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Office of the President

TO MEMBERS OF THE BOARD OF REGENTS:

ACTION ITEM

For Meeting of July 22, 2021

MULTI-YEAR TUITION AND FINANCIAL AID PLAN

EXECUTIVE SUMMARY

The Regents are asked to approve a multi-year tuition stability plan for three systemwide student charges: tuition, the Student Services Fee (SSF), and Nonresident Supplemental Tuition (NRST). Under the recommended action, adjustments to these charges would be assessed on a cohort basis for incoming undergraduate students and on a uniform basis for graduate students in State-supported programs.

The proposed plan would benefit current and prospective students in three important ways: supporting campus operations to maintain and improve the quality of a UC education for succeeding generations of Californians; providing unprecedented tuition stability and predictability for students and parents; and enhancing financial aid and affordability for students with financial need.

A similar proposal was brought to the Board for discussion in May 2021. The current proposal incorporates three significant changes that were adopted in response to that discussion: using average annual inflation over a rolling three-year period (rather than inflation in a single year) as the basis for annual adjustments to these systemwide charges; increasing the percentage of new revenue generated by any adjustment that would be used for UC grants; and ensuring that no year-to-year change in applicable charges would exceed six percent unless authorized by the Regents. Collectively, these changes would provide even greater year-to-year stability in student charges and further improve UC affordability for students and families with financial need.

If approved, the proposed adjustments would apply only to incoming undergraduate students, and to new and continuing graduate students, beginning with the 2022–23 academic year. No adjustments to these charges are proposed for 2021–22 for new or continuing undergraduate or graduate students.

RECOMMENDATION

The President of the University recommends that the Regents approve the following actions:

A. Approve adjustments to student charges and general provisions as described in Attachment 1, *Proposed Adjustments to Student Charges*.

B. Authorize the President to assess charges below the amounts approved in Paragraph A for any year when the State provides an increase of more than five percent to the University's permanent base budget to buy out some or all of the proposed student tuition and fee adjustments.

BACKGROUND

At its meeting on January 22, 2020, the Regents engaged in a robust discussion of potential tuition models for the University of California. Those models included a cohort-based approach in which adjustments to selected charges for undergraduates apply only to incoming cohorts of students, while charges for graduate students would be assessed on a uniform basis. A proposal to implement cohort-based tuition for undergraduates and inflation-based adjustments for graduate students was brought to the Board for action in March 2020, but consideration of the proposal was deferred due to the onset of the COVID-19 pandemic. The proposal was brought to the Board for further discussion in May 2021. The current proposal incorporates several significant changes in response to that discussion, as described below.

Under a cohort-based tuition plan, an institution assigns a tuition and fee level to each incoming cohort of students and keeps that level flat for that student cohort for a specified number of years. The specific proposal for the University of California—which includes cohort-based charges for undergraduate students and uniform charges for graduate students—is described in Attachment 1, *Proposed Adjustments to Student Charges*. As noted in Attachment 1, in approving the proposed tuition stability plan, the Regents would retain the ability to modify all student charges as needed.

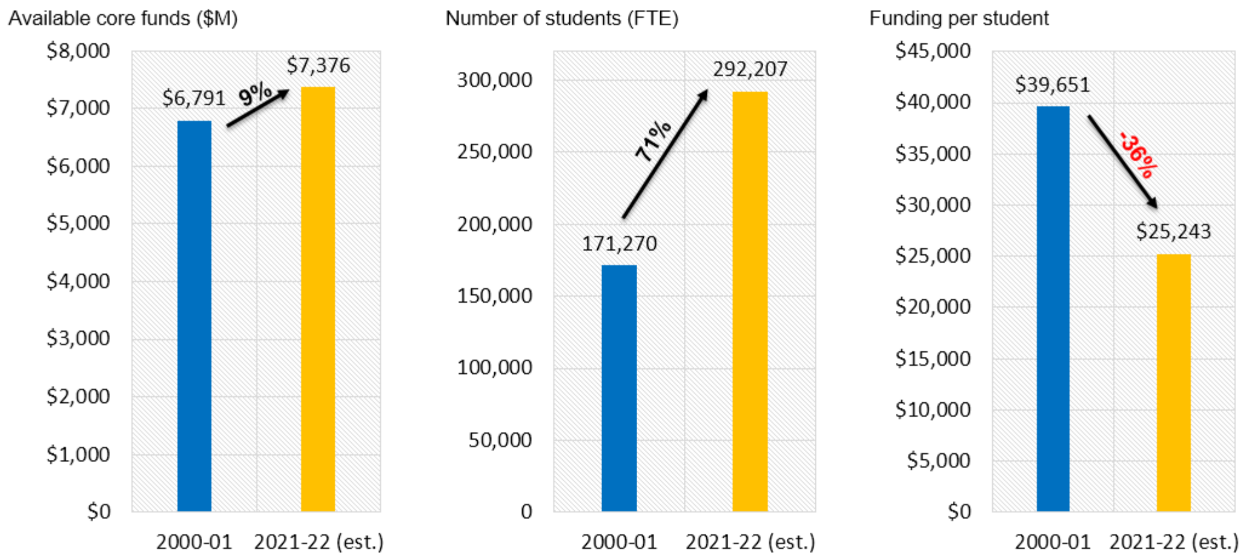
The proposed tuition stability plan would provide UC students and campuses with three important benefits: much-needed resources for campuses to maintain and improve the quality of a UC education for current and future generations of increasingly diverse Californians; unprecedented tuition stability and predictability for students and families; and enhanced financial aid and affordability for students with financial need. Each benefit is discussed below.

Critical Support for Campus Operations

The University's core funds, which include revenues from State General Funds, UC General Funds, and student tuition and fees, are the primary source of support for the University's core academic activities and the services needed to perform them.

Growth in available core funds has not kept pace with enrollment growth. As shown in Display 1 below, on a per student basis, core funding will have declined by an estimated 36 percent between 2000–01 and 2021–22 even with the increase to the University's permanent base level of State support provided in the 2021–22 Budget Act.

DISPLAY 1: Available Core Funds*, Enrollment, and Core Funds per Student Over Time



*Core funds available after accounting for financial aid, debt service, retirement plan contributions, and inflation, and excluding one-time State appropriations.

Campuses and the University as a whole have made extraordinary efforts to identify cost-saving opportunities in response to these funding constraints. Even with these efforts, however, the reduction in available resources has negatively affected campuses' academic infrastructure and learning environments.

- Across the system, campuses have shifted their instructional models toward using more lecturers instead of ladder-rank faculty, resulting in fewer opportunities for undergraduate students to interact with world-class researchers who can inspire and mentor the next generation of faculty, researchers, and innovators.

- Urgent deferred maintenance needs have caused campuses to redirect funds from other campus priorities, such as faculty hiring and student counseling.

- Campuses have delayed needed investments in their technology infrastructure and financial systems and, in some cases, are now using platforms that are no longer supported by the vendor, creating potential risks to data security and business processes.

- Campuses have been challenged to fund the required number of information technology positions and to attract and retain the highly skilled staff needed to adequately support campus faculty, staff, and students.

- Campuses have been unable to make needed progress in replacing instructional equipment, classroom modernization, and other areas that directly affect student learning.

Undesirable consequences of this decline in resources can be seen in several metrics directly related to the student experience, including a deterioration in the student-faculty ratio, larger class sizes, a substantial backlog of campus deferred maintenance needs, and a decline in the percentage of students who would, knowing what they know today, choose to attend the UC campus at which they enrolled.

Contributing to the decline in the purchasing power of the University's core funds is the fact that in-state tuition at UC has remained flat for nine of the last ten years. Since 2011, UC tuition has increased by $282 and the Student Services Fee has increased by $156. Even when taking increases in campus-based fees into account, the recent history of UC in-state tuition and fees stands in stark contrast to that of the University's four comparison public universities, as shown in Display 2.

DISPLAY 2: Change in In-State Tuition and Fees at UC and Public Comparison Institutions

	Tuition and Campus Fees*		Increase from 2011-12 to 2019-20		
University	**2011-12**	**2019-20**	**Dollar**	**Percent**	**Avg. Annual Increase**
Virginia	$11,532	$17,972	$6,440	55.8%	5.7%
Illinois	$13,376	$17,363	$3,987	29.8%	3.3%
Michigan	$14,236	$17,594	$3,358	23.6%	2.7%
SUNY Buffalo	$7,482	$10,524	$3,042	40.7%	4.4%
UC	$13,181	$14,022	$841	6.4%	0.8%

*At institutions that charge differential tuition or fees by program or student level, figures are averages based upon the distribution of students across programs and levels.

Annual budget plans approved by the Regents in recent years include a number of important priorities to be funded from the University's core funds budget. These include, but are not limited to, the following:

- eliminating achievement gaps between student populations and improving graduation rates in order to reduce student debt, accommodate larger incoming classes, and help the State meet its projected need for a highly skilled workforce under UC 2030, the University's multi-year framework;

- maintaining and improving upon UC's strong track record as an engine of upward socioeconomic mobility and excellence by making further investments in student academic preparation and educational partnerships;

- ensuring a safe and functional environment for students, faculty, and staff by addressing the most critical aspects of the University's substantial deferred maintenance backlog;

- pursuing a responsible compensation strategy to address faculty salaries that are substantially below market, follow through on the University's collective bargaining agreements, and prevent wage erosion for nonrepresented staff;

- continuing to expand the University's investment in student mental health to ensure that counseling services and other resources are available to every UC student at every campus;

- enhancing support for students from particularly disadvantaged backgrounds, including undocumented students, former foster youth, and formerly incarcerated students; and

- keeping projected increases in all other budget categories—including employee and retiree health benefits, as well as all non-personnel costs—to a minimum.

As depicted in Attachment 2, *Projection of Required and Available Resources*, growth in the resources required to sustain these investments over time is projected to outpace the resources available from State and University sources alone. An estimated shortfall of $241 million in 2022–23 is projected to grow to $694 million by 2026–27. Attachment 2 also shows how moderate and predictable increases in resources resulting from the proposed tuition stability plan would significantly narrow, although not close, the budget gap. Additional information about the cost drivers reflected in these projections are provided in Attachment 3, *Projection of Required Resources from Core Funds: Detail.* A more detailed projection of the new revenue generated under the plan—including the additional funding provided for the University's financial aid programs—is shown in Display 3, below, on an annual basis and compared to estimated 2021–22 levels.

DISPLAY 3: Projected New Revenue from Proposed Tuition Plan

All figures in millions of dollars

	Increase from Prior Year					Increase from 21-22				
	22-23	23-24	24-25	25-26	26-27	22-23	23-24	24-25	25-26	26-27
Gross Revenue										
Tuition	49	85	111	131	128	49	134	245	376	503
Student Services Fee	5	8	10	12	12	5	13	23	36	48
Subtotal	54	93	121	143	140	54	147	268	411	551
Nonresident Supp. Tuition	17	31	41	48	46	17	48	88	136	182
Total	71	124	162	191	186	71	194	357	548	733
Return-to-Aid										
Tuition	20	35	46	54	52	20	55	101	155	207
Student Services Fee	2	3	4	5	5	2	5	10	15	20
Subtotal	22	38	50	59	57	22	61	111	169	226
Nonresident Supp. Tuition	3	6	8	10	9	3	10	18	27	36
Total	26	44	58	68	66	26	70	128	196	263
Revenue Net of Return-to-Aid										
Tuition	28	50	66	77	75	28	78	144	221	296
Student Services Fee	3	5	6	7	7	3	8	14	21	28
Subtotal	31	55	72	85	82	31	86	158	242	324
Nonresident Supp. Tuition	14	24	33	38	37	14	38	71	109	146
Total	45	79	104	123	119	45	124	228	351	470

Stable and Predictable Charges for Students and Families

The proposed plan would provide much greater predictability in student charges for both undergraduate and graduate students.

- At the *undergraduate* level, the University would hold tuition and fee levels constant for each continuing undergraduate student at the student's initial entering rate for the duration of a student's enrollment, up to six years. By eliminating annual uncertainty about how a student's systemwide charges might change from one year to the next, the University would make it easier for students and families to develop a financing plan for the entirety of a student's enrollment at UC.

  This predictability would also benefit the 55 percent of California resident undergraduates whose tuition and fees are fully covered by need-based grants. Increases in UC grants and Cal Grants resulting from a tuition adjustment would cover the adjustment for these students, but this fact is not well understood. As a result, the prospect of a tuition increase for continuing students creates unnecessary anxiety among financially needy students and their families. A cohort tuition model would eliminate this anxiety.

- Under the plan, systemwide charges for *graduate* students would continue to be assessed on a uniform basis. However, graduate students would also benefit from greater predictability because annual adjustments would be pegged to inflation—i.e., charges would essentially remain flat in constant dollars. (Note that students in academic doctoral programs typically have their systemwide charges fully or partly covered through a combination of fellowships and qualifying appointments as teaching assistants or research assistants.)

The current proposal includes two changes that were added in response to the Regents' discussion in May 2021 in order to provide students and families with even greater stability and predictability.

- Under the revised plan, adjustments to student charges would be based upon average annual inflation over a rolling three-year period rather than inflation in a single year. Because of this revision, the proposed adjustments to student charges for 2022–23 are smaller than the estimates shared at the May meeting.

- For any year in which the increase to a student charge would exceed six percent, the increase would be capped at six percent unless the Regents took action to approve a different amount.

Additional changes to increase the amount of funding generated for financial aid are described below.

Enhanced Financial Aid and Affordability

Financial aid helps students and their families cover the total cost of attending the University of California. That assistance extends beyond covering tuition and fees—it also helps with housing, food, books, and other educational expenses. UC undergraduates received nearly $890 million in UC, federal, and State grants in 2019–20 to help cover these other costs while attending the University *in addition to* $1.3 billion from these same sources to help cover tuition and fees.

Tuition is the single largest driver of the amount of need-based grant assistance available to California resident undergraduates at UC for two reasons:

- For many years, the University has set aside one-third of all new revenue generated by increases to undergraduate tuition and the Student Services Fee to fund UC's robust grant program. As a result, adjustments to tuition and the Student Services Fee also increase the pool of funds available for financial aid.

- One-third of UC undergraduates benefit from the State's Cal Grant program, which fully covers in-state tuition and the Student Services Fee. When these charges increase, so does the amount of students' Cal Grant awards.

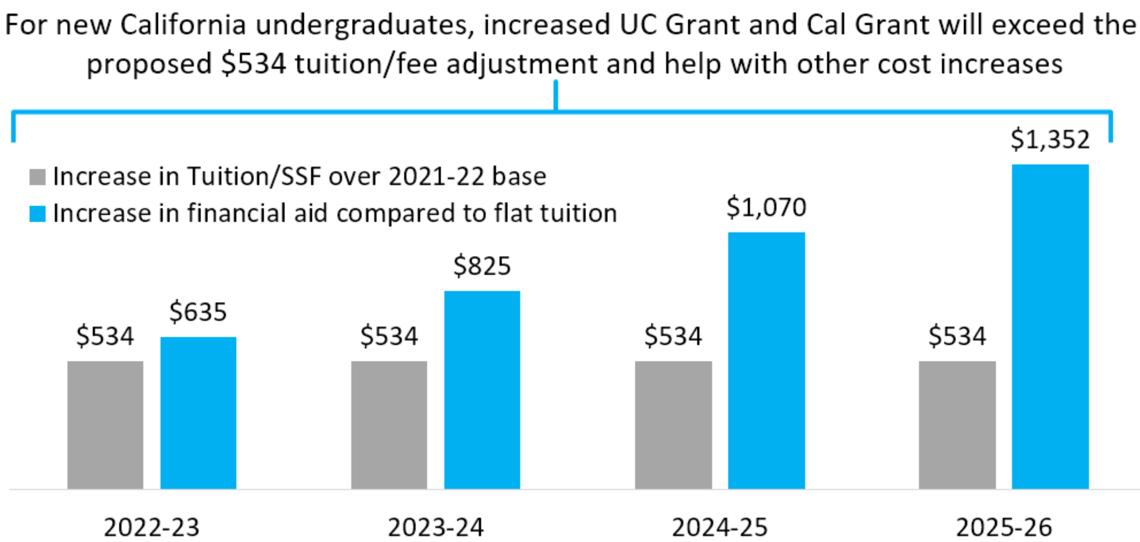
Compared to the proposal brought to the Board in May 2021, the current proposal would further expand funding for UC's student aid programs by setting aside a larger portion of the revenue generated by the proposed increases for financial aid.

- For undergraduate students, along with students in graduate professional degree programs, 40 percent of new revenue generate by the proposed adjustments to tuition and the Student Services Fee would be set aside for financial aid. (No change is proposed for graduate academic students because campuses already set aside, at a minimum, an amount equivalent to 50 percent of any increase to these students' charges.)

- For nonresident undergraduates, 20 percent of new revenue generated by the proposed adjustments to Nonresident Supplemental Tuition (NRST) would be set aside for financial aid—double the amount that would have been set aside under the proposal discussed in May (ten percent).

Under the proposed plan, an estimated 106,000 California undergraduates could expect their combined UC Grant and Cal Grant awards to increase by more than the proposed increase in student charges, resulting in additional support to help these students cover increases in other expenses such as rent, food, course materials, health care, and transportation. As shown in Display 4, the increased financial aid generated from the proposed adjustments to tuition and the Student Services Fee would result in lower *overall* costs for UC grant recipients compared to a scenario in which these charges remained flat.

DISPLAY 4: Projected Impact on Tuition/Fees and Financial Aid for California Resident Undergraduate UC Grant Recipients in Fall 2022 Entering Cohort



In 2022–23, entering students could expect to receive grant assistance that would be $635 higher than the amount they would have received had tuition and the Student Services Fee remained flat—or $101 more than the $534 increase in those charges. Over time, the net benefit would grow: by 2025–26, these students would receive an estimated $1,352 more in financial aid, or $818 more than the $534 increase in tuition and fees. The net benefit each year—$101 in 2022–23 growing to $818 in 2025–26—translates directly into a reduction in the amount that students would need to work or borrow to finance their education and would benefit UC grant recipients in every cohort, not just the entering class.

When moderate adjustments to tuition and the Student Services Fee (SSF) occur annually, the cumulative impact of this additional financial aid can be significant. As shown in Display 5, the projected annual increases in student aid shown above would reduce a student's need to work and/or borrow to finance their education by a total of $1,746 over a four-year period.

DISPLAY 5: Cumulative Impact of Annual Increases to Financial Aid for Living Expenses for a California Resident Undergraduate Entering Fall 2022

	Year in School				Total 4-Year Impact
	Freshman	Sophomore	Junior	Senior	
Change in Tuition/SSF over 21-22	$534	$534	$534	$534	
Change in Financial Aid over 21-22	$635	$825	$1,070	$1,352	
Reduction in need to work or borrow in current year	($101)	($291)	($536)	($818)	($1,746)

In contrast, holding tuition and the Student Services Fee flat results in no new resources for financial aid. With no increase in financial aid, increases in other charges (housing, food, books and supplies, transportation, health insurance, etc.) are effectively passed along to students dollar-for-dollar, increasing their need to work and borrow. For 2021–22, these other charges are projected to increase by an average of approximately $600 (combined) over 2020–21 levels.

Display 6 (shown on the following page) depicts the impact of the proposed tuition stability plan on the projected net cost for families at five different income levels. The net cost is shown under two scenarios: (a) holding tuition and the Student Services Fee flat over time, and (b) adopting the proposed tuition stability plan.

- For a student with a parent income of $20,000, the University expects no contribution from parents, so the amounts shown are only the student self-help contribution from work and borrowing. Self-help is highest if tuition remains flat, shown in orange. With no tuition increase, no new funding is available to help cover increases in students' other expenses, so students must cover the entirety of those cost increases themselves. Self-help is lower under the proposed plan, shown in blue, due to the additional financial aid resources generated by the adjustment to tuition and fees to help students cover a portion of their other cost increases.

- For a family earning $60,000, the net cost is higher because this family has an expected parent contribution in addition to self-help, which is included in the net cost shown in the chart. The overall relationship between the two scenarios, however, is similar to the pattern for the family earning $20,000: holding tuition flat results in the highest net cost and the cohort model result in a lower net cost.

- Similarly, families earning $90,000 and $120,000 would also typically benefit from the higher financial aid generated under the tuition stability plan and would have a lower net cost than if tuition were held flat.

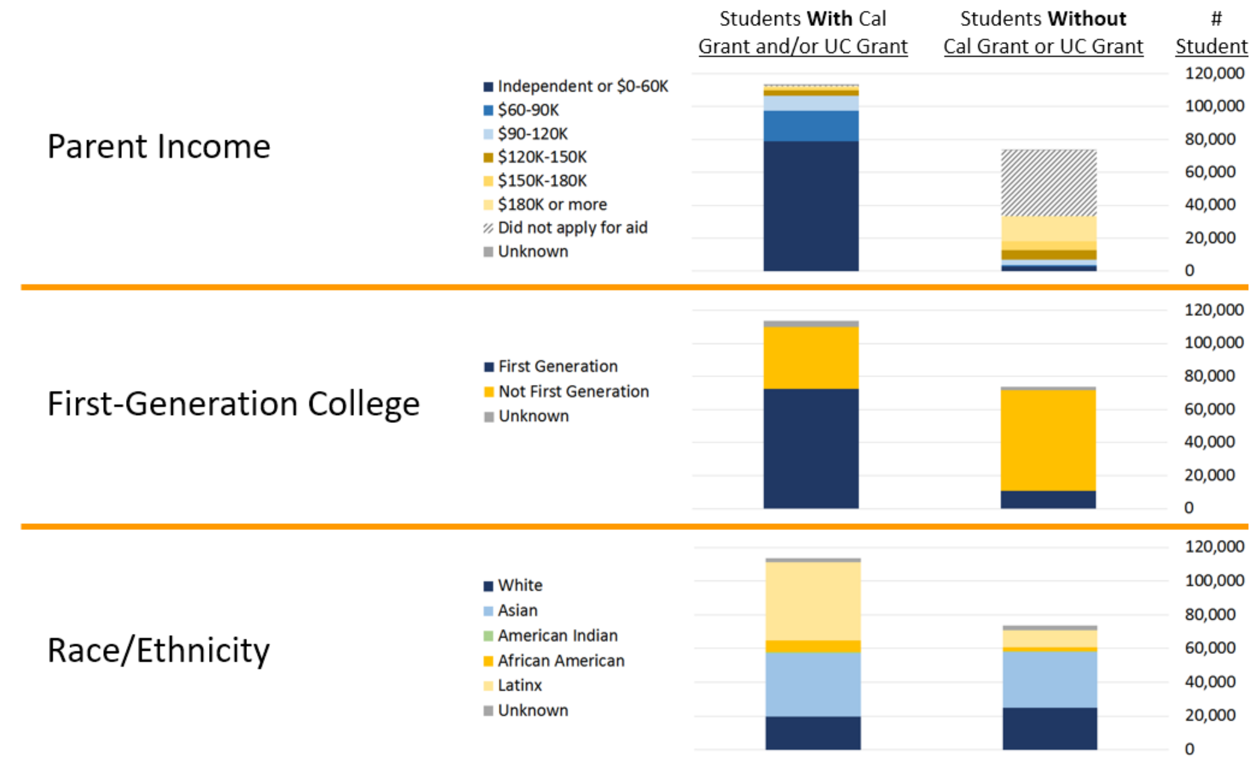
- For the family earning $150,000, a different pattern emerges: net cost is lower when tuition stays flat. This family would receive partial tuition coverage under the State's Middle Class Scholarship program (which serves eligible families with incomes up to $191,000 in 2021–22), but it would still be expected to cover a portion of the tuition increase. The same general pattern is true for higher-income families: holding tuition flat provides the greatest advantage to these families, who also have the greatest financial resources.

Undergraduate students and families at all income levels, however, would benefit from the predictability of knowing that a student's mandatory systemwide charges would remain flat for the duration of the student's enrollment (up to six years) under the proposed tuition stability plan.

DISPLAY 6: Comparison of Net Cost of Attendance by Income Level

Display 7, below, presents demographic information about California resident undergraduates whose financial aid awards would be expected to increase in response to an increase in tuition and the Student Services Fee (i.e., students with UC grants and/or Cal Grants) and students without such awards, who would likely face a higher net cost as a result of an increase. Students with UC grants and Cal Grants are far more likely to be from lower-income families; first-generation college students; and students from underrepresented minority groups compared to students without such awards.

DISPLAY 7: Demographics of Students With and Without UC Grants and/or Cal Grants, 2019-20



Under the proposal, an amount equivalent to 20 percent of the resulting increase to Nonresident Supplemental Tuition (NRST) would be set aside to provide financial aid to domestic nonresident and international undergraduate students with financial need. Even nonresident students without financial need, however, would benefit from the much greater predictability in student charges that would result from a cohort-based plan.

At the graduate level, additional funding would be available to programs and departments to provide whatever forms of student financial support are most appropriate in light of their enrollment goals and the students that they serve. For example, fellowship and assistantship support is particularly important to academic doctoral programs that compete against top public and private institutions worldwide to enroll the most talented students; new funding provided under the plan would enhance these programs' ability to craft desirable multi-year offers of support. Graduate programs in professional disciplines provide fellowships and grants to assist students from all socioeconomic backgrounds to obtain professional degrees, thereby enabling these students to make significant contributions to their respective fields. In addition to funding provided under the budget plan from mandatory systemwide charges, professional degree programs are also expected to supplement financial aid resources from Professional Degree Supplemental Tuition revenue.

Additional Information

Additional information about the tuition and fee rates that would result from the tuition stability plan and why additional resources are needed is provided in Attachment 4, *Supplemental Information for the Tuition Stability Plan.*

SUMMARY

Compared to continuing to hold tuition and fees flat, the proposed tuition stability plan would have a positive outcome of enhanced affordability for low- and middle-income families and would provide campuses with much-needed resources to sustain core operations and make the high-priority investments in student success previously endorsed by the Regents.

The University is bringing a specific proposal to the Regents for possible approval now so that, as campuses begin extending offers of admission for the fall 2022 term, prospective UC students can make informed enrollment decisions; continuing students can know what level of tuition and fees to expect; and campuses can prepare to provide the educational opportunities, academic support, financial aid, and student services needed to sustain the University's unparalleled track record of access, affordability, and academic excellence.

Attachments:

1. Proposed Adjustments to Student Charges
2. Projection of Required and Available Resources
3. Projection of Required Resources from Core Funds: Detail
4. Supplemental Information for the Tuition Stability Plan