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Steve Juarez, Associate Vice President and Director

December 20, 2013

The Honorable Kristin M. Olsen
California State Assembly
State Capitol, Room 2016
Sacramento, California 95814

RE: AB 138 (Olsen), as introduced on January 16, 2013
Scheduled to be heard by the Assembly Higher Education Committee on January 7, 2014
POSITION: CONCERN

Dear Assembly Member Olsen:

Regretfully, I am writing to inform you that the University of California has concerns on AB 138. This bill would require the Regents of the University of California and the Trustees of the California State University to determine the amounts of undergraduate tuition and mandatory systemwide fees for California residents in each incoming first-year class in their respective segments. The tuition and mandatory systemwide fees set for California residents in each incoming first-year class shall not be increased until that incoming first-year class has completed at least four academic years. While the University acknowledges the need to address the rising cost of education, it is our belief that AB 138 is premature and the application of the multi-year tuition schedule should be contingent on maintenance of effort by the State.

The University, through the Commission on the Future, has previously examined adopting a multi-year tuition schedule and will be tasking the President's tuition working group to do the same. This type of tuition policy significantly reduces flexibility in tuition revenue. Since continuing students would be assured a fixed tuition increase rate, any revenue required beyond that amount, due to a sudden decline in State funding, for example, would have to be generated by the students who would be subject to the "new" student rate and capping that new student rate at a 5 percent increase between cohorts (as proposed to be amended) ties the University's hands even further. In addition, application of the multi-year tuition schedule should be contingent on maintenance of effort by the State. In the case of significant and abrupt State budget cuts, the University might need to adopt an emergency tuition increase outside of the scheduled amount.

The proposed language does not take into consideration that tuition is an essential revenue source for the University. This revenue benefits all students by helping to maintain the quality of a UC education, course availability, access to talented faculty, etc. Equally important, however, is the critical role it plays in UC's ability to remain accessible to financially needy students. Increases in systemwide tuition and fees generate funding for UC's own institutional aid program due to the University's practice of setting aside a portion of new revenue for need-based aid. This aid, roughly $630 million in 2012-13, helps UC undergraduates cover both tuition and other expenses like housing, books and supplies.

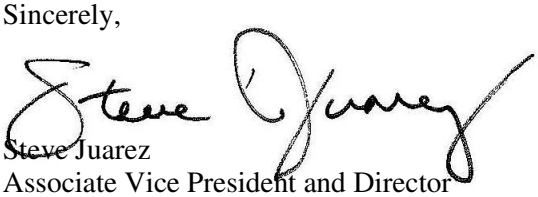
As part of our continued commitment to providing financial access to students at all income levels and mitigating the impact of fee increases, President Napolitano has convened a working group to review and recommend a long-term tuition policy. This working group is tasked with examining options for bringing clarity to, and reducing volatility in, the tuition setting process. As part of this effort, cohort fees will be fully studied before determining whether this policy is the right solution for students, their families and the University. For this reason, we believe the University is in the best position to collaboratively come up with a new tuition policy without the need for state legislation.

Lastly, although the State's fiscal situation is currently better than it has been in recent years, due in part to the passage of Proposition 30; it is not inconceivable that the State could face future economic challenges. We are concerned with the bill's implication that the University could do without the tuition increases with the State's 4-5 percent augmentation approved by the Governor for the next several years. The fact is the State augmentations would only cover the State's share of our budget needs; we would need another solution for each increment of foregone tuition and fee revenue. Notably, the tuition-funded portion of the University's core operating budget is now far more than the State's portion, tuition and fee revenue provides over $3 billion while the State provides $2.4 billion for basic operations. Absent any mention of a guarantee of State funding in the bill, UC cannot in subsequent years cover the remaining gap without a combination of moderate increases in both State support and tuition and fees.

We appreciate and share your interest in finding ways to provide predictability and stability with regard to fees. The University is committed and has begun to examine options for doing this while simultaneously continuing our longstanding commitment to provide students with the necessary financial aid to minimize the impact of fee increases, and preserving the quality of a UC education.

Thank you for your consideration of the University's views. If you have any questions on our position, please do not hesitate to contact me at (916) 445-9924.

Sincerely,



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cc: President Janet Napolitano
Provost and Executive Vice President Aimée Dorr
Executive Vice President Nathan Brostrom
Senior Vice President Daniel Dooley