

The Regents of the University of California

**COMMITTEE ON EDUCATIONAL POLICY**

September 14-15, 2011

The Committee on Educational Policy met on the above dates at UCSF–Mission Bay Community Center, San Francisco.

Members present: Regents Hallett, Island, Johnson, Kieffer, Marcus, Mireles, Newsom, and Reiss; Ex officio members Gould, Lansing, Yudof, and Zettel; Advisory members Powell, Rubenstein, and Stein; Staff Advisor Herbert

In attendance: Regents Blum, Crane, De La Peña, Makarechian, Pattiz, Pelliccioni, Ruiz, Schilling, Varner, and Wachter, Faculty Representative Anderson, Secretary and Chief of Staff Kelman, Associate Secretary Shaw, General Counsel Robinson, Chief Investment Officer Berggren, Provost Pitts, Executive Vice President Brostrom, Chief Financial Officer Taylor, Senior Vice Presidents Dooley and Stobo, Vice Presidents Beckwith, Darling, Duckett, Lenz, and Sakaki, Chancellors Birgeneau, Block, Desmond-Hellmann, Drake, Fox, Katehi, Leland, White, and Yang, and Recording Secretary McCarthy

The meeting convened at 9:40 a.m. with Committee Chair Reiss presiding.

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

Upon motion duly made and seconded, the minutes of the meeting of July 13, 2011 were approved.

**2. ENDORSEMENT OF THE CALIFORNIA CANCER RESEARCH ACT**

The President recommended that the Regents endorse the California Cancer Research Act (Act), and direct the President to inform University of California constituents and supporters of the Act's benefit to the University, consistent with what is allowable under current State law, Regental policy and Presidential authority.

[Background material was mailed to Regents in advance of the meeting, and a copy is on file in the Office of the Secretary and Chief of Staff.]

Committee Chair Reiss introduced former State Senator Don Perata, author and co-chair of the campaign for the California Cancer Research Act ballot initiative, and Dr. Steven Schroeder, UCSF Distinguished Professor of Health and Health Care. Committee Chair Reiss noted her support for this measure.

Senator Perata stated that the California Cancer Research Act would greatly benefit the people of California and the University. The few appointments involved in the initiative

would be made by the Governor; decisions on spending funds generated by the measure would be made by a nine-member committee. The initiative would generate almost \$600 million per year, creating the second largest research fund in the world and California jobs in the biotechnology field. Senator Perata anticipated strong opposition from the tobacco industry and the endorsement of the University of California Regents would carry great weight.

Dr. Schroeder noted the public health benefits of the Act. Cigarette smoking remains the number one preventable cause of death and disability in California. Smoking is concentrated among those with the lowest education and income, and those with mental illness or substance abuse issues. While California has the second lowest proportion of smokers in the nation, it has the highest number of smokers, almost four million. Smoking is price sensitive; raising the price of a pack of cigarettes discourages young people from starting to smoke and encourages smokers to quit. Fewer smokers would mean less second-hand smoke exposure for non-smokers. There are 50,000 deaths attributable to second-hand smoke, of the 450,000 annual deaths from smoking in the United States.

Dr. Schroeder addressed potential criticism that the \$1 per pack tax on cigarettes is regressive in that it would fall disproportionately on lower-income people. He expressed his view that the health benefits that would follow from decreased smoking would outweigh those costs. The resulting funds would be fully earmarked for research on smoking and programs to help smokers quit. The Act offers an opportunity to improve the health of Californians, to increase knowledge of illnesses caused by smoking, and to provide help for smokers who want to quit.

Committee Chair Reiss stated that UC has taken positions on ballot initiatives in the past and noted that UC's support would be influential with voters.

In response to a question from Regent Zettel, Senator Perata confirmed that the generated funds could be used for research on lung cancers from second-hand smoke. He confirmed that the funds would be available to researchers throughout the state.

Regent Johnson expressed her support for the initiative and stated that increasing the price of cigarettes might discourage young people from smoking. She noted that the support of the University is appropriate, given UC's involvement in healthcare through its medical centers and research. In response to a question from Regent Johnson, Senator Perata stated that, should the initiative pass, annual revenues would be estimated to be slightly less than \$800 million, including \$468 million for primary research, \$117 million for facilities and equipment for research support, \$156 million for smoking cessation programs, and \$23 million for law enforcement.

Chairman Lansing expressed her support for the Act and noted that it is also supported by all UC chancellors and deans of the medical centers. She clarified that funding would benefit research on all types of lung cancer. The funding would be distributed by a scientific advisory committee and could go to any UC campus. Chairman Lansing noted

that the Act has bipartisan support and could provide an alternate source of revenue to fund important cancer research at UC.

Regent Pattiz noted his support for the initiative. In response to a question from Regent Pattiz, Senator Perata confirmed that the tobacco industry would not be able to take credit for any research conducted as a result of funds generated by the Act. Provost Pitts added that the processes for surveillance of tobacco industry funding used for research at UC remain in place and would be unchanged should the Act pass. He stated that, while use of money from tobacco companies is not prohibited, it is very carefully reviewed at the campus level and there are strong disincentives for its use.

President Yudof expressed his support for the initiative.

Regent Hallett added his support and asked how the campaign would be financed. Senator Perata responded that the measure is sponsored by all the prominent non-profit agencies dealing with cancer-related issues in the country, including Stand Up to Cancer and the LIVESTRONG campaign. He stated that the initiative's funders would not be able to compete with the anticipated \$100 million campaign against the measure by the tobacco industry. Senator Perata stated that the initiative would be on the June ballot.

Regent Marcus expressed his personal support for the measure, but asked about the appropriateness of the University's taking a position on a political issue. Senior Vice President Stobo recounted that the Regents have addressed 23 ballot initiatives since 1970, having supported the majority, been neutral on some, and not supported a small number. He stated that the goals of the Act in the areas of public health and research are in keeping with the mission of the University.

Regent Newsom expressed his support for the Act and noted California's leadership in life science and biotechnology research. He also noted that California's tobacco tax is relatively low and had not been raised in years, while almost every other large state had raised its tobacco tax substantially.

Committee Chair Reiss stated that the Act includes a provision that, should the increased tax reduce cigarette sales, the other initiatives already funded by the cigarette tax would be reimbursed.

Upon motion duly made and seconded, the Committee approved the President's recommendation and voted to present it to the Board.

The Committee recessed at 10:10 a.m.

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The Committee reconvened on September 15, 2011, at 9:00 a.m. with Committee Chair Reiss presiding.

Members present: Regents Hallett, Island, Johnson, Kieffer, Marcus, Mireles, Newsom, and Reiss; Ex officio members Gould, Lansing, Torlakson, Yudof, and Zettel; Advisory members Powell, Rubenstein, and Stein; Staff Advisor Herbert

In attendance: Regents Blum, Crane, De La Peña, Makarechian, Pattiz, Pelliccioni, Ruiz, Schilling, Varner, and Wachter, Regent-designate Mendelson, Faculty Representative Anderson, Secretary and Chief of Staff Kelman, Associate Secretary Shaw, General Counsel Robinson, Chief Investment Officer Berggren, Chief Compliance and Audit Officer Vacca, Provost Pitts, Executive Vice President Brostrom, Chief Financial Officer Taylor, Senior Vice Presidents Dooley and Stobo, Vice Presidents Beckwith, Darling, Duckett, Lenz, and Sakaki, Chancellors Block, Desmond-Hellmann, Drake, Fox, Leland, White, and Yang, and Recording Secretary McCarthy

### 3. **FUNDING UNIVERSITY OF CALIFORNIA GRADUATE ACADEMIC STUDENTS**

[Background material was mailed to Regents in advance of the meeting, and a copy is on file in the Office of the Secretary and Chief of Staff.]

Committee Chair Reiss stated that this discussion would provide information to the Regents regarding the possible effects of tuition increases on UC's competitiveness in recruiting academic graduate students. She confirmed the Regents' commitment to maintain the quality of the University in the face of reduced State support. She pointed out that the current report would focus on academic Ph.D. students, who compose 85 percent of UC's graduate students, rather than the 15 percent of graduate students in the professional schools such as law, medicine, and business. Committee Chair Reiss stated that, in order to maintain its excellence, UC needs to attract the best graduate students.

Provost Pitts reminded the Regents that at the July 2011 meeting, Chairman Lansing asked the Academic Senate and the administration to address the funding of UC's academic graduate students. He noted that the groundwork discussion at the current meeting would be followed by a second session the following spring with additional discussion and recommendations.

Vice President Beckwith stated that the subject of support of academic graduate students is very important to UC faculty. He displayed a slide showing that the average support UC academic doctoral students receive is more than \$30,000 a year, since the University attempts to cover not only tuition and fees, but also living expenses. He emphasized that UC competes globally to attract the best graduate students.

Mr. Beckwith then showed a slide illustrating net stipends for living expenses received by academic graduate students by discipline. He noted that, in well-supported fields such as engineering, physical, life, or health sciences, a large proportion of graduate students receive annual stipends of \$20,000 or more. More than half of academic graduate students in all disciplines receive stipends of over \$15,000 annually. Mr. Beckwith stated that the level of tuition is largely irrelevant to these students, since their tuition is usually paid by UC or an external source. The University's goal is to provide enough funding to academic graduate students so that these students would not face financial need while they are completing their studies.

Mr. Beckwith displayed a slide illustrating revenue for academic graduate programs and UC General Fund expenditures for fiscal year 2009. UC research grants, fellowships, and teaching assistantships provided 58 percent of tuition and fees for academic graduate students. The remaining portion was paid by federal and private research grants, outside fellowships, and student and other support. In other words, for 58 percent of academic graduate students, there was no net revenue to UC. When UC gives a fellowship for tuition, it, in effect, writes itself a check for that tuition; no external money comes into the University.

For the 18 percent of tuition paid for by federal and private research grants, tuition is a source of revenue; however, it is also a cost to faculty applying for grants and high tuition could make a grant application less competitive. Tuition paid by outside fellowships and by students themselves is also revenue for the University. For example, some foreign governments pay the tuition for their students to come to UC. Lower tuition rates would reduce such sources of revenue. Mr. Beckwith noted that the cost of hiring a graduate student on an outside research grant is very important to faculty.

Regent Varner asked if there is a net cost to the University when these various sources of tuition are combined. Mr. Beckwith replied that while he is of the opinion that there is a net cost, it was not calculated for this presentation. He expressed his view that academic graduate tuition levels do not actually reflect the value of the education UC provides, particularly in fields such as engineering, physical sciences, and life sciences, which involve expensive equipment and laboratories. While UC still receives some funding from outside sources to support these facilities, State funding has decreased.

Turning to expenditures, Mr. Beckwith stated that monies from academic graduate student tuition go into UC General Funds, and become indistinguishable from this larger pool. Expenditures from UC General Funds include 31 percent for academic salaries, 25 percent for staff salaries, 16 percent for equipment and utilities; in all, 72 percent of expenditures are for employee support, including benefits. Mr. Beckwith stated that, should UC not maximize revenue from academic graduate student tuition, it would exacerbate its difficulty in paying salaries. In this sense, this issue is in the interest of all segments of the UC community.

Committee Chair Reiss asked how, if most graduate student tuition is paid by other sources, their tuition goes to support general University expenditures. Mr. Beckwith

responded that internal money, or 58 percent of tuition revenues, does not generate outside revenue, but that tuition payments from outside sources go into the UC General Fund. He cited the example of graduate students being supported by a federal grant that would pay their tuition; that tuition would go into the general pool from which UC salaries are paid. In response to a further question from Committee Chair Reiss, Mr. Beckwith stated that the graduate student would be aware only that his or her tuition was being paid by a research grant; the research grant would be debited the amount of the student's tuition, and that amount would go into the UC General Fund.

President Yudof noted faculty concerns that paying graduate student tuition from research grants diminished the amount of money in the grants to pay for more graduate students, postdoctoral scholars, equipment, and other expenses. If tuition increased, more funds would be deducted from faculty research grants. Nonresident tuition, being higher, is an even bigger expense to the grants and would further constrain a faculty member's use of research grant funds. Mr. Beckwith reported faculty concerns that, if graduate tuition levels increase, faculty would have to request larger research grants, which could be less competitive.

Committee Chair Reiss reiterated the University's goal of remaining competitive in recruiting the best graduate students. If their tuition is paid, then the tuition level would not matter to graduate students. Mr. Beckwith agreed that, when graduate student tuition is paid by a grant or another outside source, the graduate student does not experience it as a cost. Regent Kieffer clarified that, even though the graduate student does not see it, the tuition funds from outside sources do go into UC's General Fund.

In response to a question from Committee Chair Reiss, Mr. Beckwith stated that approximately 17 percent of academic graduate students pay their own tuition or their tuition is paid by an outside source such as a foreign government. He noted that some departments do not allow academic graduate students to pay their own tuition.

Regent Makarechian pointed out that the expenditure figures that Mr. Beckwith displayed were for both graduate and undergraduate education, but that the revenue figures applied only to academic graduate students.

Turning to graduate student tuition rates at peer institutions, Mr. Beckwith stated that private institutions charge the same tuition for resident and nonresident academic graduate students, and all private universities from the selected peer group charged higher tuition levels than UC's nonresident academic graduate student tuition. UC's rates are comparable to those of peer public universities. Mr. Beckwith said that one could conclude that UC's academic graduate student tuition rates are very competitive.

In response to a question from Regent Makarechian, Mr. Beckwith stated that UC Davis' academic graduate student tuition is higher than the other campuses' because of an additional fee approved by students.

Regarding faculty concerns that their research grants could become too expensive to be competitive, Mr. Beckwith displayed a slide showing the levels of academic graduate student tuition charged to research grants by peer universities, based on a limited informal survey. It is common practice to charge a discounted level of academic graduate student tuition to research grants, but UC currently charges the full tuition rate to research grants. For example, Case Western Reserve's full tuition price for graduate academic students is \$34,344, but it charges only 75 percent of that amount, or \$25,758, to research grants. Stanford charges 65 percent of its full tuition rate of \$39,401, or \$25,611, to research grants. Some public institutions charge only the resident tuition levels to grants, regardless of the residency of the students. Another common practice is to discount the full tuition amount for certain categories of students whom the University would want to encourage, such as students hired by faculty on research grants. Mr. Beckwith stated that such discounting would be entirely within UC's ability, without changing tuition rates. He pointed out a business advantage that the difference between the published tuition rate and the discounted rate charged to grants can be counted as cost sharing for the purposes of requirements by the grantor.

Regent Pattiz asked what the effect on UC revenues would be of discounting the tuition rates charged to research grants. Mr. Beckwith replied that it would be a loss of revenue.

Mr. Beckwith stated that his informal survey showed that many of UC's peer institutions charge research grants a much higher tuition for their graduate students than UC's resident tuition level and a number charge higher than UC's nonresident rates. Regent Pattiz asked Mr. Beckwith if he recommended charging higher tuition levels and discounting the amount charged to grants, as is the more common practice, or charging a lower level and billing the full amount to grants. Mr. Beckwith expressed his opinion that it would be beneficial to charge a uniform rate for resident and nonresident academic graduate students, somewhat higher than current resident tuition. UC faculty have expressed concern that the large difference between resident and nonresident graduate academic student tuition limits their ability to recruit globally for the best graduate students. Mr. Beckwith advocated keeping the full tuition level high because it is a source of revenue when paid by external fellowships and foreign governments. He stated that UC's current practices are somewhat different from those of other institutions.

Regent Pattiz asked to be provided with a projection of the monetary effects of various levels of tuition for resident and nonresident academic graduate students. Dr. Pitts stated that those figures would be provided in the spring when the Committee would evaluate policies concerning this item.

UC Berkeley Dean of the Graduate Division Andrew Szeri reported that UC Berkeley has a large population of nonresident graduate students among its approximately 1,800 students who are supported as graduate student researchers. Annually \$3.3 million is paid from research grants for nonresident graduate tuition. Mr. Szeri stated that, if that amount were paid by some external source, UC Berkeley could increase its number of graduate student researchers by about five percent.

Regent Crane asked, hypothetically, what UC could charge for academic graduate student tuition if it were a private institution. Mr. Beckwith responded that, based on the quality of its programs and international rankings, UC could charge as much as Stanford does.

Regent Varner asked if Mr. Beckwith would recommend changing the amount charged for nonresident graduate tuition. Mr. Beckwith responded that he would not recommend such a change, since UC has an obligation as a public institution. Regent Varner agreed.

Committee Chair Reiss stated that tuition is not the only component of the support offered to recruited graduate students.

Regent Makarechian pointed out that the displayed figures showed that Stanford charges \$25,611 to research grants for nonresident and resident academic graduate students, while UC Berkeley charges the slightly higher amount of \$26,042 for nonresident students.

Mr. Beckwith displayed a slide showing the proportions of in-state, domestic out-of-state, and international first-year academic graduate students at UC. He pointed out that domestic graduate students become resident students in their second year; by their second year, 80 percent of UC's academic graduate students are considered resident students. Nonresident tuition levels would apply only to 20 percent of academic graduate students in their second year and beyond.

Mr. Beckwith stated that a UC campus could discount the tuition price charged to research grants and recycle the money from the grant back to the grantee, a common practice at other institutions. He said that UC could gain revenue by setting a tuition rate between the current resident and nonresident rates, but toward the lower side. Mr. Beckwith expressed his opinion that the faculty should be engaged in this discussion. He expressed confidence that UC could be very competitive and bring in additional funds needed for faculty salaries by charging a higher rate than its current resident rate.

Regent Pattiz asked if there is a way to streamline this information that would help the Regents make decisions. Mr. Beckwith responded that the actual system is more complex than his presentation. Many universities charge different tuition rates to grants for various disciplines, for example, discounting more for social sciences than for engineering. Pricing policies vary.

Committee Chair Reiss stated that the main consideration for the Committee is whether the tuition levels make UC more or less competitive in recruiting graduate students. Mr. Beckwith responded that the tuition levels set by the Regents are not the final consideration, since campuses should have the ability to recycle revenue received from grants back to the departments generating the grants, although the campuses have not done this yet.

Regent Ruiz asked what proportion of academic graduate students are nonresidents. Dr. Pitts stated that the 20 percent of academic graduate students who are international students remain nonresident students after their first year. Domestic nonresident



academic graduate students become resident students after their first year. In response to a question from Committee Chair Reiss, Mr. Beckwith stated that fewer than 50 percent of first-year academic graduate students are California residents who pay resident tuition. He added that very few first-year academic graduate students are on grants, and therefore many are supported by internal UC funds. In response to a question from Regent Ruiz, Mr. Beckwith confirmed that nonresident domestic students' tuition changes following their first year from the non-resident level, currently \$28,359 at UC Davis, to the resident level, currently \$11,211 at Davis.

Mr. Beckwith stated that all academic graduate students, including international students, are charged resident tuition after they have advanced to candidacy, which usually happens after about three years. Dr. Pitts commented that some potential revenues are lost by lowering tuition to resident levels once a student has advanced to candidacy. Dr. Pitts noted that the discounted tuition amount that Stanford charges to grants applies only to those graduate students who are on grants; the remainder of Stanford's graduate students pay the full tuition amount or their full tuition is paid by outside sources such as fellowships or foreign governments.

Regent Makarechian noted the difference in how undergraduate and graduate students are treated regarding resident tuition. He asked if it is true that nonresident undergraduates remain nonresidents throughout their four years, but domestic graduate students' tuition status changes from nonresident to resident after their first year. Dr. Pitts explained that academic graduate students are considered self-supporting adults. Regent Makarechian asked if an individual would be considered by State law a California resident after one year; Mr. Beckwith added that students must be independent to be considered residents after one year, including filing their own income tax return. Mr. Beckwith stated that academic graduate students are generally considered low-income, since they usually are no longer supported by their parents.

Regent Hallett stated that it might be beneficial for UC to move toward the Stanford model that charges approximately the same amount to grants that UC does currently, but normalizes resident and nonresident tuition, provides revenue-sharing benefits, and would give UC the ability to collect more revenue from outside sources. Mr. Beckwith agreed that such a model would be beneficial, but pointed out that such a move would require faculty support. He noted that tuition policies of the University of Michigan would be worthwhile to study; its tuition rates are substantially higher than UC's, but it discounts the amounts charged to grants. Regent Hallett stated that it appears that UC loses a good deal of potential revenue, particularly when nonresident academic graduate students are considered resident students after one or three years. Mr. Beckwith agreed and stated that the amount of revenue lost should be known for future discussions. He noted that keeping nonresident students at the nonresident tuition level would place UC tuition levels relatively high, which could be detrimental when competing for grants. He noted that many universities have different rate scales according to what they want to incentivize.

Regent De La Peña asked about the economic implications of international graduate students remaining in California after obtaining their education. Mr. Beckwith noted that this issue would be part of the subsequent discussion that would be held in the spring.

Turning the question of UC's competitiveness, Mr. Beckwith stated that the yield, or percentage of admission offers accepted by first-year graduate students, has not decreased as tuition levels have almost doubled over the past decade. The percentage of academic graduate students with appointments as graduate research assistants has not changed dramatically over the past decade in the disciplines of engineering, life sciences, physical sciences, fine arts, and humanities, even though tuition levels have increased dramatically. He noted that the percentage of graduate students with graduate research assistantships in the professional schools and social science fields has decreased, and that UC could consider recycling funds back into those disciplines in order to increase internal funds available for graduate research assistantships.

Faculty Representative Powell discussed how recruitment of graduate students affects the quality of the University. He noted that graduate student support is determined at a local level; support varies between disciplines at the same campus, and between campuses in similar disciplines.

Mr. Powell explained how graduate students are recruited to UC's programs. A student is given a four-year offer, even though most research grants do not extend over four years. Faculty know they will have a certain resource base through which to finance graduate students and the difference between resident and nonresident tuition becomes a factor. Faculty may have to compromise on quality, since they have to be able to support their graduate students on their projected resource base, and support for international graduate students is more expensive. Thus, the level of nonresident tuition can lead to faculty compromising on the quality of graduate programs.

Mr. Powell stated that the pool of potential domestic graduate students in certain fields is very small. For example, according to National Science Foundation data for a recent year, in civil engineering there were only 15 undergraduate students for each Ph.D. student; in materials science, there were fewer than 1.5 undergraduates for each Ph.D. student; in physics there were only three undergraduates for every Ph.D. student. With such a limited pool of students, faculty must be able to consider potential international students in order to have high-quality programs, even though these students would be more expensive to support. If faculty compromise and accept more domestic students for economic reasons, the quality of the program suffers.

Mr. Powell discussed some practical ramifications for faculty of graduate tuition levels. Some departments have stopped admitting international students and some have compromised on the depth of offered coursework. Students advance to candidacy at the point when all their coursework has been completed and they are working on their research. At that point, students are considered residents for purposes of tuition for three years. Some programs have decreased the amount of required coursework so that students can advance to candidacy more quickly. Faculty are reluctant to admit international

students unless they have already completed some coursework, so they can advance to candidacy faster.

Mr. Powell stated that it is paramount that UC be able to recruit the best graduate students from anywhere in the world. He noted that faculty often decide which university's employment offer they will accept based on which has the best graduate program, since they want to work with the best graduate students. The ability of UC to recruit the best Ph.D. students means a great deal to new faculty. He stated that UC faculty are currently forced to make compromises in quality because of the difference between resident and nonresident tuition levels. The goal in graduate student recruitment should be to recruit the best students globally, without considering whether the students are resident or nonresident.

In response to a question from Committee Chair Reiss, Mr. Powell reported anecdotal evidence that some departments will not recruit international students because the faculty would have to pay nonresident tuition rates from their grant monies. He clarified that the faculty may not want to put the higher nonresident tuition levels in their grant proposals, fearing that their grants would be noncompetitive.

In response to a further question from Committee Chair Reiss, Mr. Powell explained that Ph.D. students advance to candidacy when they have completed all required coursework, have passed a qualifying oral examination, and are ready to start their independent research. Once they have advanced to candidacy, all students, including international students, are classified as residents for tuition purposes for three years. Mr. Beckwith stated that the problem could be addressed internally by reevaluating what is done with the revenue generated by tuition.

Regent Makarechian summarized that, on the one hand, the University brings in revenue through nonresident tuition for international students, but, on the other hand, high nonresident tuition levels can cut into funds the faculty have available from research grants. He asked for a clarification of the revenue advantages and disadvantages of this conflict. He also asked why the higher nonresident tuition would not come in as revenue.

Faculty Representative Anderson explained that research grant monies are revenue to the University; however, increases in tuition are not always fully accounted for in grants. If the full amount of the higher tuition is not in the grant, the faculty member has to use more research funds to support his or her graduate students. A campus could undo the effect of nonresident tuition by changing its internal arrangement. Mr. Anderson stated that this discussion makes it clear that the University has a complex scheme of graduate student support that has evolved over the years. It would be beneficial to analyze the system and devise a simpler, more rational plan that helps UC achieve its goals.

Regent Makarechian stated his understanding that, if nonresident tuition is paid by a foreign government and UC lowered the tuition, it would receive less revenue; however, higher tuition levels would mean that more funds must be taken from research grants to pay tuition. Mr. Beckwith stated that some other universities discount tuition for certain

purposes, such as the amount charged to grants, and leave the tuition at higher levels when it is paid by an outside source such as a foreign government, so that revenue is not reduced. This is a possible policy that could provide revenue to the University and give the faculty the advantage of being more competitive for grants.

Mr. Anderson commented that, while it is significant that the percentage of students supported by grants stayed constant even though tuition doubled during the past decade, that does not necessarily imply that tuition could double again without having an impact. He also noted that the number of international academic graduate students declined fairly substantially between 2000 and 2004, and is currently lower than it was in 2000, reflecting the difficulty departments face in supporting international students.

Regent De La Peña expressed his opinion that it would be beneficial to have a single academic graduate student tuition level and discount that amount when it would be beneficial. He asked whether funds coming into the University one year for support of an international student would continue to be paid in the student's subsequent years. He also asked Mr. Anderson if he had noticed a change in the quality of academic graduate students at UC. Mr. Anderson replied that an international student accepted to a UC graduate program would not enroll if the student were offered inadequate support. Often support of a student by a foreign government comes with the requirement that the student return to his or her home country following graduation.

Mr. Anderson stated that UC continues to attract excellent graduate students, but could do better if it were not handicapped in recruiting international students. He commented that there is no question that some departments have established limits in either admission numbers or student support. He stated that domestic students are being admitted who are less well-qualified than international students whom UC is either denying admission, or admitting without sufficient support and therefore not enrolling.

Regent Kieffer stated that the research mission of the University on a graduate level is clearly a benefit to the State and nation. He expressed his opinion that UC may not have its current advantages over other institutions in the future. UC has a window of opportunity over the upcoming few years to leverage its position in the research area. From a policy point of view, the Regents' goal should be to give the University the necessary tools to recruit the best global graduate students. Regent Kieffer expressed his opinion that sufficient stipends should be offered to top students to ensure they will come to UC. He commented that, for a relatively small amount of money, UC could provide stipends large enough to attract the world's best graduate students. Committee Chair Reiss asked that the Committee be provided with data on the cost of providing such stipends.

Regent Marcus expressed his concurrence with Regent Kieffer's remarks. He asked the faculty representatives if UC was at risk at the current time regarding recruitment of the top graduate students. Mr. Powell asserted that, despite UC's fiscal challenges, its current graduate students are of equal or better quality than those of ten or fifteen years prior. He

noted that UC's excellent rankings, particularly its National Research Council rankings, are important to potential graduate students.

Committee Chair Reiss requested that information be presented to the Committee at an upcoming meeting regarding the effect that increased tuition levels may be having on yield rates at UC's professional graduate schools. Dr. Pitts responded that information could be presented in a separate report.

Dr. Pitts emphasized the importance of the points made by the faculty representatives. He noted that the perception of faculty members hiring graduate students is that higher graduate school tuition reduces funds available to them from their research grants. However, those dollars do flow to the University and those amounts could be managed in a way internally that would direct them back to the source and thus eliminate the concerns of the individual faculty members. If graduate school tuition were lowered, it would lower income to the University. He expressed his opinion that the Regents should exercise caution in simply reducing tuition and losing revenue. The challenge would be to distribute funds within the University correctly, rather than reducing income to the University.

Dr. Pitts agreed with Regent Kieffer's prior assessment of the importance of stipends in recruiting graduate students and stated that the University could provide competitive stipends by adding \$50 million annually to graduate student support through a policy decision. Regarding quality of current graduate students, Dr. Pitts stated that UC enrolls a disproportionately high percentage of the finest graduate students in the country. UC should be concerned about the total level of its graduate student support. Tuition level and graduate student support are two different issues that are not necessarily linked. He expressed his view that tuition policy should be set to garner all possible revenue, but the money should be managed internally so that departments are not disadvantaged as they are currently.

The meeting adjourned at 10:30 a.m.

Attest:

Secretary and Chief of Staff