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Office of the President

TO MEMBERS OF THE COMMITTEES ON EDUCATIONAL POLICY AND FINANCE:

ACTION ITEM

For Meeting of September 20, 2007

APPROVAL OF A THREE-YEAR PLAN FOR PROFESSIONAL DEGREE PROGRAM FEES AND PROPOSED PROFESSIONAL DEGREE FEE INCREASES FOR 2008-09

EXECUTIVE SUMMARY

Action: Endorse the three-year plan of professional degree program fees, and approve proposed fee increases for 2008-09.

Previous Action: At the March 2007 meeting, The Regents adopted the principle that fees for professional degree students would be approved within the context of a multi-year plan that is subject to annual reconsideration.

Issues: Multi-year planning allows the schools to consider and act on their investment needs such as new faculty positions, facility needs, and financial aid program development. At the same time, multi-year planning allows each program to examine its competitiveness with other institutions.

Fee increases implemented in the early years of this decade were used to offset budget cuts, generating no additional revenue for the schools to maintain and enhance the quality of their programs. As a result, the schools have fallen further behind in their ability to offer competitive salaries to their faculty and staff. The financial circumstances of the schools remain severely strained and a sustained effort over time is required for the schools to recover.

Targeted financial aid is necessary to ensure access to professional degree programs, and to minimize financial barriers to the pursuit of careers in public service. Regents' policy requires that an amount equivalent to at least 33 percent of professional degree fee revenue generated from fee increases or 33 percent of total revenue generated from professional degree fees be dedicated to financial aid. The campus plans include sufficient funding for their financial aid programs to meet or exceed the expectations of The Regents Policy.

Programs that are requesting fee increases above the minimum needed to cover inflationary costs will annually evaluate the impact of the fee increases on access and inclusion and report back to The Regents on any changes in the demographic mixture of the students who enroll.

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RECOMMENDATION

The President recommends that the Committee on Finance recommend that:

1. The three-year plan of professional degree program fees, shown in Display 1, be endorsed for planning purposes.

2. The proposed fee increases for 2008-09, also shown in Display 1, be approved for implementation.

BACKGROUND

In January 1994, The Regents approved a Fee Policy for Selected Professional School Students, authorizing fees for students in selected professional degree programs that are required in addition to mandatory systemwide fees and miscellaneous campus-based fees and, when appropriate, nonresident tuition. In approving the fee policy, the University reaffirmed its commitment to maintain academic quality and enrollment in the professional school programs, and recognized that earning a degree in these programs benefits the individual financially as well as the State.

Since 1994, professional schools have been largely supported by a combination of revenue sources, including State general funds, Educational Fee revenue, and professional school fee revenue, among others. Fee increases in the early years of this decade were used to offset budget cuts, generating no additional revenue for the schools. As a result, professional schools have fallen further behind in their ability to offer competitive salaries to their faculty and staff. Fee increases since 2005-06 have provided new revenue for the schools to cover salaries and other necessary costs. However, the financial circumstances of the schools remain severely strained and a sustained effort over time will be required for the schools to recover. The University has engaged in longer-term planning to address the needs of professional degree programs.

It is within this context that, at the March 2007 Regents meeting, the Board adopted the principle that fees for professional degree students will be approved by The Regents according to a multi-year plan that is subject to annual reconsideration. At their July 2007 meeting, The Regents Fee Policy was amended to include that principle. A multi-year plan with regard to fees for professional degree students is a vital and fiscally prudent strategy, providing a more stable planning environment for the professional schools. It allows the schools to consider and act on long-term investment needs such as new faculty positions, facility needs, and financial aid program development. In addition, a multi-year plan provides each degree program with the opportunity to comprehensively analyze their program needs, the costs to address those needs, and the revenue available to support those needs. Finally, multi-year planning allows each program to examine its competitiveness with other institutions on a number of measures, including the “sticker price” of attendance, its financial aid program and its impact on the net cost to students, and other indicia of national competitiveness of the program. At the same time, a multi-year strategy will help inform decision-making by clearly identifying each degree program’s goals and objectives and the steps that are needed to achieve them.

The three-year plans as originally proposed by the campuses were presented for discussion at the July meeting (see July Regents Item E6). The discussion was wide ranging and the issues discussed included the need to maintain and improve the quality of the professional degree programs, the need to remain competitive in recruiting the best students and faculty, program marketability, the impact of “sticker shock” of fee levels particularly for low-income and underrepresented students, and cumulative debt at graduation. Building on that discussion, the President and the Provost worked with the Chancellors to develop the final fee recommendations that are being presented for planning purposes and approval. Display 1 provides the proposed annual fee levels and Display 2 shows the annual percent increases for California residents. Each proposal was carefully reviewed and analyzed to determine the final multi-year fee proposal recommendations, taking into account the program’s stated goals and objectives and its placement within its market, the effect of the fee increases on students and their ability to pay, and the steps that the program intends to take to mitigate the impact of the proposed increases.

It is recommended that the 2008-09 fee increases as proposed in the three-year plans shown in Display 1 be approved. In addition, it is recommended that the three-year plans be endorsed by The Regents for planning purposes.

Three-year fee proposals

The majority of the degree programs originally determined that, within their current marketplace, annual increases in the professional degree fee of 7 percent were sufficient to meet their program goals and objectives for the period 2008-09 through 2010-11. With the concurrence of the Chancellors, it is recommended that three-year plans of 7 percent annual increases in the professional degree fee be endorsed for planning purposes for the following programs:

Medicine:	Berkeley, Davis, Irvine, Los Angeles, Riverside, San Diego, and San Francisco
Dentistry:	Los Angeles and San Francisco
Veterinary Medicine:	Davis
Optometry:	Berkeley
Nursing:	Los Angeles, San Francisco, and Irvine (new program beginning in 2009-10)
Theater, Film & TV:	Los Angeles
Public Health:	Berkeley, Davis, Los Angeles, and Irvine (new program beginning in 2008-09)
Public Policy:	Berkeley, Los Angeles, and Irvine (new program beginning in 2008-09)
International Relations and Pacific Studies:	San Diego

At the July meeting, a number of Regents had reservations regarding some proposed fee increases that were significantly higher than 7 percent. Taking into account these concerns, the plans that proposed exceptionally high fee increases have been revised so that the new increases in total fees do not exceed 15 percent annually. Also incorporated into these revisions is a commitment to safeguard access and inclusion in their programs. As part of that commitment and in accordance with the Regents Policy, each program is using at least 33 percent of the revenue from the fee increases on expanding their financial aid programs. To mitigate the impact of the fee increases on access, each program will make substantial augmentations to the grant assistance provided to enrolled students. In addition, each of the law schools have a Loan Repayment Assistance Plan (LRAP) to ensure that student debt does not preclude students from taking employment in low-paying public interest and public service positions. These schools will also be using revenue from the fee increases to augment their LRAPs significantly in order to expand eligibility to more students and improve the amount of the assistance provided. To cushion the impact of "sticker shock," the programs will be more proactive in providing information on these programs and the impact they have on the actual net cost students will pay. On an annual basis, the programs will evaluate the impact of the fee increases on access and inclusion and report back to the Regents on any changes in the demographic mixture of the students who enroll.

Law. The President, with the concurrence of the Chancellors, recommends that the following plan of increases in the professional degree fee for resident students enrolled in law be endorsed:

Berkeley:	approximately 19 percent annually
Davis:	13 percent annually
Los Angeles:	an average of about 17 percent annually

If these fee plans are approved, the increase in total charges (including mandatory systemwide fees and campus-based fees) for resident law students would be as follows. These estimates assume a 7 percent increase in the mandatory systemwide fees.

Berkeley:	15 percent annually
Davis:	about 13 percent annually
Los Angeles:	an average of about 14 percent annually

A summary of key elements that were used to evaluate each law program proposal is found in Attachment A. It includes a summary of each program's stated goals and objectives, its placement within its market, information on affordability measures, and a summary of the program's financial aid plans.

The campuses originally proposed annual increases in the professional degree fee of approximately 23 percent at Berkeley, average increases of about 17 percent at Los Angeles, and increases of 13 percent at Davis. The original campus proposals would have resulted in annual increases in total charges of nearly 18 percent, an average of about 14 percent, and 10 percent respectively. These proposed increases were a reflection of the campuses identified needs, the markets within which they compete, and their timetables for achieving their goals.

The President supports the goals and objectives articulated in the original multi-year plans for these programs, and recognizes that meeting these goals will require additional resources over time. The law programs, along with the business programs at Berkeley and Los Angeles, sustained budget cuts at the beginning of this decade that were disproportionate to the cuts sustained by other programs. Those cuts have had long-lasting effects and it is necessary that fee increases for these programs be higher than those approved for other programs. However, the President had reservations regarding the original proposals. While there were no fee increases in 2006-07, increases in the professional degree fee for law in other years were substantial. Accordingly, a revised phased plan of moderated increases in the professional degree fee that do not exceed 15 percent of total student charges is recommended for these programs to moderate the impact of fee increases on students. Revenue from the fee increases will be used to pursue academic excellence by investing in salaries to hire and retain an excellent and diverse faculty. At Berkeley and Los Angeles revenue also will be used to support modernization and construction of new law school facilities.

The Irvine campus will be proposing a new professional degree fee in law for 2009-10 when the first class is expected to enroll. Because the campus is still planning its program, it is recommended that action on a fee plan for this program be deferred until a later date.

All three existing law schools are using significant revenue from the fee increases on expanding and targeting the schools' financial aid programs in order to mitigate concerns about the impact of the fee increases on access and inclusion. As part of that commitment and in accordance with the Regents Policy, each program is using significant revenue from the fee increases on expanding and targeting the schools' financial aid programs in order to mitigate concerns about the impact of the fee increases on access and inclusion. For example, the Berkeley law school plan includes a return-to-aid of about 35 percent on new professional degree fee revenue generated in 2008-09. This would bring the school's return-to-aid on total professional degree fee revenue to 40 percent. In addition to providing an additional $2.8 million for need-based grants, the additional funds would also support the school's recently expanded LRAP and increase funding from $700,000 in 2007-08 to about $1.5 million by 2010-11. The Davis law school plan includes a return-to-aid of about 36 percent on new professional degree fee revenue generated in 2008-09 to increase grant funding and expand its LRAP program. Grant funding is expected to increase from $2.4 million to $4.2 million by 2010-11. The UCLA law school plan includes a return-to-aid of about 38 percent on new professional degree fee revenue generated in 2008-09 to expand its LRAP program and provide additional grant funding. The LRAP program is expected to nearly quadruple to just over $1 million by 2010-11, and grant funding is expected to increase from $5.6 million to $9 million during the three-year plan.

The cumulative indebtedness of the students in each program is currently lower than the programs with which they compete for students and, given the salaries their students command after graduation, does not pose unmanageable repayment obligations. The campuses will be carefully monitoring the impact of the fee increases on the mixture of students who enroll.

Business. The President, with the concurrence of the Chancellors, is recommending that the following plan of increases in the professional degree fee for resident students enrolled in business be endorsed:

Berkeley:	approximately 18.5 percent annually
Davis:	10 percent annually
Irvine:	7 percent annually
Los Angeles:	approximately 14 percent annually
Riverside:	7 percent annually
San Diego:	10 percent annually

If these fee increases are approved, the increase in total charges (including mandatory systemwide fees and campus-based fees) for resident business students would be as follows:

Berkeley:	15 percent annually
Davis:	8.8 percent annually
Irvine:	7.1 percent annually
Los Angeles:	12 percent annually
Riverside:	6.8 percent annually
San Diego:	9 percent annually

In their original fee plans, the Irvine and Riverside business programs determined that, within their current marketplaces, annual increases in the professional degree fee of 7 percent were sufficient to meet their program goals and objectives for the period 2008-09 through 2010-11.

The Davis and San Diego campuses requested an increase of 10 percent for each year of the three-year plan for resident students to fulfill each program's strategic and financial goals. In the case of Davis, the increases will generate the revenue necessary to ensure financial stability for the program while positioning the program at an appropriate price point in the competitive market for its MBA programs. For San Diego, the increase recognizes the additional funding needs associated with starting a new program.

The Rady School at San Diego began operating a self-supporting weekend MBA program in 2004 and the School admitted its first full-time class of 60 MBA students in September 2005. The School aspires to rank among the top business schools in the nation, and it is proposing a plan of modest fee increases to maximize revenue while remaining affordable to students as it develops a national presence. As a new start-up program, the Rady School has found it exceedingly challenging to obtain sufficient resources to support an appropriate market-driven budget. Currently, there is a significant "all sources" funding gap on a per student basis between Rady School and the other UC campuses. The proposed annual 10 percent increase is necessary to help generate critical operating and fellowship support. The School recognizes that, as a start-up, it must provide a significant level of fellowship funding to be competitive for quality MBA students in the full-time program. With a negligible endowment at this time and few other sources for merit-based student support, a significant proportion of Professional School Fee revenue is being and will continue to be used for this purpose. At the same time, operating budget requirements, such as the recruitment of top quality faculty, require the maximization of all possible revenue sources.

For both programs, the proposed annual increases of 10 percent will result in resident fee levels that are about the same as those at Irvine, though significantly less than those at Los Angeles and Berkeley.

In their original fee plans, the business programs at Berkeley and Los Angeles requested higher annual increases in the professional degree fee to address the disproportionate budget cuts that these programs, along with the law programs, sustained at the beginning of this decade. These cuts have had long-lasting effects on their programs and it is necessary that fee increases for these programs be higher than those approved for other programs. Berkeley requested annual increases in the professional degree fee for resident students of approximately 22.5 percent and the Los Angeles requested annual increases in the professional degree fee of about 14 percent. The President supports the goals and objectives articulated in the multi-year plans for these programs, but has reservations regarding these proposals. While there were no fee increases in 2006-07, increases in the professional degree fee for these business programs in other years were substantial.

Accordingly, a revised, phased plan of moderated increases in the professional degree fee that do not exceed 15 percent of total student charges is recommended for planning purposes for these two programs to moderate the impact of fee increases on students. A summary of key elements that were used to evaluate the multi-year fee proposals at Berkeley and Los Angeles is found in Attachment A. It includes a summary of the program's stated goals and objectives, its placement within its market, information on affordability measures, and a summary of the program's financial aid plans.

All business schools are meeting the requirements for financial aid specified in The Regents Policy. Given the salaries their students command after graduation, the cumulative indebtedness of the students in each program does not pose unmanageable repayment obligations. To address concerns about the impact of fee increases on access and inclusion, the schools will also be monitoring the impact of the fee increase on the mixture of students who enroll.

Within this context, it is recommended that the three-year fee proposals of increases in the professional degree fee for the business programs at Berkeley, Davis, Irvine, Los Angeles, Riverside, and San Diego be endorsed for planning purposes.

Pharmacy. The President, with the concurrence of the Chancellors, is recommending a fee plan of annual increases in the professional degree fee averaging about 13 percent for students enrolled in pharmacy. If these increases are endorsed for planning purposes, the increase in total charges (including mandatory systemwide fees and campus-based fees) for resident pharmacy students would be approximately 11 percent per year at both campuses.

In response to scientific advances and expanding professional standards, UC pharmacy programs have increased their academic and degree offerings and developed new areas of study to address changes in pharmacy practice and to meet changing accreditation requirements for advanced level pharmacy training. Pharmacy training now involves a clerkship as a member of the clinical care team in UC hospitals and clinics. In addition, UC's advanced-level training – including residency and fellowship programs – are critical to ensure an adequate supply of future pharmacy faculty and to fill critical roles in the pharmacy workforce. The allocation of funding for UC's pharmacy educational and advanced-level training opportunities have not kept pace with the increasing requirements of pharmacy education, which now require small group, problem-based learning, and mentoring. Expected market forces will exacerbate the funding problems experienced by the schools.

To address these needs, the two pharmacy schools at San Diego and San Francisco originally requested increases in the professional degree fee of approximately 26 percent for the first year only of their three-year plans that would result in an increase in total fees in 2008-09 of about 18 percent for both campuses. For the final two years of their plans, both campuses originally proposed increases in the professional degree fee of 7 percent. The President supports the objectives articulated by the schools, but has reservations regarding the increase originally proposed for 2008-09. To address these needs, it is recommended that a revised plan of annual increases in the professional degree fee averaging 13 percent per year be endorsed for planning purposes. A moderated phased plan will assist students in planning for their educational costs and will allow the schools to address their most immediate needs. A summary of key elements that were used to evaluate the multi-year fee proposals for each campus is found in Attachment A. It includes a summary of the program's stated goals and objectives, its placement within its market, information on affordability measures, and a summary of the program's financial aid plans.

In accordance with the requirements for financial aid specified in The Regents Policy, the pharmacy schools will use a significant portion of the revenue from the fee increases to expand their financial aid programs. Given the salaries their students command after graduation, the cumulative indebtedness of the students in each program does not pose unmanageable repayment obligations. To address concerns about the impact of the fee increases on access and inclusion, the programs will monitor the mixture of the students who enroll.

(Attachment)