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Fiscal Discipline and Administrative Reform

- Review and Revise the Current Systemwide Funding Formulas for Campuses

Draft Report

AGENDA | UC Commission on the Future
<http://ucfuture.universityofcalifornia.edu>

OCTOBER 11, 2010
11:00 A.M. – 3:00 P.M.
ROBERTSON AUDITORIUM
WILLIAM J. RUTTER CENTER
UCSF MISSION BAY
1675 OWENS STREET, SAN FRANCISCO

11:00 AM	Co-Chairs Gould and Yudof Convene Meeting
11:00 AM – 11:20 AM	Public Comment
11:20 AM – 12:00 PM	Discussion and Action on Select Recommendations
12:00 PM – 12:30 PM	Lunch Break
12:30 PM – 3:00 PM	Discussion and Review of Draft Report
3:00 PM	Adjourn

TEACHING AND CURRICULUM

Strengthen the Campus Academic Program Review Process by Identifying Best Practices for Consolidating or Eliminating Programs to Reflect Academic Priorities and Strategy of Each Campus (SS 6, EC 4, Expanded 1)

DESCRIPTION:

State fiscal circumstances require that campuses evaluate more rigorously than ever each new program proposal in light of the resources available. There must be change, to reflect innovation, new fields, and shifting student demand; this is the curricular concomitant of knowledge creation in our research mission. Adding new programs in a zero-sum environment requires eliminating or reducing program investments elsewhere based on some assessment of their relative value. This is a difficult undertaking, perhaps especially so in an environment of widespread excellence.

Many campus leaders—both faculty and administrators—insist that rigorous and effective review is now the norm. Strong program review processes are indispensable to renewing and extending excellence. Historically, it has been a challenge to close weak programs and there has been only episodic pressure to do so, coinciding with budget cuts in previous economic downturns. But short-term budget pressures may carry perverse incentives, like focusing on actions that save immediate cash, while shelving academically preferable actions that will produce savings over a longer time frame.

Campus reviews should include consideration of multi-campus collaborations, especially given the rapidly evolving technologies. The Office of the President and the Academic Council have a special responsibility to press campuses to explore these possibilities and facilitate them.

A great deal depends on the quality and independence of the program reviews undertaken by the campus, and on a willingness to make difficult and perhaps controversial choices. Nevertheless, stewardship of scarce resources, whether their source is public or private, requires just such choices in order to enhance excellence over time.

ACTION:

The Commission recommends that the Provost and Executive Vice President work with the campuses to identify best practices in academic program reviews, with particular focus on the problem of resource tradeoffs. Each Chancellor and Chair of the Divisional Senate should report to the President on the progress in this area during their annual budget meetings.

FISCAL DISCIPLINE AND ADMINISTRATIVE REFORM

Review and Revise the Current Systemwide Funding Formulas for Campuses (SS 7)

DESCRIPTION:

The present system by which the campuses are centrally funded is complex and often misunderstood. The Office of the President, in consultation with the campuses, should review and revise the current systemwide funding formulas in an open and transparent way that will enable the California public, the Legislature, the media, and the University as a whole to fully understand the critical choices we all face.

In reviewing and refining these funding formulas, the Commission recommends that the University consider the following:

- Maintaining the current model of distribution of undergraduate financial aid, which allocates financial aid based on student need and seeks to achieve the same self-help level for student aid across campuses.
- Funding the Office of the President from a broad-based flat assessment on all fund sources.
- Allowing campuses to retain all fee, indirect cost recovery, and patent revenue generated.

ACTION:

The Commission endorses the systemwide funding streams project which is currently underway and being led by the Vice President for Budget. This project will fund the Office of the President from a broad-based flat assessment on all fund sources and will allow fees, indirect cost, and other revenue to be retained on the campuses, rather than being reallocated. This project has been highly collaborative involving leadership from the ten campuses in its development.

UNIVERSITY OF CALIFORNIA COMMISSION ON THE FUTURE
***DRAFT* FINAL REPORT**
OCTOBER 2010

1. Introduction

The University of California has come to a crossroads moment in its history. A host of converging forces – fiscal, demographic, cultural and political – demand that the University take a hard, thorough and careful look at how best to gird for an unyielding epic of transformation. The future cannot be avoided. It must be met head on with fresh thinking and firm resolve to change what can be changed for the better and to preserve the standards, practices and values that constitute the core strands of the University’s genetic code. The challenge will be to strike an unerring balance between what to recalibrate or even discard and what to protect. The goal must be for the University to emerge on the other side of crises fit and ready to serve California as well and as far into the future as it has in the past. The work in this report represents the beginning of an urgent effort to think through this complex but pressing conundrum.

It is a work taken up with no illusions about ease of effort. To say that the University of California faces its most difficult fiscal circumstances since World War II understates the case. Yet, economic crises come and go, and California and the public research university that has been its constant companion in progress have come through many always for the better. In this instance, however, the forces are deeper, more enduring, more vexing than economic downturn. And the stakes are higher. Paradoxically, the University finds itself caught in a vise of rising costs and drastically reduced resources at the very moment California needs it more than ever to carry the state through its own tumult of transformation. How to teach more students with less state-provided resources? How to reach out and connect with rising immigrant and minority populations, the faces of a new California? How to ease the pressure of unrelenting population growth on the environment? How to continue, through cutting-edge research and a highly educated workforce, to create and attract new industries and jobs for the State? In the end, what’s at stake in this work is not the sustainability of a 10-campus public university system. Rather, it is the future viability of the nation’s most populous and diverse state. If California is to remain a beacon of hope and opportunity for the world, then the University of California must be able, as it has from nearly the birth of statehood, to provide the candle power.

1.1. Recommendations

This report covers recommendations approved by the Commission on or before its meeting of October 11th, 2010. All of these recommendations were informed substantially by five Working Groups composed of faculty, students, staff, alumni, and administrators from all ten UC campuses. (See Appendix B.)

The Commission has compared our goals for enrollment and transfer with the projected fiscal circumstances. We have been mindful of our unique success at the mission of fusing access and excellence in a world class research institution. We conclude that much must be done, notwithstanding difficulties and disagreements, if the University of California is to play a role in the next 30 years comparable to the role it has played in the past 150.

The Commission's purpose, however, is limited. Principally, we offer ideas for responding to the near-to-midterm challenges while preserving critical components of quality and access. These ideas are not the ultimate solutions, but move us forward and provide the framework for the ongoing focus of UC leadership.

It should be noted that, even if the University implemented all the ideas proposed in this report, should the fiscal crisis worsen, there are other measures that were not adopted – those which the Commission views as “contingency recommendations” (See Section 4) – that may be necessary to pursue in order to preserve the mission and goals of the University. These measures include strategies to further increase revenues, such as increasing tuition, increasing nonresident enrollment, and charging differential tuition by campus, and those that further decrease costs, such as limiting student enrollment, downsizing the faculty and staff workforce, and foregoing new capital and building projects.

The future of California, fueling an innovation-based economy with new jobs and a social fabric influenced by our students and faculty, demand that we take action. Our 20 recommendations, a few of which we preview here, fall into five, somewhat overlapping, categories.

- **Teaching and Curriculum**, considering things from the front line perspective of students and faculty, includes attention to improving time-to-degree by removing obstacles to completion in four years, and creating pathways for graduation in three years. This will reduce the cost of a degree for some students, and will enable the University to produce more B.A. graduates with about the same level of financial resources. Another major recommendation is for a pilot program to explore the quality and feasibility issues regarding fully online courses for UC degree credit. Specifically, we hope to develop information to support decisions about whether a major expansion of online education can help increase access to a UC quality education, and perhaps reduce instructional expenditures.
- **Undergraduate Enrollment and Access** includes recommendations that recommit us to the California Master Plan for Higher Education goals for freshman and transfer students, strengthen previous statements regarding financial accessibility for California's families, streamline and align major requirements for students transferring from California Community Colleges to UC campuses, and increase and cap nonresident undergraduate enrollment. Nonresident enrollment would be over and above the number of state funded Californians enrolled. Nonresident students pay a higher tuition to ensure their enrollment is not subsidized by state taxpayers.

- **Research and Graduate Education** are central to our distinctiveness and mission. The Commission recommends a sustained effort to meet the graduate student enrollment goals established in support of UC's research mission, especially the campus-specific goals for doctoral students. We also believe that greater emphasis on multi-campus research and training will be cost-effective while actually creating some academically richer opportunities for the participants.
- **Fiscal Discipline and Administrative Reform** includes a substantial added emphasis on private fundraising and further study of a contingency plan whereby Regents might need to increase tuition and, specifically, permit campuses to have different undergraduate tuition levels. The Commission does not feel that campus tuition differentials are necessary or appropriate at this time, but a majority believe the idea deserves further careful study. We also recommend implementing the Regents' and President's initiative on systemwide administrative efficiencies and redoubling our efforts to win corrections in the Federal government's indirect costing formulas which determine the amount of overhead the University is paid for any work under federal grant or contract. These two recommendations alone, if successful, would bring several hundred million dollars annually to UC.
- **Advocacy and Other Measures** are needed to influence the external climate of budget and political choices that threaten the University. The expansion of public education and advocacy over the past few years should be continued, as well as greater investments of time and resources in communicating UC's purposes, accomplishments, value and needs. We should lead efforts to persuade the Federal government to provide special institutional support for research universities with exceptional demonstrated success at serving students from low-income families.

The Commission's work and the execution of its recommendations are informed by and inextricably linked with our vital traditions of shared governance. Political and fiscal accountability to the people of California is assigned to the Board of Regents.

The faculty, however, is routinely invited to play a role in virtually every facet of the University's work. The core of the faculty's governance responsibilities concerns the academic realms of instruction, curriculum, academic personnel, and research. This is the core of any university, and therefore the faculty role must be the central part of formulating and executing any strategy to sustain and enhance our mission. It follows, therefore, that in almost every case, the Commission's recommendations cannot become fully effective without the active engagement of the Academic Council, Divisional Senates, and faculty committees. So too, our talented staff is the repository of enormous expertise and they must be involved in the process at every point along the way. In many areas, of course, the Board of Regents is the deliberative body charged with setting policy or delegating responsibility to the faculty, Chancellors, President or others.

1.2. Brief Outline of this Report

This report proceeds as follows: In Section 2 we identify some critical dimensions of the context to which we are responding, including budget and enrollment projections, and the likely consequences for our mission. Section 3 presents our recommendations thus far in five categories: (a) *Preserving and enhancing excellence in teaching and curriculum*; (b) *Undergraduate enrollment and access*; (c) *Sustaining research and graduate education*; (d) *Management: fiscal discipline and administrative reform*; and, (e) *Advocacy and other measures*. The presentations are relatively succinct, and additional information is provided on the Commission's website.¹

Section 4 includes several ideas that the Commission believes are worthy of additional study, but need not be decided or even advanced at this time; future developments may require that these ideas be brought forward for action.

2. Context – What We Are Facing

2.1. Fiscal Context

The work of the Commission on the Future occurs in a fiscal context marked by looming financial challenges over the next decade and a long-term disinvestment in the University by the state. The University faces a range of challenges that will add nearly \$5 billion in expenditures to the University's core operating budget over the next decade, including:

- Normal inflationary cost increases for faculty and staff salaries, employee health benefits, equipment and library materials, utilities, and other non-salary items;
- Growing unfunded liabilities for retiree pension and health benefits;
- The need to close competitive faculty and staff salary gaps;
- The desire to improve the student-faculty ratio and restore instructional budgets;
- A critical need to increase the number of graduate students and enhance graduate student support packages; and,
- Investments in essential academic, technological, and facilities infrastructure.

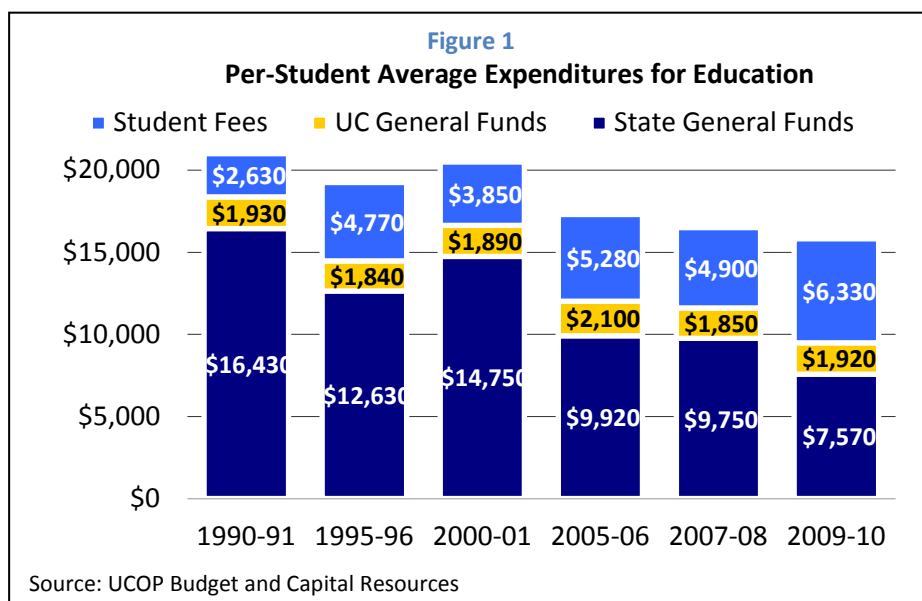
The challenge for the University is securing the revenue to cover these costs, particularly given the downward trend in state support, and finding ways to reduce costs.

State support for UC has fluctuated over time, coincident with the state's economy. UC's share of the total state budget, however, has declined markedly over the long term. In the late 1980s, more than 5 percent of the State General Fund was dedicated to UC. By 2009-10, the UC share had declined to 3.1 percent.

¹ <http://ucfuture.universityofcalifornia.edu/welcome.html>

More significantly, state funding has not kept pace with inflation and enrollment growth, particularly over the last decade. Since 1990-91, average inflation-adjusted state support for educating UC students declined 54 percent. Student fee increases have addressed only about two-fifths (40%) of this decrease.

Other actions to reduce costs have resulted in reduction in staff and instructional offerings, faculty and staff salary lags and reductions in funding for instructional equipment,



library materials, and facilities maintenance. As a result, overall inflation-adjusted spending per student from core funds has declined by 25 percent over twenty years.

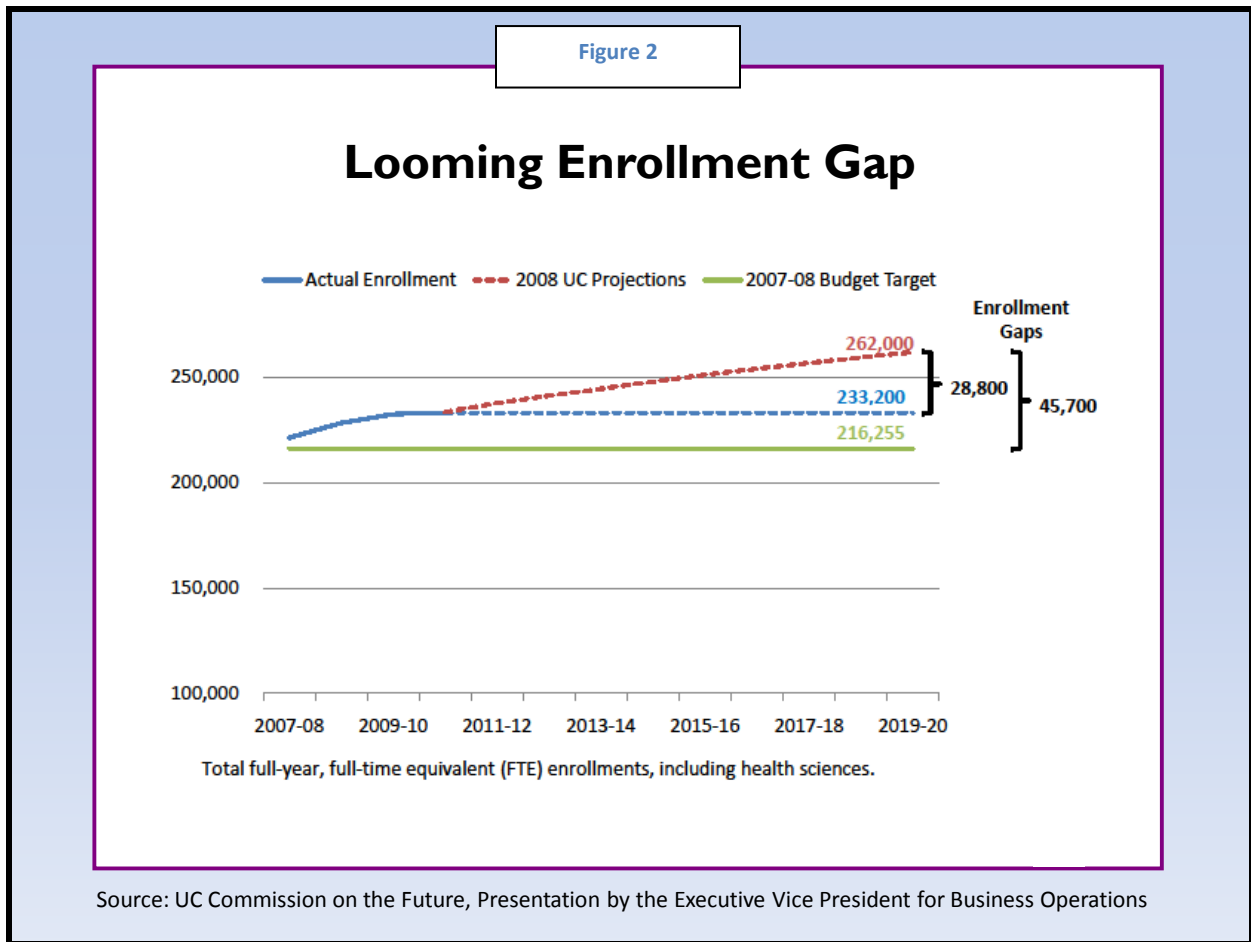
2.2. Enrollment and Transfer Projections

California’s Master Plan for Higher Education provides that all California residents in the top one-eighth of the high school graduating class be offered a place somewhere in UC. It also requires UC to admit and find a place for all eligible California Community College transfer students who apply. Despite the shortfall in state funding, UC continues to meet its Master Plan obligations by offering all eligible California resident freshman and transfer applicants a place in the system, although fewer are getting offers at campuses of their first choice. This has resulted in ever-increasing UC enrollments that parallel the largest-ever California high school graduating classes. In 2009-10, UC enrolled about 214,000 full-time equivalent resident students, yet state funding has only been provided for nearly 198,500 students at the cost per student previously negotiated with the Legislature and Governor.²

One alternative given the shortfall in state funding is to reduce the size of the student body to the level of available state funds. If UC were to do this, by 2020 it would fall nearly 46,000 students short of the campus enrollment targets designed to fulfill state and national workforce needs. These targets are comprehensive and include goals for undergraduate, graduate and professional students, as well as for resident and non-resident enrollment. (See Figure 2.) The

² Currently that figure is approximately \$10,000 per student.

consequences for the state would be compounded by parallel difficulties in the California State University system and the state’s Community Colleges.



Maintaining a substantial and effective program of enrolling transfer applicants from our state’s community colleges is a key part of our opportunity mission. These students are academically successful on our campuses, add valuable dimensions of diversity to our enterprise, and significantly reduce the total cost of an undergraduate degree to families and the State. The transfer function is one of the great strengths of California’s higher education system and a foundational element of the Master Plan well worth securing for the future. To that end, President Mark Yudof has deepened UC’s commitment to transfer, with an increase of 1,000 additional new transfer students (8% increase) over two years to a total of 13,915 projected for fall 2010. This was at the same time that the University was forced to reduce enrollments of new California freshmen by 3,800 over two years (11% decrease.)

The Master Plan prescribes a ratio of 60:40 in upper division to lower division undergraduate students in order to have ample upper division spaces for community college transfer students. The formula was based on assuming an incoming junior class of transfer students that is roughly half the number of first-time freshmen. Currently, the ratio of community college transfer to

freshmen is 1:2.4 and continued improvement in the transfer function would be needed to achieve the 1:2 ratio.

Even if resources were sufficient to cover the costs of instruction for 46,000 more students a decade from now, UC does not have the classrooms, offices, laboratories, housing, and other physical capacity to accommodate these students. For a host of environmental, planning, and financial reasons, it will be particularly challenging for some campuses to significantly expand their physical facilities.³ The newest campus, Merced, now enrolls 3,500 students and plans to serve 11,000 in 2020 and 25,000 at build-out, but such expansion will require resources. Even if UC enrollment were to remain flat for the foreseeable future, funding for UC's capital program is greatly needed now to maintain or renew the physical condition of existing facilities – many of which are quite old – and to modernize and retrofit buildings on campuses to meet seismic safety requirements. Given these expected capital facility costs, UC will either need to find significant new revenues to supplement limited state funding or it will need to pursue alternatives to bricks-and-mortar classrooms and labs.

Section 3 of this report presents more detail on our 20 recommendations to date; the Commission's website contains several background documents that amplify the purposes and tradeoffs.

3. Recommendations

3.1. Preserving and Enhancing Excellence in Teaching and Curriculum

Recommendation 1: Adopt Strategies for Reducing Time to Degree

By increasing the proportion of students graduating in four years or less the University can provide more bachelor's degrees with about the same instructional resources and make the degree more affordable by reducing the total for tuition, living expenses, and foregone income. For academic or other reasons this is likely to be appropriate and desirable for only a fraction of students. Nevertheless, if only 5-10 percent of UC undergraduate students graduate one quarter/semester earlier, it would free up 2,000 to 4,000 undergraduate spaces per year, and thus improve access to UC. Finally, although most campuses have reduced the number of students affected by impacted courses (i.e., regularly oversubscribed courses that cannot accommodate student demand), this is a continuing problem that goes directly to quality and our responsibility to students.

Specific measures that should be adopted to reduce average time-to-degree are almost exclusively in the domain of the faculty. They include:

³ See UC's 2008 "Systemwide Enrollment Projections: Undergraduate and Graduate Enrollment Through 2020-21, Phase 1 Report", p. 3, http://www.ucop.edu/acadaff/swap/pdf/LREP080401_2.pdf.

- Curriculum refinements to improve the undergraduate experience by providing students with a clearer and more well-defined path to achieving their degree objectives.
- Promoting best practices to identify and eliminate curricular, procedural and policy barriers that impede student progress towards a degree. Such practices include streamlining the curriculum (e.g., UCLA Challenge 45) and improving the scheduling of course offerings so that core and prerequisite offerings enable students to make efficient progress towards their degrees.
- Flexibility in faculty teaching assignments as needed to reduce course impaction and eliminate delays in satisfying course requirements.
- Implementing formal programs that encourage and facilitate a shorter time to degree, such as “packaged” options for three-year degrees with pathways that make full use of advanced placement credits and summer terms. Such pathways could include joint bachelor’s/master’s degree programs.

The Commission recognizes that there are significant challenges to implementing this recommendation. Reexamining the curriculum to prune and rationalize requirements, especially at the department level, will require an investment of faculty time to establish new policies while preserving quality. Some campuses may need better systems to monitor and allocate classrooms and other resources, so it will be important to share best practices and offer technical assistance. Students have historically felt only fairly weak incentives to pursue a three-year degree. Some worry about limiting their opportunities to participate in enhanced educational and co-curricular experiences, such as Education Abroad and/or research internships. While higher tuition may have changed the equation, reducing administrative and curricular obstacles should help. Most important, current campus resources are inadequate to meet increased course demand on all campuses and in all fields.

These difficulties vary in importance across UC, but are not sufficient to preclude meaningful progress. The best way to pursue these reforms will vary significantly, so firm commitment on the part of campus leaders, especially in the Divisional Senates, is essential.

Recommendation:

The Commission recommends that campuses, working through their Divisional Senates, continue to improve undergraduate students’ ability to graduate in four years or less by:

- (a) re-examining curriculum requirements and policies to ensure that they are not overly burdensome;
- (b) improving term-to-term course scheduling and faculty assignments to ensure that students can make satisfactory progress towards a degree; and

- (c) creating an optional pathway for undergraduate students to complete degrees in selected majors in three years, including the creation of more joint bachelor's/master's degree programs to accomplish this objective.

Progress regarding these strategies will be reported annually to The Regents with the first report due in September 2011.

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Recommendation 2: Create Lower-Division Transfer “Pathways” to Assist Community College Students Planning their Academic Programs

Work by the Academic and Divisional Senates to reduce transfer barriers has made steady progress in recent years; however, legislation signed into law by the Governor on September 29, 2010, AB 2302, requests the University “to continue its examination of articulation of lower division major prerequisites in high-demand transfer majors.” This bill further requests that UC designate and accept a series of community college courses for specific UC majors.

While the Transfer Preparation Paths initiative identifies common requirements that currently exist across UC campuses for the top 20 transfer majors, there still remains considerable diversity among campuses regarding lower-division major preparation and some of the pathways only have a few common major courses across the UC campuses.

Greater consistency in lower-division major preparation requirements across campuses in key majors can smooth and expedite the transfer process for students. Streamlining transfer also has the potential to minimize the number of excess units taken by students, thereby improving time to degree and freeing up more spaces for additional students. Building on the existing transfer streamlining efforts, disciplinary faculty in high-demand majors at UC should be brought together to reach agreement on transfer pathways with a greater degree of commonality and uniformity across all nine undergraduate campuses.

Recommendation:

The Commission recommends that the Academic Senate expand efforts to streamline the process for students transferring from California Community Colleges to UC campuses by adopting consistent lower-division major requirements, and thereby eliminating unnecessary distinctions, in high-demand majors on all nine undergraduate campuses. This effort will expedite the transfer process and has the potential to minimize the number of excess units taken by these students. This recommendation builds on existing efforts by the Intersegmental Committee of the Academic Senates regarding lower division curriculum in the 20 highest-demand undergraduate majors.

The Academic Senate will submit a plan and timeline to the President, by January 31, 2011, to develop consistent lower-division major requirements.

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Recommendation 3: Enhance the ASSIST Website to Improve the Student Transfer Function

The Articulation System Stimulating Interinstitutional Student Transfer (ASSIST) website is the official repository of course articulation – how course credits earned at one college or university can be applied towards a degree after transferring to another – between California’s public colleges and universities. ASSIST stores articulation information from the California Community College (CCC), California State University (CSU), and UC systems and provides an online information tool for community college students interested in transfer and the counselors who advise them.

ASSIST was built in 1985 and updated in the early 1990s. As described in the Community College Transfer Task Force Interim Report (September 2009), the system is outdated and cumbersome. Improvements have been made to shore up the current system, but the ASSIST management is now embarking on a redesign of the system to make the site more facile, up-to-date, and user-friendly. The new ASSIST, dubbed ASSIST: The Next Generation, will be modernized in two phases. The first phase involves the creation of an extensible, robust database that will link to other data systems across the state. The second phase will develop a student-friendly web interface and, potentially, counseling tools. Such tools have already become the norm in many facets of students’ lives, and it is essential that we provide this information to students in an as easily accessible way as possible.

Recommendation:

The Commission recommends that the Provost and the Vice President for Student Affairs further develop the recommendation and cost estimate for enhancing the ASSIST website to improve the student transfer function by March 2011

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3.2. Undergraduate Enrollment and Access Strategy

Recommendation 4: Reaffirm the University’s Commitment to Achieving Master Plan Targets for Freshman and Transfer Students

This recommendation commits the University to certain provisions of the California Master Plan for Higher Education, which specifies, among other things, that (1) the pool of students from which the University of California draws its freshmen should represent the top one-eighth of California public high school graduates; and (2) to ensure a robust community college transfer path, the University should admit sufficient numbers of upper-division transfers to maintain at least a 60:40 ratio between upper- and lower-division students. The Master Plan was later amended to provide a guarantee of admission to students who met the University’s eligibility requirements.

In recent years UC has not received adequate state funding to support growth in undergraduate enrollment. If funding is not forthcoming, it will be impossible to fulfill our access mission unless

some dramatic alteration in the way we deliver instruction can be instituted, consistent with our equally important mission of excellence. By underscoring the continuing importance of the Master Plan enrollment principles, the Commission hopes to add still more urgency to the search for new resources and for the exploration of new approaches to teaching and instruction.

As for transfers, this is more than a mechanical fidelity to a 50-year old scheme. The transfer path makes the BA more affordable, provides a different environment and structure (including part time enrollment) that is preferable to many students, and eases some of the pressure on campus capacity and UC resources.

Admittedly, the education of upper-division students is more expensive because of smaller classes and necessary specialization and facilities. As implemented, the resource consequences must be monitored. From an aggregate perspective, however, transfer students require only two years of UC resources in order to graduate with a UC bachelor's degree. Serving transfer students increases the number of degrees the UC can confer with any given level of instructional resources.

Recommendation:

The Commission recommends that the President develop a resolution by January 2011, for The Regents' approval, that reaffirms the University's commitment to the Master Plan's targets for the number and proportion of students who enter at the freshman and transfer levels, to the extent that resources are available, such that:

- UC will continue to guarantee admission to at least one UC campus to the "top one-eighth" of California public high school graduates.
- UC will continue to enroll sufficient numbers of transfer students to maintain an upper-lower division ratio of at least 60:40 on all campuses (ratio in 2009-10 was 66:34 due to freshmen entering with advanced placement and other college credit). Resources permitting, it will also seek to ensure that one California resident community college student is enrolled for every two California resident freshmen (ratio in 2009-10 was 1:2.4).

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Recommendation 5: Continue Timely Exploration of Fully Online Instruction for Undergraduates, as well as for Self-Supporting Programs and in University Extension

Online education is a rapidly maturing phenomenon increasingly important within undergraduate, graduate, and extension curricula at UC and peer institutions. In 2009-10, for example, UC Extension programs offered 1,250 fully online courses, over 90 percent of which carried either "transfer credits" or, in 78 instances, regular "UC" credits; there were over 55,000 students enrolled, which if converted to the equivalent of full time students, represents about

twice the current size of UC Merced. Through UC Extension, we are already delivering a great deal of online instruction, although little of it formally or automatically carries credit towards a UC degree or major.

If questions related to quality, cost, and workload can be satisfactorily answered—a hotly debated issue among the UC faculty—online delivery of instruction would offer several benefits. (The Commission, like the Senate and UCOP, is for these purposes focused on fully online courses, but designed to include intensive use of social networking and a variety of technological tools and pedagogical strategies that permit extensive interaction among students and faculty.) Within the general realm of our current on-campus programs, and in the near-to-mid term, increased online instruction may:

- reduce course impaction, reduce scheduling conflicts, and increase summer session enrollments by enabling students to earn credits without being on campus, thus reducing students' average time to degree;
- create some new and distinctive opportunities with respect to course content, social networking applications, assessments (testing), and the differing learning opportunities or needs among students;
- facilitate multi-campus course offerings, cross-enrollments, and collaborative teaching; and
- encourage electronic publication of textbooks and course materials, reducing costs for students.

In the more speculative, longer term, if the faculty concludes that a substantially or fully online program of instruction can be provided with sufficient quality to be termed a “UC education”, then online instruction may make an important contribution to our access mission. This would be especially important in light of the serious capacity and funding obstacles on the horizon.

Moreover, to the extent that tuition-paying students other than those enrolled in the traditional on-campus program are instead served through online courses delivered by University Extension, online courses and programs may:

- extend UC's reach in academic preparation of university-bound high school and community college students (e.g., through dual-enrollment);
- address unmet needs for post-baccalaureate degrees and certificates in high-demand fields; and
- generate revenues and create workload efficiencies that support the University's core, on-campus teaching and research missions.

The Commission believes that the Pilot Project currently being coordinated by the Office of the President, with the endorsement and participation of the Senate, may clarify the desirability of

substantially increasing the use of fully online instruction for degree credit, beginning with lower division and UC Extension courses.⁴

Status Report:

A status report was provided in a July 14, 2010 presentation to The Regents who encouraged moving forward with this Pilot Program. The expectation is that decisions about any further development of online instruction will be made by the Senate and Administration in a timely way, commensurate with its potential—admittedly speculative—to advance UC’s mission.

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Recommendation 6: Reaffirm Commitments to Undergraduate Financial Aid and Affordability

The University of California Financial Aid Policy, adopted by The Regents in 1994, states that the University’s commitment to enroll a diverse student body requires that financial considerations must not be an insurmountable obstacle to students’ decisions to seek and complete a UC degree. Three key implications of this commitment are:

- Students at every income level must be able to finance their total cost of attendance—not just tuition— through a combination of (a) manageable contributions from parents and students, and (b) grant assistance from University, Federal, and State aid programs.
- All aspects of a University of California education – including special educational programs (e.g., Education Abroad) and experiential opportunities (e.g., living on campus) – should be available to all students regardless of their financial resources.
- Aid programs should emphasize a student’s financial need rather than scholastic achievement or other criteria.

To date, with one of public higher education’s most progressive financial aid programs in the country, UC has been largely successful in remaining financially accessible to students at every income level, as demonstrated by the percentage of low-income students we enroll, the stability of the income profile of UC students over time, student graduation rates, and levels of student employment and borrowing.

Unfortunately, some needy undocumented students, AB 540 students, currently are not eligible for federal, state or UC financial aid. UC has supported various state and federal legislative attempts to allow institutional aid eligibility for undocumented students; however, recent action

⁴The Academic Senate’s support is predicated on the Administration’s decision not to divert internal funds for this purpose.

by the Governor and current federal law prohibit the reestablishment of financial aid eligibility for these students.

A reaffirmation of the University's commitment to financial accessibility will help counter the misperception that a UC education is out of reach and clarify that financial aid must remain among the University's top budgetary priorities. Of course, without adequate state funding, including the Cal Grant program, these policies are unsustainable. Even with that funding, however, financial aid must be a priority for UC's fundraising, advocacy, and internal budgeting. In particular, the Commission endorses the President's commitment to develop a clear, effective strategy for assisting middle-income students.

Recommendation:

The Commission recommends that the President develop a resolution by March 2011, for The Regents' approval, reaffirming the 1994 *University of California Financial Aid Policy*, which states that financial considerations must not be an insurmountable obstacle to students' decisions to seek and complete a UC degree. The resolution should also pledge that financial aid remains one of the University's top budgetary priorities.

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Recommendation 7: Increase and Cap Nonresident Undergraduate Enrollment

By increasing the number and proportion of undergraduate nonresident students, the University of California campuses can enhance the educational experience, broaden geographical diversity of the student body, prepare students for a global society, and generate additional resources to sustain current instructional capacity and quality educational offerings for all undergraduates. UC is committed to the enrollment mission set out in the Master Plan, and therefore, the admission of nonresident undergraduates should not displace funded California residents who are eligible for admission to the University.

Just as other forms of diversity enhance the educational experiences of students, California's dependence on an increasingly global society and economy requires geographic diversity among the student body. Since students often remain in and contribute to the states where they are educated, increasing the numbers of highly qualified nonresident students can contribute to California's future workforce and social, cultural, and economic development.

UC has very low proportions of nonresident undergraduate students (approximately 6 percent) compared to other major research universities, both public and private. Notably, all four of UC's public comparison institutions enroll a greater proportion of nonresident students; both the University of Michigan and the University of Virginia have more than 30 percent nonresident undergraduate students.

This recommendation can generate needed revenue to enhance the educational experience of all students without unwanted displacement of resident students. Currently, there are

approximately 7,600 undergraduate students who pay nonresident tuition. Assuming that each nonresident student (at current nonresident tuition rates) contributes about \$12,900 in resources above educational costs, each 10-percent increase in nonresident students would generate \$9.8 million.

Recommendation:

The Commission recommends that the University allow campuses to increase the number and proportion of undergraduate nonresident students to enhance undergraduate students' educational experience, broaden geographical diversity of the student body, prepare students for a global society, and generate additional resources to sustain current instructional capacity and quality. Issues to consider in developing the implementation plan for this recommendation should include defining the minimum admissions qualifications for nonresident students and, on a campus-by-campus basis, determining appropriate areas to which to dedicate new revenues from nonresident students.

The Commission further recommends that campuses should establish targets for nonresident enrollments that do not displace funded California residents and that the President monitor enrollment to ensure that the systemwide proportion of nonresident undergraduate students does not exceed 10 percent. The President will report annually to The Regents on the systemwide proportion of nonresident undergraduate students.

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Recommendation 8: Adopt a Multi-year Tuition Schedule

In order to preserve a quality education for UC students, the University has had to generate new tuition revenue to partially backfill the severe state budget cuts that have occurred. The tuition increases have been problematic for students and their families because of both their size and their unpredictability. To avoid the pain and frustration produced by large, unexpected tuition increases that occur mid-education, UC could adopt a multi-year tuition schedule for incoming cohorts of undergraduates which would cover a specified number of years – e.g., the typical time-to-degree of between four and five years for entering freshmen and two to three years for transfer students.

Adopting a multi-year tuition schedule would, however, reduce flexibility in tuition revenue and require the University to make contingency plans. 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 30 percent of students who would be subject to the “new” student rate. In addition, application of the multi-year tuition schedule should be contingent on a 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.

Recommendation:

The Commission does not recommend the University adopt a multi-year tuition schedule for undergraduate students at this time.

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3.3. Sustaining Research and Graduate Education

Recommendation 9: Redouble Efforts to Obtain Full Cost Recovery from All Sponsored Research, with a Goal of \$300 Million Annually

Externally funded research in the University of California is supposed to be conducted under the accounting principle of total cost recovery, including indirect costs. The indirect costs are intended to recover the facilities and administrative costs attributable to research. However, Indirect Cost Recovery (ICR) rates on federally funded research at UC campuses do not fully recover the costs of research, falling 5-10 percentage points behind some of our comparator institutions and on average 25 percent short of full recovery. For a variety of historical reasons and local campus practices, UC also does not fully recover the costs of research for non-federally funded research projects – those projects funded by the State of California, foundations, gifts, and corporations.

The Commission recommends that UC employ strategies to recover a greater share of the indirect costs of research sponsored by outside agencies. The potential fiscal implications of these changes in indirect cost recovery are large. The current gap between the rates UC calculates and the final negotiated rate with the federal government is between 5 and 18 percentage points, amounting to several hundred million dollars per year systemwide. A lesser amount may be achievable through improved management of waivers for the State, foundations, corporations and private donors, but this must be pursued with sensitivity to the important differences in grant-making practices in different fields. Rigid application of cost-recovery rules used for federal science funding would have dire consequences for grants in the humanities and social sciences from most private donors and most foundations.

While the competition for funding will dictate the need for continued flexibility in how UC accepts research funding, improving the recovery of the total costs of research by even a fraction would be an enormous benefit to the University's budget and bring it closer to parity with peer institutions, particularly the private universities.

Recommendation:

The Commission recommends that UC employ strategies to recover a greater share of the indirect costs of research sponsored by outside agencies.

The President and the Vice President for Research and Graduate Studies will present information on indirect cost recovery efforts to The Regents in November 2010.

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Recommendation 10: Facilitate Multi-Campus Research and Doctoral/Post-Doctoral Training

One of UC's greatest strengths—that which makes it one of the most successful research enterprises in the world and allows it to attract top students and faculty in a wide variety of disciplines—is its multi-campus structure. Coordinated, collaborative research programs offer opportunities to share large-scale resources beyond the reach of an individual campus (e.g., supercomputers, large ground-based telescopes). When these resources are shared systemwide, they bridge gaps between campuses and increase the stature of all campuses. This provides a collective expertise and strength in research that is unparalleled in the world, allowing much grander projects than a single unconnected university could support, while attracting and retaining faculty and students.

Coordination of multi-campus research would also enhance the training of graduate and professional students. For example, multi-location teaching would allow students to take advanced and specialty courses from experts across the UC system.

UC has some very successful multi-campus research programs, but procedural barriers and investment gaps leave much room for improvement. Additional facilities are required in some settings to increase the availability and ease of multi-location teaching and research. It is entirely possible to reshape incentives and remove impediments to multi-campus research and training, but doing so will challenge existing practices and culture in important respects—both on the campuses and at UCOP.

Recommendation:

The Commission recommends that the President and Chancellors support the current efforts of the Office of the President to identify barriers and disincentives that currently exist for multi-campus research and training, and to mitigate those impediments through improvements in policies, processes, technology, and facilities. The Vice President for Research and Graduate Studies should report his findings on policy impediments and plans to improve multi-campus effort to the President within six months of the adoption of this resolution.

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Recommendation 11: Collaborate with External Partners to Expand Sponsored Internships, Fellowships and Visiting Faculty

Most UC students find careers in the private or non-profit sector using their training in engineering, science, the professions, or the arts and humanities. There is an enormous potential to find support for our students through enhanced use of internships, fellowships, and exposure to their future mentors outside the University through cooperation with the private sector.

Internships that provide students with work for outside organizations during their undergraduate or graduate careers could reimburse a large fraction of their educational costs.

Additional benefits to students include exposure to career options outside of academe, experiences that clarify career goals, and additional career development opportunities. The University would benefit through receipt of funds from these outside organizations to fund and facilitate the internship program, while the outside organizations would benefit through recruitment and training opportunities for potential future employees.⁵

Similarly, researchers at the national laboratories and other organizations would welcome the opportunity to become regular members of the UC community as visiting professors. Those whose jobs at their parent organizations would benefit from the UC connection can establish regular contact with students through teaching, reducing the overall student/faculty ratio without increasing the University's costs.

Recommendation:

The Commission recommends that each UC campus gain sponsors for new internships, fellowships, and visiting professorships as part of its development effort. These programs should be designed to provide new sources of student support, reduce the overall cost of education, and bring in experienced leaders in industry and other external organizations to augment the expertise of the teaching faculty, giving students contact with workplace leaders who provide jobs outside of the academy.

The Chancellors will report to the President on the progress of these programs on a yearly basis for the next five years during their annual budget meetings.

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Recommendation 12: Increase Graduate Student Enrollment to Meet Long Range Planning Goals and Research Mission Prescribed in the Master Plan

The education of graduate students is critical to UC's teaching, research, and service mission, and to the economic and cultural development of the state. Our graduate academic and professional school programs are a magnet for many of the most highly qualified, talented, and diverse students worldwide, who then work with faculty to generate research and teach undergraduates. To be excellent in national and global terms, however, the proportion of graduate enrollments relative to undergraduate enrollment must be adequate to support the research and instructional mission. A critical mass of graduate students is also crucial for attracting top faculty, who are typically quite focused on having doctoral students to with whom to work. As UC has vastly expanded undergraduate enrollment over the past 50 years, graduate

⁵ Of course all relationships between the University and outside parties, especially in relation to the academic mission, must conform to ethical and conflict of interest requirements. Campuses must manage contractual risks carefully.

enrollment has not kept pace; graduate students have slipped from one-third to one-fifth of total enrollment.

The education of graduate students is more expensive than undergraduate students, both in instructional costs and student financial support. Therefore, under current and the baseline fiscal projections, funding for graduate enrollment growth would require that campuses reduce undergraduate enrollment—an unacceptable result in light of our access mission and commitment to the Master Plan enrollment goals.

The Commission’s conclusion is that sustaining and strengthening graduate education is a critical element of UC’s mission within the Master Plan and a *sine qua non* of excellence in any research university. UC’s leaders must develop a revised strategy, not merely an aspiration, to accomplish an orderly transition which prioritizes and reasserts our research mission.

Recommendation:

Recognizing UC’s role in the Master Plan as the state’s primary research and doctoral-granting institution, the Commission recommends that the University increase the proportion of graduate enrollments from 22 percent of total enrollments to 26 percent by 2020-21⁶, with individual targets set by each campus.

The Commission further recommends that the campuses, under the guidance of the President, develop alternative plans that will achieve these enrollment targets based on various funding scenarios. The plans should be presented to the President by August 1, 2011 so they may inform the establishment of enrollment targets for 2012-13 and the November Regents’ Budget.

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3.4 Management: Fiscal Discipline and Administrative Reform

Recommendation 13: Improve Transparency by Referring to “Tuition” in Place of “Fees”

Consistent with language in the Organic Act (1868) and the California Master Plan for Higher Education (1960) that calls upon the University to be “tuition free” for Californians, UC has not labeled any of its in-state student charges as “tuition.” However, despite the labeling, since the early 1990’s the Education Fee and the Professional Degree Fees have been equivalent to tuition as the term is typically understood. These two fees provide critical revenue for core instructional expenses. In contrast, the Student Services Fee provides revenue for non-instructional student programs and services, and is appropriately labeled a “fee.”

⁶ Target based on UC’s 2008 “Systemwide Enrollment Projections: Undergraduate and Graduate Enrollment Through 2020-21, Phase 1 Report”, http://www.ucop.edu/acadaff/swap/pdf/LREP080401_2.pdf.

Labeling student charges used for instruction as “fees” instead of “tuition” is inconsistent with the understanding of those terms by the general public, the federal government, and other entities to which the University needs to report its student charges. Colleges and universities report their institutional charges to the federal government and other entities in a variety of contexts. For example, schools participate in both voluntary and mandatory surveys of institutional costs (IPEDS, U.S. News & World Report, etc.), and disbursement amounts from various programs are often tied to institutional charges (e.g., veterans educational benefits, fellowship programs). In all of these contexts, people outside of UC expect the term “tuition” to represent the primary educational charge for instructional expenses. Occasionally, UC’s divergence from this standard practice has real consequences. For example, GI Bill payments to California veterans attending *private* schools were delayed because payments are statutorily tied to the level of “tuition” charged by a *public* college to in-state residents – which, in California, is technically zero.

Recommendation:

The Commission recommends renaming the Education Fee and the Professional Degree Fees (but not the Student Services Fee) as “tuition.” Labeling these student charges used for instruction as “tuition” instead of “fees” is consistent with the understanding of those terms by the general public, the federal government, and other entities to which the University needs to report its student charges.

The Commission recommends that the President, after consultation with the Academic Senate and appropriate state agencies, develop the necessary policy revisions, for The Regents’ approval in January 2011, to rename the Education Fee and Professional Degree Fees as “tuition”.

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Recommendation 14: Expedite Implementation of UC’s Initiative on System-Wide Administrative Reforms, with the Goal of \$500 Million in Annual Savings

Administrative reforms have been an ongoing focus of the President and Regents for several years. Significant faculty and staff effort is required to manage academic departments, research units, libraries, student service activities, operation and maintenance of plant, campus-wide and system-wide administration, fiscal operations, logistical services, and community relations. Costs not directly related to research and teaching (herein termed administrative costs) are estimated to be as large as 25-30 percent of that which is funded by UC core funds. While recent actions have been made to reduce these costs, they remain substantial.

To the extent that administrative costs can be reduced and operations improved, implementing a system to identify, promote, and adopt the best administrative practices within the UC system can direct more resources to academic and research functions. Although UCOP and the

campuses have already implemented extensive efficiency measures, the Commission also believes that efficiency measures must be continually advanced, executed, and expanded to enable the University to build a sustainable financial model. Through successful implementation of this initiative, in five years the University could redirect at least \$500 million annually to support core academic and research activities from a combination of cost savings, cost avoidance, and revenue generation.

Status Report:

On July 14, 2010, The Regents adopted a resolution regarding administrative efficiencies. The resolution directs the President, in consultation with a small committee of campus representatives, to, where appropriate, design and implement common best-practice administrative systems, including but not limited to student information systems, financial systems, human resources systems, payroll systems, and their underlying technology support systems.⁷

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Recommendation 15: Accelerate Development of Self-Supporting Programs and Increase to \$250 Million per Year in Five Years the Income Derived from these Programs

Self-supporting programs have the potential to generate significant revenue for departments, particularly if departments leverage existing infrastructure (e.g., with other departments or UC Extension) to offer and manage the program. Offering UC courses to non-UC students, whether through Extension public programs or concurrent enrollment, would bring new dollars to the University. Current UC self-supporting programs generate about \$100 million annually, about \$25 million per year above program costs. However, most of that revenue comes from the high-cost, self-supporting executive MBA programs. To date, most other self-supporting programs are relatively small and generate modest amounts above programs costs.

Growing these existing programs and developing new self-supporting programs could generate revenue for the University and expand access to UC courses. For example, creating bachelor's degree completion programs, which are in high demand nationally and serve current workforce development needs, could result in additional revenue streams for UC while also providing another avenue to a UC education for qualified students. Similarly, using self-supporting programs to provide access to UC courses to high school and community college students prior to their matriculation at UC could potentially improve time to degree by reducing the credits these students would be required to take once they enter UC.

Recommendation:

⁷ See, <http://www.universityofcalifornia.edu/regents/regmeet/jul10/f2.pdf>.

The Commission supports timely exploration of the expansion of UC self-supporting programs, and recommends that the Provost and the Vice Provost for Academic Planning work with the Academic Council to further develop the self-supporting degrees expansion proposal. Progress on this effort will be reported to the President in September 2011.

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Recommendation 16: Raise UC-Wide Ambitions for Private Fundraising

The University has achieved tremendous success in private fundraising over the past 20 years. In the past decade, UC campuses have collectively raised over \$1 billion annually, cresting at over \$1.6 billion in FY 2007-08. The University's history of fundraising, however, is marked by a high level of restriction on the funds raised. Approximately 95 percent of UC's overall endowment payout is restricted, contrasted with 80 percent for most public institutions and 55 percent for private institutions. Only two percent of all gift support in recent years is unrestricted, even less for endowment. To put this in context, of the \$1.3 billion in funds raised in FY 2008-09, just over \$25 million could be characterized as unrestricted.

Increasing overall fundraising and developing new models to steer these funds to unrestricted or more flexible uses could generate needed revenue to support UC's core funding needs: faculty excellence, graduate student support, and undergraduate access. Options include broadening fundraising for capital projects to support the overall initiative, directing more fundraising to term endowments, and focusing on fundraising that yields higher percentages of unrestricted dollars (annual funds, class gifts, and parents' support).

The Commission recognizes that increasing unrestricted gifts is an extremely challenging undertaking that will require considerable donor education and advocacy, as well as a commitment to increased investment in staffing fundraising efforts; however, the potential revenue opportunities from this recommendation are significant. Every \$100 million raised in unrestricted gifts can generate \$5 million or more annually that can be used to support core operations.

Recommendation:

The Commission recommends that campuses, working with the Office of the President, develop new models and direct additional effort towards increasing the amount of unrestricted fundraising that can be used to support core operations such as faculty excellence, graduate student support, and undergraduate access.

The President, Executive Vice President – Business Operations, and Chief Financial Officer will report every November on the progress of these efforts in their annual report to The Regents on private support.

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Recommendation 17: Charge Differential Tuition by Campus

Campuses vary in their selectivity and competitiveness for students. Although tuition cannot singlehandedly solve UC's budgetary challenges, it is a key component of any funding strategy and one of the only revenue sources that UC can effect to replace other funding shortfalls. There still exists substantial headroom on each campus for across-the-board tuition increases without impacting enrollments. However, at some point in time, campuses will cease to experience the same inelasticity of demand, and the consideration of a differential tuition model will come into play.

Allowing tuition to vary by campus is based on the premise that student demand for different campuses varies. Differential tuition could both protect against losses of student enrollments at campuses beginning to experience demand elasticity, and allow tuition to increase at campuses where demand remains relatively inelastic. Allowing differences in tuition levels would also expand the University's total revenue and provide a funding stream that could be distributed in a way to benefit all campuses. Yet there are many challenges associated with charging differential tuition, including: controversy over perceived or actual tiering of campuses for tuition-setting purposes; potential negative impact on the perceived reputation or academic quality of some campuses; and the complexities and potential controversy in developing a distribution model that benefits all campuses.

Recommendation:

The Commission generally believes that UC has not yet exhausted other avenues of revenue generation and is not prepared to endorse this recommendation at this time. However, the Commission further recommends that the President develop options for the successful implementation of campus differential tuition rates should this be necessary to preserve UC quality and access in the future. (See also Section 4: Contingency Recommendations.)

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3.4. Advocacy and Other Measures

Recommendation 18: Develop a Multiyear Advocacy Campaign to Foster Public and Political Support for the University

Public institutions must have the backing of those who pay taxes to support them. In an era when term limits provide only a short period of time for the state's elected officials to understand and react to changing economic circumstances, it is critical to maintain a public base of support that will persist for more than the limited terms of state office-holders. UC must better communicate its value to all Californians and derive more public support from those who benefit from its services.

UC provides a vital and lasting contribution to the state's economy and the quality of life of its citizens. Because of the core support provided by state funds, UC is able to train the workforce and provide the knowledge and research California needs to stay on the cutting edge of

discovery and innovation. This, in turn, helps stimulate job growth and has a direct impact on the state's economic recovery. But UC's contributions to the state are far broader. They include development of a health care system that provides research and care for those with the hardest illnesses to treat, assistance to K-12 schools to help improve the quality of instruction and expand educational opportunities, and discoveries and best practices for the agriculture industry, among others. If the public gains a greater understanding of the important role UC plays in everyday life and is able to signal their support for UC, the state's disinvestment in UC could be reversed.

The Commission acknowledges the efforts undertaken recently by the Office of the President and the campuses to greatly enhance the University's advocacy network. Many programs are already underway – e-mail and letter-writing campaigns, visits of UC-supportive delegations to Sacramento, increased use of social media, joint forums with legislators on policy issues important to the state, and more. The Commission recommends UC continue its development of a multiyear advocacy campaign to foster public and political support for the University as a major priority for state funding.

Recommendation:

The Commission recommends UC develop a multiyear advocacy campaign to foster public and political support for the University as a major priority for state funding.

The President and the Senior Vice President – External Relations will present information to The Regents in January 2011 on UC's advocacy efforts.

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Recommendation 19: Pell PLUS Proposal to Enhance Federal Scholarship Aid at Research Universities

The University will press the federal government to expand its role in higher education by providing core operating funds to universities that serve the neediest students as a substantial fraction of their graduating classes. The federal government would provide "Pell PLUS" augmentations directly to the universities, associated with their Pell Grant enrollees.

This approach to targeted aid reflecting the higher costs of educating students with higher needs is familiar under Title I of the federal Elementary and Secondary Education Act. In postsecondary education, Historically Black Colleges and Universities (HBCUs), Tribal Colleges and Universities, and more recently, some Hispanic-Serving Institutions (HSIs) have benefitted from federal support for core operations, in recognition of the special role they serve with respect to low-income students. However, four-year public institutions that serve large populations of low-income students are enrolling and graduating more disadvantaged students than the HBCUs, Tribal Colleges, and HSIs combined. This demonstrated commitment to

opportunity and access is facing new pressure because states are steadily withdrawing their financial support for higher education.

The federal government's supplemental support of core operations will help keep access to quality public institutions available to Pell Grant recipients. A high level of student access becomes irrelevant if the University no longer has the capacity to ensure a quality education. Federal support for core operations will allow the University to hire professors, equip laboratories, expand physical plant, and carry out the other day-to-day activities that improve the quality of education.

It will of course be difficult to win such a substantial sea change in federal role, and federal spending will be tightly constrained for years to come. Nevertheless, the Commission believes that this is the right battle to have, with the leading public research university leading the way.

Recommendation:

The Commission recommends that the President, in collaboration with other institutional partners, develop a strategy to advocate for federal support for core operations, via a Pell Grant augmentation program, recognizing the special role that four-year public institutions serve with respect to low-income student access and success.

A status report will be provided to the Regents annually on this and other advocacy efforts. Interim status reports will be made if/when new significant milestones are met.

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Recommendation 20: Research Advocacy: Pursue Stronger State and Federal Support for Research, Revitalizing Support for Land Grant Mission

Part of the social-contract obligation of UC, descended from its heritage as a public land grant institution, is our dedication to the principle of "linking knowledge with action." Opportunities to link knowledge with action through engagement with the people of California span the full range of UC research activities. An advocacy campaign could draw on extensive examples of UC research with a powerful public impact. The Commission believes that such advocacy efforts will help engage the public with the research mission of the University and build support for increased investment in UC research.

It is also critical that federal support for research be sustained or even increased given that the federal government underwrites so much of the basic research conducted at U.S. research universities, laboratories, and research organizations. Although the President's budget calls for a steady increase in the financing of research, due to pressure to reduce federal budgets, Congress may look for short-term monetary gains and neglect basic research and its long-term impact on economic health. While this challenge is certainly not a problem unique to California, it has serious potential consequences for California and the UC system. The Commission believes it is crucial that UC take leadership in working with America's research universities and

partners in industry and government to demonstrate the benefit of research, and to advocate and ensure that federal funding of university research increases.

Recommendation:

The Commission recommends that the University, in collaboration with other university and non-governmental organization partners, increase its investment in outreach and advocacy for the research mission of the University. The advocacy objectives are to engage the public and build support for increased investment in research.

A status report will be provided to The Regents annually on this and other advocacy efforts. Interim status reports will be made if/when new significant milestones are met.

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4. Contingency Recommendations

In addition to the recommendations endorsed, the Commission also deliberated several ideas that are worthy of additional study but need not be advanced at this time. Should the fiscal crisis deepen and state and other funding sources continue to decline to a point where the University can no longer sustain its longstanding commitment to academic quality and increasing access, The Regents, President, Chancellors, and Academic Senate may need to consider some or all of the following contingency measures:

- Curtail student enrollment, potentially falling short of achieving the Master Plan ratios recommended by the Commission (see Recommendation 4) and restricting access at both the undergraduate (freshmen and transfers) and graduate levels.
- Re-examine UC's financial aid strategies, also recommended by the Commission (see Recommendation 6), including reducing the portion of new undergraduate tuition revenue that is set aside (currently 33%) to fund financial aid for needy students.
- Raise or eliminate the systemwide limit on the proportion of nonresident undergraduate students admitted and enrolled (the Commission recommends a 10 percent systemwide cap in Recommendation 7).
- Substantially increase tuition and fees, including charging differential tuition by campus (see Recommendation 17), as part of a broad based program to sustain the University.
- Downsize the University's faculty and staff workforce, including limiting the replacement of faculty lost due to retirements, terminations, and other separations. This recommendation came to the Commission from the Academic Council.
- Forego new building and capital projects that are not absolutely essential for safety. This recommendation also came from the Academic Council.

The Commission believes that UC has other mechanisms to achieve cost savings and generate revenue that may sustain the University in the near term; however, the contingency measures listed above should be explored now in the event that the fiscal conditions in the state and for UC in particular continue to decline. These measures, individually and together, have grave implications for the future of the University and the State of California.

APPENDICES TO BE INCLUDED WITH FINAL REPORT (NOT INCLUDED HERE):

APPENDIX A: COMMISSION CHARGE AND MEMBERSHIP

APPENDIX B: WORKING GROUPS' CHARGE AND MEMBERSHIP

APPENDIX C: COMMISSION PROCESS AND MEETINGS

APPENDIX D: RECOMMENDATIONS RECEIVED BY THE COMMISSION