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UC Regents to Consider New Long-Term Stability Plan for Tuition and Financial Aid

The University of California Board of Regents announced today (Nov. 6) that it will consider a new five-year plan for low, predictable tuition that will provide funding to increase access for California students, maintain the university’s robust financial aid program and invest in educational quality. 

The regents will consider the plan, the first of its kind at the university, at their Nov. 19 meeting at UC San Francisco.

“Students and the university itself must have the ability to plan and budget for the long term,” said Board of Regents Chairman Bruce Varner. “I look forward to discussing the new plan. As fiduciaries of the university, we must bring fairness and common sense to the tuition-setting process, ensure the continued viability of our financial aid program and make sure UC’s academic quality remains excellent.”

Shortly after she became UC president last year, Janet Napolitano proposed a tuition freeze for 2014-15 – the third consecutive year of no increases – to allow the university time to develop a long-term plan to keep student fees as affordable as possible and end sudden spikes in tuition levels in response to reduced state support. “We need to figure out, in the real world in which we live, how to bring clarity to, and reduce volatility in, the tuition-setting process,” she told the Board of Regents in November 2013.

The new long-term stability plan for tuition and financial aid proposes that tuition will not increase more than 5 percent annually for five years. For 2015-16, that would mean an increase of $612. Tuition may increase by less than 5 percent – or not at all – depending on the level of state support.

Adoption of the new model will ensure that the university can maintain its current financial aid program under which about half of all UC undergraduates have their tuition and fees fully covered. Together with the state’s continued support of the Cal Grant program, UC will help the neediest students cover other costs such as housing, books and supplies. In addition, the new Middle Class Scholarship Program is expected to cover up to 40 percent of UC’s mandatory systemwide charges for eligible students.

If approved by the Board of Regents, the proposed stability plan will:

- Enable the university to enroll at least 5,000 more California students over five years
- Maintain the university’s robust financial aid program
• Reduce the student-faculty ratio
• Increase course selection
• Lessen the time to graduation

Fees paid by out-of-state and international undergraduates, who currently pay the $12,192 in-state tuition plus a nonresident supplement of $22,878, would also increase by the same percentage. Campuses use nonresident supplemental tuition to fund the education of all students, including costs for the more than 7,000 California undergraduates for whom the state currently provides no funding.

UC will continue to hold down administrative costs; nearly all new tuition dollars will go toward educating students.

The proposed plan assumes the state will continue to increase its educational support to UC by 4 percent next year, as previously announced. Because any such increase would apply solely to the state’s portion of UC’s academic budget, that equates to only a 1.7 percent rise in funds to educate students. This amount is below the rate of inflation and far less than what is needed to meet the needs of students and the university.

“We have frozen tuition for three years, continued to maximize operational efficiencies, reduced staff, stepped up our fundraising and deferred critical maintenance,” Napolitano said. “We hope the state will partner with us by increasing its investment in UC. But we can’t wait any longer. We cannot cut or defer our way to excellence.”

In its 2014 report, “California’s Future: Higher Education,” the non-partisan Public Policy Institute of California warned of the immediate and long-term dangers of the “disproportionate” cuts in state funding to UC over the past decade. Per student state funding to the university, for example, has fallen by about 25 percent during that time.

“The California economy is growing again and the need for an educated state workforce has never been greater,” Napolitano said. “We must, as a state, expand capacity for Californians at our public university system and ensure that we maintain our excellence in academics, research and public service. For this we need financial stability. Students, their families, and the university itself need to plan for the future.”
University of California Proposed Long-Term Stability Plan for Tuition and Financial Aid
Frequently Asked Questions

BACKGROUND

The University of California Board of Regents will consider on Nov. 19 a new five-year plan for low, predictable tuition that will allow students and families at all income levels, and at all levels of study, to budget for the total cost of their UC education.

In addition to ending the volatility in UC’s tuition-setting process, the plan – the first of its kind at the university – will:

- Enable the university to enroll at least 5,000 more California students over five years
- Ensure the continuation of the nation’s most robust financial aid program under which 55 percent of all California undergraduates have all their tuition and fees fully covered
- Improve the student-faculty ratio
- Provide additional course offerings
- Increase student support services
- Boost graduation rates and decrease time to degree

1. What are the plan details?

The proposed long-term stability plan for tuition and financial aid assumes that the state will increase its base budget support to UC by 4 percent each year through 2019-20. That 4 percent amount equates to a 1.7 percent increase to UC’s core educational budget. Assuming that increase during that period, tuition and fees will not increase by more than 5 percent annually, or $612 for the 2015-16 academic year. **The 5 percent figure is a ceiling:** Depending on the level of state funding that UC receives, charges may increase by a smaller amount or remain flat over the course of the five-year period.

2. How does this plan benefit California students and their families?

Most critically, the plan provides low, predictable increases in tuition and fees, ensuring that California students and their families know in advance what to expect for the next five years, as long as the state provides the assumed annual budget increases. It also:

- Maintains UC's robust financial aid program, through which about half of undergraduate students have all their in-state tuition and fees fully covered.
- Enables UC to enroll at least 5,000 more California students over five years.
- Funds high-priority investments in educational quality, including things such as reductions in the student-faculty ratio, increased course offerings and student support services that help shorten the time to degree.
3. Why does UC need more tuition dollars if the state is increasing its support?

State funds for UC were cut by nearly $1 billion during the course of the recession that began in 2007. In response, UC reduced costs throughout the system, eliminated administrative positions, bolstered fundraising and enacted operational efficiencies that have saved more than $660 million. Even with those efforts, UC faces a long-term gap between projected revenues and its basic funding needs for educational operations. Although a portion of state funding cuts has been restored, UC's state funding for educating students remains $460 million lower than it was in 2007-08, even though the university is enrolling more California students than ever. UC enrolls more than 7,000 California students for whom it receives no state funding.

4. Why aren't the anticipated state budget increases enough to close UC's budget gap?

The allocation proposed by the state equates to a 1.7 percent increase to UC's total core education budget. That's not enough to cover inflation, let alone address the need to meet California enrollment demand and invest in academic quality. Through this plan, UC will be able to fulfill both of those missions, while ensuring that our strong financial aid program continues to keep tuition costs affordable for all California families.

5. What is UC doing to address its long-term budget problem?

When UC's state funds were drastically cut during the recession, the university enacted a wide range of operational efficiencies, which have saved the university more than $660 million. UC is well on the way to doing even more; however, these measures alone simply are not sufficient. Under the plan, UC will address about a third of its projected revenue needs through new efficiencies and the development of alternative revenue sources. State funding will address about another third. The university needs a solution for the final third.
6. What impact did Prop. 30 have on state funding for UC?

Prop. 30's passage was good for California, but it did not solve UC's long-term budget gap. Only about 5 percent of the revenues generated by Prop. 30 have been used by the state to fund UC. State funding for UC's educational mission remains about $460 million lower than it was in 2007-08.

7. How much will a UC education cost under the plan?

Systemwide tuition and fees for California residents are currently $12,192. A 5 percent increase would add $612 in the 2015-16 academic year, bringing the total to $12,804. At the end of the five-year period, the total would be $15,564. Financial aid is projected to cover that full amount for more than half of our California students, while roughly 30 percent would pay the full sticker price. In addition, the state legislature and the governor could choose to provide enough money to UC each year to “buy out” the need for a tuition increase.

<table>
<thead>
<tr>
<th>Annual 5% Increases Proposed for Approval by the Regents</th>
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<tbody>
<tr>
<td></td>
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<tr>
<td>Charges</td>
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<tr>
<td>Tuition</td>
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<tr>
<td>All Students</td>
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<tr>
<td>Student Services Fee</td>
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<tr>
<td>All Students</td>
</tr>
<tr>
<td>Total Mandatory Systemwide Charges</td>
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<tr>
<td>All Students</td>
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8. How does UC tuition compare with other research universities?

UC remains a bargain compared with many of the nation's top public and private research universities – and will remain lower than comparable institutions even with a modest tuition increase. Average tuition at the University of Virginia currently is $15,545 for resident undergraduates. It's $16,042 at the University of Michigan, and $17,638 at the University of Illinois. A UC student would pay less in tuition for three years at UC than she would for a single year at Harvard, Stanford, MIT or Yale.

TOTAL CHANGE IN TUITION AND FEES BETWEEN FALL 2011 AND FALL 2014

<table>
<thead>
<tr>
<th>Institution</th>
<th>Increase $</th>
<th>Increase %</th>
<th>Tuition &amp; Fees (2014-15)</th>
</tr>
</thead>
<tbody>
<tr>
<td>UC</td>
<td>$93</td>
<td>1%</td>
<td>$13,317</td>
</tr>
<tr>
<td>Buffalo</td>
<td>$1,389</td>
<td>19%</td>
<td>$12,871</td>
</tr>
<tr>
<td>Illinois</td>
<td>$1,743</td>
<td>11%</td>
<td>$17,638</td>
</tr>
<tr>
<td>Michigan</td>
<td>$992</td>
<td>7%</td>
<td>$16,042</td>
</tr>
<tr>
<td>Virginia</td>
<td>$2,528</td>
<td>26%</td>
<td>$18,004</td>
</tr>
<tr>
<td>USC</td>
<td>$5,462</td>
<td>13%</td>
<td>$48,280</td>
</tr>
<tr>
<td>Stanford</td>
<td>$4,188</td>
<td>10%</td>
<td>$44,757</td>
</tr>
<tr>
<td>Harvard</td>
<td>$4,087</td>
<td>10%</td>
<td>$45,938</td>
</tr>
<tr>
<td>MIT</td>
<td>$4,284</td>
<td>11%</td>
<td>$45,016</td>
</tr>
<tr>
<td>Yale</td>
<td>$5,300</td>
<td>13%</td>
<td>$45,800</td>
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</tbody>
</table>

Figures reflect in-state tuition and fee increases at public institutions. Figures for Illinois, Michigan, and Virginia are average increases among rates that differ by major and/or student level.
9. What financial aid will be available for California families under the new tuition plan?

Adoption of the new tuition model will ensure that the university can maintain its current financial aid program under which about half of all UC undergraduates have their tuition and student services fees fully covered. Together with the state’s continued support of the Cal Grant program and federal Pell Grants, UC will help the neediest students cover other costs such as housing, books and supplies. In addition, the state’s new Middle Class Scholarship Program is expected to defray some of the costs of a UC education for students from families with incomes of up to $150,000 who don’t qualify for other forms of need-based aid. Once the program is fully funded in 2017, it will cover up to 40 percent of tuition and fees for eligible students.

<table>
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<tr>
<th>PERCENT OF UC CALIFORNIA RESIDENT UNDERGRADUATES WHOSE 2013-15 SYSTEMWIDE TUITION FEES WAS:</th>
<th>AVERAGE (NET) SYSTEMWIDE TUITION &amp; FEES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fully covered</td>
<td>54.6%</td>
</tr>
<tr>
<td>Partially covered</td>
<td>14.3%</td>
</tr>
<tr>
<td>Not covered</td>
<td>31.1%</td>
</tr>
<tr>
<td>All California residents</td>
<td>100%</td>
</tr>
</tbody>
</table>

10. Is UC an affordable option for middle class families?

The University of California remains very competitively priced for in-state students, especially when compared with other top-tier research universities. UC's average in-state tuition and fees remain below those of many other public research universities, including the University of Michigan, the University of Virginia and the University of Illinois. And we really stand out when compared with the tuition charged by many private research universities. UC’s annual tuition is less than a third of the tuition charged by either Harvard or Stanford, for example. In addition, the state’s new Middle Class Scholarship Program is expected to defray some of the costs of a UC education for students from families with incomes of up to $150,000 who don’t qualify for other forms of need-based aid. Once the program is fully funded in 2017, it will cover up to 40 percent of tuition and fees for eligible students.

11. If UC expands enrollment by 5,000 more students, will California students have a better chance of being admitted to a UC campus?

Yes. If the tuition plan is fully funded, the university will have sufficient resources to enroll an additional 5,000 California students. UC admissions will remain competitive, however. Increasing enrollment capacity, though, will allow UC to continue to admit all qualified California residents. Without those resources, the university likely would be forced to limit enrollment of California residents.
12. How will this plan help California students already enrolled at a UC campus?

For the first time in years, UC students and their families will know the upper limit of the costs of their education, which will enable them to plan family budgets without fear of a sudden and unpredictable tuition hike. In addition, nearly all of the new revenues will go directly to investments in the quality of a UC education and additional financial aid. UC will be able to provide more course offerings, and hire additional faculty and teaching assistants to improve the educational experience and shorten time to degree.

13. Will this plan impact out-of-state student enrollment?

Over the past 10 years, UC has enrolled more than 7,000 California students for whom the state has not provided funding. UC's enrollment of out-of-state students has helped pay for these students. The proposed plan will enable UC to enroll 5,000 more Californians. Increasing the enrollment of nonresident students will help fund this additional California student enrollment. Each nonresident student brings in approximately $23,000 more per year than in-state students, funds that help support the additional California students and enhance the quality of the education program. Nonresident students also bring a diversity of backgrounds and perspectives that enhances the educational environment of our campuses.

To ensure that UC continues to have the right balance of resident and nonresident students given UC's finances, President Napolitano and the chancellors will begin discussions regarding the best approach to nonresident enrollment following the regents' decision on the long-range plan. That decision will be based, in part, on the level of funding that the state provides to UC. The university's priority is to serve California students – that hasn't changed. More than eight out of 10 undergraduates enrolled at UC come from California, and the proposed tuition model will make it possible for UC to educate 5,000 more California students.

14. How will nonresident students be affected by this plan?

If the plan is approved, tuition for nonresidents will increase by 5 percent per year for five years. Nonresident students will continue to pay about three times the amount of in-state students. In the 2015-16 academic year, tuition and fees for nonresident undergraduates would total $36,828.

15. Will tuition increases be limited to 5 percent?

Yes, assuming the state continues to partner with UC and follows through with its commitment to provide the university with modest annual budget increases through 2019-20 and continues to fully fund the Cal Grant program. The current commitment to increase annual state funding by 4 percent represents a 1.7 percent increase to UC’s core educational budget. As the economy rebounds, UC officials will continue to press the state to increase its investment in UC beyond this amount. Additional funding provided by the state to buy out the proposed tuition increase would allow UC to keep tuition increases below 5 percent or even eliminate increases altogether.
There are few investments the state can make that offer such a strong return on investment. UC research produces roughly five new inventions a day, some of which have helped launch entire industries, and its operations support one out of every 46 jobs in California. Most important, UC is actively building the skilled and educated workforce essential to the long-term prosperity of the state and its people.

16. Has the University engaged with students about the need for this plan?

Yes. Since President Napolitano took office just over a year ago, she has met with student groups more than 24 times. This level of engagement is unprecedented at UC, and has included a broad array of student groups, including the Council of Presidents, the UC Student Association, undocumented students, student veterans, student athletes and Greek-affiliated groups. At the majority of these meetings, the financial health of the university and the need for additional revenues were discussed.

17. Will the Student Services Fee rise under this plan?

Yes. Those fees would rise by 5 percent, or $48, in the 2015-16 academic year. The fee supports programs that directly benefit students and that are complementary to, but not a part of, the core instructional programs. The campuses will devote up to one-half of the revenue (net of financial aid) to supporting student mental health services. Over the past 25 years, increases in the student services fee have been inconsistent. Student leaders have previously requested that this fee be increased more regularly to help fund cost increases and needed investments in student service programs.

18. How will the proposed tuition plan impact undergraduate student diversity?

The university is very committed to increasing diversity in its student body. With the enrollment of 5,000 additional California students, together with the continuation of the current robust financial aid program, the plan will enable the university to enroll more students from underrepresented minority groups. Expanding enrollment to more Californians is the best way to increase undergraduate diversity. Conversely, without funding to support enrollment growth, progress on the University’s commitment to diversity will be very difficult.

The strong commitment to financial aid built into this plan will enable UC to maintain its current high levels of financial support for eligible students. UC has the best record in the country among research universities of enrolling low-income and first-generation college students. More than half of California undergraduates pay no net tuition and aid-eligible students also receive support for other costs such as housing and books. Funding provided by the tuition increase will protect aid-eligible students from the effects of the increase and also enhance support for other expenses.
19. Have you fully explored all alternatives to a tuition increase? Why is a tuition increase preferable to additional cuts, increased fundraising, reduced enrollment or some combination of these alternatives?

Through the worst economic downturn in its history – marked by state funding cuts of nearly $1 billion – UC upheld its commitment to offer admission to every eligible California student. It did so through a combination of actions, including increased fundraising, deep budget cuts and systemwide efficiencies. As the state budget has moved from a $26 billion deficit to a projected surplus of more than $4 billion for the 2014-15 fiscal year, state funding for UC has improved modestly over the past two years, but still remains $460 million below its 2007-08 level and below what UC needs to continue to meet its commitment to admitting all eligible California students and to preserve the quality of a UC education. Additional state funding could allow UC to avoid a tuition increase.

20. Could a tuition increase be avoided if the state provides additional funding?

Yes. UC could avoid a tuition increase if the state chooses to provide both the agreed upon increase to UC's base budget and the additional funds necessary to replace increased tuition revenue for each year of the five-year plan.

21. Why did UC recently increase the salaries of four of its chancellors?

UC increased salaries for a number of its longest-serving chancellors whose salaries had remained virtually unchanged since 2007, while the general labor market increased by 18.7 percent. Not only were those chancellors at markedly lower salaries than more-recently hired chancellors, but even with the increases, they still rank among the lowest-paid university leaders when compared with their peers at other top-tier research universities. The salaries for UC's top administrators amount to less than 1 percent of the overall payroll. Freezing wages will not significantly change the budget picture, but it will harm UC's ability to attract and retain highly skilled leadership.