The Regents of the University of California

COMMITTEE ON FINANCE
COMMITTEE ON LONG RANGE PLANNING
May 21, 2015

A special meeting of the Committees on Finance and Long Range Planning was held on the above date at UCSF–Mission Bay Conference Center, San Francisco.

Members Present: <u>Representing the Committee on Finance</u>: Regents Gould, Kieffer, Leong Clancy, Lozano, Makarechian, Reiss, Ruiz, and Saifuddin; Ex officio members Napolitano and Varner; Advisory members Davis, Gorman, Hare, and Oved; Staff Advisors Acker and Coyne

<u>Representing the Committee on Long Range Planning</u>: Regents Engelhorn, Gould, Kieffer, Lozano, Ruiz, Saifuddin, and Sherman; Ex officio members Napolitano and Varner; Advisory members Gorman and Hare; Staff Advisors Acker and Coyne

In attendance: Regents De La Peña, Elliott, Lansing, Ortiz Oakley, Pattiz, Pérez, Wachter, and Zettel, Faculty Representative Gilly, Secretary and Chief of Staff Shaw, General Counsel Robinson, Chief Compliance and Audit Officer Vacca, Chief Investment Officer Bachher, Provost Dorr, Executive Vice President and Chief Financial Officer Brostrom, Executive Vice President and Chief Operating Officer Nava, Executive Vice President Stobo, Senior Vice Presidents Henderson and Peacock, Vice Presidents Brown, Budil, Duckett, and Sakaki, Chancellors Block, Blumenthal, Dirks, Gillman, Hawgood, Khosla, Leland, Wilcox, and Yang, and Recording Secretary McCarthy

The meeting convened at 10:45 a.m. with Committee on Long Range Planning Chair Gould presiding.

1. **READING OF NOTICE OF MEETING**

For the record, it was confirmed that notice had been given in compliance with the Bylaws and Standing Orders for a special meeting of the Committees on Finance and Long Range Planning, for this date and time, for the purpose of considering the endorsement of the framework contained in the Governor's revised budget for 2015-16 and beyond, and approval of authority for additional increase in nonresident tuition.

2. **ENDORSEMENT OF FRAMEWORK CONTAINED IN THE GOVERNOR'S REVISED BUDGET FOR 2015-16 AND BEYOND AND APPROVAL OF AUTHORITY FOR ADDITIONAL INCREASE IN NONRESIDENT TUITION**

The President of the University recommended that the Committee on Finance recommend to the Regents the following actions for 2015-16 and beyond:

A. Endorse the framework for long-term funding agreed upon by the President and the Governor.

B. Authorize the President to implement increases in Nonresident Supplemental Tuition for undergraduate nonresident students of up to eight percent annually for the years 2015-16 through 2019-20.

[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.]

Committee on Long Range Planning Chair Gould introduced the discussion of the framework contained in the Governor's revised 2015-16 budget and how it would support the long-term financial stability of the University. He recalled that the prior November the Regents had considered a long-term stability plan for tuition and financial aid, including professional degree programs. Those difficult discussions led to the adoption of the 2015-16 proposed budget. Committee Chair Gould expressed appreciation for the leadership of Governor Brown and President Napolitano in arriving at a framework that would put the University in a much better long-term situation. The Select Advisory Committee on the Cost Structure of the University proved to be effective in achieving a good result for the University. Committee Chair Gould expressed particular appreciation for the work of Governor Brown's Executive Secretary Nancy McFadden, Director of the California Department of Finance Michael Cohen, Executive Vice President and Chief Financial Officer Brostrom, and President Napolitano's Chief of Staff Seth Grossman.

Committee Chair Gould highlighted the main points of the framework. Undergraduate tuition would be frozen for two years with a recognition that modest tuition increases would be necessary beyond that. The framework contained full funding of the $119 million proposed in the Governor's budget in January and with an additional $500 million in one-time funds over the next three years for energy projects, deferred maintenance, and to pay down the unfunded liability of the UC Retirement Plan (UCRP). The framework also included a set of programmatic academic and budget initiatives that would be appropriate changes in the way UC operates. Work with the Legislature remained regarding funding for increased enrollment of California undergraduates and Committee Chair Gould expressed confidence in a successful outcome.

President Napolitano expressed appreciation for the leadership of the Governor and the work of his staff. Many elements of the framework reflected ideas that had been expressed by Senate President pro Tempore De León, or Speaker and Regent Atkins, or in legislative committee hearings. One area where agreement had not yet been reached was on the issue of funding for increased enrollment of California undergraduate students. It was agreed to let the Legislature consider that question. President Napolitano affirmed the University's desire to enroll more California undergraduates and had provided an enrollment plan for adding up to 10,000 more undergraduates.

Mr. Brostrom provided an update on the May Revision and the financial and programmatic elements of the framework. The Governor's May Revision demonstrated the current strength of the California economy, with a $6.7 billion increase in General Fund revenues compared with the January budget. There was strength across all major tax sources including personal and corporate income taxes, and sales tax revenue. The majority of the increased revenue was committed. Proposition 98 would provide $5.5 billion to K-12 schools and California Community Colleges (CCC) split over two years and Proposition 2 would allocate an additional $630 million to the rainy day fund and another $633 million to pay down debts and unfunded liabilities. The projection of the California Legislative Analyst's Office was for even more robust revenue, $3.2 billion in additional funds over three fiscal years, resulting in $1 billion in discretionary revenue for 2015-16 even after accounting for Proposition 98 and Proposition 2 funding.

The Governor made his intention clear to use excess revenues to pay down liabilities and build up reserves. New spending was limited to three areas: a new tax credit for the state's lowest-income workers, additional investments in healthcare and other safety net services for undocumented immigrants with permanent residence, and additional funding for UC and California State University (CSU). The May Revision contained an additional $38 million in permanent funding for CSU enrollment and support services, one-time funds for UC and CSU for energy projects and deferred maintenance from the General Fund, and one-time funding to pay down UCRP's unfunded liability. The May Revision included a UC base budget adjustment of four percent, extended for two additional years through 2018-19, representing a $507 million increase in State appropriations to UC. With this increase, State funding for UC would reach its all-time high in 2017-18. In addition, the May Revision included three allocations of one-time funds to UC: $25 million for deferred maintenance, $25 million for energy projects, and $436 million in Proposition 2 funds to reduce UCRP's unfunded liability.

Proposition 2 had two primary purposes, creating a rainy day reserve to cushion the volatility in the State's revenue sources and addressing the State's unfunded liabilities, primarily in its pension systems and retiree health. UCRP was included in Proposition 2 as a possible recipient of funds. In the May Revision, the Governor committed to three years of Proposition 2 funding for UC totaling $436 million. Proposition 2 required that these funds have to be above and beyond contributions approved by the appropriate governing board. The Regents had approved a 14 percent employer contribution rate to UCRP combined with eight percent from most UC employees, for a 22 percent total contribution. Any funds from Proposition 2 would be above and beyond that 22 percent contribution. The UCRP funding policy level was 30 percent of payroll, but that rate was determined by the University not to be viable for UC campuses or medical centers. The one-time funding from the May Revision would fund the delta between the 22 percent contribution rate and the 30 percent policy funding rate, strengthening UCRP's overall funding status and accelerating the time until the Plan would reach fully funded status, which would be a benefit to UC campuses and medical centers.

In exchange, the University agreed to develop a proposal for a new pension tier. President Napolitano would form a working group to consult with stakeholders and design the new tier, which would be brought to the Regents for approval. The new tier's basic structure would include a defined benefit plan very similar or identical to the 2013 tier's, except in the one area that UC's defined benefit plan differed from the State's under the Public Employees' Pension Reform Act of 2013. The pensionable salary cap in the new tier would be the Social Security cap, currently $117,000, rather than the current UCRP cap of $265,000, the Internal Revenue Service cap. The new tier might offer new employees a one-time option to select a defined contribution plan instead of a defined benefit plan. This tier would affect only new employees hired after its implementation. Mr. Brostrom anticipated that the new pension tier would be brought to the Regents for approval later in the current year. The framework provided that the Department of Finance would not release the one-time funds to the University until the Regents had adopted the new pension tier.

The framework also provided that there would be no tuition increase for in-state students for 2015-16 and 2016-17, the sixth straight year with flat tuition for in-state students. Moderate and predictable in-state tuition increases would be implemented, starting in 2017-18. The Student Services Fee would increase five percent, or $48, in 2015-16, and each year thereafter. After the adjustment for financial aid, the Student Services Fee increase would be split among programs for student mental health and other critical student services such as counseling, advising, and career placement programs.

Approval of this item would allow the President of the University to increase undergraduate Nonresident Supplemental Tuition up to eight percent annually in each of the next two years. The framework provided that increases in Professional Degree Supplemental Tuition (PDST) approved by the Regents in November 2014 would be implemented, with the change that there would be no PDST increase for UC's law schools.

The University could accommodate at least 10,000 new California students if it had permanent funding. The dramatic funding increases for CCC and K-12 would lead to higher demand for UC. Many of the framework's programmatic elements were designed to streamline UC access for transfer students. Mr. Brostrom anticipated that a disproportionate number of new UC students would be CCC transfer students and UC should have funding sufficient to ensure their success. The Governor had stated that he would not oppose additional funds provided by the Legislature for enrollment growth.

Provost Dorr discussed the framework's programmatic elements. President Napolitano had identified improving the transfer function as one of her major initiatives, and transfer of students from CCC to UC and CSU was a central element of the California Master Plan for Higher Education (Master Plan). The framework identified three areas in which

UC would work to enhance the transfer function. First, UC would achieve the Master Plan's target of having one-third of fall undergraduates enter as transfer students on every UC campus except UC Merced. Second, over the next two years UC would complete systemwide transfer preparation pathways for its 20 top majors. Third, the President would ask the Academic Senate to examine adoption of the State's Common Identification Numbering system to provide UC courses with a supplemental number that would match UC courses with comparable courses at CSU and CCC.

Provost Dorr recalled that past discussions had emphasized that UC's undergraduate graduation rate and time to degree were outstanding. The framework identified several ways to support student success in timely bachelor's degree completion. By July 1, 2017, UC campuses would review requirements for at least three-quarters of their undergraduate majors with the goal of reducing the total required coursework for the major to 45 quarter units or fewer. This would not be possible for every major, for a variety of reasons. By March 1, 2016, all UC undergraduate campuses would identify three-year degree pathways for ten of their top 15 majors. These degree pathways would include the same expectations as four-year degrees and would make use of summer coursework. Enhanced use of summer courses was critical in improving students' time to degree. By summer 2016, three UC campuses would pilot alternative pricing models for summer sessions, including providing incentives for taking advantage of summer sessions and removing barriers to their use. The University would also provide systemwide support for online gateway courses to be available to all UC students during the academic year and the summer. The President would ask the Academic Senate to examine the possibility that undergraduates could satisfy some UC graduation requirements on the basis of their academic placement test scores and/or by taking the College-Level Examination Program tests provided by the College Board. Finally, UC campuses would enhance their advising services to help students complete bachelor's degrees in four years and to address achievement gaps.

Provost Dorr reviewed the framework's provisions regarding gathering and using data to guide the University's work. The University would expand use of predictive analytics to identify at an early stage undergraduates at risk of academic difficulty and use advising and other services to assist those students. Second, the University would develop a highly detailed database of instructional costs and ways to use these data to estimate the cost of various instructional choices and to identify and adopt cost-efficient instructional choices. UC Riverside would carry out a pilot program and two other campuses would perform a scoping study. Third, data would be used to identify gaps in students' knowledge in a particular subject and to provide additional timely instruction in those areas, so students would be well prepared for the next-level course and not have to repeat an entire lower-level course. Fourth, the University would convene industry and other stakeholders to identify online certificate and master's degree programs that would enhance the California workforce.

Mr. Brostrom highlighted the next steps in the process. The legislative committees would finish their work in the upcoming week, after which the Assembly and Senate would adopt separate versions of the budget. The Assembly would vote this day on its package that would add $35 million from the General Fund for UC enrollment growth. The Senate subcommittee had $56 million for this purpose in its proposal, although those funds would be generated from UC's own revenues. Then a two-house conference committee would be formed to work out differences between the two budgets. The Legislature was required to submit a budget to the Governor by June 15 and the Governor had until July 1 to sign the budget.

Regent Kieffer expressed support for the framework. As a graduate of UCLA School of Law, he noted that law school PDST would not be increased under the terms of the framework. While UC law school tuition had increased greatly in recent years, all UC law schools had their own financial aid and loan forgiveness programs that could forgive up to the whole amount of tuition for graduates who work in public service or for nonprofit organizations. Failing to increase law school tuition could have the unintended consequence of making it more difficult for UC law schools to support their financial aid programs.

Regent Makarechian asked about UCRP's actuarial rate of return of 7.5 percent and its current funding ratio. Mr. Brostrom responded that UCRP was 87 percent funded on a market basis and 80 percent funded on an actuarial basis. If UC were to follow the funding policy, it would contribute the normal cost plus one-thirtieth of the unfunded liability each year, including principal and 7.5 percent interest, a total of 30 percent of payroll, more than the 22 percent it was currently contributing. The Governor's proposal to contribute $436 million to UCRP's unfunded liability would be one-third of the unfunded amount for each of the next three years, thus improving UCRP's funding status and accelerating the time until the employer contribution can be reduced. An updated experience study would be brought to the Regents at a future meeting and could suggest a change to the unfunded liability in either direction.

Regent Makarechian asked about the framework proposal that UC campuses would have major requirements of 45 units. Provost Dorr explained that 45 units would equal three full quarters of work on just the major.

Staff Advisor Coyne expressed support for the framework, adding that staff were particularly pleased with the Governor's proposal to contribute to pay down UCRP's unfunded liability. She asked who would be eligible to participate in the new tier's defined contribution plan. Many of UC's future staff would be affected by the new tier's proposed $117,000 limit on pensionable salary; that limit could reduce the University's ability to retain key staff.

Regent Zettel asked when the current contribution rates to UCRP could be reduced. Mr. Brostrom responded that while modeling was incomplete, rough projections indicate that the current 14 percent employer contribution would continue for another 12 years. The Governor's proposed one-time UCRP funding could probably cut that time in half. UCRP contributions were currently a $1.4 billion expense that the University did not have five years earlier and any reduction in that expense would be a large benefit to UC campuses and medical centers.

Regent Zettel commented that she had been under the impression that defined benefit plans were the cause of many public employee pension systems' unfunded liabilities and asked why a defined benefit plan would be continued in the future for new UC employees. Mr. Brostrom responded that UC was one of the few institutions that still had a defined benefit plan. Of UC's 26 comparator institutions, only four have defined benefit plans. The defined benefit plan was of value to UC, particularly in the retention of faculty. Offering the option of a defined contribution plan would be of interest to those who did not intend to have a long career at UC and preferred a more portable plan.

Faculty Representative Gilly observed that most faculty were pleased that the framework provided additional State funding to offset tuition increases. However, the proposed funding did not come close to addressing the divestment in UC that occurred over the past 20 years. Faculty concerns about maintaining the quality of a UC education remained. She noted that the programmatic elements of the framework represented either a continuation or expansion of ongoing efforts. For example, every degree program on UC campuses was rigorously reviewed on a regular cycle, usually every five to seven years internally, and by external evaluators every seven to ten years. These reviews included an examination of course requirements and student learning outcomes, and were subject to further review during the Accrediting Commission for Schools, Western Association of Schools and Colleges accreditation process. Faculty would willingly reevaluate some of their procedures and programs, but would not endorse changes that would lower the quality of a UC education. The proposed changes to the pension plan were the most difficult for faculty to evaluate without a specific proposal. It was important to understand that there were good reasons for a defined benefit plan, relating not to costs and funding, but rather to the behavior of faculty and their relationship to the University. UC seeks to hire the world's best young faculty and provide them with an environment in which they excel for decades. UC has benefitted from offering defined benefit plans, retaining young innovative faculty members and encouraging faculty to retire at an appropriate time because of ensured retirement income. By contrast, defined contribution plans are portable, and would encourage young faculty to leave when they became prominent and began to get competing offers. Also, there would be no incentive to move from active employment to retirement at any age. When considering a new retirement plan, the University needed to take into account not only the cost factors, but also the influence on faculty employment patterns that might actually harm the University. The Academic Senate intended to participate fully in the task force that would draft the new retirement tier and Ms. Gilly hoped the task force would take advantage of UC faculty expertise in this area.

Regent Leong Clancy asked about the cost of funding an additional 10,000 undergraduates and whether UC had the capacity for this additional enrollment and over what timeframe. She asked whether funding for enrollment growth would be one-time funds or added to UC's base funding. Mr. Brostrom responded that a plan had been developed for funding an additional 9,650 students over four years, those being almost all undergraduate students and a majority of them transfer students. In discussions with the Legislature, the University had estimated the cost of undergraduate education to be a blended rate of $10,000 per student. If the University received $100 million in permanent funding, it could educate close to 10,000 additional students over a four-year period. Mr. Brostrom emphasized the importance of working in partnership with the Legislature to look at multi-year enrollment funding, because finalization of the State budget was not aligned with UC admission decisions.

Regent Ortiz Oakley commented that this framework would be implemented by the entire University and emphasized the importance of the Regents' following through on all the elements of the agreement. Regarding enhancing the transfer function, he asked that a guarantee for UC admission for CCC students who have successfully completed the transfer pathway be considered. The Associate Degree for Transfer from CCC to CSU had created opportunities for many students from underrepresented communities. It would be important to work with the CCC Academic Senates to clarify the roles of UC and the CCC in creating the pathways. He expressed support for the framework's initiatives to support student success and reduce time to degree. To make better use of summer sessions, it would be important to advocate the federal government to support year-round Pell Grants. Implementing these changes would increase UC's capacity to enroll more students. Regent Ortiz Oakley expressed appreciation for Chancellor Wilcox's leadership in piloting a cost accounting structure at UC Riverside and urged other UC campuses to participate in efforts to help the University become more transparent. It would be important to track progress on the initiatives in the framework.

Regent Lozano expressed support for the framework, but observed that it would be weakened by its lack of funding for increased enrollment of California undergraduates. She urged continued advocacy to the Legislature. If funding were not secured from the State, Regent Lozano requested that Mr. Brostrom bring other options for increasing enrollment to the Regents.

Regent Elliott asked for clarification of the meaning of endorsing the framework and about the proposed authority to increase tuition. General Counsel Robinson responded that the Regents were being asked to vote on an increase in Nonresident Supplemental Tuition above that approved in November and an expression of support for the framework. Regent Elliott asked if the authority to increase student fees approved in November would still be in effect. Mr. Robinson answered in the affirmative. Provost Dorr responded that the undergraduate tuition increases approved in November would no longer be in effect. The November approval gave the President the authority to increase tuition up to five percent annually for five years, but the President could choose not to exercise that authority. Regent Elliott asked whether the President would retain that authority if the framework were endorsed. Provost Dorr responded that the President would retain that authority, but the expectation expressed in the framework was that she would choose not to exercise that authority. Regent Elliott asked if the endorsement of the framework would be binding. President Napolitano explained that the framework would amend the authority approved in November so that student tuition would not be increased for two years and beginning in 2017-18 tuition increases for in-state students would be pegged to the rate of inflation. The President would have the authority to increase Nonresident Supplemental Tuition up to eight percent in 2015-16 and the subsequent academic year. Mr. Robinson added that the framework would be binding and agreed that it would modify the plan voted on in November, as President Napolitano had stated.

Regent Elliott asked about the effect of the increase in Nonresident Supplemental Tuition should the Legislature seek a larger increase in Nonresident Supplemental Tuition and link that increase to potential funding for enrollment growth. Mr. Brostrom responded that the increase of up to eight percent annually was intended to mirror legislative proposals, with the difference that some legislative proposals would have mandated the amount of a two-year increase in one year. The University's increase of eight percent per year would be better for existing students and for recruitment. Regent Elliott noted that one legislative house passed a measure the prior day that would require a 12 percent increase in Nonresident Supplemental Tuition in 2015-16. Mr. Brostrom observed that the Regents have sole authority to set nonresident tuition. Regent Elliott asked whether endorsing the eight percent increase could jeopardize the University's ability to secure increased State funding for enrollment growth. Mr. Brostrom explained that the University would like to see funding for enrollment growth from the General Fund, as the Legislature had provided for CSU; it would be inappropriate to adjust UC tuition policies to fund enrollment growth.

Regent-designate Davis asked if a proposal for enrollment growth for 10,000 new undergraduates would include a rebenching of the formula used to allocate funds among the campuses to reflect actual campus enrollment. Mr. Brostrom responded that all the campuses were putting together their long-range enrollment plans, which were intended to serve as the model for the allocation of State funds, which would follow students on a weighted basis under rebenching. There were several issues yet to be resolved, such as the issue of unfunded students and the weightings that had been established. These would be discussed with the campuses over the next few months. He affirmed the general principle that State dollars would be allocated to campuses evenly, for every undergraduate at every campus.

Regent Pérez commented that the framework represented substantial progress, particularly in its use of one-time funds to reduce UCRP's unfunded liability. The University's emphasis on sustainable energy captured the attention of the State administration and enabled funding from specific categories of State monies. While broadly supportive of the framework, Regent Pérez questioned whether it was necessary to endorse the entire framework at the current time, particularly the framework's provision that undergraduate tuition would be increased beginning in 2017-18. He urged continued interaction with the Legislature over support for the framework and funding for enrollment growth. Endorsing the eight percent annual increase in Nonresident Supplemental Tuition at the current time could be counterproductive, since the Legislature had yet to act. Once the budget was enacted, the Regents would still be free to act in July. Regent Pérez observed that his prior request that an item for rescission of the November action increasing tuition be put on a future agenda had not been fulfilled, but would be precluded by the current item. He questioned the urgency of endorsing the framework at the current time, rather than after the final budget was enacted.

Mr. Brostrom responded that part of the agreement with the Governor was that the Regents would take action to endorse the framework. Regent Pérez suggested that some controversial elements could be removed from the framework before it was endorsed. For example, a working group would be established to design the details of the new UCRP tier. Removing such elements would give the University the opportunity to be responsive to legislative leaders. Regent Pérez commented that the Legislature may not see the need for tuition increases in 2017-18 and questioned endorsing that provision at the current time. President Napolitano noted that the Regents have jurisdiction over Nonresident Supplemental Tuition. She emphasized the significance of the Governor’s acknowledgement that tuition could increase by the rate of inflation after two years. Today’s action would amend the November action and would limit the President’s authority to increase tuition only by the rate of inflation. Any increase above that amount would have to be brought to the Regents for approval. Setting tuition levels at the current time would help families predict their costs and help the University plan. President Napolitano suggested that by endorsing the framework the Regents were in effect amending the November vote to provide that Nonresident Supplemental Tuition could be increased up to eight percent annually.

Regent Pérez agreed that it would be beneficial to create a predictable pattern of tuition increases in 2017-18 and beyond. Options should be fully considered. He also expressed concern about the Regents’ delegating authority for tuition increases to the President on an ongoing basis.

Regent Lansing reminded the Regents of the vastly improved prospects the framework represented for the University. She urged support for the framework, acknowledging that work remained to secure funding for increased enrollment.

Committee Chair Gould observed that negotiations with the Governor resulted in the framework, with the expectation that the Regents would endorse the framework. Delegating authority to the President to increase Nonresident Supplemental Tuition would allow her to negotiate as necessary. After difficult negotiations, the framework represented a clear commitment to reach an accommodation. Any necessary adjustments in the future could be brought to the Regents.

Regent-designate Oved expressed support for linking undergraduate resident tuition increases in 2017-18 and beyond to the rate of inflation. Graduate and professional students should be involved in considerations of PDST.

Regent Reiss expressed support for the framework, but concern about the lack of funding for enrollment growth, which she hoped would be included by the Legislature. The framework should provide sufficient flexibility to include legislative actions regarding the budget. Regent Reiss expressed support for a UC transfer guarantee for CCC students who successfully complete a transfer pathway. Regent Reiss asked if all tuition increases would be brought to the Regents for approval. President Napolitano responded that tuition increases would be in the budget that the Regents would approve.

Regent Sherman expressed his understanding that the framework allowed no tuition increases for two years, then tuition increases at the rate of inflation through 2018-19, in effect building in a cost of living allowance. He asked if the rate of inflation applied would be cumulative from the current time, or the annual rate at that time in the future. Mr. Brostrom responded that the inflation rate contemplated in the University's modeling was the one-year rate.

Regent Pérez commented that, while he was uncomfortable with the delegation of authority to set tuition, he would support endorsement of the framework to express to the Governor and the Legislature that these had been very meaningful negotiations.

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

Student observer Christopher Kan expressed students' appreciation that there would be no increase in undergraduate tuition for two years. However, while the current budget plan would protect UC access and affordability for California students, it lacked specific provisions to bolster flagging educational quality. The eight percent annual increase in Nonresident Supplemental Tuition would result in a 47 percent increase over five years. Deterring nonresident students could diminish the vibrancy of the University. Graduate education had already been compromised by existing high tuition levels. Mr. Kan expressed his view that many UC students graduate with poor critical reading, writing, and reasoning skills. The current budget process offered an opportunity to address these problems by reducing teaching loads, increasing support staff and resources, and improving ways to measure programmatic performance. Graduation rates do not measure the true goal of a university education, which is to nurture productive individuals able to contribute to shared prosperity. Other criteria such as post-graduation employment rates should be used. Mr. Kan urged the Regents to reinvest in the quality of a UC education.

The meeting adjourned at 12:25 p.m.

Attest:

Secretary and Chief of Staff