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February 28, 2017

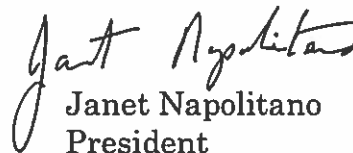
The Honorable Holly J. Mitchell
Chair, Joint Legislative Budget Committee
1020 N Street, Room 553
Sacramento, California 95814

Dear Senator Mitchell:

Pursuant to Section 66028.6 of the Education Code, enclosed is the University of California's annual report to the Legislature on the *Working Families Student Fee Transparency and Accountability Act*.

If you have any questions regarding this report, Interim Associate Vice President David Alcocer would be pleased to speak with you. He can be reached by telephone at (510) 987-9113, or by email at David.Alcocer@ucop.edu.

Yours very truly,


Janet Napolitano
President

Enclosure

cc: Senate Budget and Fiscal Review
The Honorable Anthony J. Portantino, Chair
Senate Budget and Fiscal Review Subcommittee #1
(Attn: Ms. Anita Lee)
(Attn: Ms. Cheryl Black)
The Honorable Kevin McCarty, Chair
Assembly Budget Subcommittee #2
(Attn: Mr. Mark Martin)
(Attn: Mrs. Katie Sperla)
Ms. Peggy Collins, Joint Legislative Budget Committee
Mr. Danny Alvarez, Secretary of the Senate

The Honorable Holly J. Mitchell

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Ms. Tina McGee, Legislative Analyst's Office
Ms. Amy Leach, Office of the Chief Clerk of the Assembly
Mr. Jim Lasky, Legislative Counsel Bureau
Mr. E. Dotson Wilson, Chief Clerk of the Assembly
Mr. Jeff Bell, Department of Finance
Mr. Christian Osmena, Department of Finance
Mr. Jack Zwald, Department of Finance
Ms. Tina McGee, Legislative Analyst's Office
Mr. Mac Taylor, Legislative Analyst's Office
Mr. Jason Constantouros, Legislative Analyst's Office
Executive Vice President and Chief Financial Officer Nathan Brostrom
Senior Vice President Nelson Peacock
Interim Associate Vice President David Alcocer
Deputy to the Chief Financial Officer Kieran Flaherty
Chief of Staff to the Chief Financial Officer Oren Gabriel
Executive Director Jenny Kao
Manager Bruce Kennedy

**Working Families Student Fee Transparency
and Accountability Act**

Legislative Report

February 2017



UNIVERSITY *of* CALIFORNIA

UNIVERSITY OF CALIFORNIA
Working Families Student Fee Transparency
and Accountability Act

Education Code 66028.6 requires the University of California to provide a report describing its compliance with provisions of the Working Families Student Fee Transparency and Accountability Act. Specifically, the language states in part:

“...(b) Notwithstanding Section 10231.5 of the Government Code, the regents [of the University of California] and trustees [of the California State University] shall each submit a report to the Legislature, by March 1 of each year, describing their respective institution’s compliance with the policies set forth in this article.”

This report is submitted in response to this legislative request.

Background

Assembly Bill 970 (2012) established the Working Families Student Fee Transparency and Accountability Act. The Act introduced various requirements regarding the process and timeline by which changes in systemwide fees and financial aid resources are to be considered by the Regents of the University of California and the Trustees of the California State University. Because these requirements were added to the Donahoe Higher Education Act, they apply to the University of California only to the extent that the Regents act by resolution to make them applicable.¹

The University strongly supports the principles of transparency, predictability in student fees, student consultation, and college affordability reflected in the Act. In furtherance of those principles and consistent with the spirit of AB 970, the University engaged in lengthy discussions with student leaders from the University of California Student Association (UCSA) to establish a Memorandum of Understanding (MOU) regarding the “University of California Budget Student Consultation Process.” (See Attachment 1.) The process described in the MOU represents a joint effort by UC and the UCSA to ensure that the principles reflected in AB 970 are operationalized in a manner that allows for timely, informed, and participative consideration of student tuition, fees, and financial aid.

This report describes the provisions of the MOU and the steps that the University and UCSA took during the 2016-17 year to implement them.

¹ See the analysis of AB 970 contained in the Legislative Counsel’s Digest portion of the bill, available online at leginfo.ca.gov/faces/billNavClient.xhtml?bill_id=201120120AB970

Implementation of the MOU in 2016-17

The MOU delineates a series of steps related to budget discussions that are to occur in conjunction with any proposed changes in student tuition and fees. As written, the MOU anticipates the standard budget timeline that has typically but not always applied to the University's budget – i.e., an initial discussion item at the September meeting of the Board of Regents about the proposed operating budget for the following fiscal year, followed by action items at the November meeting to approve the budget plan and any accompanying changes in Tuition and the Student Services Fee (collectively known as “mandatory systemwide charges”).

In 2016-17, however, the University shifted this schedule in order to allow a discussion item about the budget at the November 2016 Regents meeting, followed by action items regarding the budget plan and proposed mandatory systemwide charges in January 2017. The shift was made in order to allow the Regents to hear a complete set of campus-specific budget presentations that began in July 2016 and ran through November 2016.

In recognition of this schedule shift, the University and UCSA agreed to a modified schedule of events that transposed various milestones established in the MOU to different dates, consistent with the shift in schedules. The revised schedule was discussed and agreed to on a conference call on August 23, 2016.

In addition, during the same conference call, the UCSA President proposed the creation of a UCSA-UCOP 2017-2018 UC Budget Consultation Workgroup. Among the goals of the Workgroup would be to “convene in person in satisfaction of [the] University of California Budget Student Consultation Process Memorandum of Understanding.” The University endorsed the idea. Workgroup members included five representatives from UCSA (the President, Treasurer, Government Relations Chair, Undergraduate Committee Vice Chair, and University Affairs Vice Chair) and three representatives from the UC Office of the President (the Interim Associate Vice President for Budget Analysis and Planning, Deputy to the Chief Financial Officer, and Assistant Director of Student Services). Student Regent Marcela Ramirez and Student Regent-designate Paul Monge also participated in several of the Workgroup's discussions.

Below is a timeline of the Workgroup's activities and other events related to student consultation and the University's proposed 2017-18 budget plan and tuition/fee levels.

- *October 8, 2016*
Deputy to the CFO, State Budget Relations attended and presented to the UCSA Board of Directors at their meeting in Sacramento. The presentation included a summary of the State Budget Act of 2016 and its implications for UC, and a status update in the development of the UC Budget for Current Operations 2017-18.
- *November 16, 2016*
Chief Financial Officer Nathan Brostrom attended the Student Affairs pre-Regents meeting with UCSA to address the UCSA's agenda item on “Alternative revenue options to prevent a tuition increase.”

- *November 28, 2016*
In-person meeting of the Budget Consultation Workgroup at UCOP. UCOP staff presented information about cost drivers in higher education, trends in State support for the University, tuition and student fees, and the University's financial aid program. UCOP staff also discussed key elements of its 2017-18 budget plan, including a summary of projected mandatory and high-priority costs. UCSA requested additional information including a summary reference document on the University's budget and information about UC's capital plan, previous tuition rollbacks, differences in the cost of living at different UC campuses, graduate student support, and the role of cost and financial aid in students' enrollment decisions.
- *December 11, 2016*
UCOP staff provided materials in response to the requests by UCSA members of the Workgroup at its November 28 meeting.
- *December 12, 2016*
UCOP staff provided the Workgroup with additional information about the University's 2017-18 budget plan, including the principal goals reflected in the plan (enrollment growth, improving the student experience, expanding financial aid for needy undergraduates, addressing mandatory cost increases, and incorporating an achievable mix of cost containment strategies and fund sources) and the adjustments that were under consideration for Tuition, the Student Services Fee, and undergraduate Nonresident Supplemental Tuition. UCOP also provided projections about the extent to which increases in the Cal Grant program, the Middle Class Scholarship Program, and UC's own institutional aid program would cover these increases for students with financial aid. (This information was provided 45 days before the date when the Regents would be asked to approve the budget plan and associated tuition and fee levels at the January Regents meeting.)
- *December 21, 2016*
UCOP staff provided the Workgroup with short briefing papers on trends in staffing levels at UC and the compensation of UC employees in response to the Workgroup's interest in these areas. Information from a 2001 study about the price sensitivity of prospective students was also provided.
- *December 22, 2016*
In-person meeting of the Budget Consultation Workgroup at UCOP. The Workgroup discussed the timing of any Regents action item on mandatory systemwide charges for 2017-18. The Workgroup also discussed UCSA priorities including funding for enrollment growth, improving the student experience, expanding financial aid, and the potential for additional funding or cost-savings opportunities.
- *January 3, 2017*
The Workgroup was provided with fact sheets describing the planned use of the tuition and fee revenue that would result from the proposed adjustments, along with an analysis

of the impact of financial aid on UC affordability for students at different income levels.

- *January 4, 2017*
A fact sheet about UC's efforts to cut costs and improve efficiencies was provided to the Workgroup.
- *Friday, January 20*
In-person meeting of the Budget Consultation Workgroup at UCOP. The Workgroup met to discuss the fact sheets that were provided earlier. The Workgroup also discussed in detail the alternative fund sources that UCOP considered in developing the 17-18 budget plan, including the efficiencies reflected in various cost estimates (e.g., procurement and employee and retiree health benefits) and assumptions about additional revenue from philanthropy. The Workgroup also discussed opportunities for student input on campus and systemwide budget priorities.

Conclusion

The UCSA-UCOP 2017-2018 UC Budget Consultation Workgroup proved to be an effective and constructive forum for engaging students in meaningful discussions about budget priorities, tuition and fees, and financial aid. Its work built upon the expectations established in the University of California Budget Student Consultation Process Memorandum of Understanding, which itself is based upon the Working Families Student Fee Transparency and Accountability Act. It is expected that the Workgroup will continue to meet periodically, with more frequent meetings as discussions about the University's 2018-19 budget begin later this year.

Contact information:
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University of California Budget Student Consultation Process *Memorandum of Understanding*

Background

On September 27, 2012, Assembly Bill 970 (Fong) was signed into law. Existing law, known as the Donahoe Higher Education Act, sets forth the missions and functions of the segments of public postsecondary education in the state and authorizes CSU and UC to charge fees to students attending their respective institutions.

AB 970 (Chapter 620, Statutes of 2012) establishes the "Working Families Student Fee Transparency and Accountability Act" as a part of the Donahoe Higher Education Act, and establishes various policies relating to student fees and student financial aid at UC and CSU.

The new law requires the regents and the trustees to comply with prescribed public notice and student consultation procedures prior to adopting an increase in mandatory systemwide fees, and would prohibit them from adopting a mandatory systemwide fee increase before specified dates.

The new law also requires the trustees and the regents to provide annual reports on expenditures and financial aid to the Legislature, and requires the Legislative Analyst's Office to annually review and report to the Legislature its findings, conclusions, or recommendations regarding the implementation of policies implemented pursuant to AB 970.

The provisions of the new law apply to the University of California only to the extent that the regents act by resolution to make them applicable. Given this, the University of California Office of the President (UCOP) and the University of California Student Association (UCSA) have come to the following agreement as to how student consultation will occur.



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Yearly Student Consultation Process for the University of California Budget

August: Initial Discussion

- By August 31 of each year, UCSA will send a budget related memorandum to the UCOP Chief Financial Officer Division outlining general student population priorities based on feedback during a budget town hall at the UC Student Congress in August.

Initial Consultation

- **No less than 10 days prior** to the September meeting of the UC Board of Regents, a member of the UCOP Chief Financial Officer Division will meet with UCSA Board leadership to discuss the preliminary UC budget for the upcoming fiscal year.
- **Within 10 days after** the September meeting of the UC Board of Regents, UCSA will provide the UCOP Chief Financial Officer Division with feedback on the initial presentation or draft budget.
- **Within 14 days after** the September meeting of the UC Board of Regents, a member of the UCOP Chief Financial Officer Division and UCOP State Government Relations will meet with UCSA Board of Directors leadership to discuss student priorities related to the UC Budget.

Second Consultation

- A member of the UCOP Chief Financial Officer Division will attend the UCSA October Board of Directors meeting and provide an update on the proposed budget, provide any specific proposals contained in the budget, to the extent they are available, and accept feedback from the Board.
- A member of the UCOP Chief Financial Officer Division will hold a teleconference meeting with UCSA Board Leadership, **no less than 21 days prior to the November meeting of the UC Board of Regents**, or whichever meeting the budget and/or tuition or fee increases are to be approved.
- The UCSA Board of Directors will provide the UCOP Chief Financial Officer Division with feedback on the proposed budget **no later than 18 days prior** to the Board of Regents meeting in an effort to incorporate their comments into the Board of Regents meeting budget item.

Governor's Budget Consultation

- **No later than 14 days after the Governor's Budget is released**, UCSA Board leaders, UCOP Chief Financial Officer Division, and UCOP State Government Relations will meet to discuss its impact on the University budget and common budget advocacy goals or strategies.

May: Governor's Budget Revision

- **No later than 4 days** after the Governor's May Budget is released, UCSA Board leaders, UCOP Chief Financial Officer Division, and UCOP State Government Relations Office will meet to discuss budget advocacy strategies and priorities.



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- The UCOP Chief Financial Officer Division will provide the UCSA Board leadership with the UC budget materials that will be presented to the Board of Regents for discussion and approval no less than 5 days before the May UCSA Board of Directors meeting (if available).
- A member of the UCOP Chief Financial Officer Division will attend the UCSA May BOD meeting to review the Governor’s revised proposal for the UC Budget.

Monthly Budget Calls with UCSA Board Leadership

- The UCOP Chief Financial Officer Division and State Governmental Relations Office will hold monthly conference calls with UCSA Board leadership to discuss budget development, advocacy, and priorities.

Notification of Increases

The University of California shall consult with the statewide student association **at least 30 days prior to providing public notice of the proposed approval of a mandatory systemwide tuition or fee increase.** The range of potential mandatory systemwide fees under consideration for the next fiscal year shall be discussed with appropriate student representatives at the time of consultation before public notice of the mandatory systemwide fee increase proposal.

- Any tuition or other student fee increase proposals will be released publicly at least 10 days in advance of the Regents Meeting where it will be discussed and 10 days in advance of the Regents Meeting where it will be approved.
- A proposed tuition or fee increase will not be considered for adoption until at least 45 days have passed after public release of the potential range of tuition and fee increases wherein the public can submit comments to the Board of Regents.
- At least 10 days before a tuition or fee increase is approved at the Regents Meeting, the UCOP Chief Financial Officer Division will submit the following information to the UCSA Board leadership, for distribution to the UCSA BOD, and in the Regents annual UC Budget document that is posted on the Office of the President and UC systemwide website, to the extent they are available:
 - (1) A report detailing the need for tuition (or other student fee increase proposal, setting forth the facts supporting the tuition or fee increase and specifying the purposes for which revenue derived from tuition or other student fee increase will be used.
 - (2) A description of the efforts to mitigate the impact of the tuition or other student fee increases on needy students.
 - (3) The potential impact to students, including, but not limited to, the changes to the minimum workload burden for all students, if applicable, institutional financial aid awards, and the average student loan debt for undergraduates.
 - (4) Alternative proposals that can be considered in lieu of the proposed net tuition or other student fee revenue proposal.

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(5) The amounts of the proposed tuition or other student fee increase in both percent of increase and in numerical dollar amount.

- An increase in UC mandatory systemwide fees shall not become effective until at least 30 days have elapsed after the date on which the tuition or fee increase was adopted.
- The University will continue its practice of setting aside sufficient financial aid to meet institutional goals for assisting students and families in meeting the total cost of attendance. If any changes in institutional financial aid resources are considered, the impact on students should be explained to students, including, but not limited to, changes to the minimum work or loan burden for all students, if applicable, institutional financial aid awards, and the average student loan debt for undergraduate students.

Other

This agreement is in effect for two years following the date of last signature, and may be revisited at that time to determine if it should be extended. This agreement can be re-negotiated upon agreement of both parties.

In cases where the Governor's proposed budget reduces General Fund appropriations from the prior annual Budget Act for the support of the operations of University, the Legislature enacts or authorizes reduced General Fund appropriations from the prior annual Budget Act for the support of the operations of the University, the Legislature enacts a budget reduction for the General Fund support of the operation of the University in the middle of a fiscal year, or the Governor implements a budget reduction for the General Fund support of the operation of the University of California or California State University in the middle of a fiscal year, this agreement is suspended for that period of time. In good faith, the University will make every effort to engage the statewide student association and public in consultation of planned budget proposals in advance of any vote by the Board of Regents.

APPROVED BY:

Signature: 

Chief Financial Officer, The University of California

Date: 3/10/16

Signature: 

President, University of California Student Association

Date: 03/ 3 /2016

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