

The Regents of the University of California

FINANCE AND CAPITAL STRATEGIES COMMITTEE

January 22, 2025

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 Chu, Cohen, Elliott, Kounalakis, Makarechian, and Sures; Ex officio members Drake and Reilly; Advisory members Brooks, Cheung, and Komoto; Chancellors Frenk, Hawgood, Larive, and May; Staff Advisor Frías

In attendance: Regents Anguiano, Batchlor, Beharry, Hernandez, Leib, Park, Salazar, and Sarris, Regent-designate Wang, Faculty Representative Palazoglu, Secretary and Chief of Staff Lyall, General Counsel Robinson, Chief Compliance and Audit Officer Bustamante, Provost Newman, Executive Vice President and Chief Financial Officer Brostrom, Executive Vice President and Chief Operating Officer Nava, Executive Vice President Rubin, Senior Vice President Turner, Vice Presidents Brown and Maldonado, Chancellors Gillman, Lyons, Muñoz, Wilcox, and Yang, and Recording Secretary Johns

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

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

Upon motion duly made and seconded, the minutes the meeting of November 13, 2024 were approved, Regents Chu, Cohen, Drake, Elliott, Kounalakis, Makarechian, and Reilly voting “aye.”¹

2. **CONSENT AGENDA**

5210 Pacific Concourse Drive Tenant Improvements, UCLA Health, Los Angeles 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 the following project:

Los Angeles: 5210 Pacific Concourse Drive Tenant Improvements – preliminary plans – \$6.5 million to be funded with 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.

[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 item.

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

3. **UNIVERSITY HILLS AREA 12-2, IRVINE CAMPUS: BUSINESS TERMS FOR GROUND LEASE AMENDMENT, DESIGN FOLLOWING CONSIDERATION OF AN INITIAL STUDY AND MITIGATED NEGATIVE DECLARATION, AND DELEGATION OF AUTHORITY TO THE IRVINE CAMPUS CHANCELLOR FOR IRVINE CAMPUS HOUSING AUTHORITY BOARD OF DIRECTORS APPOINTMENTS**

The President of the University recommended that:

- A. 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:

Add approximately 4.4 gross acres (Area 12-2) of the Irvine Campus Inclusion Area, for a total Ground Lease area of approximately 311 acres (Property).
- B. All costs associated with the future development of Area 12-2 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.
- C. The Regents' reversionary interest in the land shall not be subordinated, and no encumbrances of the Ground Lessee's interest in Area 12-2 shall extend beyond the term of the Ground Lease.
- D. The President or his designee, after consultation with the 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 12-2 by ICHA.
- E. The scope of the University Hills Area 12-2 project shall consist of demolition of 50 existing apartment units followed by construction of approximately 82 for-sale townhomes to support recruitment and retention of faculty and staff. Homes will

include three to five bedrooms, and three to 4.5 bathrooms. The Project includes supporting streets, utilities, trails, and other community infrastructure.

- F. Following review and consideration of the environmental consequences of the proposed Project design, 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) Make a condition of approval the implementation of applicable mitigation measures within the responsibility and jurisdiction of UC Irvine as identified in the Mitigation Monitoring and Reporting Program adopted in connection with approval of the University Hills Area 12-1 and Long Range Development Plan (LRDP) Amendment #4 project.
 - (2) Adopt the CEQA Findings for the University Hills Area 12-2 project, having considered the Initial Study and Mitigated Negative Declaration for the University Hills Area 12 and LRDP Amendment #4 project (IS/MND), and Addendum No. 2 to the IS/MND.
 - (3) Approve the revised design of the University Hills Area 12-2 project, Irvine campus.
- G. Approve the delegation of authority to the Irvine campus Chancellor for approval of ICHA board member appointments.

[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 introduced this item, which he described as part of the campus' continuing process of densifying the University Hills residential area. In May 2023, the Regents approved the removal of about 50 older apartments and their replacement with townhouse-like for-sale and rental structures. There was extensive discussion about the appropriate density, and that project was now under construction. The campus now wished to proceed with the second phase, which would continue the same basic plan.

Regent Beharry referred to background information in the item stating that the townhomes would have an average price of \$685,000. The item also stated that, based on an Irvine Campus Housing Authority (ICHA) analysis of household income data, the average maximum loan capacity for an assistant professor was approximately \$720,000, assuming a Mortgage Origination Program (MOP) loan at 3.25 percent and ten percent down. However, the current MOP rate was 4.5 percent. Regent Beharry estimated that with the 4.5 percent rate, loan capacity would be around \$620,000. He asked why ICHA made calculations using the 3.25 percent rate. Executive Vice President and Chief Financial

Officer Brostrom responded that the MOP rate had been at 3.25 percent for about ten years, and therefore calculations were based on this figure. While the current rate was at 4.5 percent, there was a second loan program, the Zero Interest Program. Faculty such as assistant professors can use this program for their down payment, and this increases their capacity for a mortgage. As interest rates have increased, there has been significant demand for MOP loans, which were drawing closer to commercial rates.

Regent Beharry asked about the loan capacity of staff members. Mr. Brostrom responded that he did not know.

Regent Beharry asked how many staff were on the waitlist. Chancellor Gillman responded that the people on the waitlist were primarily faculty.

Regent Beharry noted that the item referred to housing price data for the Irvine area and asked if the campus had considered data for other communities and counties, given that some staff live in Riverside and Los Angeles Counties and commute to UC Irvine. Mr. Brostrom responded that this was the reason for densifying and optimizing the University Hills community, removing rental housing and replacing it with townhomes. Housing was very expensive in a ten- to 20-mile radius of the campus.

Regent Beharry asked how many of the existing homes, about 1,700, were occupied by staff rather than faculty. Mr. Brostrom responded that this information would be provided.

Regent Beharry asked Committee Chair Cohen and Vice Chair Makarechian to consider extending MOP eligibility to non-represented staff. Currently, eligible participants were members of the Academic Senate, Senior Management Group employees, or eligible members of UC Law San Francisco. Interest rates were now around six or seven percent, making it much more expensive for staff than for faculty to move into a home. If the University opened MOP to staff, it would capture interest revenue, rather than having staff secure loans from private banks. Housing was an important factor in employee retention and a major concern for non-represented staff. Committee Chair Cohen responded that he would look into this question and that Regent Beharry would receive relevant information.

Regent Anguiano acknowledged the University's debt capacity constraints, but seconded Regent Beharry's request to consider expanding access to the MOP systemwide. She asked how other campuses compared to UC Irvine in their ability to provide affordable housing for staff and faculty. Mr. Brostrom responded that the Irvine campus was a leader in this regard. In the development of the campus, UCI had shown foresight in including housing for faculty and staff. Other campuses were actively looking for housing opportunities. He anticipated that a proposal for a pilot housing program for faculty and staff at UC Santa Barbara would be presented at the next meeting. Housing was a major impediment for recruiting and retaining top faculty and staff. All the campuses would be considering different models as well as the ability to substitute UC financing for commercial financing to make housing affordable.

Regent Salazar shared that he had visited University Hills and been told that housing there was developed for UC faculty and staff, not just for those from UC Irvine. He asked if this was in fact the case, so that faculty from UC Riverside or UCLA were eligible to apply for a townhome. Chancellor Gillman responded that University Hills has been developed overwhelmingly for the benefit of the UC Irvine community. Assistant Vice Chancellor Richard Demerjian confirmed that the vast majority of residents were Academic Senate faculty. The ground lease included allowances for other UC employees, but the priority was for UCI faculty who are members of the Academic Senate.

Staff Advisor Frías asked if this program could be operated in the manner of government affordable housing programs, not making a distinction between faculty and staff and basing the program on income. Chancellor Gillman responded that the model for University Hills from the beginning has been a faculty recruitment model. He acknowledged that there are other needs. UC Irvine has been engaged in extensive discussions to determine what the next step might be to provide a different model that could extend to staff. The campus has not yet been able to develop a plan to present to the Regents, but this was an ongoing topic of discussion, and UCI has had conversations with developers in the Irvine area about staff housing which might not be located on the Irvine campus. All the campuses would need to develop next steps to address staff housing needs. Ms. Frías asked why the campus would operate two programs, rather than one consolidated program based on income; such a program would address the needs of UC employees with the lowest income.

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

4. **UC MERCED/MERCED COMMUNITY COLLEGE DISTRICT "PROMISE" INTERSEGMENTAL STUDENT AFFORDABLE HOUSING BUILDING, MERCED CAMPUS: BUDGET, SCOPE, EXTERNAL FINANCING AND DESIGN FOLLOWING ADOPTION OF A MITIGATED NEGATIVE DECLARATION 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: Merced: UC Merced/Merced Community College District "Promise" Intersegmental Student Affordable Housing Building –preliminary plans – \$10.05 million to be funded from external financing supported by State General Fund appropriations (\$9.68 million) and 2022–23 General Funds for the Higher Education Student Housing Grant Program appropriated to "Merced College for an intersegmental project with the University of California, Merced" (\$370,000).

To: Merced: UC Merced/Merced Community College District “Promise” Intersegmental Student Affordable Housing Building – preliminary plans, working drawings, construction, and equipment – \$108,557,000 to be funded from external financing supported by State General Funds for the Higher Education Student Housing Grant Program (\$108,557,000).

- B. The scope of the UC Merced/Merced Community College District “Promise” Intersegmental Student Affordable Housing Building project be approved. The project shall provide a new approximately 130,000-gross-square-foot building with approximately 488 beds, a Transfer Student Resource Center, and residential amenities.
- C. The President of the University be authorized to obtain additional external financing of \$98,877,000 in a total amount not to exceed \$108,557,000 plus related interest expense and additional related financing costs to finance the UC Merced/Merced Community College District “Promise” Intersegmental Student Affordable Housing Building project and declare that external financing may be used to reimburse prior expenditures. The President shall require that:
- (1) The primary source of repayment shall be from State General Fund appropriations. Should State General Fund appropriation funds not be made available, the President shall have authority to use any legally available funds to make debt service payments.
 - (2) The general credit of the Regents shall not be pledged.
 - (3) 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 UC Merced/Merced Community College District (UCM/MCCD) “Promise” Intersegmental Student Affordable Housing Building 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 Initial Study and Mitigated Negative Declaration for the UCM/MCCD “Promise” Intersegmental Student Affordable Housing Building project.
 - (2) Adopt the Mitigation and Monitoring Program prepared for the UCM/MCCD “Promise” Intersegmental Student Affordable Housing Building project and make a condition of approval the implementation of applicable mitigation measures within the responsibility and jurisdiction of

UC Merced.

- (3) Adopt the CEQA Findings for the UCM/MCCD “Promise” Intersegmental Student Affordable Housing Building project.
- (4) Approve the design of the UCM/MCCD “Promise” Intersegmental Student Affordable Housing Building project, Merced 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 Muñoz introduced this item for the “Promise” Intersegmental Student Affordable Housing Building, which was a collaboration with Merced Community College. There were only two such collaborations with community college partners in the UC system, at UC Riverside and UC Merced. This housing project was an element of the Merced Promise program to facilitate access to UC education for community college transfer students by integrating them physically into campus life, so they develop a sense of belonging and with the hope of enhancing their academic success. The rental rates for the “Promise” housing would be below the maximum allowed by the State grant requirements. The goal is to provide affordable campus housing for low-income students, so that they are not renting in the community and removing inventory for others who need housing as well. This project was funded entirely by external financing supported by the State General Fund through the Higher Education Student Housing Grant Program.

Committee Chair Cohen thanked the State for its support for this project.

Upon motion duly made and seconded, the Committee approved the President’s recommendation and voted to present it to the Board, Regents Chu, Cohen, Elliott, Kounalakis, Makarechian, and Reilly voting “aye.”

5. **SAN BENITO STUDENT HOUSING, SANTA BARBARA CAMPUS: BUDGET AND EXTERNAL FINANCING**

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: Santa Barbara: San Benito Student Housing – preliminary plans – \$32,076,000 to be funded from campus funds.

To: Santa Barbara: San Benito Student Housing – preliminary plans, working drawings, construction, and equipment – \$624.4 million to be funded from external financing.

- B. The President be authorized to obtain external financing in an amount not to exceed

\$624.4 million plus additional related financing costs to finance the San Benito 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 Santa Barbara 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.

[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 Yang introduced the item. The San Benito Student Housing project would provide the Santa Barbara campus with 2,224 new undergraduate student beds in apartment-style housing. In November 2024, the Regents approved the project design and an amendment to the campus' Long Range Development Plan (LRDP) and adopted the California Environmental Quality Act findings. The campus was now seeking approval to proceed with a project budget of \$624.4 million to be funded from external financing. This project was the next step in fulfilling UCSB's commitment to construct an additional 3,500 new beds to meet enrollment growth identified in the 2010 LRDP. The campus planned to begin construction in spring of this year and anticipated that the project would be ready for occupancy in fall 2027. UCSB planned to combine this project with the East Campus Student Housing project to fulfill the goal of 3,500 new student beds. The campus had engaged a construction manager for this project and currently had 50 percent of the subcontractor bids in hand. These bids came in early and below estimates. The campus would be receiving bids for another 42 percent of the subcontractors that day. While the campus was benefiting from the current bid environment, Chancellor Yang was concerned that the wildfires in Southern California would affect the construction labor market.

Regent Makarechian expressed his wish that all bids be received and wanted to ensure that construction cost interest was included in the budget. It was important that the Regents approve this project so that the campus can sign contracts with subcontractors and lock these in place before unfavorable changes in the labor market. Vice Chancellor Chuck Haines responded that 92 percent of the bids would be in place that day. Executive Vice President and Chief Financial Officer Brostrom added that the campus was capitalizing the interest, and it was included in the financing.

Regent-designate Brooks asked about the percentage of UCSB first- and second-year undergraduates who have guaranteed housing. Mr. Haines responded that the campus did not currently have a guaranteed housing program but housed predominantly freshmen and sophomores.

Regent-designate Brooks asked about the percentage of graduate students with campus housing. Mr. Haines responded that UCSB had one complex with 963 graduate student beds, roughly 30 percent of the graduate student population. The campus also had 540 family student units, and the vast majority of those students were graduate students.

Regent-designate Brooks asked if the campus had a plan for graduate student housing in the near future. Mr. Haines responded that activity in the immediate future would be construction of undergraduate housing, but the campus would review the balance among the different components of its housing program. The housing program works closely with the UCSB Graduate Division to support students with the greatest needs. He anticipated that the campus might present the Ocean Road housing project at the March meeting. This would be a housing development predominantly for faculty and staff but would include graduate students.

Regent Leib urged the campus to complete this project as quickly as possible, given the disastrous fires in Los Angeles, following which there would be a great demand for new housing construction.

Regent Makarechian referred to background material showing that interest during construction was equal to \$0 and requested clarification. Mr. Brostrom responded that interest would be capitalized rather than paid during construction. The University would issue a bond for this in the permanent financing. This was one reason why UC would be able to keep rental rates lower, by amortizing this cost over 30 years. Regent Makarechian stressed that this cost must be included in the project budget, in the chart of “Project Sources and Uses.” The interest cost would be significant. Mr. Brostrom acknowledged that this cost would be close to \$50 million. Committee Chair Cohen suggested the Committee vote on the item, and that Mr. Brostrom validate the inclusion of the interest cost in the item for Regent Makarechian before the Board vote the following day.

Upon motion duly made and seconded, the Committee approved the President’s recommendation and voted to present it to the Board, Regents Chu, Cohen, Elliott, Kounalakis, Makarechian, Reilly, and Sures voting “aye.”

6. **REVIEW OF THE GOVERNOR’S JANUARY BUDGET PROPOSAL FOR 2025–26**

[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 recalled that, earlier this month, Governor Newsom released the State budget for the 2025–26 fiscal year. The

budget included almost \$230 billion in General Fund expenditures and addressed an estimated budget deficit of \$28.4 billion. Tax revenues had been coming in stronger than expected through December, with tax revenue about \$7 billion above projections. That being said, the budget was introduced and developed before the wildfires in the Los Angeles area, so it did not yet reflect any allocation of resources for emergency support for the affected communities. This was a critical point, because just the prior week Governor Newsom called for legislators to provide \$2.5 billion in emergency response funding for the current wildfires and to help address future wildfire threats.

Associate Vice President Caín Diaz reported that overall, the Governor's budget introduction was consistent with the legislative intent language in the Budget Act of 2024. In 2025–26, the University would receive a total of about \$4.59 billion in State General Fund support, including a 7.95 percent reduction to UC's ongoing budget of almost \$400 million, and would reflect a net reduction relative to last year of over \$270 million. The prior year, UC experienced a one-time reduction of \$125 million; this would be restored in UC's base budget for 2025–26. In addition, the Governor proposed to defer the 2025–26 Compact funding installment by one year to 2026–27 and proposed to defer by one year the \$31 million to fund a swap of California non-resident for resident students at the Berkeley, Los Angeles, and San Diego campuses.

Mr. Diaz presented a chart showing proposed funding for the University through 2027–28. The figures shown for 2024–25 reflected the roughly \$135 million of new ongoing support in the current year. This reflected the five percent increase under the Compact, the \$31 million for the non-resident student swap, as well as the one-time reduction of \$125 million mentioned earlier. The proposed funding for 2025–26 included a 7.95 percent reduction of almost \$400 million along with the restoration of \$125 million for a net cut of \$271.6 million. In 2026–27, the University would receive the Compact installment and the non-resident student swap funding that had been deferred in 2025–26. The 2026–27 Compact installment would be deferred for another year, to 2027–28. There was an expectation that in both 2026–27 and 2027–28, UC would receive one-time funding of about \$271 million to recognize funding not received in 2025–26.

Mr. Diaz then presented a chart showing multi-year core funding estimates. By 2027–28, State support for the University would be about \$400 million higher than it is today. The chart also included incremental revenues UC expected to generate from tuition and fees, procurement efforts, and asset management strategies totaling about \$1.5 billion between 2024–25 and 2027–28. However, during the same period, UC expected to experience incremental ongoing expenditure increases of about \$2.2 billion, leaving a gap of \$733 million, which underscored the importance of State funding to support campus core operations.

Mr. Brostrom outlined a few additional factors to consider for the UC budget. The Internal Revenue Service (IRS) extended the tax return deadline for California wildfire victims to October 15, 2025. Taxpayers who reside or operate a business in an area declared by the Federal Emergency Management Agency (FEMA) to be a disaster area, which included all of Los Angeles County, were eligible. This was similar to the extension during the 2022–

23 winter storms, which led to confusion and uncertainty in the revenues being forecasted for the Governor's May Revision. The Governor's proposal would also reduce total funding for the Middle Class Scholarship program by almost \$110 million. The University has relied heavily on the expansion of this program to provide debt-free educational pathways for UC students, so the University would monitor this issue closely as the State budget deliberations proceed. The budget proposal also included \$50 million for the Golden State Teacher Grant Program, which could support students in many UC programs.

In spite of planned funding cuts, the University would continue to pursue goals under the multi-year Compact with the Governor for enhancing access, student success, and other key goals. There were opportunities for additional capital funding in the State budget. Assemblymember David Alvarez had introduced a general obligation bond bill for both UC and the California State University, and Assemblymember Buffy Wicks introduced a \$10 billion housing bond in which UC would hope to participate. Mr. Diaz had established a systemwide budget management work group consisting of chief financial officers, vice chancellors for planning and budget, and campus budget directors to help identify best practices across the UC system for managing campus budgets, including optimizing investment returns, utilizing real estate transactions, fungible philanthropy, and workforce strategies. Mr. Brostrom anticipated that this group might present recommendations to the Regents at the May meeting, when the May Revision became known.

Student observer Miguel Craven urged the campuses to think about which programs they wish to protect rather than which to cut. He encouraged the campuses to work with students, for example, in meeting with State representatives and legislators to advocate for more funding for the University. Students, by telling their stories, can play an important role in this effort. While campus basic needs services were intended as an emergency resource for students, students were now relying on these services for essential support. UC should ensure that there is sufficient funding for these services in the near term and think about the implementation of new services in the long term that assist students with financial stability, so that students do not have to rely on these services as much as at present. Mr. Craven asked the chancellors and campuses, when developing their budgets, to include students in budget discussions, and to engage in open dialogue with all populations on campus whether through town hall meetings or open forums, so that all groups can speak and be informed about future campus budgets.

Regent Beharry asked what percentage of UC students receive the Middle Class Scholarship and how UC would address the effects of cuts to this program. Mr. Brostrom responded that, in the current year, 69 percent of incoming California students would have a debt-free pathway. Two years prior, this figure had been 41 percent. Fifteen percent of these students rely on the Middle Class Scholarship. The Middle Class Scholarship would continue but be reduced and slow down UC's progress toward the goal of a debt-free pathway for every student.

Regent Beharry asked about projected salary increases for non-represented staff and how these might be affected by budget cuts. Mr. Diaz responded that the budget approved by the Regents in November included a projected expenditure of \$170 million to hire and

retain policy-covered faculty and staff; this projection assumed a favorable scenario with a five percent increase in State support. As the State budget process proceeds, the University would have to revisit and reconsider this point. Mr. Brostrom added that the bulk of UC's core funds, made up of the State appropriations and tuition, are spent on labor—salary and benefits.

Regent Beharry stated that the Regents should be committed to meeting the needs of these employees and stressed the important role of staff at UC. The Regents should have a focused discussion on the Compact and the reason for participating in it if the Compact seemed to be hurting rather than helping the University at this time. Inflation, the cost of living, and operational expenses would only increase, quite apart from the restoration of deferred base budget increases.

Committee Chair Cohen concluded that the University was facing challenging times for its budget, and the Regents and the University would have to focus more on some campus budgets than they had done in the past. The factor of greatest concern was the State's long-term deficit. He thanked Mr. Brostrom and Mr. Diaz for their work, noting that UC's long-term efforts to reduce costs and expenses systemwide would be well appreciated in the months ahead.

The meeting adjourned at 12:00 p.m.

Attest:

Secretary and Chief of Staff