

Office of the President
November 11, 1998

TO MEMBERS OF THE COMMITTEE ON FINANCE:

ITEM FOR ACTION

For Meeting of November 19, 1998

DELEGATION OF AUTHORITY TO THE PRESIDENT TO SET FEES FOR SELF-SUPPORTING DEGREE PROGRAMS

The President recommends that the Committee on Finance recommend to The Regents that authority be delegated to the President to:

- (1) Set fees for self-supporting professional degree programs.
- (2) Approve the use of fee revenue from a self-supporting professional degree program to support salaries of ladder-rank faculty members teaching in these programs.

The President will report to The Regents annually on the fees charged for these programs.

BACKGROUND

Currently, authority for setting fees, with certain limitations, is delegated to the President in Standing Order 100.4(g):

The President shall fix and determine the amount, conditions, and time of payment of all fees, fines, and deposits to be assessed against students of the University, except that the President shall secure the Board's approval prior to the assessment of the University Registration Fee, Educational Fee, tuition fees, compulsory student government fees, and fees and charges required in connection with the funding of loan financed projects, except parking facilities and housing projects.

The Regents have authorized the President to set fees for Summer Sessions and for University Extension programs, which are self-supporting programs, and the President has delegated this authority to the Chancellors for programs within their individual jurisdictions. The current action would include setting fees for self-supporting professional degree programs within the President's authority.

Traditionally, the University's academic programs have been offered for full-time, weekday attendance during normal working hours, and the University's fee policies and approval processes have been designed to keep fees low and complement state support for full-time programs. In recent years, however, the University has begun to respond to the needs of working professionals by offering a number of part-time and alternatively scheduled

professional graduate degree programs and is now actively engaged in expanding the number and types of programs offered to these students. At the July Regents' meeting, the President announced a new degree initiative, the Master of Advanced Study, that will expand the University's advanced degree programming for working adult professionals. Pilot programs are expected to be approved and implemented for the 1999-2000 academic year. Most of these programs are expected to be self-supporting.

The development of appropriate academic program criteria and fee policies for this new kind of academic program has undergone considerable discussion. In 1994, a Universitywide Task Force on Part-Time Professional Master's Degree Programs advocated that the University expand opportunities for clearly-defined groups of students not served by the University's regular programs. In 1995, the Advisory Committee on Policy for High Fee Part-Time Professional Programs urged the University to create a climate of encouragement and support for creative new approaches to delivering part-time professional education. These studies culminated in a new Policy on Self-Supporting Part-Time Graduate Professional Degree Programs which was issued by the President in June 1996 (Attachment A). The policy superseded the 1979 Policy on Part-Time Off-Campus Professional Graduate Degree Programs.

The 1996 Policy sets forth the conditions under which self-supporting part-time graduate professional degree programs may be established and provides that they must be fully self-supporting or they must become self-supporting within three years. To be considered self-supporting, the program fees or other non-state discretionary funds must generate sufficient revenue to cover the full direct and indirect costs of the program, including overhead costs and faculty salaries. Guidelines for determining whether these programs are self-supporting have been developed by the Budget Office in consultation with the campuses. ~~If approved, this delegation would permit the use of any fee revenue generated above the full costs of the program to be used to support ladder-rank faculty.~~ Upon approval of this delegation, the President will issue a policy for the use of alternative fund sources, including fee revenue from self-supporting professional degree programs, to support ladder-rank faculty salaries.

Currently, in addition to the full-time professional degree programs offered as part of the University's regular curriculum, five campuses offer a total of 10 part-time or alternatively scheduled graduate professional degree programs in the evenings and on weekends to accommodate working professionals who are unable to enroll in traditional degree programs. These degree programs include seven programs offering the Master of Business Administration (M.B.A.), one program offering the Master in Public Health (M.P.H.), one program offering the Master of Science in Engineering (M.S.), and one program offering the Doctorate in Education (Ed.D.). These programs are comparable in quality to the regular academic programs, and they have been approved by the campuses' Academic Senates. A summary of each degree program currently offered is attached (Attachment B). The programs that currently are self-supporting receive no state funds for instructional workload. For programs that are implementing a self-supporting phase-in plan, no state funds will be provided when the phase-in is complete. Student enrollments in these programs are not included in campuses' long-range projections of state-budgeted enrollments.

Because these programs receive no state support, they are, by definition, driven by local market conditions. As a result, their fees must reflect the costs individual programs incur and the differential demand for each program. Unlike fees paid by students in the University's traditional programs, these fees will differ from one program to another and must be based on more complex market analyses, which may vary from year to year, and perhaps even term to term. As a consequence, the operation of the growing number of these special programs would be greatly facilitated if responsibility for fee approval were delegated to the President, just as University Extension and Summer Session fees are currently delegated.

Upon approval of this delegation, a new process will be instituted in which the Chancellors will recommend to the President a fee level for each self-supporting graduate professional degree program offered on their campuses and will provide analyses, projections, and assurances that the fee level plus any other necessary non-state discretionary funds will generate sufficient revenue to cover the full costs of the program.

The President will report the approved fee levels to The Regents annually in the fall.

(Attachments)

The Regents of the University of California

COMMITTEE ON FINANCE

November 19, 1998

The Committee on Finance met on the above date at Covel Commons, Los Angeles campus.

Members present: Regents Atkinson, Bagley, Connerly, Davies, Gould, Johnson, Khachigian, Leach, Lee, Miura, Parsky, and Willmon; Advisory member Taylor

In attendance: Regents Chandler, Clark, Espinoza, Hotchkis, Kozberg, Montoya, Nakashima, Ochoa, and Preuss, Regent-designate Vining, Faculty Representatives Coleman and Dorr, Secretary Trivette, General Counsel Holst, Treasurer Small, Provost King, Senior Vice President Kennedy, Vice Presidents Broome, Darling, Gomes, Hershman, and Hopper, Chancellors Cicerone, Dynes, Orbach, Vanderhoef, and Yang, Laboratory Director Browne, and Recording Secretary Nietfeld

The meeting convened at 4:55 p.m. with Committee Chair Johnson presiding.

1. AUTHORIZATION TO SEEK ADDITIONAL FUNDING FOR DEVELOPMENT OF THE UC MERCED CAMPUS

Regent Johnson stated that she was withdrawing her recommendation that The Regents (1) reaffirm the September 1997 resolution authorizing the continued planning and development of the Merced campus contingent upon the provision of State resources adequate both to develop the new campus and to ensure the continued health and enrollment expansion of the existing campuses; (2) endorse the President's recommendation, as proposed in the 1999-2000 Budget for Capital Improvements, to seek at least \$50 million in State capital outlay funds for the Merced campus (in addition to the \$55 million provided as a part of the 1998 Higher Education Capital Outlay Bond Fund) by 2001-02 and additional capital funding from future bond measures to fund the development of initial facilities needed to accommodate 1,000 students in fall 2005 and 5,000 students in 2010; and (3) seek State funding to develop adequate long-term operating budget support for the projected enrollment capacity for UC Merced. Instead, she proposed that the item be for discussion at today's meeting in order to permit the President time to speak with Governor-elect Davis before any action is taken.

Regent Johnson recalled that at the September 1997 meeting, The Regents authorized continued planning and program development for the tenth campus as follows:

"To enable the University to (1) maintain overall undergraduate access at the levels contemplated in the California Master Plan for Higher Education and (2) fulfill its teaching, research, and public service mission in the San Joaquin Valley, The Regents authorize continued planning for and development of a tenth campus of the University of California at the previously approved Lake Yosemite site in Merced County. This

2. DELEGATION OF AUTHORITY TO THE PRESIDENT TO SET FEES FOR SELF-SUPPORTING DEGREE PROGRAMS

The President recommended that authority be delegated to the President to set fees for self-supporting professional degree programs and to approve the use of fee revenue from a self-supporting professional degree program to support salaries of ladder-rank faculty members teaching in these programs. The President will report to The Regents annually on the fees charged for these programs.

It was recalled that authority for setting fees, with certain limitations, is delegated to the President in Standing Order 100.4(g):

The President shall fix and determine the amount, conditions, and time of payment of all fees, fines, and deposits to be assessed against students of the University, except that the President shall secure the Board's approval prior to the assessment of the University Registration Fee, Educational Fee, tuition fees, compulsory student government fees, and fees and charges required in connection with the funding of loan financed projects, except parking facilities and housing projects.

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for creative new approaches to delivering part-time professional education. These studies culminated in a new Policy on Self-Supporting Part-Time Graduate Professional Degree Programs which was issued by the President in June 1996. This policy sets forth the conditions under which self-supporting part-time graduate professional degree programs may be established and provides that they must be fully self-supporting or they must become self-supporting within three years. To be considered self-supporting, the program fees or other non-State discretionary funds must generate sufficient revenue to cover the full direct and indirect costs of the program, including overhead costs and faculty salaries. Guidelines for determining whether these programs are self-supporting have been developed by the Budget Office in consultation with the campuses. If approved, this delegation would permit the use of any fee revenue generated above the full costs of the program to be used to support ladder-rank faculty. Upon approval of this delegation, the President will issue a policy for the use of alternative fund sources, including fee revenue from self-supporting professional degree programs, to support ladder-rank faculty salaries.

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Upon approval of this delegation, a new process will be instituted in which the chancellors will recommend to the President a fee level for each self-supporting graduate professional degree program offered on their campuses and will provide analyses, projections, and assurances that the fee level plus any other necessary non-State discretionary funds will generate sufficient revenue to cover the full costs of the program.

In response to a question from Regent Montoya, President Atkinson stated that approval of

any new self-supporting degree programs would require review by the Academic Senate. Faculty Representative Dorr continued that graduate degree programs are developed by the faculty and approved by the Academic Senate's Graduate Council, the systemwide Coordinating Committee on Graduate Affairs, the Provost and Senior Vice President, and the President. The California Postsecondary Education Commission must concur with the implementation of each new graduate degree program. Until recently, approval of a campus' new graduate degree title rested with The Regents. The Regents has now delegated that authority to the President. The approval for new schools must come to The Regents for approval.

Regent Willmon referred to the following statement in the item: "If approved, this delegation would permit the use of any fee revenue generated above the full costs of the program to be used to support ladder-rank faculty." He asked whether supplemental programs currently generate revenue which exceeds their cost and, if so, how that revenue is being used. He also requested clarification on how ladder-rank faculty salaries would be supported through this income.

President Atkinson assured Regent Willmon that the statement was not correct and should have been deleted from the item. He added that the University's policies are clear with respect to funding for ladder-rank faculty salaries. Faculty who participate in self-supporting degree programs are paid in a way similar to the payment to faculty who consult outside the University.

President Atkinson confirmed for Regent Willmon that at present no degree programs are offered through University Extension.

Regent Lee referred to Attachment B to the item, which lists the self-supporting graduate professional degree programs offered by each campus and their cost. He asked for an explanation of why an M.B.A degree can be obtained at the Davis campus for approximately one-half the cost at other campuses. Vice President Hershman noted that, because the programs are self-supporting, they must fully recover their costs. President Atkinson pointed out that a range of variables influences what these costs are.

Upon motion duly made and seconded, the Committee approved the President's recommendation and voted to present it to the Board.

3. UNIVERSITY OF CALIFORNIA FINANCIAL REPORT

Vice President Broome stated that she would review the University's financial position and operating results for fiscal 1998, which ended on June 30, 1998, focusing on the current operations of the University which are presented in the Statement of Current Funds Revenues, Expenditures and Other Changes. The Current Fund records the primary operating activity