

**Office of the President**

**TO MEMBERS OF THE BOARD OF REGENTS:**

**DISCUSSION ITEM**

*For Meeting of November 14, 2019*

**UPDATE ON COHORT-BASED TUITION**

**EXECUTIVE SUMMARY**

The University of California is exploring the appropriate role of student tuition and fees in its operating budget, along with alternative approaches for assessing those charges. Among the approaches under consideration is a cohort-based tuition model in which the University would seek to keep certain systemwide charges—base tuition, the Student Services Fee, and Nonresident Supplemental Tuition—flat for most students while they are enrolled at UC, with any changes applying only to incoming cohorts of new students. A systemwide working group has been formed to develop recommendations about how cohort tuition might be applied at UC and to compare the merits and challenges of cohort tuition with (a) a model in which any increase in tuition and fees is generally pegged to the rate of inflation (as measured by changes in the California Consumer Price Index, or CPI) and applies to both new and continuing students (the “CPI-based” model), and (b) a scenario in which tuition and fees are held flat for the foreseeable future.

The working group reached consensus on several design elements of a cohort-based policy, including the desire to keep the terms of any policy as simple as possible, the student charges that would be covered by the policy, the length of time for which students could expect their tuition and fees to remain flat, and the need for clear goals and metrics related to UC affordability within the context of the total cost of attendance—not just tuition. The group also discussed unique characteristics of graduate education that make graduate student charges less suitable for a cohort-based approach; how cohort tuition could be phased in to provide revenue comparable to the amount generated by a CPI-based tuition model; implementation costs associated with modifying campus information systems and processes; and differences in the projected student contribution from work and borrowing (self-help) under a cohort model, a CPI-based model, and a scenario in which tuition and fees remained flat.

This discussion item is intended to provide an update on the group’s deliberations and to solicit feedback from the Board regarding policy options and next steps.

## BACKGROUND

At its meeting on July 18, 2019, the Board of Regents had a preliminary discussion about the potential benefits and challenges of adopting a cohort-based approach for assessing student tuition and fees. (See item B5 from the July 2019 Regents meeting, *Cohort-Based Tuition*.) Under a cohort-based tuition plan, an institution assigns a tuition and fee level to each incoming cohort of students and then keeps that level flat for that student cohort for a specified number of years. Several public institutions have adopted a cohort-based tuition model to mitigate the challenges posed by unpredictable annual tuition and fee levels, with varying degrees of success.

Members of the Board have expressed interest in exploring cohort tuition further as one of several possible approaches for assessing tuition in fees. President Janet Napolitano convened a Systemwide Working Group on Cohort-Based Tuition to develop recommendations for how a cohort tuition policy might be applied at UC and to evaluate cohort-based tuition alongside other tuition models. A list of working group members appears in Attachment 1.

## SUMMARY OF WORKING GROUP DISCUSSIONS

### Policy Features and Considerations

- **Simplicity as a design principle.** The working group recognized that adopting a cohort tuition model requires a host of policy and implementation decisions (some of which are described below) that, depending on how they are addressed, could work against the clarity and predictability that cohort tuition potentially offers to students, families, and UC campuses. The working group concluded that, in general, the University should strive for simplicity over complexity in making those decisions.
- **Covered charges.** The group agreed that the University's three mandatory systemwide charges—base tuition, the Student Services Fee, and Nonresident Supplemental Tuition—are most suitable to be assessed using a cohort-based model. Campus-based fees, which are typically introduced via a student referendum process, generally remain flat each year and/or have preset schedules for periodic adjustments that are set forth in the authorizing referenda. Similarly, projected Professional Degree Supplemental Tuition levels are now often known several years in advance because they are approved by the Regents as part of multi-year plans that may last up to five years. Applying a cohort approach to these other student charges would add considerable complexity without providing much in the way of additional stability or predictability.
- **Student eligibility—residency.** The group felt that nonresident students as well as resident students would benefit from greater predictability in tuition and fees. Hence, the group recommended that a cohort-based approach be considered for residents and nonresidents alike.
- **Student eligibility—level.** The group agreed that undergraduate students would benefit from the stability and predictability offered by cohort tuition. The group noted that cohort tuition is less appropriate for graduate students, for several reasons. First, the potential

benefit to students in academic doctoral programs—who represent about two-thirds of all UC graduate students in state-supported programs—would be unclear since these students often have their tuition and fees fully covered by tuition or fee remission (in the case of teaching assistants and graduate student researchers) or by fellowship support. Second, normative time-to-degree for graduate students can vary from as little as one year to over eight years. For students in programs with a very short normative time-to-degree, flat tuition over a multi-year period is much less relevant; for students in programs with a long normative time-to-degree, assessing a flat cohort rate for eight or more years would create exceptionally large disparities in tuition paid by different students. Third, some faculty members have suggested that cohort-based tuition and fees would make it more difficult to develop budgets for research grant proposals, since the cost of providing tuition or fee remissions would vary based on the cohort of the student who is ultimately hired as a graduate student researcher. Lastly, cohort tuition for students in certain graduate programs but not others (e.g., only for students in academic masters or professional degree programs) would be challenging to administer consistently because program categories are not always clearly distinguishable and many interdisciplinary or dual programs (e.g., J.D./Ph.D. programs) would require special treatment. These complicating factors may partly explain why other institutions have only adopted cohort tuition for undergraduate students. Given these considerations, the working group did not recommend including graduate students in a potential cohort-based tuition model at UC at this time. The working group agreed that a CPI-based approach may be more appropriate for graduate students.

- **Duration of a cohort-based rate.** The working group recommended the University hold an entering cohort's tuition and fees flat for six years, with a streamlined appeals process for students who may need an extension. In the interest of simplicity, the same six-year period would apply to all students who first enroll in a given year (e.g., a freshman and transfer student who enroll the same year would be considered to be part of the same cohort for tuition/fee purposes). The group acknowledged that other institutions with cohort tuition typically hold students' tuition flat for only four years in order to provide students with a financial incentive to graduate in four years. The group also noted, however, that (a) the evidence as to whether a four-year limit has improved graduation rates at other institutions is inconclusive; (b) students already have a much stronger financial incentive to graduate quickly, since they can avoid additional years of housing, food, and other costs; and (c) students may take longer than four years to graduate for any number of reasons, including some that the University would not want to discourage (e.g., seeking a double major) and others that are beyond a student's control (e.g., health problems). The group also noted that UC students who take more than four years to graduate are more likely than others to have entered UC with gaps in their academic preparation, which can be correlated with students' family income, first-generation status, and ethnicity. As a result, a policy that penalizes students who take longer than four years to graduate would be inconsistent with the University's goals related to enhancing access and socioeconomic mobility.
- **Budget resiliency.** Under a cohort-based plan, the University would have less flexibility to respond quickly to a shortfall in State support because any tuition increase would apply

to incoming students only, not the entire student body. The working group reviewed several scenarios that demonstrated that the University could weather moderate, short-term funding shortfalls within a cohort-based framework by approving year-to-year adjustments that, while higher than inflation, would remain below the double-digit tuition increases that occurred in the 2000s and 2010s. Nevertheless, in the event of a cut to the University's budget or a decrease in State funding, a larger tuition/fee increase would be required under a cohort-based tuition model than under a CPI-based model to address the same hypothetical shortfall. The magnitude of the difference would depend upon both the size of the shortfall and the timespan over which the University sought to replace lost State funds in order to avoid or minimize cuts to campus programs and services.

- **Need for Success Metrics.** The working group agreed upon specific metrics for success that could be used to hold the University accountable for goals that it might hope to achieve under either a cohort or CPI-based tuition model. Examples include metrics related to affordability (e.g., limiting student self-help required to cover the total cost of attendance, or reducing student debt at graduation), access (e.g., increases in the number of students applying to UC or yield among those who are admitted), and financial sustainability (e.g., generating sufficient revenue such that, in conjunction with other revenues and cost-savings efforts, the University has the resources needed to implement its multi-year framework).

### Comparison of Tuition Strategies

After discussing the desirable features of a cohort-based tuition strategy, the working group then evaluated cohort tuition alongside two other tuition strategies in order to compare their relative advantages and disadvantages. The following three strategies were compared:

- *CPI-based tuition:* The University would seek to keep tuition flat for all students in constant dollars. Annual adjustments to tuition would apply to all students and would be pegged to annual increases in the California Consumer Price Index (i.e., inflation).
- *Cohort tuition:* The University would seek to hold tuition flat for continuing students for six years, with increases applying only to incoming student cohorts. UC would seek to keep annual increases for new cohorts pegged to inflation.
- *Flat tuition:* The University would forgo any tuition increase for the foreseeable future.

Strategies were assessed along the following dimensions:

- *Adequacy of resources:* Together with realistic annual budget adjustments from the State and the University's own efforts to control costs and generate alternative revenues, would the strategy provide adequate net revenue for the University to achieve the goals set forth in its multi-year framework?
- *Predictability for students and families:* Which strategy would likely result in greater predictability for students and families?

- *Affordability*: Which strategy would be most effective in helping students and families cover the total cost of attendance, not just tuition and fees?
- *Administrative costs*: How do strategies compare in terms of the administrative costs required to implement them?

The findings are summarized in Display 1, below.

**DISPLAY 1: Comparison of Standard Tuition, Cohort Tuition, and Flat Tuition**

	Tuition Strategy		
	CPI-based Tuition	Cohort Tuition	Flat Tuition
Adequacy of resources	CPI-based increases would be sufficient if accompanied by State base budget adjustments of approximately 5%.	Once phased in, cohort-based increases pegged to CPI would be sufficient if accompanied by State base budget adjustments of approximately 5%. Would require initial adjustments slightly greater than CPI to provide the same revenue over time as CPI-based tuition.	Would require sustained year-over-year State increases of over 7% annually.
Predictability for students and families	Tuition would rise annually for all students, but UC would seek to cap adjustments at inflation. Additional financial aid would help offset annual increases in other costs for needy students.	Would provide tuition predictability for students once they enroll; greater potential variability from one cohort to the next. Additional financial aid would help offset annual increases in other costs for needy students.	Predictable tuition “sticker price” for those who pay tuition. No new financial aid to help cover other cost increases for needy students.
Affordability	Moderate increases in tuition would be offset by Cal Grants and would generate more UC aid for non-tuition costs. Self-help would increase by approximately \$450/year due to other cost increases.	Moderate increases in tuition would be offset by Cal Grants and would generate more UC aid for non-tuition costs. Self-help would increase by approximately \$450/year due to other cost increases.	No increase in Cal Grants or UC institutional aid. Self-help would increase by \$600 or more per year due to other cost increases. Best for families with higher incomes.
Administrative costs	No change.	New campus administrative costs (mostly one-time).	No change.

**NEXT STEPS**

Following discussion by the full Board in November, a tuition proposal for the 2020-21 academic year will be presented to the Board in January 2020.

**Attachment 1:** Systemwide Cohort-Based Tuition Working Group Members

**University of California  
Systemwide Cohort-based Tuition Working Group  
Members**

***Co-Chairs***

- Nathan Brostrom – Chief Financial Officer (UCOP) and Interim Chancellor (Merced)
- Paul Jenny – Senior Vice Chancellor (San Francisco) and Interim Chief Financial Officer (UCOP)

***Office of the President***

- Michael T. Brown – Provost and Executive Vice President (UCOP)

***Chancellors***

- Carol Christ – Berkeley
- Gary May – Davis

***Other Campus Leaders***

- Elizabeth Simmons, Executive Vice Chancellor for Academic Affairs – San Diego
- Gregg Goldman, Vice Chancellor and Chief Financial Officer – UCLA
- Charles Nies, Vice Chancellor for Student Affairs – Merced

***Regents***

- John Pérez, Chair
- Maria Anguiano
- Hayley Weddle

***Academic Senate***

- Kum-Kum Bhavnani, Chair

***UC Student Association***

- Aidan Arasasingham – UCLA

***UC Graduate and Professional Council***

- Jazz Kiang – UCLA

**Staff to the Committee (UCOP)**

- David Alcocer, Associate Vice President, Budget Analysis and Planning
- Shawn Brick, Interim Director, Student Financial Support
- Kate Glassman, Associate Director, Operating Budget
- Jenny Kao, Chief Policy Advisor to the President
- Zoanne Nelson, Associate Vice President, Strategy and Program Management