

The Regents of the University of California

**COMMITTEE ON EDUCATIONAL POLICY  
COMMITTEE ON FINANCE**

September 16, 2009

The Committees on Educational Policy and Finance met jointly on the above date at UCSF–Mission Bay Community Center, San Francisco.

Members present:     Representing the Committee on Educational Policy: Regents Garamendi, Island, Johnson, Lansing, Lozano, and Marcus; Ex officio members Gould, and Yudof; Advisory members Cheng and Powell; Staff Advisors Abeyta and Martinez  
Representing the Committee on Finance: Regents Bernal, Garamendi, Island, Lozano, Makarechian, Schilling, Varner, and Wachter; Ex officio members Gould and Yudof; Advisory members DeFreece and Simmons; Staff Advisors Abeyta and Martinez

In attendance:       Regents De La Peña, Kieffer, Nunn Gorman, Pattiz, Ruiz, Stovitz, and Zettel; Regent-designate Hime, Secretary and Chief of Staff Griffiths, Associate Secretary Shaw, General Counsel Robinson, Chief Investment Officer Berggren, Chief Audit and Compliance Officer Vacca, Interim Provost Pitts, Executive Vice Presidents Darling and Taylor, Interim Executive Vice President Brostrom, Senior Vice Presidents Dooley and Stobo, Vice Presidents Beckwith, Duckett, Lenz, and Sakaki, Chancellors Block, Blumenthal, Desmond-Hellmann, Drake, Fox, Kang, Katehi, and White, and Recording Secretary Harms

The meeting convened at 2:15 p.m. with Committee on Finance Chair Lozano presiding.

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

Upon motion duly made and seconded, the minutes of the joint meeting of the Committees on Educational Policy and Finance of July 16, 2009 were approved.

**2.     PROFESSIONAL DEGREE PROGRAM AND 2010-11 FEE INCREASES**

Interim Provost Pitts informed the Regents that this was an item that would be brought in November for action. He explained that items such as this traditionally are discussed in the fall so that entering students in the professional schools are informed as soon as possible regarding their fees for the following September. Dr. Pitts introduced Stephen Shortell, Dean of the School of Public Health at Berkeley, and Steven Currall, Dean of the School of Management at Davis.

Dr. Pitts explained that since the time of the initial presentation in March, changes had been made in the way that the University gathers data. Several of the professional schools were able to agree on a common set of public comparators; previously, each was picking its own. This change solidified the data to a substantial degree. In November, Dr. Pitts plans to present detailed written information about how the schools anticipate using the fees.

Dr. Pitts observed that 44 programs are proposing to charge professional fees in 2010-11: seven are proposing fees for the first time, and two are initiating a fee that the Regents previously approved. Half of the 44 schools are requesting increases of less than ten percent; only 13 propose fees that are higher. Dr. Pitts compared the currently proposed fees and those that were planned a year ago. Several disciplines with the highest fees (Law and Business) reduced their proposed increases because of the anticipated increase in Education Fees. Dr. Pitts highlighted a key feature of the item that contrasts the fees at UC professional schools with the median fees of public universities in the same disciplines. The proposed fees for the University's largest professional schools (Business, Law, Medicine, and Nursing) are lower than those for the median public comparison groups. He noted that the professional schools are cautious about asking for fee increases, but must, given the budget constraints.

Committee on Finance Chair Lozano reiterated that the item would be brought before the Regents in November for action. She remarked to Mr. Shortell that the School of Public Health at Berkeley is proposing a startling fee increase of nearly 65 percent. She asked him why the increase is so pronounced and how the funds would be used. Mr. Shortell replied that the School would use additional revenues to increase and meet the health workforce needs in California, to meet diversity goals within the School, and to maintain educational excellence. He observed that the School plans to rely on increased use of private/public partnerships. This past year, it received a \$5 million gift from Kaiser Permanente that enabled it to increase enrollment by approximately 16 students and provide them with financial aid. The gift stipulated that the School would recruit students who would commit their public health careers to working with underprivileged populations in the state. Mr. Shortell emphasized that the School leveraged the donor support to help meet the needs of the public. In terms of diversity, Mr. Shortell informed the Regents that the School of Public Health at Berkeley has increased the percentage of its underrepresented minority students from 11 to 17 percent over the past five years through the work of a newly created Office of Diversity. He explained that the Office has a Director of Diversity who has initiated statewide efforts to assist students to become qualified for – and apply to – the School. That position would be eliminated unless the School is able to acquire the funds to maintain it. Some of Berkeley's major competitors, such as Johns Hopkins University and Harvard University, are able to attract students who are more diverse because these institutions are able to provide comprehensive financial aid packages. This is something the School of Public Health is unable to do, but if it could, it would make a profound difference in meeting its diversity objectives.

Mr. Shortell summarized that the School would take the proposed fee revenue and give 50 percent back directly to financial aid; the other 50 percent would go to student support efforts related to diversity initiatives, outreach initiatives, student services, and the Center for Public Health Practice, which is working with students in grade school through community college who are interested in the health professions.

Regent Makarechian asked Mr. Currall to explain the logic behind the fee calculations and the differences in results between the campuses. Mr. Currall explained that each campus has a somewhat different financial model. Dr. Pitts added that the various schools of medicine, with the exception of the M.D./Ph.D. program at Berkeley, have historically moved in lock-step with their fees for the last 15 or 20 years. Berkeley is unique with the M.D./Ph.D. program; Dr. Pitts speculated that the Berkeley campus is realizing the cost of the joint program, and believes that it can compete well with higher fees.

Regent Makarechian then asked why non-resident students at Berkeley appear to pay less than residents. Dr. Pitts answered that the disparity is in the Professional Fee. Non-residents pay a dramatically higher Education Fee and therefore the Professional Fee may be lower. However, total fees for non-resident students are higher than those for residents. He distinguished between slides displaying total fees for residents and those displaying only non-resident Professional Fees. Committee Chair Lozano confirmed that the second two charts referred to tuition plus the Professional Fees and capture the difference between resident and non-resident costs.

Committee Chair Lozano welcomed Mr. Currall to UC and asked if he had any comments to add to the discussion. Mr. Currall indicated he would like to provide some context for the professional degree fees for the business schools in the UC system. Unlike the schools of medicine, he said, the schools of business have divergent fees based upon marketplace demand for each particular campus. In addition, the schools of business have significant self-supporting programs; for example, the Graduate School of Management at Davis is two-thirds supported by revenues that are generated from its part-time M.B.A. students. This frees up State funding for other programs at Davis.

Mr. Currall observed that the schools of business are deeply committed to diversity issues and are redoubling their efforts to cultivate a diverse student body. At Davis, he stated, the School is also placing an emphasis on the diversity of its faculty. The campus recently completed a preliminary analysis of the gender distribution of faculty in the top 50 business schools in the country; women comprise 42 percent of the Davis department faculty, placing it in the top of those rankings nationally.

Regent Bernal reminded Dr. Pitts that when the Regents approved the Professional Fees in May, questions were raised about the inclusion of demographics for diversity in fee items. Regent Bernal noted that all of the professional schools that will be approved by exception are supposed to submit plans for protecting access, and asked if those plans would be available in November. Dr. Pitts affirmed that he would report on diversity in the professional fields at the November meeting.

Regent Stovitz stated that the three-year professional fee policy is commendable and that it would be beneficial if a three-year policy could be developed for all student fees in order to give undergraduates and other graduate students more financial certainty. He voiced concern regarding the numerous policy exceptions for programs that exceed those of UC's public comparators. With 20 out of 44 programs having exceptions, he wondered if the policy was losing its significance and value. Dr. Pitts agreed that it would be ideal to project future fees for all students, and that discussion to that effect had been initiated. He pointed out that the need for larger increases is always a possibility. With regard to exceptions to policy, Dr. Pitts remarked that the most common reason for requesting an exception to policy is that the proposed fees exceed the public comparison institutions' midpoint. He also observed that the six percent threshold specified in the policy might not be appropriate, and noted that the Regents may want to reconsider the policy.

Faculty Representative Powell reminded the Regents that the Academic Senate had corresponded with previous Provost Hume in 2006-07 on this subject. The Senate brought forth a number of issues, said Dr. Powell, but it focused primarily on its concerns about trends toward privatization, transparency in the handling of funding, and the need to increase aid and ensure it is spent within the school where it was generated. He urged Interim Provost Pitts to review that correspondence and reconsider those issues, as they were extensively examined by the Senate at that time. Dr. Pitts said he would do so and would report to the Regents in November.

Faculty Representative Simmons observed that the Academic Council requested in August 2007 that the Office of the President report on the impact of the differential professional fees. He stated that the Council has not yet received the report, and that it needs that information quickly so that it can form a position by November. He specified that the report was to contain information about the use of the professional fees, the impact of the professional fees on recruiting and diversity, and any information related to the effects of campus differentials. He noted that in August of this year, Dr. Pitts asked the chancellors for information regarding the justification for professional fees along with descriptions of specific programs to increase diversity. Dr. Pitts responded that the information collected in August was used to create a template that documents how the professional schools plan to use the fees. It included specific information along the lines Mr. Simmons described. Dr. Pitts remarked that the campus narratives would provide additional detail. He expressed particular interest in the diversity aspect in UC professional schools and the issues surrounding student support, return-to-aid, and forgiveness of loans. He said that many of the professional schools have included that information and it will be available in November.

Regent Kieffer asked which law schools were being used as comparison institutions in the data. Dr. Pitts said he would provide that information to Regent Kieffer before the next meeting. He clarified that the law schools chose a common set of comparison institutions. Regent Kieffer then asked if the law schools are setting targets for non-resident admissions. Dr. Pitts said he was not familiar with the process used to determine differential fees based on residence, but that he was confident that almost all of the professional schools feel that they compete in a national market. In response to a request

by Regent Kieffer, Dr. Pitts affirmed that he would provide him this information before the November meeting.

Regent Island noted that every time the issue of professional school fee increases is brought before the Board, he struggles to understand the purpose of the comparison data. He observed that the comparison institutions do not reflect UC's land grant mission, the demographics of the state, or the professional needs of the state. He asked how the Regents were to assess and use the data. Dr. Pitts responded that he was not at the Regents meeting where the inclusion of comparison institutions was addressed. His assumption was that the intent of the comparisons is to try to ensure that UC's professional schools stay within a reasonable target range for California students. Dr. Pitts added that several other features within the item call for return-to-aid and address the issue of access, and that he will provide documentation to that effect in the campus narratives in November.

Mr. Shortell clarified that 70 percent of the applicants to the UC schools of public health come from California, so it is important that the total fees – the overall Professional Fee plus the proposed professional differential fee – be lower than those of the other 41 schools of public health that California residents could choose. UC is also ensuring that it is not raising costs to the point where Californians might leave the state for lower tuition elsewhere. Regent Island asked if the Board was to assume, therefore, that the University has the market power to raise fees even higher. Mr. Shortell explained he was not advocating that stance; rather the comparisons were used as a benchmark to help determine what the University needs to do to keep students in California and meet diversity goals. He added that the State funds do not enable UC to meet some of its goals, so the University must look at other resources available, including fees and private philanthropy.

Mr. Currall observed that there is a certain amount of heterogeneity across the different fields of the professional schools with respect to the degree to which they compete in international markets. Law schools primarily attract students from a domestic market. However, business schools are very much in a global market; often the most meaningful rankings for business schools are international.

In preparing for the November meeting, Committee on Finance Chair Lozano asked Dr. Pitts to clarify a number of issues, including the use of the fee income, its impact on diversity and student support, and the items discussed by the faculty representatives. She also requested that the documentation better articulate the objectives so that the Regents have a clear understanding of the intent of both the comparators as well as the three-year fee policy. Dr. Pitts responded that the campuses were still preparing extensive narrative material for the November meeting.

The meeting adjourned at 2:50 p.m.

Attest:

Secretary and Chief of Staff