October 12, 2006

SYSTEM-WIDE SENATE COMMITTEE CHAIRS
DIVISIONAL SENATE CHAIRS

RE: Proposed Guiding Principles for Professional School Fees

Dear System-wide Senate Committee and Divisional Senate Chairs:

On behalf of Chair Oakley, the above document is being forwarded for your review and comments. As background information, last July, the Academic Council learned that the proposed “Guiding Principles for Professional School Fees, were going to The Regents for consideration (action). At its June 2006 meeting, the Academic requested the opportunity to review the proposed guiding principles before the Regents took action. We have received a request from Provost and Executive Vice President Hume for Academic Senate comments.

Since The Regents are scheduled to review these proposed guidelines at its January meeting, it will be necessary for the Systemwide Senate Committees and Divisional Chairs to submit responses by the date listed below. Please note, that normally, the Systemwide review process calls for Senate Committees to submit response a month earlier than the Divisions, but given the timing of this request this is not possible if the Academic Council is to meet the deadline in time for the Regents Agenda. the month pr

For System-wide Committees and Divisions please submit responses by: December 8, 2006.

As a reminder to System-wide Committee Chairs, please note two points regarding the practice the Academic Council has established for general reviews:

1. Request for comments are sent out to all System-wide Committees. Each committee may decide whether or not to opine. Please notify the Senate Office either directly by emailing me or through your Committee Analyst, if your committee chooses not to participate in this review.

2. The Committee response due date is typically set a month before that of Divisions. This two-stage review allows the Academic Council to conduct both a preliminary and a final discussion of the matter at hand. It also gives the Divisions the benefit of the committees’ considerations for their own deliberations.

Cordially,

Maria Bertero-Barceló, Executive Director
Academic Senate

Encl: 1
Copy: Academic Council Chair John Oakley
Divisional Senate Directors
Academic Senate Committee Analysts
PROPOSED GUIDING PRINCIPLES FOR PROFESSIONAL SCHOOL FEES

- Professional school fees should not be the sole source of support, but rather one of several funding sources, including State funds, that support the academic programs of the professional schools.

- Revenue from future professional school fee increases approved by The Regents should be used by the Chancellor to maintain and enhance the quality of the schools and their programs and to maintain access through additional financial aid, including loan forgiveness programs for graduates who choose less lucrative careers in public interest professions, not-for-profit sectors, and underserved communities.

- The following factors will be taken into account when setting professional school fees: the amount of resources required to sustain academic quality at, and enrollments in, a particular professional program; the ability of the University to remain competitive with other institutions; the level of State General Fund support for a professional school; the average fees charged by comparable public and private institutions for each specific program; and other market-based factors that permit University programs to recruit high quality students and faculty.

- Professional school fees for California residents, in general, should be set at levels that, when combined with mandatory systemwide Educational and Registration Fees, are comparable to the in-state rates charged at public peer institutions of comparable quality for similar professional programs.

- In addition to the systemwide professional school fee increase to cover salary and non-salary price increases, Chancellors may request approval of a supplemental increase in the fee for a particular professional program to provide supplemental financial aid and to enhance the quality of the academic program.

- Nonresident tuition should be set at a level that brings the total tuition and fees for a professional degree program for those students who are not residents of California to a level comparable to those charged by that professional school’s public peer institutions.

BACKGROUND

The University of California’s mission under the Master Plan for Higher Education includes a comprehensive array of teaching, research and public service programs. Its professional schools, which complement the academic departments, are essential elements of the University of California’s academic enterprise. UC’s professional school graduates fill important positions in our knowledge-based economy; their research and scholarly programs produce new knowledge that is valuable to the profession; their continuing education programs ensure that practicing professionals are able to stay current in rapidly changing fields; and their public service offerings enrich the quality of life for the citizens of California.
Principles for Setting Professional School Fees

In January 1994, The Regents approved a Fee Policy for Selected Professional School Students, authorizing fees for students in selected professional degree programs that are required in addition to mandatory systemwide fees and miscellaneous campus-based fees and, when appropriate, nonresident tuition. In approving the fee policy, the University reaffirmed its commitment to maintain academic quality and enrollment in the professional school programs, and recognized that earning a degree in these programs benefits the individual financially as well as the state.

Since the initial implementation of professional school fees, professional schools have been largely supported by a combination of sources, including State general funds, Educational Fee revenue, and professional school fee revenue, among others. Because fee increases have been used to offset budget cuts and have generated little or no additional revenue for the schools, professional schools have fallen further behind in their ability to offer competitive salaries to their faculty and staff. The financial circumstances of the schools are severely strained and will require a sustained effort over time to recover. It is within this context that the University engaged in longer-term planning, including development of a new set of principles for setting fees and consideration of increases in the Educational Fee and the professional school fees.

The deep cuts that have occurred to the professional school budgets and the University as a whole have led to significant increases in professional school fees, changes in the proportion of fee revenue dedicated to financial aid, and an expansion in the number of degree programs charging professional school fees. At the November 2005 meeting, in conjunction with the discussion of the proposed 2006-07 budget, issues related to planning for professional school fee increases for 2007-08 and 2008-09 also were discussed. Item 503, prepared for discussion at the November 2005 meeting, is attached for background. The Item included a discussion of the need to replace the 1994 Regents’ Policy on Fees for Professional School Students which is now outdated and inoperative. It is proposed that the “Guiding Principles for Professional School Fees” be adopted by the Board to replace the current Policy on Fees for Professional School Students.

The Guiding Principles acknowledge that professional school fees are not intended to be sole source of support for the schools’ academic programs, and that revenue from future professional school fee increases should be used to maintain and enhance the quality of the schools and their programs and to maintain access through additional financial aid. It is recognized that aid programs will include loan forgiveness programs for graduates who choose less lucrative careers in public interest professions, not-for-profit sectors, and underserved communities.

The following factors will be taken into account when setting professional school fees: the amount of resources required to sustain academic quality at, and enrollments in, a particular professional program; the ability of the University to remain competitive with other institutions; the level of State General Fund support for a professional school; the average fees charged by comparable public and private institutions for each specific program; and other market-based factors that permit University programs to recruit high quality students and faculty.

For California residents, it is anticipated that professional school fees will be set at levels that, when combined with mandatory systemwide fees, are comparable to the in-state rates charged at public peer institutions of comparable quality for similar professional programs.

For nonresident students, it is anticipated that nonresident tuition would be set at a level that brings the total tuition and fees for a professional degree program for those students who are not residents of California to a level comparable to those charged by that professional school’s public peer institutions.
If adopted, the Guiding Principles would provide the framework for beginning to address three critical objectives for the professional schools: (1) to address ongoing needs for salary increases, employer retirement costs, other price increases and provide funding for additional financial aid; (2) to stabilize funding for the schools so they can begin repairing the damage that has been sustained as a result of budget cuts; and (3) to begin re-building high quality programs that are competitive with those offered at comparable public and private institutions.

Mitigating the Impact of Debt Levels on Public Service Employment

At the January 2006 meeting, The Regents discussed the Guiding Principles and expressed concern about the impact of professional degree fee increases and accompanying increase in student debt levels on the ability of students to pursue public service careers that are not well remunerated. The University’s mechanisms for mitigating debt levels for professional school students pursuing public interest careers include offering both financial aid and loan repayment assistance to such students. As noted in the 2006-07 Budget for Current Operations, the University is expecting campuses to expand the size and scope of their existing loan repayment assistance programs (LRAPs) to help borrowers with public service or public interest employment meet their student loan repayment obligations.

A document entitled “Enabling Public Interest Employment in the Context of Professional Degree Fee Increases: Law Students” is attached.

While “public service” or “public interest” employment often includes positions in government and nonprofit agencies, such employment means different things in different disciplines and is not uniformly low-paying. Programs to address concerns regarding student debt levels will need to be discipline specific.

UC law schools have long offered LRAP programs as one of a number of strategies to encourage students to pursue public interest employment. It is expected that the law schools will expand and/or refine existing LRAP programs for students pursing public interest careers. In the case of other disciplines, it is expected that each discipline will develop a plan for the future implementation of a LRAP or a plan for some other approach that is more appropriate to the specific circumstances of the discipline.

Near Term Planning for Fee Increases

In November 2005, before the Governor’s Budget was released, the University anticipated 5% fee increases in the Educational Fee and professional school fees for 2006-07 and that increases in the range of 7% - 8% for 2007-08 and 2008-09 likely would be needed for most professional school programs to cover salary increases and other cost increases. Additional revenue also will be needed to fund increases in financial aid and to fund higher salary increases to begin addressing the chronic gap in salaries for professional school faculty. The Governor has proposed buying out the proposed increases for 2006-07, and it is expected that, if approved, the guiding principles for setting professional school fees would be used to develop a proposal for fee increases for 2007-08 and beyond. Given current circumstances, the University anticipates that increases in 2007-08 and 2008-09 would be in the range of 7% - 8% for most programs. Specific proposals for fee increases will be made in November as part of the University’s budget proposal.
As noted at the November 2005 meeting, a sustained program of fee increases over and above the levels proposed for other professional schools is recommended for the law and business schools at Berkeley and UCLA to maintain excellence and ensure broad accessibility. Accordingly, for 2007-08 and 2008-09, the University anticipates fee increases for the law and business schools at Berkeley and UCLA that would be higher than those proposed for other programs -- 10% per year and perhaps more if additional funds are needed to maintain quality in those programs, including hiring additional faculty, paying competitive salaries, and providing increased financial aid. However, some uncertainties exist. Employer retirement contribution costs will need to be funded as they are phased in over time. Under the Compact, the Governor is committed to covering the portion of employer retirement contributions that is funded from State funds. Because student fees have increased dramatically in recent years to offset significant State budget cuts, it would be unreasonable to also raise fees to cover employer contributions to the retirement system for programs funded from student fees. Therefore, the University intends to seek funding from the State to also cover the portion of employer retirement contribution that is funded from student fees.
Office of the President

TO THE MEMBERS OF THE COMMITTEE ON FINANCE

DISCUSSION ITEM

For the Meeting of November 16, 2005

PLANNING FOR PROFESSIONAL SCHOOL FEE INCREASES, 2007-08 AND 2008-09

In conjunction with the comprehensive discussion of the proposed 2006-07 budget, issues related to planning for professional school fee increases for 2007-08 and 2008-09 will be discussed.

Because professional school fees have had to increase significantly over the past few years to offset budget cuts, the Regents requested a longer-term plan for future increases in fees for professional school students. As background, an excerpt from the 2006-07 Budget for Current Operations on professional school fees is attached (Attachment 1).

Historically, many of UC’s professional schools have held a place of prominence in the nation, promising a top-quality education for a reasonable price. As discussed at previous Regents’ meetings, the cuts that have occurred, both in the early 1990s and during the more recent budget crisis, have devastated the resources available to the professional schools to such a degree that the schools are extremely concerned about their ability to recruit and retain excellent faculty, provide a top-notch curriculum, and attract high-caliber students – all of which are important components of excellence in these schools. The professional schools see the current circumstances as a crisis of quality and believe that significant steps, including raising student fees, must be taken to regain the excellence that recent budget cuts have threatened.

It is within this context that the University has engaged in near-term and longer-term planning for professional school programs, including consideration of fee increases in the Educational Fee and professional school fees. Longer-term planning will need to address the recruitment and retention of excellent faculty, including meeting salary and employer retirement contribution costs; ensure the development or maintenance of a high-quality curriculum; and improve the school’s ability to recruit high-caliber students. At the same time, campuses are committed to providing additional financial aid to students, including funding to develop new loan assistance programs or expand existing ones. Longer-term planning for fee increases for professional school students has been undertaken to address three objectives: (1) to address ongoing needs for salary increases, employer retirement costs, other price increases, and provide funding for additional financial aid; (2) to stabilize funding for the schools so they can begin repairing the damage that has been sustained as a result of the cuts; and (3) to begin re-building high quality programs that are competitive with those offered at comparable public and private institutions. The planning assumes that fees for professional school students will be adjusted annually and that campuses will retain the revenue from professional school fees to cover salary costs, employer retirement contributions, and other cost increases, provide additional financial aid, and
begin to make modest improvements to their academic programs. Rebuilding the quality of the professional programs and providing more financial aid will require a multi-year effort, including a sustained program of fee increases in the Educational Fee and professional school fee.

For 2007-08 and 2008-09, increases in the range of 7 percent to 8 percent in the Educational Fee and professional school fees are likely to be needed for most professional school programs to cover salary increases, employer retirement contributions, and other price increases. Additional revenue will be needed to fund increases in financial aid and to fund higher salary increases to begin addressing the chronic gap in salaries for professional school faculty. A sustained program of fee increases over and above the levels proposed for other professional schools is recommended for the law and business schools at Berkeley and UCLA to begin to restore excellence and ensure broad accessibility. Accordingly, just as the proposed fee increases for the law and business schools at Berkeley and UCLA for 2006-07 are higher than those proposed for other programs, increases for these programs in future years also are likely to be higher—at least 10 percent per year and perhaps more if additional funds are needed to restore quality to those programs, including hiring additional faculty, paying competitive salaries, and providing increased financial aid.

Some uncertainties exist, however. It is unclear how employer retirement contribution costs will be funded or when employer retirement contributions are likely to begin to be phased in over time, perhaps as early as 2007-08. Under the Compact, the Governor is committed to covering the portion of employer retirement contributions that is funded from State funds. Because student fees have increased dramatically in recent years to offset significant State budget cuts, it would be unreasonable to also raise fees to cover employer contributions to the retirement system for programs funded from student fees. Therefore, the University intends to seek funding from the State to also cover the portion of employer retirement contributions that is funded from student fees. However, it is not clear whether that will be achievable. In the context of these uncertainties, the University is proposing specific increases in professional school fees for 2006-07 only at this time and will, instead, make specific proposals for 2007-08 and 2008-09 after more is known about funding for and timing of the reinstatement of retirement contributions.

The University’s 2006-07 budget plan includes increases in the Educational Fee for all professional school students and professional school fees of 5 percent for most professional school programs to cover cost increases in programs funded from Educational Fee and professional school fee revenue. To address the effects of the State budget cuts applied disproportionately to programs in law and business in previous years, the 2006-07 budget plan includes professional school fee increases of 10 percent for the law and business schools at Berkeley and UCLA and for the law program at the Davis campus. The professional school fee increases will range from $161 for nursing students to $1,737 for business students.

The 2006-07 increases in the Educational Fee for professional school students will generate nearly $2.4 million in new fee revenue, and the professional school fee increases will generate approximately $9.4 million in new fee revenue. An amount equivalent to at least 33 percent of the new fee revenue generated from the increases in mandatory systemwide fees and professional school fees would be used for financial aid for professional students.
The Regents’ Policy on Fees for Professional School Students is now outdated and inoperative, given the deep cuts that have occurred to the professional school budgets and the University as a whole, which have resulted in changes in the proportion of fee revenue dedicated to financial aid and an expansion in the number of affected degree programs. The Office of the President in consultation with the campuses has developed draft guiding principles for setting professional school fees for The Regents’ consideration (Attachment 2). It is anticipated that these draft guiding principles would be reviewed over the next several months and approved by The Regents to replace the current Policy.

(Attachments)
Historically, many of UC’s professional schools have held a place of prominence in the nation, promising a top-quality education for a reasonable price. The cuts that have occurred, both in the early 1990s and during the more recent budget crisis, have devastated the resources available to the professional schools to such a degree that the schools are extremely concerned about their ability to recruit and retain excellent faculty, provide a top-notch curriculum, and attract high-caliber students – all of which are important components of excellence in these schools. Once started on a downward spiral, it is very difficult to recover to previous levels of excellence. The professional schools see this as a crisis of quality and believe significant steps, including raising student fees, must be taken to regain the excellence recent budget cuts have threatened.

Since the initial implementation of professional school fees, professional schools have been largely supported by a combination of sources, including State general funds, Educational Fee revenue, and professional school fee revenue, among others. Because fee increases have been used to offset budget cuts and have generated little or no additional revenue for the schools, professional schools have fallen further behind in their ability to offer competitive salaries to their faculty and staff. The financial circumstances of the schools are severely strained and will require a sustained program of fee increases over time.

It is within this context that the University has engaged in longer-term planning, including consideration of fee increases in the Educational Fee and the professional school fees for professional school students, as described more fully later in this chapter. Because professional school fees have had to increase significantly over the past few years to offset budget cuts, The Regents have requested a longer-term plan for future increases in fees for professional school students. This is consistent with the Compact, which calls for the University to develop long-term plans for increasing fees for selected professional school students. The Office of the President and the campuses have engaged in a series of discussions and analytical activities as part of the planning for increases in fees for professional schools over the next several years. The planning assumes that fees for professional school students will be adjusted annually and that campuses will retain the revenue from professional school fees to cover salary costs, employer retirement contributions, and other cost increases, provide additional financial aid, and begin to make modest improvements to their academic programs.
The Compact with the Governor provides that the University will develop plans to achieve student fee levels in professional schools taking into consideration a number of factors. Planning activities have been undertaken with these in mind:

- average fees at other public comparison institutions;
- average cost of instruction;
- total cost of attendance;
- market factors;
- the need to preserve and enhance the quality of the professional programs;
- the State’s need for more graduates in a particular discipline; and
- the financial aid requirements of professional school students.

The University’s continuing commitment to provide financial aid for professional school students is reaffirmed by the Compact, and the University will continue to provide an amount equivalent to a specified proportion of new fee revenue annually for financial aid for professional students.

A multi-year plan for fee increases for professional school students is not being presented at this time. Instead, fee increases for professional school students proposed for 2006-07 are included as part of the 2006-07 budget plan to be brought to the Board for approval at the November meeting. Longer-term planning issues related to professional school fee increases for 2007-08 and 2008-09 will be presented separately to The Regents for discussion at the November meeting.

2006-07 Budget Plan

For the Educational Fee charged to professional school students, the University is proposing increases of 5 percent as part of the 2006-07 budget plan. For the portion of the professional schools' budgets that are funded from the Educational Fee, the revenue generated from the Educational Fee increases would be used to cover salary increases and non-salary price increases, provide additional financial aid, and make modest program improvements.

In addition, for 2006-07 professional school students will pay a $1,050 temporary increase in the Educational Fee previously approved by The Regents to cover lost revenue associated with a lawsuit currently before the courts brought by professional school students who are seeking relief from recent fee increases. The court has issued a preliminary injunction preventing the University from charging professional school fee increases in 2004-05 and 2005-06 to the specified class of students. This lawsuit is discussed in more detail later in this chapter.
The 2006-07 increases in the Educational Fee would generate nearly $2.4 million in new fee revenue, and an amount equivalent to at least 33 percent of the new fee revenue from the increases in mandatory systemwide fees would be used for financial aid for professional students.

For professional school fees, increases of 5 percent for most professional degree programs are proposed in the 2006-07 budget plan. These increases will stop further erosion to the programs. For that portion of the schools’ budgets that are funded from professional school fees, the revenue generated from professional school fee increases would be used to cover salary increases and non-salary price increases, provide additional financial aid including funding to develop new loan assistance programs or expand existing ones, and make modest program improvements.

Because of disproportionate cuts in State General Funds to law and business programs in the last few years, the schools of law and business at Berkeley and UCLA and the law school on the Davis campus are finding it particularly difficult to remain competitive with their peer institutions without additional resources. The 2004-05 Governor’s Budget presented in January 2004 assumed the University would develop a plan for achieving $42.2 million in new revenue from increases in professional school fees to be used to offset base budget cuts that otherwise would have been targeted at instructional programs. However, the University was asked to exempt nursing from these increases and to implement a smaller than average increase for students in the schools of medicine. As a result, State-funded budgets for law and business were disproportionately cut in 2004-05.

As noted previously, the University’s professional schools are in danger of losing prominence among their peers. The disproportionate cuts taken in law and business have resulted in a number of deficiencies that must be addressed. For example, Berkeley’s goal is to return the law school to its former ranking among the top 5 schools in the nation. To reach that goal, the school needs to address the following: the rising student/faculty ratio that has led to increased class sizes; faculty salaries that are well below the average of peer public and private institutions; student services programs that have not kept pace with student needs; and financial aid programs that can ensure public interest career options are available to students upon graduation. If the law school is to reach its goal, additional funding beyond the minimum increases in professional school fees is needed. A similar situation exists at the UCLA and Davis law schools, and at the business schools at Berkeley and UCLA.

While the level of fee increases proposed for other programs for 2006-07 would provide funding for cost increases and some additional financial aid, they would not provide sufficient funds to address the effects of the budget cuts applied disproportionately to these programs. Therefore, The Regents will be asked to
approve professional school fee increases of 10 percent for 2006-07 for the law and business schools at Berkeley and UCLA and for the law program at the Davis campus. It will be important to closely evaluate the impact of these higher increases on enrollments and the schools’ ability to be competitive with their peer institutions. If successful, this model could be replicated in future years in other schools.

For 2006-07, professional school fee increases would generate approximately $9.4 million in new fee revenue, and an amount equivalent to at least 33 percent of the new fee revenue generated from the increases would be used for financial aid for professional students. Some portion of the new fee revenue is expected to be used to establish new and/or expand existing loan repayment programs to help borrowers with public service employment meet their student loan repayment obligations.

Display 5 (next page) shows the fee levels previously approved by The Regents, as well as fee levels proposed for 2006-07.

**Longer-Term Planning Issues**

While the campuses have engaged in planning for the 2006-07 budget year, they also have focused on the need for additional resources for the longer-term. As noted previously, the last four years of sustained budget cuts have resulted in a dramatic reduction in State support for the University’s professional schools. The financial circumstances of the professional schools are severely strained, and the ability to maintain the quality of their academic programs and to be competitive with other professional schools of comparable quality has been significantly affected. As a result, longer-term planning for fee increases for professional school students has been undertaken to address three objectives: (1) to address ongoing needs for salary increases, employer retirement costs, other price increases, and provide funding for
additional financial aid; (2) to stabilize funding for the schools so they can begin repairing the damage that has been sustained as a result of the cuts; and (3) to begin re-building high quality programs that are competitive with those offered at comparable public and private institutions.

Such longer-term planning will need to address the recruitment and retention of excellent faculty, including meeting salary and employer retirement contribution costs; ensure the development or maintenance of a high-quality curriculum; and improve the school’s ability to recruit high-caliber students. At the same time, campuses also are committed to providing additional financial aid to students, including funding to develop new loan assistance programs or expand existing ones. Rebuilding the quality of the professional programs and providing more financial aid will require a multi-year effort, including a sustained program of fee increases in the Educational Fee and professional school fee.

For 2007-08 and 2008-09, increases in the range of 7 percent - 8 percent in the Educational Fee and professional school fees are likely to be needed for most professional school programs to cover salary increases, employer retirement contributions, and other price increases. Additional revenue will be needed to fund increases in financial aid and to fund higher salary increases to begin addressing the chronic gap in salaries for professional school faculty. A sustained program of fee increases over and above the levels proposed for other professional schools is recommended for the law and business schools at Berkeley and UCLA to begin to restore excellence and ensure broad accessibility. Accordingly, just as the proposed fee increases for the law and business schools at Berkeley and UCLA for 2006-07 are higher than those proposed for other programs, increases for these programs in future years also are likely to be higher—at least 10 percent per year and perhaps more if additional funds are needed to restore quality to those programs, including hiring additional faculty, paying competitive salaries, and providing increased financial aid.

Some uncertainties exist, however. It is unclear how employer retirement contribution costs will be funded or when employer retirement contributions are likely to begin, perhaps as early as 2007-08. Under the Compact, the Administration is committed to covering the portion of employer retirement contributions that is funded from State funds. Because student fees have increased dramatically in recent years to offset significant State budget cuts, it would be unreasonable to also raise fees to cover employer contributions to the retirement system for programs funded from student fees. Therefore, the University intends to seek funding from the State to also cover the portion of employer retirement contributions that is funded from student fees. However, it is not clear whether that will be achievable. In the context of these uncertainties, the University is not proposing specific increases in professional school fees for 2007-08 and 2008-09 at
this time and will, instead, make specific proposals after more is known about funding for and timing of the reinstatement of retirement contributions.

History of Professional School Fees

Policy. Pursuant to the provisions of the 1990 State Budget Act, a Special Fee for Law School and Medical School Students of $376 per year was implemented, effective as of 1990-91.

In January 1994, The Regents approved a Fee Policy for Selected Professional School Students, authorizing fees for students in selected professional degree programs that are required in addition to mandatory systemwide fees and miscellaneous campus-based fees and, when appropriate, nonresident tuition. In approving the fee policy, the University reaffirmed its commitment to maintain academic quality and enrollment in the professional school programs, and recognized that earning a degree in these programs benefits the individual financially as well as the state.

The Regents Policy is now outdated and inoperative, given the enormous cuts that have occurred to the professional school budgets and the University as a whole, which have resulted in changes in the proportion of fee revenue dedicated to financial aid and an expansion in the number of affected degree programs. In addition, while the policy provides that the fee for each professional degree program is to be phased in so that total student charges at UC are approximately the average of fees charged for that program by comparable high quality institutions across the nation, in some cases, total student charges at UC now are higher than the average at comparison institutions. An update to current policy is needed to address The Regents’ continuing goals to provide access and a high quality professional education for UC students in the current economic environment. Principles for setting fee levels, based on the understandings reached with the State on the Compact, will be discussed by The Regents at the November meeting in conjunction with the discussion of the longer-term planning issues facing professional school students.

Budget Cuts and Fee Increases. In 1997, AB 1318 (Chapter 853) was enacted, which, among its provisions, specified a two-year freeze on fees for California residents, including those enrolled in graduate academic or professional school programs. Thus, the planned professional school fee increases for 1998-99 that were previously reviewed by The Regents were not implemented. Not only were professional school program fees frozen at 1997-98 levels through 1999-2000, but the University also received no funds for cost increases associated with programs supported from these fees. The State Budget Acts of 2000 and 2001 recognized this disparity and included $1.4 million and $1.5 million respectively to provide cost increases for programs funded from Fees for Selected Professional School Students.
These fees did not increase again until the 2002-03 budget year, when mid-year cuts resulted in fee increases in mandatory systemwide fees and professional school fees. In 2003-04, professional school fees were increased by about 30 percent and the revenue was used to offset base budget cuts for the University that otherwise would have been targeted at Instruction.

The 2004-05 Governor’s Budget presented in January 2004 assumed the University would develop a plan for achieving $42.2 million in new revenue from increases in professional school fees to be used to offset base budget cuts that otherwise would have again been targeted at Instruction. To achieve that revenue target, fees would need to have increased by about $5,000 per student. The University was asked to exempt nursing from these increases and to implement a smaller than average increase for students in the schools of medicine. However, a few of the schools—such as optometry, pharmacy, and theater, film, & TV—could not sustain increases of $5,000 and continue to attract sufficient numbers of highly qualified students.

After review of the options available, and considering the short notice to students, The Regents approved increases in these fees averaging approximately 30 percent for 2004-05. These increases generated approximately $37 million in income, falling $5 million short of the revenue proposed by the Governor. The campuses absorbed the $5 million shortfall on a temporary basis through cuts to other programs. As noted previously, to cover this shortfall permanently, mandatory systemwide fees charged to professional school students were increased for 2005-06 by $628, the same dollar amount of increase proposed for graduate academic students.

One issue of major concern was that the Governor’s 2004-05 proposal did not assume any return-to-aid from the increase in professional school fees. Moreover, the professional schools affected have been very concerned about their ability to maintain the quality of their programs and to be competitive with other professional schools, particularly if students will be paying significantly more to attend these schools. To address the academic quality and financial aid issues associated with this proposal, The Regents delegated authority to the President to raise the fee at any of the professional schools in 2004-05 by an additional amount not to exceed 10 percent of total systemwide fees paid by professional school students (i.e. Educational Fee, Registration Fee, and Professional School Fee), if it was determined that a higher fee was needed to provide sufficient financial aid, and/or maintain quality of the academic program. The following schools exercised this option in amounts ranging from $1,000 to $1,932, while the remaining schools made no further changes in their fee levels:

- Law and Business at Berkeley and Los Angeles
- Dentistry at Los Angeles and San Francisco
- Pharmacy at San Diego and San Francisco
For 2005-06, The Regents approved a 3 percent across-the-board increase in professional school fees to cover salary costs and non-salary price increases. In addition, The Regents approved new professional school fees for students enrolled in degrees in public health, public policy, and the San Diego campus program in international relations and Pacific studies. At the same time, recognizing that the professional schools have been unable to make the financial investments necessary to maintain the academic quality of their programs and to provide additional financial aid to their students, the Board stated its intention to review any proposals for supplemental increases in professional school fees that might be proposed by the individual schools.

At the May 2005 meeting, increases of up to an additional 7 percent were proposed for specified professional degree programs; when combined with the 3 percent increase approved for all professional degree programs, the total increase proposed for these programs was a maximum of 10 percent. The proposed increases varied by school, campus, and residency status, and ranged from $205 in nursing to $1,163 for MBA students at UCLA.

The full 10 percent increases in professional school fees were approved for implementation in 2006-07. However, for 2005-06, 2/3 of the proposed professional fee increases were approved for implementation beginning in Winter quarter/Spring semester to ensure that students received adequate notice. This action resulted in an increase for 2005-06 of about 7.7 percent in professional school fees over 2004-05 for the identified degree programs.

For 2005-06, the following schools will implement supplemental increases in professional school fees, ranging from $136 to $776 beginning in Winter quarter/Spring 2006.

- Law at Berkeley, Davis, and Los Angeles
- Business at Berkeley, Irvine, and Los Angeles
- Dentistry at Los Angeles and San Francisco
- Pharmacy at San Diego and San Francisco
- Nursing at Los Angeles and San Francisco
- Optometry at Berkeley

UC and Comparison Institution Professional School Fees

Display 6 (next page) shows 2005-06 professional school fees at the University of California in relation to the University’s four public salary comparison institutions. Additional public institutions are used for fee comparison purposes where the University’s four public salary comparison institutions do not offer comparable degree programs or where the University’s programs use other peer institutions for fee comparison purposes. While they are not used for fee comparison purposes, the
table also shows the 2005-06 tuition and fees at the University’s four private salary comparison institutions. The private comparison institutions do not offer all of the professional degree programs that UC offers; therefore the comparisons focus on medicine, law, and business administration.

Fees for resident students enrolled in law, business, public health, public policy, and the IRPS program at UCSD are now approximately the same as the average of the tuition and fees charged by comparable public institutions for 2005-06. Fees remain well below the average of tuition and fees at comparison institutions for resident students enrolled in medicine ($2,469) and nursing ($1,173). However, UC fees are now higher than tuition and fees charged at comparable public institutions in all the remaining fields, including veterinary medicine ($4,238), dentistry ($3,778), pharmacy ($4,290), optometry ($1,749), and the theater, film, and TV program at UCLA ($3,217).

Temporary Educational Fee Increase for Professional School Students

In 2003, students who had been enrolled in UC’s professional degree programs prior to December 16, 2002 filed a class action suit against the University alleging that the increases in the Fee for Selected Professional School Students that were approved by The Regents for spring 2003 and for all subsequent years violated a contract between the University and students that the professional school fee would not be increased while they were enrolled. Subsequently, the trial court entered an order granting a preliminary injunction against the University, prohibiting the University from collecting the professional school fee increases approved by The Regents for 2004-05 and 2005-06 from students affected by the lawsuit. If the University should ultimately prevail in the litigation, at the end of 2005-06, the University will have lost more than $20 million in professional school fee revenue.

To address this revenue loss, The Regents approved a $1,050 increase in the Educational Fee for implementation in 2006-07, with 2/3 of this increase also approved for implementation in 2005-06 beginning in Winter quarter/Spring semester to ensure that students received adequate notice. This action resulted in an increase in the Educational Fee for 2005-06 of $700 over 2004-05. At the end of 2006-07, the temporary Educational Fee increase for professional school students will cease. For 2007-08, The Regents approved a temporary increase of $60 that will be assessed to all students.

Financial Aid for Professional School Students

The majority of UC financial aid funds for professional school students is used for grant and fellowship awards with some funds set aside for loan repayment assistance programs. The majority of financial aid funds from other sources,
however, provides aid in the form of loans. As a result, about two-thirds of all aid awarded to graduate professional students is in the form of loans, rather than fellowships or grants. Student loans are considered appropriate for students pursuing professional degrees because these programs are relatively shorter than doctoral degree programs and students’ incomes have the potential to be substantially higher. Students who choose careers in the public interest, however, often forego these higher incomes. Due to a concern about the ability of students with high debt to pursue public interest occupations, some professional schools have developed programs to assist students in meeting their loan repayment obligations after graduation. For 2006-07, the University will expect campuses to expand the size and scope of their loan repayment assistance programs (LRAPs) to help borrowers with public service employment meet their student loan repayment obligations. Initially, the law schools will take the lead in expanding LRAP programs for students pursuing careers in the public interest. If successful, their efforts could be replicated in future years in other schools, where feasible. The University will continue to monitor the debt levels of students enrolled in professional degree programs.
<table>
<thead>
<tr>
<th>School</th>
<th>Average Resident Fees 2005-06</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Comparison Institutions</td>
<td></td>
</tr>
<tr>
<td>University of Michigan</td>
<td>$22,433$</td>
</tr>
<tr>
<td>University of Virginia</td>
<td>$28,700$</td>
</tr>
<tr>
<td>University of Illinois (Urbana/Champaign)</td>
<td>$15,958$</td>
</tr>
<tr>
<td>University of Illinois (Chicago)</td>
<td>$26,230$</td>
</tr>
<tr>
<td>University of Buffalo (SUNY)</td>
<td>$21,356$</td>
</tr>
<tr>
<td>University of Alabama</td>
<td>$14,516$</td>
</tr>
<tr>
<td>Cornell University (statutory college)</td>
<td>$22,062$</td>
</tr>
<tr>
<td>University of Maryland</td>
<td>$15,677$</td>
</tr>
<tr>
<td>Michigan State University</td>
<td>$16,030$</td>
</tr>
<tr>
<td>University of Minnesota</td>
<td>$19,328$</td>
</tr>
<tr>
<td>University of Missouri</td>
<td>$17,302$</td>
</tr>
<tr>
<td>Ohio State University</td>
<td>$15,960$</td>
</tr>
<tr>
<td>University of Wisconsin</td>
<td>$15,936$</td>
</tr>
<tr>
<td>University of Washington</td>
<td>$15,991$</td>
</tr>
<tr>
<td>University of Washington, St. Louis</td>
<td>$15,991$</td>
</tr>
<tr>
<td>Harvard University</td>
<td>$38,391$</td>
</tr>
<tr>
<td>Massachusetts Institute of Technology</td>
<td>$41,484$</td>
</tr>
<tr>
<td>Stanford University</td>
<td>$40,186$</td>
</tr>
<tr>
<td>Yale University</td>
<td>$39,150$</td>
</tr>
</tbody>
</table>

* For law, total charges range from $23,525 at Davis to $24,581 at LA. For business, total charges range from $22,783 at San Diego to $26,039 at LA. These ranges reflect differences among campuses in professional school fee levels as well as differences in campus-based fees.
The University of California’s mission under the Master Plan for Higher Education includes a comprehensive array of teaching, research and public service programs. Its professional schools, which complement the academic departments, are essential elements of the University of California’s academic enterprise. UC’s graduates fill important positions in our knowledge-based economy; their research and scholarly programs produce new knowledge that is valuable to the profession; their continuing education programs ensure that practicing professionals are able to stay current in rapidly changing fields; and their public service offerings enrich the quality of life for the citizens of California.

Californians expect their University to maintain the highest standards; therefore, it is the intent of The Regents, as its stewards, that the University of California is among the best universities in the world. The Board expects nothing less of its professional schools. Maintaining those high standards requires adequate resources, but funding levels for UC’s professional schools fell below those of its competitors in the early 1990s.

Because The Regents continue to be concerned about quality and access in the current economic environment, The Regents affirm the following guiding principles for setting professional school fees.

- Professional school fees should not be the sole source of support, but rather one of several funding sources, including State funds, that support the academic programs of the professional schools.

- Revenue from future professional school fee increases approved by The Regents should be used by the Chancellor to maintain and enhance the quality of the schools and their programs and to maintain access through additional financial aid, including loan forgiveness programs for graduates who choose less lucrative careers in public interest professions, not-for-profit sectors, and underserved communities.

- The following factors will be taken into account when setting professional school fees: the amount of resources required to sustain academic quality at, and enrollments in, a particular professional program; the ability of the University to remain competitive with other institutions; the level of State General Fund support for a professional school; the average fees charged by comparable public and private institutions for each specific program; and other market-based factors that permit University programs to recruit high quality students and faculty.

- Professional school fees for California residents, in general, should be set at levels that, when combined with mandatory systemwide Educational and Registration Fees, are comparable to the in-state rates charged at public peer institutions for similar professional programs.
• In addition to the systemwide professional school fee increase to cover salary and non-salary price increases, Chancellors may request approval of a supplemental increase in the fee for a particular professional program to provide supplemental financial aid and to enhance the quality of the academic program.

• Nonresident tuition should be set at a level that brings the total tuition and fees for a professional degree program for those students who are not residents of California to a level comparable to those charged by that professional school’s public peer institutions.