

The Regents of the University of California

FINANCE AND CAPITAL STRATEGIES COMMITTEE

January 21, 2026

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

Members present: Regents Cohen, Komoto, Kounalakis, and Makarechian; Ex officio members Milliken and Reilly; Advisory members Craven and Scott; Chancellors Assanis, Hawgood, May, and Muñoz; Staff Advisor Hanson

In attendance: Regents Anguiano, Batchlor, Brooks, Hernandez, Leib, Park, Sarris, Thurmond, and Wang, Regents-designate Melton and Tokita, Faculty Representative Palazoglu, Staff Advisor Frías, Secretary and Chief of Staff Lyall, General Counsel Robinson, Provost Newman, Executive Vice President and Chief Financial Officer Brostrom, Executive Vice President Rubin, Senior Vice President Turner, Vice Presidents Brown and Kao, Chancellors Frenk, Hu, and Larive, and Recording Secretary Johns

The meeting convened at 1:05 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 November 19, 2025 were approved, Regents Cohen, Komoto, Makarechian, Milliken, and Reilly voting “aye.”¹

2. REVIEW OF THE GOVERNOR’S JANUARY BUDGET PROPOSAL FOR 2026–27

[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 began the discussion by presenting an overview of Governor Newsom’s January budget proposal for 2026–27. The Governor has introduced one of the strongest budgets for the University and for California higher education in the past two decades with an overall General Fund budget approaching \$250 billion. The Governor’s budget increased funding for higher education overall by 12.7 percent and for UC by seven percent, with an additional restoration of a three percent deferral from the current year budget. This was accomplished in the context of a nearly balanced budget, with roughly a \$3 billion shortfall or just over one percent of the General Fund budget.

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

The University was grateful for the strength of this budget proposal and looked forward to working with the Governor's administration and the Legislature in the coming months. The University would be mindful of several factors. One was revenue scenarios. The Governor's budget had revenue projections about \$42 billion higher than the Budget Act approved in June 2025 and about \$30 billion higher than projections from the Legislative Analyst's Office (LAO). Both the Governor and the LAO also projected multi-year deficits with estimates ranging from \$20 billion to \$35 billion annually. The Governor's budget would replenish State reserves with a proposed total of \$23 billion. If revenues did not materialize as projected, the University would need to advocate strongly to maintain this favorable budget introduction.

The budget proposal would provide State appropriations to the University of \$5.3 billion, a \$350 million or seven percent increase over the prior year. This represented full payment of the 2026–27 Compact support, partial restoration of two percent or \$96 million of the 2025–26 Compact payment, and the restoration of the three percent base budget deferral in the 2025–26 budget year. The proposed budget would defer payment of about \$144 million or three percent of the 2025–26 Compact base increase funding to 2027–28, and two back payments from prior budget years would be provided in 2027–28. The proposal would allow the University to roll over the zero percent loan UC took out this year to 2026–27 for payment in 2027–28.

Associate Vice President Caín Diaz presented a table showing the funding that UC could expect to receive in each of the next two fiscal years under the Governor's proposed budget. In 2026–27, the University would receive a portion of the 2025–26 Compact funding totaling \$96.3 million, or two percent of the five percent increase under the Compact. The University would receive the full Compact installment for 2026–27 of \$254 million and the restoration of about \$130 million that was deferred in the current year. In total, the University could expect an increase of about \$472 million in 2026–27 from the seven percent base budget increase and the restoration of the deferral.

For 2027–28, Governor Newsom proposed to provide the remainder of the 2025–26 Compact increase, or the remaining three percent of the five percent, along with funding for the exchange of nonresident students intended for 2025–26. The proposal also included \$370 million in one-time funding representing back payments of about \$240 million and \$130 million that were deferred in prior years.

Mr. Diaz compared this proposal to the Regents' budget proposal and request approved in November 2025. Some elements of the Governor's proposal were in alignment with the Regents' budget: \$773 million of core funding, expected new revenues of about \$290 million under the Tuition Stability Plan, the restoration of the \$130 million deferral from the 2025-26 Compact payment, and the full 2026–27 Compact payment. Outside the Regents' budget request, there was a minor adjustment to existing debt service funding for the student housing program. Roughly \$212 million in the Regents' budget was not included in the Governor's proposal. This included the remaining restoration of 2025–26 Compact funding, deferred funding for the exchange of nonresident students, and the Regents' request for funding for certain graduate health sciences programs. The

University's budget for current operations projected over \$930 million of expenditures attributable to new costs or investments required to support current enrollment levels and inflationary cost growth in a number of areas. There was still work to be done to control UC costs, identify opportunities for efficiencies, and advocate for additional support.

The Governor's proposal included additional funding for the Cal Grant program to fully fund estimated student need in 2025–26 and growth of about \$445 million in 2026–27. While the proposal provided additional funding in 2025–26 for the Middle Class Scholarship, there would be a reduction in support for this program in the following year.

Mr. Brostrom commented that, while there was no one-time funding for capital projects in the Governor's proposal, there were currently four pieces of legislation that might provide opportunities. State Assembly Bill (AB) 48, introduced by Assemblymember David Alvarez, would be a general obligation bond measure for UC and the California State University (CSU). There were two bills in the legislature, AB 736 authored by Assemblymember Buffy Wicks and State Senate Bill (SB) 417 by State Senator Christopher Cabaldon, for housing bonds. These currently totaled \$10 billion, and the University has been in talks with both authors about potentially including UC, primarily for student housing but also potentially for staff and faculty housing. SB 895, a research bond measure by State Senator Scott Wiener, currently forecasted at \$22 billion, would create research funding akin to that received from the National Institutes of Health and the National Science Foundation, and would be available to all California universities.

As the University moved into the fifth and final year of the Compact with the Governor and the State, it was an opportune time to review the progress made on Compact goals. UC has significantly exceeded its enrollment goals, adding nearly 15,000 California resident students from 2021–22 through 2024–25. At the Berkeley, Los Angeles, and San Diego campuses, UC has decreased nonresident enrollment by almost 3,000 students while adding over 2,800 California resident students. With respect to affordability, the University has increased the percentage of incoming California students with debt-free educational pathways from 63 percent to 73 percent. Three of every four incoming students would be able to pursue an education at UC without taking on student loans, which reflected the University's commitment to financial aid and its partnership with the State in the Cal Grant and Middle Class Scholarship programs. There has been significant growth in the number of degrees granted in both the science, technology, engineering, and mathematics (STEM) fields and in education, 38 percent, which was higher than the Compact goal of 25 percent. The University must highlight this record of success as it advocated for full Compact funding and the related provisions in the Governor's proposal. UC remained focused on its efforts to expand enrollment and improve student success, but this has only been possible with ongoing and consistent support from the State. The University would continue advocacy for Compact funding, the capital funding outlined in the Regents' budget, and the bond measures that were mentioned.

Student observer Isha Khirwadkar remarked that the current budget outlook, more optimistic than in previous years, was refreshing. Nevertheless, as tuition adjustments continued to move forward, she urged the Regents to continue to advocate for State support

to offset the rising costs of attending UC as well as living in California. She drew particular attention to housing affordability and student services programs including but not limited to mental health resources, student health services, programs that address equity gaps, and those that support basic needs and accessibility.

In response to Ms. Khirwadkar's remarks, Mr. Brostrom noted that the University has set aside about \$62 million from its State appropriation for student mental health, basic needs, rapid rehousing, and other student services. The individual campuses take additional actions as well. This was a good time to bring up this topic because the campuses were beginning their budget process now. Campuses were not only building housing but also acquiring housing. In the last few months, UCLA had acquired four buildings that would be converted to student housing.

Committee Chair Cohen quoted from the "Governor's Budget Summary 2026–27," issued by Governor Newsom on January 9, 2026: "The administration intends to build on this budget proposal in May with a revised plan—reflecting updated revenue and spending data—that balances the budget in both the 2026–27 and 2027–28 fiscal years with adequate budget reserves." He observed that the May Revision always uses updated information. In his view, the key element in this sentence was the focus on balancing the budget in 2027–28. He asked how the possible deficits mentioned by Mr. Brostrom earlier in the range of \$20 billion and deferred payments by the State would affect the University's overall budget future. Mr. Brostrom responded that he was pleased to see that Governor Newsom was adding to the State's reserves, the Proposition 2 "rainy day fund" and others. He expressed concern about the extent to which the State budget is set when finished—by Proposition 98, federal mandates, and actions by the federal government that might encumber the State with more Medi-Cal costs. The University and CSU were a small part of the discretionary budget. If Governor Newsom wished not only to push for a balanced budget in 2026–27 but also to leave his successor with a balanced budget in 2027–28, this would require either massive revenue increases or cuts in other areas. For this reason, UC must advocate very strongly for everything it has done in concert with the Governor and the Legislature to make the University more accessible and affordable in order to secure the full funding needed to continue these efforts.

Committee Chair Cohen noted that the State was now deferring funding for the buyout of nonresident tuition. He asked how the campuses affected by this change might respond. Mr. Brostrom responded that the three campuses that were affected in fact far outperformed the goal. UC was close to the goal of a cap of 18 percent on nonresident enrollment, and he anticipated that next year's class would have a percentage similar to that for the last year in which UC received full funding for the nonresident tuition buyout, which was 2024–25. There might be a small increase in the percentage, but the overall systemwide percentage was about 15 percent, and the percentage at several campuses was far below that number.

Regent Park recalled that this was the final year of the Compact. She asked if the University would pursue a new Compact with the next Governor's administration. If so, she asked about the issues that UC was considering and what the consultation process with Regents would be. The Compact involved an interplay between funding and expected goals. She

asked that there be further discussion at a future meeting about investments with one-time funding that can be impactful; projects that have sustainability and scalability without necessarily requiring the same amount of investment every year. She was interested in learning more about broad practices that have a positive benefit for students. Mr. Brostrom responded that he would defer to President Milliken and Chair Reilly regarding a future, new Compact. In his view, the Compact has been very helpful for the University and valuable, even with the volatility in the State budget. Predictable funding was crucial in higher education and has enabled UC to have predictable growth in its classes and regular hiring of faculty and teaching assistants. Governor Newsom has served as a Regent and had a strong view about the UC budget. Although this proposal by the Governor was very positive for UC, the University must continue its efforts to manage administrative expenses and develop alternative revenues. Provost Newman and the Academic Senate-Administration Task Force on UC Adaptation to Disruptions (UCAD Plus) were considering different academic delivery models in the face of threats to federal funding. The University must continuously seek to reengineer itself and to dedicate as many of its valuable resources as possible to education and research. Even if this year turned into a good budget year, the University would feel limited in some areas. Mr. Diaz suggested that the September 2026 meeting, or even earlier, would be an appropriate time for Regents to provide feedback on the University's budget plan for the incoming Governor's administration.

Regent Park encouraged early discussions with Chairs of Committees and the Board leadership to ensure that Regents are involved early on in the process of developing a new Compact, with discussions of the Regents' most important goals.

Staff Advisor Hanson observed that the University and the State had certain commitments in the Compact but that the State budget fluctuated for many reasons. Nevertheless, UC enrolled a number of students above the Compact target, perhaps 4,000 more. This led to increased costs to UC. It appeared that the University was being a good partner and holding up its end of the bargain while creating more cost pressures for itself. Mr. Brostrom responded that this situation to some extent was due to the unfortunate timing of the State budget. Campuses have already made admissions decisions, and application yields are already known before the State budget is allocated. He recalled that in one year, the University added over 6,000 students while funding from the State remained flat. Many of the Compact goals were goals that the University would pursue in any case, regardless of the Compact, such as reducing graduation rate gaps, increasing retention, and increasing graduation rates. The Regents and campus leadership viewed these goals as fundamental to the University. The cost of increasing enrollment was a variable cost which UC has so far been able to absorb.

Regent Makarechian referred to the reduction of about 3,000 nonresident students and asked how this affected tuition revenue. Mr. Brostrom responded that nonresident tuition was currently about \$38,000. The State has paid for the buyout of nonresident tuition and provided funding for financial aid. Nonresident enrollment at UC had now come down to a percentage lower than that for which UC received funding, and so this enrollment would

rise to a higher percentage at the three affected campuses this year. Mr. Brostrom confirmed that the State has been true to its word in this funding.

Regent Makarechian asked if international students were being affected by visa restrictions. Mr. Brostrom responded that so far, the number of international students at UC has remained relatively level. Overall in the U.S., international enrollment at universities has decreased, and this was a matter of concern. A recent news media article reported on the growth of Chinese universities and currently, three of the top ten universities in the world in terms of research productivity were in China. Students might find other attractive alternatives. China was the number one country of origin of international students at UC, both undergraduate and graduate.

Regent Makarechian asked about the University's capacity and its ability to take on more students. Mr. Brostrom responded that some campuses could take many more students. UC Merced could accommodate several thousand more students and UC Riverside had some capacity. UC Santa Barbara was constrained by its Long Range Development Plan, while UC Santa Cruz could not grow until it builds more housing. Some growth has occurred without capital projects. Summer enrollment has expanded. There has also been an increase in the number of students' credit hours, and this adds to the number of full-time equivalent (FTE) students. The development of three-year degrees was another way to add capacity without necessarily adding classroom or research buildings.

Regent Makarechian observed that in order to reduce the time to graduation to three years, students must be able to take the required courses. These courses were now full, and it was this factor that delayed the time to graduation. He requested review of the campuses' opportunities for expansion and their planning frameworks at future meetings, with a presentation by each campus. Mr. Brostrom responded that he and Mr. Diaz would gather this information.

Regent Makarechian referred to funds raised by UC bonds. He asked how much of this funding would support construction and expansion. Mr. Brostrom responded that the University issued \$2 billion in bonds in December 2025. The issue was oversubscribed, and UC had over \$5 billion of orders, so UC increased the amount to \$2.2 billion. These funds would be allocated almost entirely for new construction at the San Francisco and Davis medical centers. UC would proceed with another bond issue at the end of February 2026 of \$2 billion, almost entirely for refunding and refinancing. The University would advocate for State general obligation bonds as a source of payment for construction of education and research buildings, for which UC did not have a revenue source. By contrast, UC medical center and housing projects had associated revenue sources.

Regent Makarechian asked about the University's current debt capacity. Mr. Brostrom responded that UC had \$30 billion of outstanding debt in its general lien, a second lien for medical centers, and a third lien for housing. This did not include the University's public-private partnership projects. The medical center and housing projects added debt capacity because they would have an associated revenue stream. UC had less debt capacity for

education and research building projects, for which UC has often pledged indirect cost recovery or other revenue sources that were now at risk.

Regent Makarechian observed that the inability to expand classroom and laboratory space limited the University's capacity for enrollment growth. He asked about UC's debt capacity for education and research building projects to allow for enrollment growth. Mr. Brostrom responded that this information would be provided; this number is usually a range due to the range in interest rates.

Regent-designate Melton welcomed the seven percent increase in State funding despite the challenges the State was experiencing. UC was now in the final year of the Compact, but delayed funding would extend past the life of the Compact. He asked if there has been discussion with the Governor and the Governor's office about extending the Compact goals for the University to match the extended funding, and if there might be leeway and ability for finetuning in reaching these goals. Mr. Brostrom responded that the Governor's January proposal was only the introduction. There would be many budget hearings and meetings in the coming months between UC and State representatives. The Legislature would be interested in the University's ongoing commitment to increased capacity, adding enrollment, and shortening time to degree.

Regent Hernandez observed that there was an opportunity to increase enrollment at UC Merced by offering spaces to students who have not been admitted to UC Berkeley and UCLA due to space or enrollment constraints. He suggested that the University should consider altering the timing of admissions and notice of admissions for the premier campuses, making this date sooner and allowing students more time to consider enrolling at UC Merced. Mr. Brostrom responded that Chancellor Muñoz and his team have created outstanding initiatives, and the number of applications to the Merced campus has increased dramatically. UC Merced allowed applications and admitted students before the rest of the UC system, and the campus was adding degrees that were of particular interest in the Central Valley in business, education, and health.

Regent-designate Craven recalled that he and a number of his peers at UC Merced had been contacted by and recruited to the campus through a program then called "Count Me In." While the name of the initiative had changed, it was still in use. He suggested that the UC system should consider a more systemwide approach to student admissions, more cooperation among campuses with lesser and greater capacity for students, and more referrals for qualified students in order to enroll more California resident students in the UC system. He hoped that such a program could be realized in the near future.

The meeting adjourned at 1:45 p.m.

Attest:

Secretary and Chief of Staff