

The Regents of the University of California

**COMMITTEE ON LONG RANGE PLANNING**

March 18, 2015

The Committee on Long Range Planning met on the above date at UCSF–Mission Bay Conference Center, San Francisco.

Members Present: Regents Engelhorn, Gould, Kieffer, Lozano, Saifuddin, and Sherman; Ex officio members Brown, Napolitano, and Varner; Advisory members Gorman and Hare; Staff Advisors Acker and Coyne

In attendance: Regents De La Peña, Elliott, Island, Lansing, Leong Clancy, Makarechian, Ortiz Oakley, Pattiz, Pérez, and Zettel, Regent-designate Davis, Faculty Representative Gilly, Secretary and Chief of Staff Shaw, General Counsel Robinson, Provost Dorr, Executive Vice President and Chief Financial Officer Brostrom, Executive Vice President and Chief Operating Officer Nava, Senior Vice Presidents Henderson and Peacock, Vice Presidents Brown, Budil, Duckett, and Sakaki, Chancellors Block, Blumenthal, Dirks, Gillman, Hawgood, Katehi, Khosla, Leland, Wilcox, and Yang, and Recording Secretary Johns

The meeting convened at 1:30 p.m. with Committee Chair Gould presiding.

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

Upon motion duly made and seconded, the minutes of the meeting of January 21, 2015 were approved.

**2. UPDATE ON THE SELECT ADVISORY COMMITTEE ON THE COST STRUCTURE OF THE UNIVERSITY**

[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 Gould recalled that the Select Advisory Committee on the Cost Structure of the University arose from Governor Brown's request in January for an opportunity to work directly with the President of the University to explore, in detail, the major challenges, opportunities, and options facing the University, including issues such as educational delivery methods.

President Napolitano reported that there had been two formal meetings of the Select Advisory Committee, as well as many exchanges by staff. The Committee had received information from experts from across the country as well as from within the University. These included current and former university presidents, experts on higher education budget issues, experts on educational access, and UC administrators and faculty.

Governor Brown's staff had visited three UC campuses and had four further visits scheduled. President Napolitano described the conversations as far-ranging, covering topics such as opportunities for increasing degree production, how costs are approached in the context of higher education and a research university, and enrollment. These were not the only important topics to be considered; further discussions would touch on other topics as well. Regent and Speaker Atkins and State Senate President pro Tempore de León were both engaged in developing proposals to address higher education needs in California. President Napolitano also reported that she had been meeting over the past months with both undergraduate and graduate students, whose perspectives differ. She emphasized that their voices were being heard. She had also been having discussions with faculty and staff.

President Napolitano outlined some other topics of concern to the Select Advisory Committee. One is the social and economic mobility that UC provides for California residents. Forty-one percent of UC undergraduates are first-generation college students; 30 percent of new undergraduates each year are transfer students; 42 percent are Pell Grant-eligible students, meaning that their family income is less than \$50,000. Within five years of graduating, UC's Pell Grant students generally earn more than their parents' combined earnings. Another topic of concern is high-quality education and good outcomes for students. The Select Advisory Committee seeks to protect and enhance the quality of UC education as it considers changes that would be beneficial to students and the institution. Eighty-three percent of UC students graduate within six years; median time to degree is four years and one term. These outcomes are particularly remarkable given UC's large proportion of first-generation and low-income students. UC produces more graduates with science, technology, engineering, and mathematics degrees than any other university in California. More than 600 California start-up companies have been founded based on UC technological innovations. UC trains half the medical students and medical residents in California. The University generates more than \$46 billion in economic activity annually. Every dollar California taxpayers invest in the University results in \$9.80 in gross State product, and \$13.80 in overall economic impact. President Napolitano acknowledged that this was a very positive story, but change was imminent and the University must embrace change in the best way possible.

Governor Brown affirmed that the Select Advisory Committee was pursuing an important inquiry. He stressed that his own concern was not only with financial matters, but with the greatness of the University, access for students, diversity, and UC's role in the collective life of California. He was interested not only in the production of new knowledge or in UC as an engine for the economy, but in developing human beings who have a sense of the nation's traditions, values, and past, and who possess the interpretive skills needed for making decisions. In a challenging world of potential catastrophes, there is an equal need for science and for the humanities, history, and political science, for people who can understand human nature and can work through conflicts.

Governor Brown observed that whatever the activity funded by the State, the recipient of State funds inevitably wants more, and the Legislature is inevitably faced by difficult choices. In a market system, the market provides the discipline. In the government

system, there is a kind of market, but ultimately the Legislature and Governor make the decision, or the people of California may do so through the initiative process.

Governor Brown stated that a task of the Select Advisory Committee was to flatten the curve of UC tuition increases. This was an issue not only at UC but throughout the nation. He cited a sobering prediction that U.S. student debt might increase from \$1.2 trillion to \$2.4 trillion. Thirty years earlier there was a similar tension between the State and UC as at present, even though at that time the State was providing 90 percent of UC's core budget.

Governor Brown suggested that increasing the percentage of students who graduate in three years to five or six percent would open places for 1,000 more students. Achieving this would require more summer school and online courses and that Advanced Placement courses be better oriented. It would also be necessary to ensure that community college transfer students are better prepared for the University. He reflected on the inevitable effect that the new online environment would have on institutions of learning. The impact and the pace of change would not be known until it occurs. These changes have implications for making UC more accessible and lowering its overall cost structure. The Select Advisory Committee was working through the particulars of these questions. He adumbrated an approach called "activity-based costing" that examines data such as course enrollments and the cost of courses to ensure that resources are used in the most efficient way possible.

Regent Lozano observed that this discussion gave the Regents the opportunity to think strategically about the University's role and priorities over a longer span of time, rather than just on a year-by-year basis. California is remarkable in many ways: technology, innovation, the creative economy, and the drivers of growth in the state are not found anywhere else. The University has an important role to play in this. The state's demographics are changing. Regent Lozano noted that California has a young and diverse population. About 50 percent of all children under the age of five in California are Latino, and more than 50 percent of all public high school graduates are from the Latino community. The University is important for the opportunities that it provides not only for these individuals and families, but for the replenishment of the state's workforce, the drivers of innovation and entrepreneurship over time. The University has an essential role to play at a time of outstanding challenges and opportunities. Regent Lozano asked Governor Brown to articulate his thoughts about UC enrollment and how the Regents as a governing body should approach this issue, given its importance for social mobility, opportunity, and access in the new California that Chancellor Leland had described in her presentation on the Merced 2020 Project earlier that day in the meeting of the Committee on Finance. This is a fundamental question concerning not only financial costs and productivity, but the diverse population of California that is the future of the state and in many ways would offer an impetus to the country.

Governor Brown responded that all the segments of higher education and the K-12 system should be taken into account in considering enrollment. Digital technology would break down barriers between these segments. The University must effectively address

issues such as the community college transfer program, Advancement Placement courses, and flexibility for students to leave and reenter the system, which was more common now than in the past. There are many paths of innovation compatible with the aspirations expressed by Regent Lozano.

President Napolitano noted that a fundamental question – the meaning of a public university in the current environment – had arisen from the discussions of the Select Advisory Committee. Only seven percent of the UC medical schools' budget comes from the State. The relationship of the higher education segments must be examined and the pressures that exist there, with the goal of maximizing opportunity for young people in California to attend a research university. New ways of collecting data are needed to better predict how many students UC will have. There is a need for long-term thinking.

Regent Kieffer applauded the Select Advisory Committee for bringing attention to the University and to facts that should come to public attention: that more than 50 percent of undergraduates pay no tuition and that most high-paid administrators at UC are associated with the medical centers.

Regent Saifuddin suggested that there should be evaluations in the future of how all three public higher education segments are working together. She expressed her conviction that the community college system is the key to social mobility in California, and a significant success story. She cited the fact that there are not enough academic counselors at the community colleges as a factor that prevents students from moving effectively through the system. The State of California would greatly benefit from more effective collaboration of the three segments.

Governor Brown referred to information provided to the Select Advisory Committee by Arizona State University (ASU) on using online resources to help students navigate the curriculum. ASU's four-year graduation rate had increased significantly. He acknowledged a need for counselors but suggested that there might also be software that could effectively address this need. Historically, solutions to certain problems have been achieved through a design shift that is not always imaginable in advance. UC must remain faithful to its traditions but be open to new possibilities.

President Napolitano recalled that UC was establishing ten clear pathways for community college students to transfer to UC for its most popular majors; it would then move to establish ten more. The UC Assist website, analogous to the resources provided by ASU, is used by 150,000 Californians. Compared to ASU, UC already has a good graduation rate. It was a question of how to sustain this rate, while keeping in mind cost, quality, and outcomes, and how the University could do a better job.

The meeting adjourned at 2:05 p.m.

Attest:

Secretary and Chief of Staff