

# **THE REGENTS OF THE UNIVERSITY OF CALIFORNIA**

January 22, 2020

The Regents of the University of California met on the above date at UCSF–Mission Bay Conference Center, San Francisco.

Members present: Regents Anguiano, Butler, Elliott, Estolano, Guber, Kieffer, Kounalakis, Lansing, Leib, Makarechian, Napolitano, Ortiz Oakley, Park, Pérez, Reilly, Sherman, Simmons, Sures, Um, Weddle, and Zettel

In attendance: Regents-designate Mart, Muwwakkil, and Stegura, Faculty Representatives Bhavnani and Gauvain, Secretary and Chief of Staff Shaw, General Counsel Robinson, Chief Investment Officer Bachher, Chief Compliance and Audit Officer Bustamante, Provost Brown, Executive Vice President Byington, Executive Vice President and Chief Operating Officer Nava, Interim Executive Vice President and Chief Financial Officer Jenny, Senior Vice President Holmes, Vice Presidents Brown, Humiston, and Leasure, Interim Vice Presidents Cianca and Gullatt, Chancellors Block, Christ, Gillman, Hawgood, Khosla, Larive, May, Wilcox, and Yang, Interim Chancellor Brostrom, and Recording Secretary Li

The meeting convened at 8:35 a.m. with Chair Pérez presiding.

Chair Pérez began the meeting by explaining that item B2, “Discussion of University of California Tuition and Fee Plan,” was no longer an action item. He announced that the University and the service unit of the American Federation of State, County and Municipal Employees (AFSCME) had reached a tentative agreement. He thanked the Regents for approving Regents Policy 5402: Policy Generally Prohibiting Contracting for Services, which laid the foundation of this agreement. Chair Pérez stated that he looked forward to the University resolving all outstanding labor issues and enjoying a period of cooperation with the labor unions.

## **1. PUBLIC COMMENT**

Chair Pérez explained that the public comment period permitted members of the public an opportunity to address University-related matters. The following persons addressed the Board concerning the items noted.

- A. Ernesto Arciniega, UCLA graduate student, called for the elimination of standardized testing as a graduate and undergraduate admissions requirement. He stated his belief that the requirement discriminated against applicants who could not afford test preparation, particularly students from underrepresented and underserved communities. Mr. Arciniega shared that he attended community college and worked for five years before transferring to UC Berkeley.
- B. Angela Lou, UCSC graduate student, shared a statement from UCSC graduate students striking for a cost of living adjustment (COLA). The statement claimed

that few Regents had experience in the education field and that the appointment process for Regents lacked transparency. The statement criticized President Napolitano's and the Regents' management of money, as well as tuition increases and austerity. The statement also called attention to working conditions at UC Santa Cruz and living conditions in Santa Cruz.

- C. Will Parrish, UCSC graduate student, stated that, since December 8, 2019, graduate students at UC Santa Cruz had been on strike by withholding grades. The students called for a COLA in order to afford to live indoors, have three meals per day, and feel safe on campus. He noted that UCSB was holding a rally for similar demands.
- D. Josh Lewis, UCB student, thanked the Regents for delaying the vote on the proposed tuition increase and expressed his disappointment that it would still be discussed. He stated that raising tuition would burden students from middle class families with a large debt load, nonresident students, and undocumented students. He thanked Regent Weddle for being responsive to the needs of students.
- E. Valerie Johnson, UCB student, thanked the Regents for delaying the vote on the proposed tuition increase. She urged the Regents not to raise tuition and to make systemic changes so that the issue would not be raised every year. She asked the Regents to consider how students would be affected, adding that the cohort-based tuition model would have a negative impact on student lobbying efforts and nonresident student diversity.
- F. Samantha Warren, UCB student, spoke against the proposed tuition increase and thanked Regents for postponing the vote. She stated that financial aid should not be expanded while putting other students into debt. Not all nonresident students were wealthy, and some nonresident students regretted choosing UC in light of recent nonresident supplemental tuition increases.
- G. Efren Lopez, UCSC student, claimed that undocumented students have experienced neoliberal violence and systemic oppression during President Napolitano's tenure. He stated that students' demands had not been acknowledged in a hard-fought meeting with Chancellor Larive. He claimed that violence and discrimination toward undocumented students were perpetuated by President Napolitano.
- H. Vincent Rasso, UCR student, spoke on behalf of the UC Student Association (UCSCA) in opposition to the proposed tuition increase. He stated that UC Riverside was one of the most diverse and underfunded campuses in the system. He claimed that the proposed tuition increase lacked transparency and overlooked student interests. In light of funding increases in the proposed State budget, students wished to advocate for further State investment. He expressed his solidarity with American Federation of State, County and Municipal Employees (AFSCME) Local 3299 and called for an end to outsourcing.

- I. Rochelle Bernarte, UCR student, spoke in opposition to the proposed tuition increase. She stated that the tuition increase would create a barrier to transfer and out-of-state students, which she believed contradicted UC's mission. As a transfer student and student parent, Ms. Bernarte stated that she was already disadvantaged and that a tuition increase would further disadvantage students like her.
- J. Kimberly Giangtran, UCSD student, spoke in opposition to the proposed tuition increase. She predicted that, as a first-generation college student, a tuition increase would result in her seeking employment in order to stay in school, which would put her mental health at risk. She urged the Regents to find money elsewhere.
- K. David Hickman, UCSD student and member of the Associated Students of UC San Diego, spoke in opposition to the proposed tuition increase. He regarded the proposals as shortsighted and remarked that the State, as a beneficiary to higher education, should be responsible for these deficits. A multi-year proposal assumed that UC could function with more financial burden on students. He stated that a world-class public institution should fight for more public funding.
- L. Eleanor Grudin, UCSD student and member of the Associated Students of UC San Diego, spoke in opposition to the proposed tuition increase. She stated that nonresident students contributed to the diversity of UC campuses and should not be used to address funding shortfalls. She urged the University to partner with students to advocate for more State funding. She asked the Regents not to vote on a tuition increase at the May Regents meeting because it would be during finals examinations for students on campuses with a quarter system.
- M. Marcia Santini, UCLA nurse, spoke on behalf of the California Nurses Association (CNA) and called for improvements to the CNA collective bargaining agreement. Issues such as break relief, missed meals, and jury duty have not been resolved. These unresolved issues have negatively affected patient care, and staff were concerned that the relationship between UC and CNA would be damaged. CNA also called for strong language in its contract regarding workplace violence protections in order to keep staff and patients safe.
- N. Melissa Johnson Camacho, UC Davis Medical Center nurse, expressed her gratitude for progress in AFSCME contract negotiations and underscored CNA's solidarity with AFSCME's service unit. She thanked UC for honoring the pension in the CNA collective bargaining agreement and stated that everyone at UC Davis Medical Center should have that same pension. CNA would continue to advocate for issues such as workplace violence protections.
- O. Lisa Hale, UCSF nurse, spoke about unequal treatment of and discrimination against nurses at UCSF Benioff Children's Hospital Oakland. In June 2019, nurses voted to join the nursing union and have been in negotiations with the hospital. She stated that the hospital has proposed to maintain discriminatory practices, mostly against nurses of color who serve vulnerable patient populations.

- P. Lizette Inzunza, UCR student, called for an end to outsourcing and expressed her solidarity with AFSCME Local 3299, as well as support for the cost of living adjustment (COLA) for graduate student workers at UC Santa Cruz. Ms. Inzunza spoke in opposition to the proposed tuition increase, stating that the action item was changed to a discussion item because of UC's failure to notify students.
- Q. Adam Hatefi, UCD student, spoke in opposition to the proposed tuition increase. He thanked the Regents for delaying the vote on the proposed tuition increase. He remarked that the increases did not account for the additional interest that would be paid through student loans. He knew of families with multiple children in college who had six-figure debt amounts. Mr. Hatefi added that his generation was projected to be poorer than his parents' generation.
- R. Yulia Gilichinskaya, UCSC graduate student, called on the University to provide a COLA to striking graduate students. She stated that graduate students at UC Santa Cruz were paid \$20,000 per year after taxes. These students were withholding fall grades and were prepared to escalate their campaign until the University provides a COLA to all graduate students, guarantees that it would not retaliate against strikers, and decides not to raise tuition. They invited the UCSC administration to negotiate with them. The lack of a COLA disproportionately burdens students from marginalized backgrounds. The high cost of living in Santa Cruz would lead to less diversity among graduate students, which would mean poorer mentorship to undergraduate students and a less diverse faculty population.
- S. Sophia Su, UCLA student, spoke in opposition to the proposed tuition increase. She stated that UC's affordability and accessibility made it diverse. A tuition increase would prevent undocumented students, homeless students, and students of color from attending the University. Class diversity has grown as a result of the last eight years of flat tuition. She contrasted this with the lack of diversity in private schools.
- T. Victoria Liu, UCLA student, spoke in opposition to the proposed tuition increase. She stated that current State funding was insufficient, and that the State General Fund supported 84 percent in UC expenses in 1990 but dropped to 42 percent today. She called on the University to continue seeking more State funding. Students were already working full-time jobs and taking out loans they could not afford. Part of the State's \$7 billion surplus could be allocated to the University.
- U. Derek Imai, UCB student and member of the Associated Students of UC Berkeley, thanked the Regents for delaying the vote on the proposed tuition increase. Socioeconomic diversity has improved when tuition was held flat and has diminished with tuition increases. About 60 percent of nonresident students came from low-income or middle class families and received virtually no financial aid. There was no proof that tuition increases benefited low-income students, who were already worried about academics, physical and mental health, and other living expenses.

- V. Kealoha Pisciotta, Hawaii resident, spoke in opposition to the Thirty Meter Telescope (TMT) project. The International Convention on the Elimination of All Forms of Racial Discrimination was concerned that the TMT project did not have the consent of the Hawaiian people. Protestors sitting on the access road at Mauna Kea were willing to die for a project that does not need to be built. She called on UC to take care of its students instead of desecrating Hawaiian land.
- W. Kathryn Lybarger, president of AFSCME 3299, shared that UC and AFSCME's service unit have reached an agreement and that negotiators have developed enforceable language on curtailing outsourcing and key economic issues. A deal had not yet been reached between the University and the patient care unit. She declared that UC could not silence or impose financial penalties on those seeking justice. The bargaining team stated that members sought a resolution that was fair to all parties but were prepared to strike.
- X. Rupa Marya, UCSF professor and appointee to the Healthy California for All Commission, urged the Regents to call on the State to remove toxic pesticides and employ regenerative, organic practices. She has witnessed many patients die from repeated pesticide exposure, and many of these patients' deaths were uncounted because they were undocumented.
- Y. Lindsay Tang, associate counsel for the San Francisco Society for the Prevention of Cruelty to Animals (SPCA), requested the Regents' strong support for the California for All Dogs and Cats initiative at UC Davis. Governor Newsom has set aside \$50 million for California animal shelters in his proposed State budget. He has chosen the UC Davis Koret Shelter to lead the effort due to its expertise. Two-thirds of the funding would be allocated to grants and local assistance.
- Z. Elizabeth Milos, UC staff member, requested that the Regents influence the government of Chile to stop violating human rights. She stated that 402 people have been blinded. The Chilean government was attacking medical workers and safety personnel and has taken 2,500 political prisoners. Students in Chile were protesting the neoliberal government that has privatized education.
- AA. Lennin Kuri, UCR student, spoke in opposition to outsourcing and stated that UC has not settled its contract with AFSCME 3299. If no changes are made, UC would be known as an institution of worker exploitation and racial inequity.
- BB. Lizeth Torres, UCM student, spoke in opposition to proposed tuition increases. Undocumented students were not guaranteed in-state tuition through State Assembly Bill 540. Many students chose not to attend UC because they did not know about the affidavit that would provide a fee waiver. This was demonstrative of the first-generation student experience. Ms. Torres stood in solidarity with others who had spoken before her.

**2. APPROVAL OF MINUTES OF PREVIOUS MEETING**

Upon motion duly made and seconded, the minutes of the meeting of November 13, 2019 were approved.

**3. REMARKS OF THE CHAIR OF THE BOARD**

Chair Pérez began his remarks by acknowledging some topics raised during the public comment period. It was significant that students called attention to the tuition item's noncompliance with noticing requirements. Their approach reinforced the importance of transparent, inclusive, and open discussions. The Regents must comply with noticing requirements pursuant to State Assembly Bill (AB) 970 and the memorandum of understanding between UC and UC Student Association (UCSA). Given student concerns, Chair Pérez had decided to replace the action item on tuition with a discussion item. There were no deficiencies in the Office of Secretary and Chief of Staff to The Regents; only efforts to perfect the item missed the mark. Students were right, and the Regents should respect that. Chair Pérez underscored that he has never and would never vote for a broad-based tuition increase for current students. He was open to cohort-based tuition with clear guarantees for students in the future. The Regents would be discussing two different tuition models at this meeting and must be mindful of affordability, total cost of attendance, debt load, and housing and food insecurity. A tuition increase would also have benefits, such as more return-to-aid, which would offset impacts on debt load and housing and food insecurity. He hoped the discussion would be a productive one. He believed that the State should provide more funding to UC. In light of the State's \$1.6 billion disinvestment from higher education during the Great Recession, AB 970 was meant to ensure the transparency of fee discussions by the UC Board of Regents and the California State University Board of Trustees. Governor Newsom's budget proposal has showed an ongoing commitment to growing, multi-year funding to UC, but reinvestment does not happen in a single year. He believed that the State would continue reinvestment in the University but was unsure that whether it would be enough to address UC's financial challenges.

Chair Pérez shared accomplishments from his term thus far. The Working Group on Innovation Transfer and Entrepreneurialism was established. He thanked Regent Leib for chairing it and Regents Park, Estolano, and Um for serving on it. Significant progress has been made with the American Federation of State, County and Municipal Employees (AFSCME). A small but significant amount of work remained, and he was optimistic that a tentative agreement would be reached with the patient care bargaining unit as well. The changes to Regents Policy 5402: Policy Generally Prohibiting Contracting for Services, which the Board adopted in November, facilitated negotiations significantly. The Governance Committee would be considering whether to give UCOP staff more time to align policy language with the new collective bargaining agreement (CBA). The Special Committee on the Selection of a President has gone beyond what is required by policy by reaching out to additional stakeholders. Public forums were held at UC Davis and UCLA in conjunction with the College Futures Foundation. Chair Pérez thanked the presenters and former Regent Monica Lozano, who is president and chief executive officer of the College Futures Foundation. A town hall meeting was held at UC Riverside, to be followed

by upcoming town hall meetings at UC Berkeley, UC Merced, and UC San Diego. The Special Committee held additional stakeholder discussion with UC Health and unions with whom UC has CBAs. He encouraged faculty, students, staff, alumni, and community members to provide feedback at upcoming meetings or in writing. Chair Pérez encouraged all Regents to attend the Public Engagement and Development Committee off-cycle meeting at UC Merced.

Chair Pérez highlighted several items that would be discussed. UC Merced and UC Riverside would present their strategic planning overviews, and other campuses would follow in future meetings. He thanked Regent Weddle for ensuring that the Board focus on the University's efforts to address sexual violence and sexual harassment. He congratulated Regents Makarechian and Sures for their reappointments to the Board and expressed his respect for the Board and all stakeholders and his enthusiasm in working with them. He thanked members of the public who remind the Board of its critical role and responsibility.

#### 4. **REMARKS OF THE PRESIDENT OF THE UNIVERSITY**

President Napolitano stated that there was much to be done to secure UC's future and ensure access to a high-quality, affordable education for California students. For the fourth consecutive year, the University has increased enrollment of in-state undergraduate students; UC currently had 185,559 in-state students. The University added more than 17,000 California undergraduate students since 2015–16, exceeding its goal of 10,000. Governor Newsom's proposed State budget would provide \$217.7 million in ongoing funding and \$55.3 million in additional, one-time funds. This would cover a significant portion of UC's core operating cost increases and support UC medical education expansion; wildfire preparedness; legal services for immigrant students; UC Extension online; literacy training for K-12 teachers; and animal shelters run by UC Davis. The University would continue to advocate for State support for enrollment growth, access, and affordability; student services for vulnerable populations; and deferred maintenance.

The University planned to request that the Legislature return the Office of the President (UCOP) budgeting approach to the campus assessment model. In 2017, legislators adopted the UCOP budget line item at the recommendation of the State Auditor, who also recommended reevaluation after fiscal year 2019–20. Since then, UCOP achieved significantly greater budget accountability and transparency. President Napolitano and the chancellors believed that UCOP should return to its former budgeting model.

With regard to tuition, students would be consulted further and a later date would be set to make a decision. President Napolitano underscored that the University did not take changes to tuition and fees lightly. This was part of a larger discussion about the total cost of attendance. Increasing tuition would provide more funds to cover the cost of attendance for students who need financial aid the most. UC would continue to seek ways to mitigate costs, such as expanding student housing options, addressing food insecurity, and reaffirming its commitment to a financial aid program that was among the strongest in the country. More than half of in-state students paid no tuition or fees.

The Regents would hear a presentation about faculty recruitment, retention, and diversity. The number of women and underrepresented groups (URGs) among ladder-rank faculty has increased gradually over the past 20 years, but the most diverse hiring has occurred in the last five years. State and UCOP funding has helped campuses take important steps to attract and retain faculty, but UC has continued to face challenges. It has been competing for researchers and educators with universities worldwide and must improve campus climate to ensure a welcoming learning and working environment for all. Ph.D. attainment remained low for women and URGs, which has led to a smaller pool of diverse candidates for ladder-rank faculty positions. Thanks to new tools and data, UC was learning more about the issue so that it could push for recruiting faculty who represent the diversity of the state.

The Regents would also hear a presentation on the Annual Report on Sustainable Practices, which covers carbon neutrality, energy efficiency, procurement, transportation, waste reduction, green building, research, education, and more. Since 2005, UC has completed more than 1,000 energy efficiency projects, saving \$285,000 in utility expenses. Half of UC's new fleet purchased in fiscal year 2018–19 were zero-emission vehicles. Last month, UC partnered with the California State University (CSU) to hold a K-12 climate education summit, with former Governor Brown, Regent Kounalakis, and CSU Chancellor Tim White in attendance. UC's 2025 carbon neutrality goal was very ambitious and required investment and commitment, but steady progress was being made. President Napolitano was proud of UC's work to move itself and the planet to a more sustainable future.

## **5. REMARKS OF THE CHAIR OF THE ACADEMIC SENATE**

Faculty Representative Bhavnani stated that, despite dismal world news such as ethnic cleansing in Burma, impeachment of the U.S. president, and Brexit, optimism led to millions of women in India protesting gender inequality and violence, strikes in France against pension changes, and rebellion in South America. Student protests have been fueled by optimism. The Academic Senate was also optimistic about maintaining UC's position as a premiere institution. It was developing proposals to encourage people to return to UC and complete their degrees. A Senate task force was working with Vice Provost Susan Carlson to extend faculty diversity. The Academic Council was addressing implicit bias. Senate faculty with UC Health professionals discussed how best to ensure that UC's lowest paid employees had consistent healthcare. Ms. Bhavnani and Chancellor Block co-chaired a working group that was drafting guidelines on sanctions for violations of UC sexual violence and sexual harassment policies. In one example of how UC faculty inspired optimism, UCSD Professor Linda Hill was asked by San Diego County to gather a team to screen asylum seekers for infectious diseases before their entry into a shelter hosted by Jewish Family Services at the San Diego border. Staff spent the holiday break to draft the contract, and the medical team spent the holiday break screening asylum seekers. To date, a team of 170 people have screened at least 20,000 people, Dr. Hill was working to develop this initiative further. Commitment, passion, and determination to help those in crisis were integral to UC's service work. The efforts of Dr. Hill and her team were one example of service by UC faculty, staff, and students.



**6. REMARKS FROM STUDENT ASSOCIATIONS**

Chair Pérez explained that, when it was announced that a tuition increase was to be decided, the student associations sought the opportunity to address the Regents prior to their consideration of the issue.

President Napolitano introduced UC Student Association (UCSA) President Varsha Sarveshwar, UC Berkeley student and External Affairs Vice President of the Associated Students of the University of California.

Ms. Sarveshwar began her remarks by noting UCSA's enthusiasm about UC's tentative agreement with the American Federation of State, County and Municipal Employees (AFSCME) service unit and stood in solidarity with the union's patient care workers and graduate students on strike at UCSC. She congratulated Regents Makarechian and Sures on their reappointments and acknowledged Regent Makarechian's advocacy of nonresident students. She thanked Chair Pérez and the Board for postponing the vote on the proposed tuition increase. Student leaders are entitled to notice of any tuition increase 30 days before public notice is given per Assembly Bill 970 and a memorandum of understanding with the University. Students were never explicitly informed that a five-year proposal was being considered and thought the increase applied to 2020–21. Students were not making accusations about hiding the truth but noted the significant difference between a tuition model and schedule of actual tuition increases. Students were thankful for the delayed vote and hoped that a precedent of fully honoring notice and consultation requirements was set. The current proposals were more concerning than previous proposals to raise tuition as they would jeopardize affordability for too many students. While the increases would help some low-income and middle class families, students did not believe in making college more affordable for some by making it more expensive for others. Some students had high medical debt, while other students, particularly queer and transgender students, had parents who refused to pay their tuition. There were nonresident or international students who do not receive adequate financial aid and could pay thousands of dollars more by 2025, making UC more expensive than some elite private universities. There were many California high school students who did not know that they qualified for financial aid and chose not to apply to UC. The University should not pursue long-term tuition increases without addressing these issues. Ms. Sarveshwar was deeply concerned about the impact of these student increases on student advocacy. She and other students have lobbied the Legislature for various bills and for funding for programs such as Student Academic Preparation and Educational Partnerships (SAPEP). A tuition increase would make students less likely to engage in advocacy. Nearly 300,000 strong, students were UC's loudest constituency. The State budget should be regarded as tied to tuition and fees. Students should not be divided by cohort or residency. Students strongly encourage the University not to pursue any tuition increases and especially not any multi-year increases.

President Napolitano introduced UC Graduate and Professional Council (UCGPC) President Connor Strobel, Ph.D. candidate in Sociology at UC Irvine.

Mr. Strobel opened his remarks by sharing UCGPC's thoughts on professional degree supplemental tuition (PDST) applications. Graduate students have been frustrated with applications that lack meaningful plans for diversity, clear career services, and student consultation. The joint application for the Law School program reflected meaningful diversity plans and robust student consultation, but many other applications have been approved without real plans for improvement. Graduate students have been averse to the cohort-based tuition model and appreciated the working group's recommendation against it for graduate students. Even for undergraduate students, predictability would be marginally improved in a cohort-based model and only for upper middle class families. Graduation levels of both models should be revised. A family income of \$100,000 was below the poverty line in many expensive regions in California; the disparate impact to middle class students ran counter to UC's mission. A more nuanced model that is more mindful of working and middle class students would be needed before graduate students would consider it. With regard to an upcoming presentation on Title IX, there was still a need for an expansion of sexual violence and sexual harassment (SVSH) policy meet students' high standard for process. The number of incidents on campuses must be reduced, and Campus Advocacy, Resources, and Education (CARE) offices needed more funding. With regard to a presentation on graduate education in the California economy, a reevaluation of graduate student pay was needed so that students may focus on their education and careers. Career services were not keeping pace with the increased graduate student enrollment. Students needed help communicating their specialized skills with prospective employers. Students needed advisors who understand the high-skill labor market and provide industry-specific advice in order to ensure gainful employment, minimize underemployment, and strengthen the alumni-career pathway. Otherwise, more students would leave California in search of employment.

7. **STRATEGIC CAMPUS OVERVIEW, MERCED AND RIVERSIDE CAMPUSES**

[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.]

Interim Executive Vice President and Chief Financial Officer Jenny explained that this presentation was part of a series in which campuses would provide an overview of their strategic plans and share how investments, capital infrastructure budget decisions, and their Long Range Development Plans were tied to their academic strategy.

Interim Chancellor Brostrom highlighted a few examples of UC Merced's high national rankings given its young age. He acknowledged former Chancellor Dorothy Leland; dedicated faculty, staff, and leaders; President Napolitano; and the Board for their efforts. UCM was the fastest growing university in the U.S. and one of the most diverse, with 74 percent first-generation, 63 percent Pell-eligible, and 56 percent Hispanic students. *U.S. News and World Report* ranked UCM first for outperforming projected graduation rates based on the profile of its students.

UCM has launched an initiative to expand the number of transfer students by reducing application barriers, setting expectations with community colleges, expanding concurrent

enrollment, and developing joint degrees. UCM students were hosting community college students for research opportunities and conferences. UCM was also working to increase graduate and professional student numbers and planned to develop a standalone management school. In order to reach R1 status by 2030, UCM was hiring more mid-career faculty, expanding its research space, and improving its support of contract and grant administration. UCM has partnered with the California State University (CSU) to encourage CSU students to pursue graduate degrees at UCM, and UCM doctoral candidates could teach at Central Valley community colleges and CSU campuses. UCM's undergraduate research program has been a predictor of higher retention and graduation rates, as well as a higher likelihood of attending graduate school. In the last two years, UCM has hired faculty who were 69 percent female and over 50 percent who were underrepresented minority (URM) or multi-racial.

The Merced 2020 project would add a generation of buildings in four years. The project was about \$15 million below budget and ahead of schedule. Additional dormitories would allow for a two-year residency requirement, which would increase persistence and the four-year graduation rate. All Merced 2020 buildings would be classified Leadership in Energy and Environmental Design (LEED) platinum and consume 20 percent less energy than the Title 24 requirement. Savings from the project would be directed toward construction of a police station, adding lights over recreation fields, and providing more furnishings and equipment for classrooms and laboratories. Interim Chancellor Brostrom invited Regents to attend the upcoming Public Engagement and Development Committee meeting at UC Merced and participate in the campus tour.

After the completion of the Merced 2020 project, UCM would focus on a health and behavioral sciences building as it continues to expand healthcare education in partnership with UCSF Fresno to address the healthcare shortage in the Central Valley. Governor Newsom has allocated \$15 million to expand medical education in the Valley in his proposed budget. The new building would house the psychology and public health departments, as well as new classrooms to accommodate enrollment growth. UC Merced has reduced waste per capita by over 50 percent and reduced potable water consumption by 60 percent; it aimed to end groundwater usage by 2025. Tuition and State funding accounted for 71 percent of UCM's overall budget, and financial aid covered some or all of 90 percent of UCM students' tuition. Steady growth in tuition and State appropriation was needed. More return-to-aid was needed to cover the growing cost of attendance for UCM students, some of the most financially vulnerable in the system. Endowment per student was \$7,000 compared with Princeton University's endowment of \$2.8 million per student. Debt service would peak at 12 percent, nearly three times the system average. Therefore, Interim Chancellor Brostrom has prioritized diversifying revenue sources by exploring new business opportunities, targeting foundations and corporations for philanthropy, optimizing asset allocations, and growing the enrollment of nonresident students.

Regent Makarechian asked about the delivery method used for Merced 2020. Interim Chancellor Brostrom replied that it was a hybrid public-private partnership. UCM and the developer each took on half of the financing. Equity has been an important means of

fostering a partnership with Plenary Properties, the developer, who would be providing major maintenance and operations over 35 years. Plenary Properties' final payouts in 2038 were contingent on properties being passed over to UCM in high-quality conditions. Buildings were being delivered LEED Platinum, which exceeded UCM's requirement of LEED Gold. The campus would have preferred to finance the project with State general obligation or lease revenue bonds but did not have opportunity. There have only been 80 change orders because of governance and the partnership with the developer. There has been no litigation or arbitration. Regent Makarechian added that this delivery method had been used for infrastructure projects but never before for university construction.

Regent Makarechian noted that gross margins were very high while cash on hand was lower than at other campuses. Interim Chancellor Brostrom replied that UCM has moved as much money as possible into the Total Return Investment Pool and Funds Functioning as an Endowment. He anticipated a dip in cash because UCM would be making payments once it had beneficial use of the Merced 2020 buildings. UCM also had a line of credit with the Office of the President (UCOP). In response to a question from Regent Makarechian, Interim Chancellor Brostrom stated that UCM would have no deferred maintenance on the new portion of the campus for 30 years as it would be the developer's responsibility. Merced had the lowest incidence of seismic activity in the state. Regent Makarechian asked when UCM would start considering the next generation of buildings. Interim Chancellor Brostrom stated that UCM should plan right now. The campus would need more dormitories as enrollment reaches capacity. That Academic Strategic Plan would inform the next research enterprise. Regent Makarechian asked how further expansion would affect cash on hand. Interim Chancellor Brostrom replied that philanthropy was necessary to fund new buildings, which would be built around existing infrastructure.

Regent Leib invited Regents to attend the upcoming Public Engagement and Development Committee meeting at UC Merced. He praised Interim Chancellor Brostrom's availability to students. He asked whether the businesses and leaders who supported the establishment of UCM were being pursued for philanthropy. Interim Chancellor Brostrom reported some successes with Central Valley philanthropy. He was also expanding his search to the Bay Area and Southern California. Two grants have been renewed by the Osher Foundation, and he has met with other private foundations. More people from the Bay Area and Southern California were being recruited to join UCM's foundation board.

President Napolitano asked what cuts would be made at UCM with no tuition increase. Interim Chancellor Brostrom replied that UCM had the lowest percentage of tenure-track faculty in the system. Without stable and predictable revenue, the campus would have to rely on lecturers and non-tenure-track faculty, would not be able to expand graduate student support, and would not be able to hire more staff to support student services and contracts and grant administration. UC Merced Provost Gregg Camfield added that UCM would fail grow into the need. The campus has been very committed to cost savings, but, for example, even the addition of one staff person would be very helpful. Without more funding, UCM was losing opportunities for improvements that would help students succeed at the same rate as at other campuses.

Regent Park asked whether current faculty would teach less in order to increase grant activity. Mr. Camfield replied in the negative; UCM would grow its grant activity at a normal pace. Nearly half of UCM faculty were untenured, and junior faculty did not receive grants at a high rate. Generally, small grants would be given to prove concept, which would help drive larger grants. Regent Park asked whether UCM's transfer student goal was as specific as its R1 goal. Mr. Camfield replied that UCM aimed to have a two-to-one transfer student ratio by 2030 and wished to draw students from the entire Valley. Regent Park noted that a two-year residency requirement would be a burden to transfer students and asked whether it would change. Interim Chancellor Brostrom stated that the requirement did not apply to transfer students. UCM was trying to make the interaction with community colleges more seamless. Mr. Camfield added that most community college students were commuters, but a sense of belonging was important to completion. UCM was developing other connections, such as summer research opportunities.

Regent Park asked how the focusing on science, technology, engineering, and mathematics (STEM) and laboratory space was responsive to the needs of the region. Interim Chancellor Brostrom replied that the focus was driven by first-generation students who wanted traditional careers. Five majors represented 80 percent of undergraduate students. UCM aimed to find alternatives to students' first-choice major through central advising and living and learning communities such as Beyond the M.D., which showed students the array of other health sciences careers. Mr. Camfield shared his concern that UCM needed to balance STEM with social sciences and humanities to build civic capacity. UCM did have strong sociology, political science, and arts programs to counteract this, so the balance was right.

Regent Sherman asked whether there were issues with faculty housing or attracting faculty. Mr. Camfield responded in the negative. Interim Chancellor Brostrom added that UCM was looking to bring UC Care to the Merced region as a health care option.

Regent Sherman asked what other campuses could learn from UCM's experience with Merced 2020. Mr. Camfield underscored the importance of governance, keeping change orders and expectations low, and robust communications with other partners. Interim Chancellor Brostrom added that going beyond the contract and engaging in partnership was critical.

Regent-designate Stegura noted that students might not return to school after summer break because of the economic needs of their families. She asked whether summer undergraduate research was paid work. Interim Chancellor Brostrom responded in the affirmative. Research improved students' sense of belonging and built relationships with faculty, both of which were predictors of retention. Many first-generation students were supporting their families with financial aid, which affected their quality of life and time-to-degree. Mr. Camfield added that UCM needed more grant funding for undergraduate research.

Regent Anguiano urged more creative ways to improve the sense of belonging for students who lived off-campus. She asked about UC Merced Extension and economic development. Interim Chancellor Brostrom stated that Merced 2020 brought 10,000 jobs that were popular among local construction workers. UCM was seeking ways to encourage students

to work in the Central Valley and for faculty to set up companies there. UCM has partnered with Agriculture and Natural Resources and CSU Fresno on the Fresno Drive Project, which had \$30 million in State funding for agricultural technology. High-speed rail would help establish ventures along the Valley region. Other parts of the Valley looked to Merced as a leader. Mr. Camfield stated that UCM was working on an early childhood development credential program and certificate in accounting through UCM Extension.

Regent Kieffer asked whether UCM had a plan to become a mixed community of local residents and students. Interim Chancellor Brostrom stated that former Chancellor Leland opened a downtown campus center with 300 staff two years ago, which revitalized downtown Merced. UCM needed more housing for graduate students and more childcare, but it needed to happen naturally in order to attract more businesses to campus. The Virginia Smith Trust had plans to develop a university community that were on hold. Regent Kieffer suggested incentives to create community around the campus to mature it.

Regent Ortiz Oakley encouraged outreach to transfer students, who were not as familiar with research opportunities and other resources, before they reached campus. He asked whether the revenue mattered as long as it was predictable. Interim Chancellor Brostrom replied that UCM would need predictable general funds, which came from in-state tuition and State funding. Not raising tuition would hurt the many students covered by financial aid. UCM was seeking ways to involve transfer students while they were still attending community college. Mr. Camfield added that UCM lacked adequate resources needed to integrate transfer students. The campus was building a network with CSU and the community colleges to make the transition to UC more seamless.

Regent Reilly asked about UCM's K-12 outreach. Mr. Camfield replied that the Community Education Program opened before the campus did and has prepared tens of thousands of students for higher education. UCM and UCSF Fresno were creating a pipeline for medical professions and doctor's academies.

Chair Pérez recalled his conversations with veterans at UCM who felt better supported at Merced College than at UCM and emphasized the importance of building the infrastructure of support for a variety of students at UCM. UCM must be explicit in its desire to grow diversity of faculty and leadership to reflect the diversity of the student and state populations. Mr. Camfield replied that UCM was learning from its community college partners. UCM had put more focus on freshman students than transfer students. The campus had made concerted and successful efforts in diversifying its faculty and was cultivating future leaders from that diverse faculty.

Chancellor Wilcox stated that UC Riverside, given its meteoric rise in recent rankings, was the most dynamic university in the country. UCR was the top university for social mobility. Research, scholarship, and outreach activities were other sources of dynamism. The 40 percent increase in ladder-rank and clinical faculty made up for a lack of recruitment in the past, adding people to an ever-changing campus. The faculty cohort was now 25 percent URM, with half of new recruits being women. He credited longtime faculty with the increase in research funding. UCR's four-year graduation rate increased by an

unprecedented 21 percent and improved graduation rates for students with low Academic Index scores (AIS).

Chair Pérez clarified that these were students who had low AIS but were still UC-eligible. Chancellor Wilcox responded in the affirmative.

Chancellor Wilcox continued by remarking that UCR students had a better chance of graduating than in any other campus in the system. UCR had a lower total graduation rate because of its large cohort of low AIS students who had least college preparation and needed more support.

Chancellor Wilcox laid out challenges that UCR faced. Proposed increases in the State budget would not meet UCR's cost increases. Financial aid would not grow without an increase in tuition. UCR's funding per student fell below the systemwide average and the percentage of California students exceeded the systemwide average. UCR did not receive the benefits of nonresident tuition and was being asked to serve more California students. UCR focused on its faculty growth and had not invested as much on staff. There were significant deferred maintenance needs.

While UCR was originally conceived as a liberal arts campus, the region wanted more. In the 1980s, there was even talk of closing the campus. There has been a long history of not prioritizing UCR and its research programs. UCR was working hard to grow the economic profile of the Inland Empire and needed strong financial and corporate partnership in the region. The campus' goals aligned with those of the University's multi-year framework. With Interim Provost Thomas Smith leading the planning process, Chancellor Wilcox challenged the campus to envision what UCR should be in its centennial and take steps toward that grand vision. The California Air Resources Board planned to build southern headquarters at UCR, which would become the world's center for air quality research. There were many other promising research opportunities because of the campus' connection to the community. UCR aimed to create a research profile that fit the surrounding region and, by extension, the nation and world. Despite bad press, the campus believed in itself and stayed true to its values, students, and community.

Regent Kieffer urged the Board and President to be mindful of the decisions it could and could not make. The needs, growth, and expectations in the state were at UCM and UCR. The Board should continue to communicate where it wished to direct funding.

Regent Lansing praised the achievements of both campuses and their students.

Regent Ortiz Oakley asked whether UCR found the University Innovation Alliance (UIA) beneficial and whether other campuses should join. Chancellor Wilcox explained that the UIA was comprised of 11 major public universities joining to promote student success. There was one school per state to spread influence and limit competition. Adding schools had not been considered. The impact has been national. Regent Ortiz Oakley stated that UCM and UCR were examples of what other universities should be doing. He asked whether UCR was interested in considering nonresident tuition as a revenue source.

Chancellor Wilcox responded in the affirmative. He has spoken with President Napolitano about how UCR's nonresident student growth could affect other demographics. UCR needed to become more competitive before it could raise its nonresident tuition.

Regent Um asked about the sustainability of UCR's current work model in light of a 40 percent staff deficit as expectations and goals continued to grow. He felt that UCR needed a tuition increase. He asked what immediate impact a tuition increase would have on UCR and how it would be deployed. Chancellor Wilcox stated that the first step was keeping the campus whole. UCR was told to grow enrollment for more funding but needed more funding to sustain that growth. The campus needed \$150 million for 4,500 classroom seats for the existing student population. Beyond being financially whole, UCR shared the system's aspirations.

Regent Makarechian asked about the student-faculty ratio. Chancellor Wilcox replied that the 40 percent faculty growth was for correcting deficits. Regent Makarechian asked about the classrooms. Chancellor Wilcox responded that UCR was still short classroom seats despite adding more classrooms in 2008 and 2011. Regent Makarechian noted substantial enrollment growth. Chair Pérez asked whether this was because UCR added a medical school. Chancellor Wilcox replied in the affirmative. UCR was renting 900 seats in local movie theaters, making use of study and game rooms in dorms, and renting space in UC Extension for classroom space. Faculty were teaching evenings or weekends because of classroom issues.

Regent-designate Muwwakkil asked whether there were incentives in undergraduate research that benefits the local community. Mr. Smith replied that UCR sought to increase service learning and community research programs and add them to curricula. There was no major funding stream attached, but UCR was trying to support the faculty willing to connect with the community. Twenty-five percent of students were doing research in laboratories. Chancellor Wilcox added that UCR has the largest AmeriCorps program. Regent-designate Muwwakkil underscored the importance of engaging the community and student enthusiasm. Mr. Camfield emphasized the real impact of research on communities.

Regent Park asked about academic strategy in the context of the Long Range Development Plan, capital needs, and growth of programs like the business major based on the needs of the region. She asked that UCR make a presentation after its strategic planning process is complete. Chancellor Wilcox stated that UCR has the largest undergraduate business program in UC but needed to do more to lead the region. UCR lacked research space but lacked even more classroom space.

Regent Anguiano asked how UC was considering resource allocation to achieve its goals. Mr. Jenny replied that, under the current model, campuses retained most of the revenues they generate. State funding weighted different disciplines; for instance, graduate students cost more than undergraduate students. UC was working to bring all campuses to a funding average of 95 percent. Regent Anguiano asked that funding reflect the priority of the Board.



Chair Pérez commended UCR for outpacing the systemwide average despite low AIS. The Board had discussed making State funding requests based on the cost of serving different student populations. UCM and UCR students needed additional investment. He was moved by the counterintuitive outcomes despite the student profiles at both campuses. These outcomes challenged assumptions about how UC should admit students. Regent Kieffer added that the Board should be considering its own responsibilities and the effects of its high-level choices. The Board needed to have more detailed discussions. Chair Pérez agreed that systemwide numbers were not very instructive. He directed those concerns to Mr. Jenny. Chair Pérez also commended Chancellor Wilcox for comparing the multi-year framework to UCR's goals and for providing faculty growth data. He suggested that other campuses do the same in their presentations. Chancellor Wilcox acknowledged the thousands of people at UCR who had worked to produce these positive outcomes. There needed to be a fundamental conversation about campus priorities and resources.

Regent Estolano suggested that future campus presentations include deficits and how to address them. A tuition increase would not address capital improvement. She asked how UCR would address capital improvement. Chancellor Wilcox replied that a classroom building was being built right now. All new residence halls were being built with classrooms in them. President Napolitano had prioritized another classroom building if the general obligation bond passed on the March ballot. Another strategy, diverting funds from the operating budget, was unsustainable.

Regent Estolano noted the burden on staff who lacked the compensation and agency of faculty. She suggested that future campus presentations include information about their staffing needs. Chancellor Wilcox added that it was remarkable that UCR achieved its graduation rates with so few staff.

Faculty Representative Gauvain noted all that had to occur on the Riverside campus to make the gains Chancellor Wilcox presented. Given staff shortages, faculty have been doing the work of staff. She commended UCR faculty and students for their perseverance through difficult times.

Provost Brown thanked Chair Pérez and recognized the vision of Regents Anguiano and Park of presentations combining the academic plan with the capital plan. He hoped that this would be the method by which the University envisioned its future. The Board would always have tension between the allocation of resources and the need for more resources. More and more buildings have exceeded their useful life. The University was trying to achieve its ambitions in the quality of education and research productivity in light of decreased State support. There were no easy answers. Both the state and the nation looked to the decisions of this Board.

The Board recessed at 12:20 p.m.

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The Board reconvened at 1:00 p.m. with Chair Pérez presiding.

Members present: Regents Anguiano, Blum, Butler, Elliott, Estolano, Guber, Kieffer, Kounalakis, Lansing, Leib, Makarechian, Napolitano, Ortiz Oakley, Park, Pérez, Reilly, Sherman, Simmons, Sures, Um, Weddle, and Zettel

In attendance: Regents-designate Mart, Muwwakkil, and Stegura, Faculty Representatives Bhavnani and Gauvain, Secretary and Chief of Staff Shaw, General Counsel Robinson, Chief Compliance and Audit Officer Bustamante, Provost Brown, Executive Vice President Byington, Executive Vice President and Chief Operating Officer Nava, Interim Executive Vice President and Chief Financial Officer Jenny, Senior Vice President Holmes, Vice Presidents Brown, Humiston, and Leasure, Interim Vice President Gullatt, Chancellors Block, Christ, Gillman, Hawgood, Khosla, Larive, May, Wilcox, and Yang, Interim Chancellor Brostrom, and Recording Secretary Li

8. **DISCUSSION OF UNIVERSITY OF CALIFORNIA TUITION AND FEE PLAN**

[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.]

Interim Executive Vice President and Chief Financial Officer Jenny explained that this presentation pertained to two key considerations: the role of tuition revenue in any long-term budget plan and the best way to assess tuition.

Associate Vice President David Alcocer stated that, despite UC covering tuition and fees for over half of California undergraduates, cost increases would lead to more borrowing and difficult spending choices that could impair progress toward a degree. A tuition increase would increase the Cal Grant and the Middle Class Scholarship. Over 30 percent of UC students received the Cal Grant, and UC grant aid, funded almost entirely by tuition, filled gaps in Cal Grant aid and covered costs outside of tuition and fees. Tuition made UC more affordable for many families, especial lower- and middle-income families. The number of resident students, especially those from underrepresented groups (URGs), applying to UC has grown regardless of income level and even during tuition increases. The number of students who choose UC has remained constant, showing the effectiveness of UC's partnership with the State for maintaining access. The families who were expected to pay more typically had greater financial resources.

Mr. Jenny provided an overview of Governor Newsom's proposed State budget. There would be a 5.8 percent increase in ongoing State support and a five percent increase to UC's base budget. These would support cost increases such as labor contracts and debt service. Gaps remained between the Regents' approved budget and State's proposed budget. UC would still be \$160 million short of what it needed to maintain core UC operations, let alone achieve multiyear goals. Without a tuition increase, UC would need a 12 percent State funding increase, which was not a sustainable strategy for a multi-year plan. Steady increases would cover inflation-based adjustments and UC Retirement Plan (UCRP) adjustments, restore competitiveness in recruiting faculty, and cover UC's 2030 goal costs. These would require an addition \$2.1 billion by the 2024–25 fiscal year, which could come from annual, five percent increases in State support, philanthropy, investment

returns, and nonresident enrollment growth. A gap of \$700 million would remain. Regular and predictable tuition increases would avoid devastating cuts to programs and services.

Mr. Alcocer stated that a systemwide working group met the past summer and discussed two models, one in which tuition was kept flat in constant dollars and increased according to the Consumer Price Index (CPI), as well as a cohort-based model. The working group also reviewed other institutions' experience with cohort-based tuition. Compared with what was used for this presentation, actual financial aid models were more nuanced for determining net cost of attendance and would consider households with multiple students and other concerns. Holding tuition flat would result in the highest net cost for sample families with \$20,000, \$60,000, and \$90,000 incomes. For a sample family with an income of \$120,000, tuition would be partially covered by the Middle Class Scholarship (MCS) program. Holding tuition flat would benefit families with greater resources. Purchasing power would decline if net revenue was held flat, and total new tuition revenue would increase with both tuition models. Mr. Jenny added that either tuition model would allow for predictable, manageable adjustments.

Regent Makarechian asked how projected need for resources could triple by 2024–25. Mr. Jenny replied that there would be inflation costs and additional investments. Mr. Alcocer added that these were amounts over the base level of expenses. For example, UCRP would require an additional \$30 million every year. Regent Makarechian asked to see real numbers. Mr. Alcocer stated that these projections were close to what the Board approved. Regent Makarechian asked to see where the shortfalls would be. Mr. Jenny replied that each campus made its own spending decisions. Regent Makarechian stated that the Regents could not approve a figure without knowing the details.

Regent Estolano noted that more than 50 percent of undergraduate students would pay less with a tuition increase. She asked what percent of students had a family income of \$40,000 or less. Mr. Alcocer replied that the overall income profile has been relatively stable. In terms of income profile, UC's student population began to mirror the state population, with slightly higher numbers for the highest-income families because of the correlation between income and academic preparedness. Regent Estolano asked what was typical for student self-help. Mr. Alcocer explained that about half of UC students did not work or borrow because their families paid the self-help portion. Those who worked and borrowed tended to do half of each, working about 12 to 13 hours per week. Regent Estolano asked whether the typical debt burden was about \$20,000, and Mr. Alcocer responded in the affirmative.

Regent Estolano asked what percentage of undergraduate financial aid was need-based. Mr. Alcocer replied that all of it was. Regent Estolano asked how much graduate financial aid was need-based. Mr. Alcocer stated that graduate students were considered independent of their families, so assessment was different. In order to attract the best people around the country, financial aid was more competitive, such as tuition remission for teaching assistants and fellowships. Merit would be a big component. Regent Estolano wished to highlight how UC's financial aid approaches differed for undergraduate and graduate students. Mr. Alcocer clarified that professional degree programs followed a different aid model and looked at student need.

Regent Estolano asked whether the projected need for resources included the multi-year framework goals. Mr. Alcocer stated that it included improving the student-faculty ratio. UC would negotiate with the Legislature to fund faculty growth needed for enrollment growth. Regent Estolano asked whether the multi-year framework sought more degrees and not enrollment growth. Mr. Alcocer explained that UC aimed to help students attain degrees more quickly. With State support of enrollment and tuition, enrollment growth was revenue-neutral and not included in the multi-year conversation. There was a unique opportunity to renew and diversify UC faculty in the next several years because of retirement. Regent Estolano noted that enrollment growth would only be revenue-neutral with State support but ongoing funds were not guaranteed.

Regent Lansing asked how both tuition models would affect students from middle class families and wished to learn more about the MCS program. Chair Pérez stated that MCS was fully implemented, fully funded, and the last money allocated. Regent Lansing asked how “middle class” was defined. Mr. Alcocer stated that incomes of up to about \$170,000 were eligible. Regent Lansing noted that it was not much money for families with multiple children in college. She asked how many students were covered by the MCS and how much tuition they were paying. Mr. Alcocer replied that, during 2017–18, over 8,000 students qualified for the MCS and received an average of \$3,000 per student. Chair Pérez added that this amount was significantly higher than the proposed increases. As tuition grows, the value of the award would grow proportionately. Individual families may be better or worse off depending on this. Regent Lansing wondered if UC could still ask the State for a possible buyout or partial buyout of the shortfall. Mr. Jenny stated that the UC budget submitted to Governor Newsom included a buyout that was not taken. Mr. Alcocer explained that both models would provide the President with the authority to reduce or eliminate the tuition increase if more State funding was secured. Proposing tuition increases instead of waiting for the finalized State budget helped set expectations for students. Regent Lansing stated that UC should keep working for more State funding.

Regent Weddle stated that the proposals did not address their impact on reducing food and housing insecurity, “sticker shock” and under-matching, and gaps in the financial aid model. Mr. Alcocer replied that more financial aid would address some of those gaps without shifting resources from some students to other students. Trends in UC applications and yield have not changed despite tuition increases, and this trend has been seen in other institutions, where more low-income students gravitated toward expensive majors with additional aid. Regent Weddle called for review of the financial aid model as gaps resulted in basic needs insecurity.

Regent Ortiz Oakley stated that he was more inclined to vote for a more predictable model but was wary of being presented with two bad choices. Both were tuition revenue choices. No option presented reducing costs to slow down the need for more revenue. UC was considering a tuition increase when the State had a surplus. He asked whether an increase in State support would not mean an increase in financial aid. Mr. Alcocer replied that requests for financial aid made to the State last year were converted to basic needs funding. The State believed that the Cal Grant and MCS were sufficient. Regent Ortiz Oakley asked how enrolling more low-income students who need more financial aid could be sustainable.

Mr. Alcocer replied that those students would have the Cal Grant. Regent Ortiz Oakley noted that there was a finite set of resources and expressed concern about the trajectory of this framework. He suggested that UC should ask the Governor for a multi-year commitment. Chair Pérez explained that the Governor and Legislature were constitutionally prohibited from guaranteeing such a commitment. They could provide a framework but not an agreement that could bind the next Governor and Legislature. Regent Ortiz Oakley stated that UC entered into a compact with Governor Brown and asked whether UC could ask Governor Newsom for an expectation of a commitment.

Regent Ortiz Oakley asked whether the number of nonresidents admitted to UC has been reconsidered. Mr. Jenny replied in the negative, adding that this would require a change to Regents Policy. Regent Ortiz Oakley wished to exhaust every possible source of revenue before increasing tuition. He asked what would become of a cohort-based model in an economic downturn. Mr. Jenny replied that it would depend on the state of the downturn and what internal resources were available to mitigate the effects in the short term. UC would attempt to preserve and honor the cohort-based model. Adjustments would be made to the next cohort.

Regent Sures asked whether there was a contingency protecting students from being unfairly burdened in an economic downturn. Chair Pérez stated that the implementation arc of the cohort model met the uniform increase model over time. In a recession, there would be increases for either model and more exposure in both. Proposition 2 money, known as the Rainy Day Fund, would insulate UC from State disinvestment during a normal-course recession. The risk to UC would be the same under either model but would be greater if tuition was held flat. The \$7 billion State surplus was one-time, non-predictable money. Governor Newsom did not want to use one-time revenue for ongoing obligations.

Regent Sures asked how basic needs would be affected by either tuition model. Mr. Alcocer replied that both would have the same impact on financial aid but the cohort model would provide more peace of mind. Many students were unaware that a Cal Grant or UC grant would cover an increase, and eliminating that anxiety would be significant. Regent Sures asked for a recommendation from the presenters. Mr. Jenny stated that he would choose the cohort model for its predictability.

Regent Kieffer stated that, if tuition is not increased, the core budget would decrease by almost 40 percent over ten years. Asking for a buyout from the State was not sustainable either. The Legislature had demands that far exceeded past demands. The opposition to free college in California began in the 1960s and now seemed unlikely to change. Regent Kieffer personally favored keeping tuition at constant dollars if UC did not receive additional State support. It would set expectations in advance and be more reliable. The Board must face the truth that UC could not afford a 40 percent shortfall in core funding. Regent Leib stated that he was inclined to support a tuition increase after all options were vetted. He asked how much philanthropy was directed to financial aid, noting that private institutions were raising more money for financial aid. Mr. Alcocer replied that the UC alumni base had lower wealth compared with other institutions and served a larger scale of

students. Several UC campuses each enrolled more Pell-eligible students than the entire Ivy League combined. Private giving fluctuates with the economy, and donors were more interested in merit-based aid than need-based aid, which improves access to UC. Regent Leib disagreed and wished to explore the issue as chair of the Public Engagement and Development Committee.

Regent Leib asked about students whose parents refuse to pay for their education. Mr. Alcocer replied that students who were demonstrably separate from their parents were treated as financially independent and would qualify for more aid. These cases were rare. Otherwise, students would have to borrow more or change their lifestyle. More parents would opt not to pay if UC offered to make students whole in every instance.

Regent Kounalakis thanked Chair Pérez for his commitment to transparency and predictability and thanked students who spoke during the public comment period and contacted her office. She spoke to students across the state and noted an affordability crisis driven by healthcare and housing. She intended to ask Governor Newsom and the Legislature for more funding in order to avoid a tuition increase this year. The University planned to increase spending and pay for it by increasing tuition without analyzing the impacts of spending on the budget and how additional costs were funded. Spending decisions seemed to be made as if money was no object. She opposed both tuition models and asked UC to do a better job of scrutinizing plans with ongoing spending and considering their impact on students. Mr. Jenny agreed that UC should better illustrate the impacts initiatives would have on core funds.

Regent Reilly asked about alternatives to raising tuition and whether there were lessons learned from other institutions. Mr. Alcocer replied that other institutions were studied; cohort-based models were typically abandoned after a significant economic downturn. Planning something resilient against such negative circumstances was difficult regardless of either model. UC was better positioned for a cohort-based model than other institutions.

Regent Park remarked that it was impossible to answer every possible question about the issue. She was concerned about overcrowding, staff and labor issues, graduate student issues, capital needs, pension liabilities, deferred maintenance and seismic retrofit, and basic needs. Funding would come from multiple places, and UC must continue to lobby for State support and seek philanthropy. Revenue from technology transfer was a long-term proposition. Chancellors cannot run campuses with this level of uncertainty.

Regent Um expressed uncertainty about what was originally subject to a vote. He thought the Board would vote on whether to have a tuition increase and then choose a tuition model. Chair Pérez explained that the options had been presented this way in response to feedback. The Board was given a chance to evaluate both tuition models. Chair Pérez confirmed that there were three options in order to give the Board as many choices as possible. If tuition was held flat, it could force a decision on budget cuts. Regent Um hoped that the proper procedure would be followed for the next vote. He also sensed that the Board was split. Regent-designate Muwwakkil stated that there was a temptation to view students as a financial resource. Other revenue opportunities should continue to be pursued. A tuition

increase would conflict with UC's mission.

Regent Butler asked why the presentation pertained only to California residents. Mr. Alcocer replied that, as a State-supported institution, UC had a primary commitment to California students and their families. Nonresident students played an important role in culture and diversity. Ten percent of the tuition increase would be used to cover costs for nonresident students. There was strong demand and high yield rates among international students. Nine to ten percent of nonresident students take out loans. Regent Butler requested comparable information about the impact on nonresident students and families.

Regent Butler asked about the percentage of California students taking out loans and the average amount of loans taken out. Mr. Alcocer replied that about half of UC students do not borrow and graduate with no debt, while the other half graduate with about \$20,000 in debt, which was below the national average of \$29,000. It would take monthly payments of \$200 to repay over ten years. Regent Estolano asked about the median debt. Mr. Alcocer replied that there was not much variation from the average debt. Regent Butler asked about loan default. Mr. Alcocer replied that UC default rates were far lower than the national average, with the highest rate at less than three percent.

Regent Butler asked how the projected need for resources would jump from \$95 million to \$2.1 billion without increased enrollment. Mr. Alcocer stated that these were projected cost increases based on what the Regents approved in 2020–21 and focused on costs not part of enrollment growth. Mr. Jenny added that these were additional budget expenditures.

Regent Butler asked what would happen after 2025 with either model and whether there was a floor or ceiling to adjustments when CPI behaved abnormally. Mr. Jenny explained that, at the end of five years, the Regents would have the option of extending the model, not raising tuition, or annual increases. The Regents would have the right to change course within those five years or pause the model in the event of abnormal CPI.

Regent Sherman asked why UC should commit to grow without extra State funding. It would diminish the UC brand and offer a worse student experience. He suggested that UC refuse to grow unless the State paid for it, which would take the burden off students. Mr. Jenny replied that some cost increases were mandatory. UC should communicate how additional investments would be funded and not proceed with them if the funding does not materialize. Core costs existed regardless of new investment. Regent Sherman noted that the \$150 million needed for the enrollment increase would be in response to the Legislature's and California's need for additional degrees. If the State was unwilling to pay, the cost would fall on students. Chair Pérez stated that, if the enrollment increase was not funded, UC would not proceed with it without adjustments to the budget. This conversation demonstrated the importance of discussing the UC budget in greater detail before approval. Regent Sherman stated that UC fell short in its base budget adjustment because of cost increases that were built in. The post-retirement benefit was the biggest accrued liability that UC had. Expanding would be limited without more funding. Regent Kieffer suggested that there be a cap on tuition increases that was made into policy that would not change unless the President made a request to change it.

Regent Estolano asked for more information on how UC faculty and staff salaries compared with those of other institutions.

Chair Pérez expressed his gratitude for the level of detail in the conversation and for students voicing their concerns about process. He believed that UC must make the best decision based on the choices given. Over time, both tuition models would result in comparable predictability. The difference between the two models was in predictability and student stress, especially among neediest students. Constant dollars was a foreign concept to those students and their families, and the neediest often had the least variation in income. He emphasized that he could only support a tuition increase that locked in the price for current students. There would be no guarantees of State funding, but collaborating with students to advocate for more State investment remained important. Regardless of the decision made, the University must determine the impact on basic needs insecurity and debt load. Because tuition has been held flat, UC has had less money to address non-tuition costs that have increased at CPI or greater. One-third return-to-aid should be the minimum, and the Total Cost of Attendance (TCOA) Working Group called for more progressive aid models. This was a choice between cost and affordability. Flat tuition controls cost but not affordability. UC had an obligation to affordability and must be aggressive in exploring all ways of generating revenue. A vote would not end the conversation about containing costs, but UC must acknowledge additional cost drivers such as pension changes, policies regarding outsourcing, and new collective bargaining agreements. These were good decisions, but all good decisions come at a cost.

President Napolitano thanked the Board for this discussion. She had considered every increase's effect on affordability and whether it would allow UC to do what it does. After holding tuition flat for seven of the last eight years, it must be revisited. She was originally skeptical about the cohort model but had since become persuaded. It would provide predictability that the CPI model would not and would allow for adjustment depending on State allocation. A vote would not end the conversation about tuition, financial aid, and TCOA. A vote would give predictability and certainty to campuses and incoming students.

The meeting adjourned at 3:15 p.m.

Attest:

Secretary and Chief of Staff