuses with nonresident enrollment significantly below the cap should have ways to incentivize and attract out-of-state students. Regent Pérez expressed concern about removing return to aid. Return to aid should be an established feature of the program, rather than making an assumption that campuses have a means of discounting tuition for these students. The Regents had not yet had a discussion about these tradeoffs. Regent Pérez expressed disagreement with Mr. Craven about hiring freezes. Hiring freezes might be an appropriate action in some circumstances as UC prepared for what would likely be a negative budget year next year. Regarding the fact that UC and CSU were not included in the State education bond measure, the Regents must have a detailed discussion about why the University was not included. In part this was due to public perception, and UC must address reputational issues. Mr. Brostrom responded that there would be a summary of cohort tuition and a discussion of future resident and nonresident tuition at a future meeting.

Committee Chair Cohen observed that the Legislature had given UC a chance to be more thoughtful about approaching budget deficits than it had been in the past. In his view, rushing to increase nonresident tuition, based on comparison with peer institutions, was not a thoughtful solution.

The meeting adjourned at 4:45 p.m.

Attest:

Secretary and Chief of Staff