

Suggested Recommendations for the Graduate Student Support Advisory Committee

Stanton A. Glantz, Chair UCPB

January 18, 2006

There is a broad consensus that, because of increasing fees and other costs, funding for graduate student support is at critically low levels. It has been broadly recognized by the faculty, administration, and Regents that an extremely serious situation for the University of California has developed, which places at grave risk the University's status as a first rate research university.

There are several related issues that must be considered:

- The economy for academic graduated students (PhD's and equivalent) is fundamentally different than the economy for undergraduates: undergraduates compete for entry to the university whereas the universities compete for the best graduate students.
- The levels of stipends are not competitive, especially considering the high cost of living in California.
- Not all forms of support are equally desirable when recruiting students: fellowships are much more desirable than teaching assistantships or research assistantships, particularly during the first two years of graduate school.
- The high nonresident tuition has created a strong disincentive to recruit foreign students and, to a lesser extent, non-residents.
- The cost of supporting graduate students has become so high that it is becoming cheaper (and easier) for faculty to hire postdocs than graduate students in many fields.
- While times are difficult, the fact is that the Governor has proposed a 10.5% increase in state funding for the University of California, making this a good time to make modest reallocations of University-controlled funds to address this problem.

While the idea of developing programs that would attract more external support for graduate students is not controversial, the reality is that doing so would take several years. A decision to limit intervention to this proposal would amount to a decision by this committee and the University that, despite all protestations to the contrary, increasing support for graduate education is *not* a high priority.

In developing these recommendations, the goal was to seek to have the largest marginal benefit in addressing the problems of graduate student support per dollar spent or reallocated. The Committee considered many recommendations, some of which involved costs or fund transfers exceeding \$200 million. Each of the recommendations below amounts to \$20 million or less.

Graduate Student TA/GSI Fee Remissions

It is current practice that TA/GSI fee remissions are paid out of the financial aid pool for graduate students. This practice came into being as an emergency response taken to honor the union contract with the TA's in the face of suddenly increased fees in 2001-2. It is important to emphasize that this practice was not a policy that was developed through the usual kind of

consensus process. Up until then, all TA/GSI fee remissions were paid out of whatever fund source paid them before the fee increases (i.e., something other than USAP and most likely the instructional budget). There were no increases in the state general fund support of the instructional budget in 2002-03 through 2004-05. There also were no increases in other likely budget categories that campuses may have used to cover GSI/TA fee remissions. The only fund source that increased during that period was fee revenue. Thus a portion of the fee increase revenue designated "return to aid" for graduate students was dedicated to covering the required increases in TA fee remission during this period. Despite the fact that this action was taken as an emergency step, it now appears to have become a permanent way of covering the fee increases above levels that were being paid (and continue to be paid) from other sources prior to 2001-2. The UCPB and the Academic Council have previously recommended that GSI/TA fee remissions not be paid out of the financial aid pool.

The amount of money estimated to cover these fees has grown to be about one third of the money available for graduate student support. This action is inconsistent with the stated high priority of increasing UC's competitiveness for attracting the best graduate students:

- Even if one accepts the assertion that these fee remissions are "financial aid," which they were not considered prior to 2001, using such a large fraction of the graduate student support pool for this form of aid represents a shift from more desirable (fellowship) support to less desirable support (teaching assistantships).
- If the fee increases of the past continue (at 10% a year), there will be a continued rapid erosion of the funds available for real financial aid.
- Including these funds in the graduate student financial aid pool (as opposed to the instructional budget, where they were traditionally paid), artificially inflates the amount of money nominally allocated to graduate student aid and can be misleading to the faculty and Regents.

The previously estimated cost for shifting this expense off the graduate student aid budget on to the instructional (or other general fund) budget was \$33.0 million; with the Governor's decision to buy out the fee increases, this amount drops to \$23.8 million.

Nonresident Tuition

There are several advantages to making adjustments to nonresident tuition (NRT) as a way of reducing the burden of supporting graduate students in the University of California. Most important, reducing or eliminating NRT is something that the University can do (and, indeed, has done) without seeking approval beyond the Regents. All the options related to NRT are described as "policy decision" (e.g., Option A2) or "policy change and budget reallocation" (e.g., Option B2). Perhaps because these decisions are under the direct control of the University, President Dynes and Vice President Hershman have proposed freezing graduate NRT (Option A2) and reducing NRT for advanced PhD students (Option A3).

Reducing or eliminating NRT also has the benefit of making it easier for UC graduate programs to offer attractive packages to the best students, regardless of where they reside when they apply to UC and so would increase UC's overall competitiveness within whatever resources

are made available for graduate student support.

In considering the financial implications of the different options that have been suggested, it is important to consider that there are three elements to the “costs” of any decision. This fact can be illustrated with the fiscal implications of eliminating NRT after year 1 for all doctoral level students (Option B1b), which involves a total of \$38.7 million:

1. A neutral internal funds transfer in which UC general funds are used to pay the NRT, in this case \$18.4 million, 48% of the total “cost.” Eliminating NRT for these students would result in both a loss of revenue and an expense that would cancel each other out and be revenue neutral both in terms of dollars and fund source (the general fund).
2. Funds that come into UC in the form of tuition paid by the student or on behalf of the student from federal or other outside agency grants, in this case \$9 million. Most, but not all, of these funds would be lost to the general fund if NRT was eliminated for these students. (To the extent that the NRT is paid by institutional training grants or similar devices, the funds would be available to support other students. To the extent that the funds were tied to a specific student, they would be lost.)
3. Funds that would be lost to the general fund but remain inside UC for other purposes, including supporting other graduate students, in this case \$11.3 million. These funds come largely from extramural research grants and, while it could not be mandated that they be spent on graduate student support, it is likely that at least some of these funds would go to graduate student support.

By this analysis, eliminating NRT for academic graduate students after year 1 would cost the general fund no more than \$20.3 million (\$9.0 + \$11.3 million), with some of this money being recycled into supporting additional graduate students.

A similar analysis for eliminating NRT for first year academic doctoral students (Option B2) reveals that \$27.8 million of the total \$40.5 million “cost” (69%) represents a neutral income and cost borne by the UC general fund. Of the remaining \$12.7 million, \$9.7 million represents a likely loss of external funds and \$2.9 million represents a loss to the general fund of money current paid from research grants.

Recommendations

Based on this analysis, I recommend that the Committee endorse the following recommendations:

Recommendation 1. Do not attempt to recover savings from strategic sourcing to provide funds for graduate student support (Option A1), but rather allow the savings to remain with the originating unit to use for other expenses that are borne by the units.

Strategic sourcing savings has been proposed as a source of money to support graduate students. It is estimated to yield about \$10 million in 2006-7, growing to about \$40 million over

the next several years. While there is general consensus that increasing efficiency of UC's purchasing process is a good idea and will result in savings, there is a great deal of skepticism that these savings, which will be distributed widely, can be easily or economically harvested and directed to graduate support. Capturing these funds for a central purpose will probably lead to increased administrative burdens (and costs) and reduce the incentives to use the strategic sourcing contracts below that which would occur if the originating units were allowed to keep the savings. Most important, to the extent that the funds are gathered through rebates based on the total volume of purchases from federal funds the University will have to return these rebates to the federal government, reducing the total benefits of strategic sourcing to the University as a whole and effectively increasing the cost of using this "source" of funds for graduate support.

Recommendation 2. End the practice of paying TA/GSI fee remissions out of graduate student aid funds.

There are two options on where to obtain the necessary funds to pay these expenses:

Option A: Transfer the both the money and expense (\$23.8 million) off the graduate student aid funds and on to the instructional budget. This decision would have the effect of reducing the total pool of funds available for graduate student aid, but would at least provide the faculty and Regents with an accurate view of the true amount of money being devoted to true graduate student financial aid. In particular, it would highlight the fact that there has *not* been an increase in aid despite many statements that increasing funding for such aid was a priority.

Option B: Transfer the expense off the graduate student aid funds while not reducing the funds available for graduate aid. Following this option would mean that there would be about a 30% increase in the funds available for high quality competitive financial aid, an action consistent with the stated policy that increasing the competitiveness of UC's graduate programs is a high priority.

In order to soften the impact of this shift in costs to the instructional (or other campus) budgets, abandon the idea of capturing the savings from strategic sourcing for graduate student aid, but rather leave the funds with the campuses, schools, and departments that realize the savings in order to help cover the increased TA fee remission costs. The anticipated \$10 million savings in 2006-7 (which will come mostly from departmental instructional and central campus administrative savings) would cover about 40% of the TA fee remissions without the bureaucratic difficulty of "capturing" these savings. It would also avoid the lost savings that would have to be returned to the federal government by implementing strategic sourcing through maximizing discounts rather than seeking (more easily captured centrally) rebates, thus maximizing the total benefits of strategic sourcing to the University as a whole.

In addition, at this point UCOP allocates about \$4.4 in "one time" UCAP supplements to offset some of the inequities that have been created by using graduate student return to aid to cover TA fee remissions. Rather than this complex arrangement, these funds should be made available directly to cover the fee remissions through the instructional budget. The combined effects of the savings from strategic sourcing and these "one time" funds will cover about 60% of the TA fee remissions and result in a more efficient and transparent system of budgeting graduate student

aid.

The savings from strategic sourcing would be allowed to remain with the generating units in the future, which will eliminate the need for the “one time” funds in the future. Over the long run, the \$40 million savings from strategic sourcing will more than offset the TA fee remissions.

Note that Option A would not result in any cost to the instructional budget. While it would not provide a real increase in graduate aid (as Option B would), Option A would at least make it clear to all that competitive financial support for graduate students has not been increased in recent years to match even half the increased fees.

Recommendation 3. Allocate graduate student financial aid so that each student has equal access to aid, regardless of campus.

This recommendation would essentially return to historical allocations as they were before the 2001-2 emergency decision to use graduate student return to aid to support increased TA fee remission costs. Funds would be allocated based on academic graduate enrollment on each campus (Option 1).

Recommendation 4. End nonresident tuition for all doctoral students after the first year beginning in 2006-7.

This step would help arrest the serious erosion of foreign students at UC, a widely recognized problem. As noted above, the cost to the general fund would be no more than \$20.3 million and could be less. An additional benefit would be that some of these funds (probably at least \$10 million) would become available to support additional graduate students (which would return part of this money to the general fund through fees) or to improve the pool of funds available for stipends.

Recommendation 5. Eliminate nonresident tuition for all first year doctoral students beginning in 2007-8.

This step would arrest the serious financial loads that have been imposed on graduate programs that have been discouraging them from recruiting the best US students and allow them to use some of these resources to increase stipend levels to make more competitive offers. erosion of foreign students at UC, a widely recognized problem. The loss to the general fund would be no more than \$12.7 million. It is likely that some of these funds (probably at least \$2-3 million) would become available to support additional graduate students (which would return part of this money to the general fund through fees) or to improve the pool of funds available for improved stipends.

Recommendation 6. Report to the Provost, President, and Regents that continued increases in graduate fees is aggravating the problem of keeping the University of California competitive for the best students and urge them not to continue to increase graduate student fees.

Recent actions by the Governor and Legislative leaders make this option one worth discussing. At the very least it is important that the Regents understand the centrality of graduate fee increases to the current difficulties that the University is facing.

Recommendation 7. The Academic Senate and Administration should work together to develop new research programs which can serve as vehicles for attracting increased state support that can be directed to support of graduate education.

While this recommendation is not controversial, it is important to emphasize that implementing new programs to attract additional support for graduate students will not have any short-term effect on the acute problem that UC faces now. Even if this initiative is successful, which is by no means assured given the state's structural deficit, it would take a minimum of three years, and probably four, before it would have any meaningful effect on graduate student support at UC. Optimistically, it would take one year to develop a program and sell it to the governor and legislature, one year to get it passed, and one year to have the funds available before they could be committed to recruit students. It would likely take four years.

The currently proposed programs (amounting to \$20 to \$30 million) are modest in size compared with the problem and could be substantially consumed by increased fees, if the increases envisioned in the Compact continued.

Nevertheless, such an expansion in funding should be pursued. This recommendation should not, however, be adopted in lieu of implementing the previous recommendations, which are designed to mitigate the current problems with graduate education to the extent possible by reprioritizing with existing resources.

Recommendation 8. Report to the Provost that this committee did not have time to address the problems associated with increased professional student fees or financial aid, but that this failure to make recommendations in no way diminished the importance of dealing with the problem.

Self explanatory.