For the short term, there is an opportunity to work with the Governor and the Legislature to meet these needs, but for the long term different models that include the CSU and CCC must be considered. He expressed disappointment with the process of development of the Plan, which he said contrasted with CSU's collaborative approach. He would oppose the tuition increases.

Regent Saifuddin recalled that during her sophomore year at UC Berkeley she was notified that her family was ineligible for financial aid that year. She recounted her struggle to pay for her education, taking on four jobs, working 25 hours a week, and resigning from all extracurricular activities. Regent Saifuddin stated that she is an example of the real effect tuition increases have on students. A $600 tuition increase is almost an entire month's rent for students, many of whom are already barely making ends meet. She expressed appreciation for Governor Brown's support for UC, but questioned his recent veto of additional UC funding. She urged the State's elected officials to invest in the lives of students across UC campuses. The student vote was crucial in the passage of Proposition 30, yet UC received funding that barely kept pace with inflation. Higher education must be a State priority in order to build a socially and economically vibrant California. The State's disinvestment over the past two decades has crippled the University. Regent Saifuddin advocated working together to develop a plan that would both restore State funding to UC and ensure cost-saving measures at the University, engaging students, and supporting those from middle-class families. She urged strategic thinking about how and when executive salaries are increased. She would vote against a tuition increase because students should not have to bear the burden of economic mismanagement.

Regent Ruiz expressed appreciation for the views expressed, adding that he thought the tuition increase would not have to be implemented because an agreement for State funding would be reached.

Upon motion duly made and seconded, the Committee approved the President's recommendation and voted to present it to the Board, Regents Engelhorn, Gould, Kieffer, Napolitano, Ruiz, Sherman, and Varner (7) voting "aye," and Regents Brown and Saifuddin (2) voting "no."

The meeting recessed at 1:00 p.m.

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The meeting reconvened at 2:10 p.m.

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

In attendance: Regents Atkins, Blum, De La Peña, Island, Leong Clancy, Makarechian, Newsom, Ortiz Oakley, Pattiz, Pérez, Reiss, Torlakson, and Wachter, Regents-designate Davis and Oved, Faculty Representative Gilly, Secretary and Chief of Staff Shaw, General Counsel Robinson, Chief Compliance and Audit Officer Vacca, Provost Dorr, Executive Vice President and Chief Financial Officer Brostrom, Senior Vice President Dooley, Vice Presidents Duckett, Lenz, and Sakaki, Chancellors Block, Blumenthal, Gillman, Hawgood, Katehi, Khosla, Wilcox, and Yang, and Recording Secretary Johns

5. **APPROVAL OF LONG-TERM PLAN FOR PROFESSIONAL DEGREE SUPPLEMENTAL TUITION AND OF PROPOSED 2015-16 PROFESSIONAL DEGREE SUPPLEMENTAL TUITION FOR NINE SPECIFIC PROGRAMS**

The President of the University recommended that the Regents approve the following actions related to Professional Degree Supplemental Tuition (PDST):

A. Authorize the President to assess annual increases to PDST of up to five percent over the previous year for the years 2015-16 through 2019-20 and, consistent with existing Presidential authority, to assess any annual decreases. The President may approve individual increases as exceptions to Regents Policy 3103: Policy on Professional Degree Supplemental Tuition so long as the increase does not exceed five percent over the previous year. Annual changes in PDST will vary by program, and the President will report annually to the Regents on approved increases and decreases. Any graduate professional degree program requesting either to charge PDST for the first time or to charge a PDST increase higher than five percent in any given year will be required to submit a proposal for approval by the Regents under the existing process.

B. Authorize an increase in PDST of 20 percent in 2015-16 for the Nursing graduate professional degree program on all four campuses that offer the degree (Davis, Irvine, Los Angeles, and San Francisco).

C. Authorize initiation of PDST for five graduate professional degree programs – Journalism at Berkeley, Leadership Education at Berkeley, Public Policy at Riverside, Teacher Education at Berkeley, and Technology Management at Santa Barbara – at the levels indicated in Attachment 1. The first four programs are to be authorized as an exception to Policy 3103, as in-state charges for these programs are expected to exceed average in-state charges at programs at public comparison institutions.

[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.]

Executive Vice President and Chief Financial Officer Brostrom began the discussion by explaining that this item proposed the same approach to Professional Degree Supplemental Tuition (PDST) as the preceding item proposed for undergraduate tuition. For each year from 2015 to 2019-20, the President could approve annual increases for PDST of up to five percent. The President would report decisions to the Regents annually. Any proposed PDST increase above five percent or any PDST being charged for the first time must be approved by the Regents. The item proposed five new PDST charges, for the programs in Journalism, Leadership Education, and Teacher Education at UC Berkeley, Public Policy at UC Riverside, and Technology Management at UC Santa Barbara. One exception to policy in the item was a proposed 20 percent increase for 2015-16 PDST levels for nursing programs at four campuses – Davis, Irvine, Los Angeles, and San Francisco.

Regent Kieffer asked about financial programs available to students in these programs, especially in the nursing programs, where there would be such a significant increase. Mr. Brostrom responded that each program manages its financial aid program separately. There is a return-to-aid component for tuition. Law schools provide loan waivers for graduates who work in public interest law. Chancellor Katehi recalled that the nursing program at UC Davis had been founded five years earlier with a one-time award from the Gordon and Betty Moore Foundation. It is a self-sustaining program that currently was receiving no State support. A significant percentage of tuition is returned to financial aid. Chancellor Hawgood reported that 30 percent of tuition in the UCSF nursing program is returned to financial aid.

Regent Kieffer requested information on the scope of financial aid for UC law schools, specifically for students who complete the program and work in public interest law. He asked how these financial aid programs compare to those at other institutions that offer programs in public interest law. President Napolitano responded that this information would be provided.

Regent Makarechian asked about a figure of 47.8 percent of revenue to be spent on additional student financial aid, listed in the background materials. Mr. Brostrom responded that this figure referred to all nine programs under discussion; each program would return a different amount to financial aid.

Regent Makarechian noted that the PDST levels being proposed were the same for resident and nonresident students, and asked about the reason for this. Mr. Brostrom responded that students in professional degree programs pay a number of charges, including tuition and student services fees. In general, nonresident students, depending on the program, pay a higher amount than resident students, although this difference is not the same as for undergraduates.

Regent Makarechian referred to other background information showing proposed PDST levels and asked why nonresidents were being charged less than residents in some cases, such as the engineering program at UC Berkeley, where PDST for nonresidents would be $24,700, while for residents it would be $33,700. Mr. Brostrom responded that the University charges less PDST for nonresident students because these students also pay a nonresident charge.

Regent Makarechian noted that nonresident PDST for the law program at UC Berkeley was lower than at UC Davis. Mr. Brostrom concurred that UC Davis was an exception in the amount it charged for nonresident students in its law program. Provost Dorr added that professional degree programs typically require a great deal of specialized supervision and field experience; they are expensive to offer. One can anticipate that many, though not all students who complete these programs will have fairly high-paying jobs. The campuses can choose to set PDST at the same or different levels for residents and nonresidents. When PDST is set at different levels, the nonresident PDST is usually lower, because nonresidents must also pay Nonresident Supplemental Tuition. Campuses wish to set the cost of these programs at an appropriate level for both California and nonresident students. Ms. Dorr stressed that the decision about PDST levels is an individual decision, program by program, based on many factors.

Regent Makarechian stated his understanding that the University generally charges more for nonresident than for California resident students. Ms. Dorr pointed out that the background materials displayed only PDST charges, not total charges for nonresident students. Mr. Brostrom added that Nonresident Supplemental Tuition was $23,000. If, as in the case of the product development program at UC Berkeley, nonresident PDST was about $6,000 lower than resident PDST, nonresidents would still be paying $17,000 more than California residents.

Regent Saifuddin emphasized that not all students graduating from professional degree programs would move on to high-paying jobs, such as students in social welfare programs. She asked if there had been student engagement or input regarding these increases. Ms. Dorr concurred that not every professional degree program would result in a high-paying position. All students in these programs are concerned about PDST levels, and many are concerned about cost of living. The students also express concern about the importance of field supervision in their programs; this additional instruction costs more. Ms. Dorr observed that in general, the level of PDST is proportional to the level of expected salary upon completion. She noted that individual programs whose PDST level might increase by five percent were still under review and that an increase would have to be approved by the President. This process of review included consultation, adjustment of fees, and opportunities for financial aid and debt forgiveness.

Regent Leong Clancy asked if it was possible to provide additional supervision or resources for students in teacher education programs through the school districts. Starting salaries for public school teachers are usually low. The University wants to encourage promising teachers to enter the K-12 system. She expressed concern that some students would not enroll in the program at UC Berkeley because of the PDST level. Ms. Dorr responded that the personnel of UC's teacher education programs share these concerns. She offered to provide a response from the dean of the Berkeley program about how the program is addressing these issues.

Regent-designate Oved asked if the mechanism for scholarships and financial aid in the professional degree programs functions as it does for undergraduates, or if it differs among disciplines. He expressed concern about the large proportion of student loan debt carried by graduate students. Ms. Dorr responded that the University expects that at least one-third of every PDST increase will be returned to financial aid, as is the case for undergraduates. Many programs return more to financial aid and engage in fundraising as well.

Upon motion duly made and seconded, the Committee approved the President's recommendation and voted to present it to the Board, Regent Saifuddin (1) voting "no."

6. **APPROVAL OF THREE-YEAR FINANCIAL SUSTAINABILITY PLAN**

The President of the University recommended that the Three-Year Financial Sustainability Plan requested by the Governor be approved.

[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.]

Executive Vice President and Chief Financial Officer Brostrom explained that the State Budget Act of 2014 required that the University develop and submit a sustainability plan that included performance measures such as transfer enrollment, number of Pell Grant recipients, student credit hours, graduation rates, degree completion, and total funding per degree. For the purposes of this plan, the State Department of Finance assumed annual State funding increases for UC of only four percent, and no increases to tuition, the Student Services Fee, Nonresident Supplemental Tuition, or Professional Degree Supplemental Tuition for the three years in question. Mr. Brostrom pointed out that under this scenario, UC core funding would grow by only 1.7 percent, especially if nonresident tuition cannot be increased. The University's own plan would have a five percent ceiling on annual increases in student charges and assume a four percent annual increase in State support. The University's plan uses the same assumptions as the State on pursuing administrative efficiencies and alternative revenues.

The outcomes of the University's plan are very different from those of the State plan, with the Department of Finance assumptions. The University's plan would allow for enrollment growth of 5,000 California undergraduates, maintaining UC's commitment under the California Master Plan for Higher Education (Master Plan). Under the State plan, UC would have to constrain resident enrollment and replace it with nonresident enrollment. UC would serve fewer transfer students and experience a decline in student diversity and students from low-income households. While the University's plan projected growth in numbers of California resident undergraduates, the State's plan would lead to a decline of more than 15,000 resident undergraduates by 2017-18, to be replaced by 19,000 nonresident students. Mr. Brostrom described this scenario as an unprecedented break from the Master Plan and the University's commitment to California students.

The most significant impact of the State's plan would be on underrepresented minority students, a rapidly growing cohort of California high school graduates. These students would be shut out at a time when their numbers are increasing dramatically. The State plan would also have a significant effect on transfer students, decreasing their number by about 2,000. Mr. Brostrom concluded that under either the State or UC plan, the

University would strive to maintain quality, while student access would be sacrificed. UC would maintain the same funding plan. Many different actions could be taken in the context of this plan, all of them unacceptable to the University. For example, if UC wanted to maintain access under this plan, it could reduce financial aid, which would hurt low-income students.

Committee Chair Gould emphasized that this plan is not in fact a sustainability plan. It is not a plan the University wishes to implement. The University is obligated to deliver the plan to the Governor. He stated his view that this document is in fact a report to the Governor, not a sustainability plan. Mr. Brostrom concurred, stating that UC is forwarding this document based on the State budget act, under the State's criteria. President Napolitano added that the Regents were approving the sending of this document to Sacramento.

Regent Island asked why the Regents' approval was needed to send this document. Mr. Brostrom responded that this was based on language in the State budget act the previous year, requesting that both the Chairman of the Regents and the President of the University respond. Chairman Varner added that it was important for the entire Board to review the document.

Regent Island voiced concern that the assumptions in the report would be devastating for underrepresented minority students and that the Regents would be approving a document they in fact do not wish to endorse. Mr. Brostrom responded that the Regents' consideration and approval is required by statute. In the document, the University is adamant that it would never contemplate carrying out this plan.

Committee Chair Gould underscored that it was critical for the University to communicate its position on this plan, which none of the Regents support. The plan simply demonstrates what the implications of the State's assumptions would be.

Regent Ortiz Oakley asked how UC determines the number of transfer students it can admit. Mr. Brostrom responded that this number is based on past history. If the University were compelled to reduce the number of California undergraduates, some would be taken from the freshman class, and some from transfer students. UC might admit 2,000 fewer transfer students.

Regent Ortiz Oakley asked if this assumption was based on a certain percentage of transfer students versus incoming freshmen. Mr. Brostrom responded in the affirmative. The University aims for 30 percent transfer students.

Regent Ortiz Oakley asked if the University would ever contemplate changing this percentage. Mr. Brostrom responded that the University was seeking to increase the transfer rate and to extend its outreach to community colleges that have not traditionally sent students to UC. While the University has been successful in increasing the number of transfers, this has been concentrated in a small number of community college districts.

Regent Ortiz Oakley asked if nonresident students are considered to be taking seats that would otherwise be reserved for California residents, or are considered to be in addition to resident students. Mr. Brostrom responded that in the case of this plan to be submitted to the State, nonresident students are considered a replacement, a source of replacement income through nonresident tuition. In its actual overall planning, the University is projecting growth in both California resident and nonresident students. Some campuses have the capacity to enroll more nonresident students.

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

The meeting adjourned at 2:40 p.m.

Attest:

Secretary and Chief of Staff