

Office of the President

TO MEMBERS OF THE NATIONAL LABORATORIES SUBCOMMITTEE:

ACTION ITEM

For Meeting of May 17, 2017

AMENDMENT TO THE ALLOCATION OF LOS ALAMOS NATIONAL SECURITY, LLC AND LAWRENCE LIVERMORE NATIONAL SECURITY, LLC FEE INCOME TO BE EXPENDED IN FISCAL YEAR 2016-17

EXECUTIVE SUMMARY

The University has an ownership interest in two limited liability companies (LLCs) that hold contracts to operate a Department of Energy/National Nuclear Security Administration National Laboratory: Los Alamos National Security, LLC for Los Alamos National Laboratory and Lawrence Livermore National Security, LLC for Lawrence Livermore National Laboratory.

The net fee income actually earned under these contracts in calendar year 2016 by the University was \$3.4 million more than originally projected. The President of the University recommends adjustments to the allocation approved by the Regents in July 2016, including a new allocation of \$1 million for the Accelerating Therapeutic Opportunities for Medicine initiative, and increases in the allocations to the Post-Contract Contingency Fund and UC Laboratory Fees Research Program:

RECOMMENDATION

The President of the University recommends that the National Laboratories Subcommittee recommend that the Regents approve an amendment to the allocation of the University's net share of Los Alamos National Security, LLC and Lawrence Livermore National Security, LLC fee income to be expended in fiscal year 2016-17, as shown in Display 1.

Display 1: Fiscal Year 2016-17 Fee Income Allocation:

Estimated Funds Available	Original	Amended
Estimated Net Fee Income for Calendar Year 2016	\$23.1 M	\$26.5 M
Total Funds Available	\$23.1 M	\$26.5 M

Recommended Allocation

A. Contract Non-Reimbursable Compensation for LLC Employees in UC-Designated Key Personnel Positions	\$2.2 M	\$2.2 M
B. UC Office of the President Oversight	\$4.9 M	\$4.9 M
C. Post-Contract Contingency Fund	\$2.3 M	\$3.1 M
D. LLC Fee Contingency Fund	\$0 M	\$0 M
E. UC Laboratory Fees Research Program (including UC-NL Graduate Student Fellowships)	\$13.4 M	\$15.0 M
F. Livermore Lab Foundation	\$0.3 M	\$0.3 M
G. Accelerating Therapeutic Opportunities for Medicine	N/A	\$1.0 M
Total allocation 2016-2017	\$23.1 M	\$26.5 M

BACKGROUND

Los Alamos National Security, LLC and Lawrence Livermore National Security, LLC have fiscal years matched to the calendar year. Because of that, and also because the Department of Energy (DOE)/National Nuclear Security Administration (NNSA) fee determination is made after the end of the federal fiscal year, substantial fee income is not distributed to the University and its LLC partners until December 31 of each year. Accordingly, the estimates of University net fee income are on a calendar-year basis as projected by the LLCs, even though the allocations being approved by the Regents are for the upcoming University fiscal year.

The original projection provided by the LLCs for calendar year 2016 was \$23.1 million, as reported to the Regents in July 2016. Based on the figures finalized in January 2017, the net fee income actually earned by the University in calendar year 2016 totaled approximately \$26.5 million, or \$3.4 million more than originally projected. Based on these final figures, the President recommends adjustments to the allocation approved by the Regents in July 2016, as set forth below.

The President recommends that \$1 million be allocated in fiscal year 2016-17 to enable UCSF to be a partner in and home for a collaboration center for the Accelerating Therapeutic Opportunities for Medicine (ATOM) collaboration in partnership with Lawrence Livermore National Laboratory (LLNL). In June 2016, the ATOM partnership between GlaxoSmithKline, the National Cancer Institute, and the DOE was announced as part of the National Cancer Moonshot. ATOM aims to integrate the unique capabilities of high-performance computing, new approaches to characterize biology, and open data to implement new ways to get medicines to patients. The partnership will be enabled by the leading capabilities in high-performance

computing at LLNL and the deep expertise and leadership in cancer research, precision medicine, and big data at UCSF to accelerate the drug discovery process through the application of predictive simulation and machine learning integrated with state-of-the-art experimental systems. The intent of ATOM is to dramatically accelerate the discovery and development of drugs with an aspiration to go from target to first-in-human experimental medicine precision trials in twelve months. ATOM will bring together UC scientists, National Laboratory researchers, and industry experts in shared space on the UCSF campus at Mission Bay. It is envisioned that this site will nucleate the principles of precision medicine, open research, and team science to position UC at the frontiers of computing and precision medicine. This \$1 million per year allocation is anticipated to continue for a total of three years and would provide essential foundational funding for the collaborative research space at the Mission Bay campus and other student, faculty, and clinical researcher participation to enable UCSF and LLNL to become full partners in ATOM. Over time it is anticipated that other UC campuses will join this exciting partnership as the research agenda takes shape.

The President further recommends that the fiscal year 2016-17 allocation for the Post-Contract Contingency Fund (PCCF) be adjusted from \$2.3 million to \$3.1 million. In 2013, the Regents approved a \$27 million target funding level for the PCCF to account for potential residual liabilities to the LLCs or DOE/NNSA and to create a reserve to allow the University to compete again for the Los Alamos National Laboratory and LLNL contracts. As of March 31, 2017, the PCCF balance was approximately \$11.8 million.

Finally, it is recommended that the fiscal year 2016-17 funding allocation for research projects within the University's Lab Fees Research Program, inclusive of the Graduate Student Fellowship Program, be increased from the original \$13.4 million to approximately \$15 million to account for the remainder of the differential between the \$23.1 million projected earnings and the approximately \$26.5 million actual earnings in calendar year 2016.

No further changes to the terms of the allocations approved in July 2016 are requested.

Key to Acronyms

ATOM	Accelerating Therapeutic Opportunities for Medicine
DOE	Department of Energy
FY	Fiscal Year
LANL	Los Alamos National Laboratory
LLC	Limited Liability Company
LLNL	Lawrence Livermore National Laboratory
NNSA	National Nuclear Security Administration