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June 29, 2020

CHANCELLORS

Dear Colleagues:

Over the past few months, the COVID-19 pandemic has significantly altered the way the University of California operates. In response to county and state health directives to shelter in place and observe physical distancing guidelines, UC largely shifted to remote instruction, and canceled or altered other important gatherings, such as campus and athletic events and commencement ceremonies.

We recognize that the pandemic has presented new, or highlighted existing, challenges for some students and families related to the cost of living, housing, health care, food security, and more. Indeed, the UC system itself incurred \$1.8 billion in new costs or lost revenues over the months of March, April, and May as a result of the pandemic, and we are actively working to mitigate this deficit.

In addition, the temporary measures we took in response to the pandemic altered the student experience. As you know, campuses continued to offer remote instruction so that students could continue to make progress toward earning their degrees. Nevertheless, for some of the campus-based fees, there was simply no appropriate or effective substitute for the particular service provided, for which those particular fees could be used.

In light of these significant modifications and their impact I ask that each of you analyze your Spring 2020 campus-based fees and, where appropriate and feasible, issue refunds or their equivalents, consistent with the principles and using the accounting assistance described below.

To aid in this process, and in consultation with your campus leaders, the Office of the General Counsel has prepared a set of Guiding Principles for you to use in conducting your analysis of campus-based fees. In addition, the University has retained a third-party accounting firm to assist in ensuring consistency in applying these principles systemwide, recognizing that each of your campuses has a unique set of fees, different approaches in the way you apply them, and other circumstances to take into consideration. The accounting firm will also provide you with any additional support you need in carrying out this work.

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I appreciate that this message is coming to you at a time when your campuses are already working diligently to respond to the pandemic and its associated operational and budgetary challenges. I want to express my gratitude for the flexibility, creativity, and patience you have shown thus far under such challenging circumstances. I thank you and your team in advance for your cooperation and responsiveness in facilitating these refunds, where appropriate, as we endeavor to be responsive to our students' feedback.

As you proceed, pursuant to Policies Applying to Campus Activities, Organizations, and Students (PACAOS) 13.20-30, campus leadership teams should consult with students (including student governments), the Academic Senate, and staff. It is important that this process include consultation with these groups and take their unique perspectives into consideration.

After this consultation process, you may move forward with enacting a policy under PACAOS 52 (and PACAOS 85), such as the following:

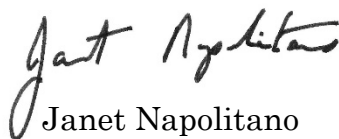
EMERGENCY CAMPUS REGULATION UNDER PACAOS 52 and 85:

The UC[campus] implementing regulation for reducing mandatory campus based fees due to COVID-19 is as follows: refund all net fees unexpended and unencumbered due to COVID-19 for Spring 2020 quarter [or second half of Spring 2020 semester] under the guidance of the UCOP Office of Budget, Analysis and Planning and the University's retained third-party accounting firm.

This implementing regulation has been vetted by UC Legal and UCOP and has been approved pursuant to PACAOS 13.40.

Thank you again for your leadership and partnership in this difficult time. Please direct any questions to Interim Executive Vice President – Chief Financial Officer Paul Jenny or to your chief campus counsel.

Yours very truly,



Janet Napolitano
President

Attachment

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cc: Provost and Executive Vice President – Academic Affairs Brown
Interim Executive Vice President – Chief Financial Officer Jenny
General Counsel and Vice President Robinson
Chief of Staff to President and Chief Policy Advisor to President Kao
Vice President – Diversity and Engagement/Interim Vice President –
Student Affairs Gullatt
Associate Vice President – Budget Analysis and Planning Alcocer
Acting Director – Student Policies and Governance Heng

Guiding Principles for Analysis of Campus-Based Fees for Spring Quarter/Semester 2020
Due to COVID-19

A. Process for Analyzing Campus-Based Fees:

1. Specific Contract Language re: Retaining Fees: Is there language in the “contract” (e.g., referendum) or relevant policy governing the fee that precludes issuance of a refund? Are there any provisions that expressly permit a refund? Remember that the “contract” can be a formal writing or a communication to the students by the administration about the fee. Likewise, there may be a contractual condition precedent to allowance of a refund (e.g., approval by Student Government).
 - a. If there is express language in the “contract” precluding issuance of a refund, no refund shall issue.
 - b. If there is no express language precluding issuance of a refund, then go to subsection A.2 immediately below.

2. Specific Contract Language re: Nature of the Campus Fee: Does the contract indicate that the fee is to be applied solely to longer-term, ongoing expenditures, such as for construction, debt financing, or ongoing upkeep of a facility?
 - a. To the extent the fee is intended solely for such long-term or ongoing expenditures, then no refund will issue.
 - b. To the extent the fee is not intended solely for such long-term or ongoing expenditures, then, proceed to subsection A.3. (Compliance with “Contractual” Obligations).

3. Compliance with “Contractual” Obligations: Has the fee been used completely for the purpose for which it was intended under the contract?
 - a. If the fee has been used completely for the purpose for which it was intended under the contract, no refund shall issue.
 - b. If the fee has not been used completely for the purpose for which it was intended under the contract, proceed to subsection A.4 (Unexpended Funds Analysis) below.

4. Principles for Unexpended Funds Analysis:
 - a. Actual Savings: Fees will be returned where the campus can identify specific net unexpended fees resulting from the COVID-19 pandemic response tied to specific campus-based fees, subject to any carryover per subsection ~~4(f)~~ 4(g).¹ below. Net unexpended fees shall be generally calculated by fee revenue, less expenses, less appropriate additional carryover/reserve amounts, taking into account the other principles in this subsection A.4. If there are no actual net unexpended fees, then no refund shall issue. Examples of items that might drive unexpended fees could include reduced utility usage or undergraduate student or non-career staff salary savings. If there are additional costs (e.g., costs associated with additional security, remote environment, or other

¹ Corrected on 3/24/2021 to refer to relevant subsection.

modifications made necessary by the COVID-19 pandemic), these would be taken into account, as the calculation is on a net basis.

- b. Form of “Refunds”: Refunds may take different forms (including cash refunds, rebates, or credits) from one campus to the next.
- c. Return to Aid: Expenses will include the entire amount allocated to Return to Aid.
- d. Multi-Purpose Fees: If a fee was for multiple purposes and the combined permitted expenditures used up the entire fee, then nothing need be returned, even if one of the many purposes had a savings.
- e. Debt and Other General Fees: If the purpose for which the fee is intended under the contract is nebulous or general, like debt service on a student facility, nothing will be returned if spent in accordance with underlying requirements of the fee.
- f. COVID-19 Deficits: Campuses will only have the freedom to apply a surplus from one fee to a deficit in another fee where the deficit was COVID-19-related (i.e., student travel grants versus technology fee), if application of fees in this manner is expressly permitted by the governing referenda, policy, rules, or other applicable guidelines.
- g. Reserves: Contribution to reserves in the normal course of business is appropriate and should not be subject to refund. This is not intended to allow extraordinary reserve contributions made solely because of extraordinary cost savings. However, it is appropriate to carry over any reserves that existed from pre-COVID-19 periods, as in the normal course, in keeping with historical practice.

B. Implementation of Refund Regulation Under PACAOS: UCOP will issue guidance to Chancellors under PACAOS 13.10-13.40 to establish, in campus implementing regulations, procedures under PACAOS 52 and PACAOS 85 for reducing or eliminating compulsory campus-based student fees, such as the following:

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