

Office of the President

TO MEMBERS OF THE COMMITTEE ON FINANCE:

ACTION ITEM – CONSENT

For Meeting of March 14, 2013

CONTINUATION OF TUITION SURCHARGE

RECOMMENDATION

The President recommends that the Committee on Finance recommend that the Regents approve continuation of the \$60 temporary tuition surcharge (the Surcharge) currently being charged annually to all enrolled students until such time that all costs associated with the *Kashmiri v. Regents* and *Luquetta v. Regents* judgments are recovered. An amount equivalent to 33 percent of the Surcharge revenue generated from undergraduate students and graduate professional students, and 50 percent of the Surcharge revenue generated from graduate academic students, will be set aside for financial aid.

BACKGROUND

In July 2005, the Regents approved assessment of a temporary surcharge of \$60 in the Educational Fee¹ (the Surcharge) to all enrolled students beginning in 2007-08 to cover the costs associated with a court order that prevented the University from collecting the professional fee increases approved by the Regents for 2004-05 and 2005-06. In May 2008, the Regents approved continuation of the Surcharge until such time as the costs associated with the *Kashmiri v. Regents* lawsuit were fully repaid. A second lawsuit, *Luquetta v. Regents*, was filed that made claims similar to those in the *Kashmiri* case, with respect to professional students who enrolled during the 2003-04 academic year. After exhausting the appeals process, the University was required to pay approximately \$49 million in damages and pre- and post-judgment interest. It is anticipated that the costs associated with the *Kashmiri* lawsuit will be fully recovered during academic year 2012-13. This item requests that the Regents approve continuation of the Surcharge until such time as the costs associated with the *Luquetta v. Regents* lawsuit are also recovered.

The Regents' action would not raise tuition beyond current levels for undergraduate, graduate academic, or graduate professional students. (The \$60 Surcharge is an annual charge that is included in the current tuition level of \$11,220.) Once the costs associated with the *Kashmiri* case are fully recovered, revenue from the Surcharge will begin to be applied against the costs associated with the *Luquetta* case. Campuses are currently providing interim financing

¹ The Regents changed the name of the Educational Fee to "Tuition" at the November 2010 meeting of the Board.

for the costs associated with the *Luquetta* lawsuit with their Short Term Investment Pool balances. As a longer term solution, campuses will carry the judgment obligation on their books as a deficit to be retired gradually as the proposed continuing \$60 Surcharge is collected over the next few years. Campus shares of the obligation will be distributed on the basis of total enrollment. It is anticipated that the Surcharge will fully recover the costs associated with the *Luquetta v. Regents* case by the end of fiscal year 2017-18.

To mitigate the impact on needy students of continuing the Surcharge, it is recommended that an amount equivalent to 33 percent of the Surcharge revenue from undergraduate and graduate professional students and 50 percent of the Surcharge revenue generated from graduate academic students be set aside for financial aid. This would continue the University's current financial aid practices with regard to the Surcharge.