

The Regents of the University of California

FINANCE AND CAPITAL STRATEGIES COMMITTEE

July 16, 2025

The Finance and Capital Strategies Committee met on the above date at the UCLA Luskin Conference Center, Los Angeles campus.

Members present: Regents Chu, Cohen, Elliott, Komoto, Makarechian, and Robinson; Ex officio member Reilly; Chancellors Khosla, Lyons, and Muñoz; Staff Advisor Hanson

In attendance: Secretary and Chief of Staff Lyall, Deputy General Counsel Drumm, Executive Vice President and Chief Financial Officer Brostrom, Executive Vice President and Chief Operating Officer Nava, Executive Vice President Rubin, Chancellor Hu, Interim Chancellor Marshall, and Recording Secretary Johns

The meeting convened at 1:15 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 14, 2025 were approved, Regents Chu, Cohen, Elliott, Komoto, Makarechian, Reilly, and Robinson voting “aye.”¹

2. CONSENT AGENDA

A. *901 Levering Student Housing, 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: 901 Levering Student Housing – preliminary plans – \$8,752,000 to be funded from housing reserves.

B. *Berkeley Innovation Zone – North Building, Berkeley Campus: Scope and Design Following Consideration of an Addendum to the Berkeley Innovation Zone Environmental Impact Report Pursuant to the California Environmental Quality Act; and Acceptance of Gift of Real Property*

The President of the University recommended that:

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

- (1) The scope of the Berkeley Innovation Zone – North Building project be approved. The project shall include construction of an approximately 169,000-gross-square-foot building with laboratory, office, and collaboration space.
- (2) Following review and consideration of the environmental consequences of the Berkeley Innovation Zone – North 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:
 - a. Adopt the CEQA Findings for the Berkeley Innovation Zone – North Building project, having considered both the Berkeley Innovation Zone Environmental Impact Report (EIR) for the Berkeley campus and Addendum to the Berkeley Innovation Zone EIR for the Berkeley Innovation Zone – North Building project.
 - b. Make a condition of approval the implementation of applicable mitigation measures within the responsibility and jurisdiction of the Berkeley campus, as identified in the Mitigation Monitoring and Reporting program adopted in connection with the Berkeley Innovation Zone EIR.
- (3) The design for Berkeley Innovation Zone – North Building project, Berkeley campus be approved.
- (4) In accordance with Regents Bylaw 22.2(d) and Regents Policy 8103, Policy on Capital Project Matters, the acceptance of the gift of the North Building project pursuant to the terms of a gift agreement between the donor and the Berkeley campus be approved.
- (5) The President, or designee, in consultation with the Office of the General Counsel, be authorized to execute all documents necessary in connection with the above and to take all further action necessary and desirable to effectuate the acceptance of the gift and implementation of the Berkeley Innovation Zone – North Building.

[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 Chu, Cohen, Elliott, Komoto, Makarechian, Reilly, and Robinson voting "aye."

3. **CLEAN ENERGY CAMPUS UTILITY IMPROVEMENT PROJECT – PHASE 1, BERKELEY CAMPUS: SCOPE AND DESIGN FOLLOWING CONSIDERATION OF AN ADDENDUM TO THE 2021 LONG RANGE DEVELOPMENT PLAN ENVIRONMENTAL IMPACT REPORT PURSUANT TO THE CALIFORNIA ENVIRONMENTAL QUALITY ACT**

The President of the University recommended that:

- A. The Phase 1 scope for the Clean Energy Campus Utility Infrastructure Improvement project be approved. The project shall provide a new electrified heating and cooling plant equipped to provide thermal utilities to serve the buildings converted in Phase 1; thermal energy storage tank; hot and cold water thermal distribution infrastructure in the Phase 1 project area; conversion of building systems in the Phase 1 project area to connect to the electrified heating and cooling plant; and improvements to the campus landscape and pathway network.
- B. Following review and consideration of the environmental consequences of the Clean Energy Campus Utility Infrastructure Improvement 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 Berkeley Clean Energy Campus Utility Infrastructure Improvement project, having considered both the 2021 Long Range Development Plan (2021 LRDP) Environmental Impact Report (EIR) for the Berkeley campus and Addendum #8 to the 2021 LRDP EIR for the Clean Energy Campus Utility Infrastructure Improvement project.
 - (2) Make a condition of approval the implementation of applicable mitigation measures within the responsibility and jurisdiction of the Berkeley campus, as identified in the Mitigation Monitoring and Reporting Program adopted in connection with the 2021 LRDP EIR and amended in Addendum #8.
 - (3) Approve the design for Phase 1 of the Clean Energy Campus Utility Infrastructure Improvement project, 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.]

UC Berkeley Vice Chancellor Marc Fisher recalled that the Clean Energy Campus Utility Infrastructure Improvement project had been presented to the Regents at past meetings in July 2023 and May 2024. The project reflected the campus' strong commitment to decarbonization and State and UC Berkeley goals to address climate change and carbon emissions. The campus was grateful to the State for a major contribution to the project, annual debt service of about \$16 million. The campus' existing cogeneration and steam systems were reaching the end of their useful lives. Taking action now would ensure that UC Berkeley can transition to a modern, sustainable infrastructure in a proactive and controlled manner. The project's scheduled construction timeline balanced urgency and care. Phase 1 of the project would install a new central plant and thermal energy storage tank that produces hot water and stores chilled water to be distributed to the buildings on the eastern side of the campus, providing heating and cooling for critical research and classrooms. The new plant would be sized to adequately serve the entire campus as future phases of the project are implemented. Buildings currently using steam for heating would be converted to hot water. The new plant, thermal storage tank, and distribution network would allow for increased capacity for chilled water to be used for air conditioning, which would be needed as the climate warms and there are more significant heat events in the summer and fall.

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, Komoto, Makarechian, Reilly, and Robinson voting "aye."

4. **2018 LA JOLLA CAMPUS LONG RANGE DEVELOPMENT PLAN, SAN DIEGO CAMPUS: AMENDMENT #1 FOLLOWING CERTIFICATION OF A SUBSEQUENT ENVIRONMENTAL IMPACT REPORT PURSUANT TO THE CALIFORNIA ENVIRONMENTAL QUALITY ACT**

The President of the University recommended that, following review and consideration of the environmental consequences of Amendment #1 to the UC San Diego La Jolla Campus 2018 Long Range Development Plan (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 San Diego 2018 LRDP Subsequent Environmental Impact Report (2018 LRDP SEIR).
- B. Make a condition of approval the implementation of applicable mitigation measures within the responsibility and jurisdiction of UC San Diego as identified in the Mitigation Monitoring and Reporting Program adopted in connection with Amendment #1 to the 2018 LRDP SEIR.
- C. Adopt the Mitigation Monitoring and Reporting Program for Amendment #1 to the

2018 LRDP.

- D. Adopt the CEQA Findings and Statement of Overriding Considerations for Amendment #1 to the 2018 LRDP.
- E. Approve Amendment #1 the 2018 LRDP, San Diego 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 Khosla outlined the reasons for the requested amendment to the UC San Diego La Jolla campus 2018 Long Range Development Plan (LRDP). The campus has experienced significant growth in the total amount of real estate, an increase from ten million square feet to 11 million square feet in 12 years. The proposed amendment projected growth to 36 million square feet. The student population has also increased significantly. The amendment would allow UC San Diego to proceed with its plans for the campus.

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, Komoto, Makarechian, Reilly, and Robinson voting "aye."

5. **THE FINAL 2025–26 STATE BUDGET AND UPDATE FROM THE SYSTEMWIDE BUDGET MANAGEMENT WORKGROUP**

[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 Governor Newsom had signed two bills on June 27, Senate Bill (SB) 101 and Assembly Bill (AB) 102, which together comprised the 2025 Budget Act. The overall State budget totaled over \$321 billion in expenditures, of which \$228 billion was in the State General Fund. The State also currently maintained about \$16 billion in reserves against the State General Fund. The approved 2025–26 budget provided the University with \$4.9 billion in State General Funds, the same base budget level as in the last fiscal year 2024–25. This, however, represented a significant improvement from the beginning of the budget cycle, particularly in light of the State's multibillion dollar deficit. The Governor's January budget proposed an eight percent reduction to the University. In the May Revision, this was decreased to a three percent reduction, and the final budget reflected this reduction in 2025–26 but deferred an additional three percent of UC's funding to 2026–27.

The 2025–26 State budget for UC included a restoration of the \$125 million reduction from 2024–25 and one-time funding for the Doctor of Dental Surgery Advocacy, Science, Public Interest and Research (DDS-ASPIRE) Program. These were in alignment with the Regents' budget request. The three percent deferral was not part of the Regents' budget request but was appreciated, and the University would be counting on this funding in July 2026. The

University did not receive Compact funding for 2025–26. Instead, this would be deferred in two separate tranches. Two percent or \$96 million would be paid in the next fiscal year, 2026–27, and the remaining three percent or \$144 million would be paid in the 2028–29 budget year. Funding for nonresident undergraduate replacement with resident undergraduates at the Berkeley, Los Angeles, and San Diego campuses for 2025–26 was also deferred to 2026–27.

The University received \$45 million in one-time funding for various important items, but which were not part of the Regents’ budget request. There was no one-time funding for capital requests related to enrollment growth, clean energy projects, deferred maintenance, and seismic safety.

The Budget Act for this year was relatively flat for the University but there was potential for more funding in the 2026–27 year. Funding in 2026–27 would include the deferred 2025–26 Compact payment and the nonresident tuition swap but would not include funding for the final Compact payment which would be about \$250 million. When these figures were combined with the expected growth in incremental expenditures, the University was still left with a shortfall. Mr. Brostrom presented a chart of proposed multi-year State funding for UC from 2025–26 to 2028–29, with a total shortfall in core funds of about \$500 million. If the University were to receive Compact funding next year, it would be able to achieve a balanced core funds budget.

The State was continuing its support for student financial aid by fully funding the Middle Class Scholarship program in the coming year. The Governor and the Legislature have made permanent \$84 million in funding for the California College Corps program, which has provided funding support and service opportunities for thousands of UC students. The University would continue to push for progress on Compact goals including increasing graduation rates, reducing equity gaps, creating more debt-free educational pathway opportunities, and collaborating across the California higher education segments. Capital funding remained a priority for the University, and UC would continue advocacy for AB 48, a bill for education facilities introduced by Assemblymember David Alvarez, and two housing bond bills introduced by State Senator Christopher Cabaldon (SB 417) and Assemblymember Buffy Wicks (AB 736) which could be on the ballot in the next year. Mr. Brostrom concluded his remarks by stating that UC would intensify its efforts to reduce expenses and increase revenues to augment core funds. The State was projecting even deeper budget deficits in the coming years, \$17 billion in the next fiscal year, which could grow to \$24 billion by 2028 and 2029. The University needed to approach the coming years with caution and leverage all other revenue sources.

Associate Vice President Caín Diaz provided an update on the work of the Systemwide Budget Management Workgroup. At the May meeting, he had discussed two of the five main Workgroup goals: the creation of a comprehensive inventory of existing budget and financial practices across the system and, following from this, the identification of best practices and the development of potential recommendations. The Workgroup recognized the unique nature of each campus and its operations and the need for flexibility.

The Workgroup hoped to have its final report completed by the end of the summer. Mr. Diaz shared the Workgroup's preliminary recommendations, which would be shared with key stakeholder groups. First, unrestricted returns on investments, or revenues generated which do not have contractual or legal obligations associated with their use, should be utilized strategically at the direction of chancellors in the interest of flexibility, efficiency, and being able to respond to changes in the budget environment. The second recommendation was for the continued use of existing financial health dashboards and calibrating dashboards as necessary, for example, differentiating between core and non-core funding sources to support systemwide and campus-level analysis and decision-making. Third, the Workgroup recommended that faculty startup and retention packages be established using a credit line approach managed either by the central campus or at the division level, rather than at the department level. This would provide cleaner management and budget visibility and would help campuses with cash flow recognition. Fourth, the Workgroup felt strongly that decisions on hiring and workforce management at the general campuses, not at the medical centers, should be made in consultation with campus budget leadership. The fifth recommendation was that campuses fully utilize non-core funds to support academic positions. Endowed chairs were a good example of this. The sixth recommendation overlapped with the first recommendation. The chancellors have purview over the use of unrestricted core fund balances at their campuses. The recommendation was that year-end balances be used for mission-critical priorities. The seventh recommendation was that the campuses have a regular review process for non-academic programs. Routine reviews and sunset clauses could support alignment between available resources and current campus priorities. This was an opportunity to address outdated commitments. The eighth and final recommendation was for transparent and accessible campus budget websites, which build trust, enhance broader understanding, and demonstrate responsible stewardship of UC resource. The intended audience for these websites would be the broad campus community, not just the finance staff at that location. Mr. Brostrom added that the Workgroup had over 34 recommendations in all. These would be included in the report in the fall.

Committee Chair Cohen asked how the campuses were thinking about budget deferrals. He observed that deferrals make budget transparency nearly impossible. He asked about the campuses' ability to make timely decisions to adopt directions that the Regents have embraced regarding enrollment growth and the ability to think about the long-term future of the University. Mr. Diaz responded that budgeting was difficult for the reasons identified by Committee Chair Cohen. Campuses were relying on State resources to cover the cost of enrollment growth. From a budget perspective, there was a question of whether the University should instruct the campuses to build out their budgets with an assumption that there would be funding for the increased cost, or plan for a flat budget approach and then adjust budgets if and when deferred funding is provided. Mr. Diaz tended toward the latter view. UC wishes to be reasonable and responsible in managing the available resources and must think realistically about the budget and budget expectations. Regarding the most immediate three percent deferral, Mr. Brostrom noted that the State offered the University a zero percent loan through July 2026, which he believed the University should take. He would caution the campuses to use this source for one-time expenditures and not build it into their permanent budgets.

Committee Chair Cohen stated that this seemed reasonable. The University should make it clear to the Legislature and the Governor's Office about instances when UC treats deferrals as not receiving money at all and UC is able to limit itself to one-time actions, and about the benefit to the State of restored funding to UC, when deferrals are paid off.

Regent Robinson asked if the Workgroup considered trapped endowments among its recommendations. Mr. Diaz responded that the Workgroup discussed this, but it was not included in the recommendations presented today. There were many steps involved in releasing this type of funding. The Workgroup would like to see increased focus on making these resources available to support campus operations.

Regent Robinson asked about the magnitude of this funding. Mr. Brostrom responded that the amount of unspent endowment payout was close to \$100 million. These funds are returned to the endowment, and these are funds UC would like to have released for general campus use.

The meeting adjourned at 1:40 p.m.

Attest:

Secretary and Chief of Staff