

A REQUIRED REPORT ON STUDENT FEE TRANSPARENCY AND ACCOUNTABILITY

Introduction

Chapter 620 of 2012 (AB 970, Fong) requires the University of California (UC) and the California State University (CSU) to fulfill the following three requirements related to systemwide tuition and fee increases:

- ***Tuition and Fee Policies.*** The legislation requires UC and CSU to develop a list of factors to consider when recommending an increase in mandatory systemwide tuition and fees for resident students.
- ***Notification and Consultation Procedures.*** The legislation requires UC and CSU to follow prescribed public notice and student consultation procedures before adopting an increase.
- ***Reporting Provisions.*** The legislation requires UC and CSU to provide the Legislature with annual reports on tuition and fees, financial aid, and the total cost of attendance. In addition, the legislation requires our office to report on UC's and CSU's compliance with Chapter 620.

As detailed below, our review found UC was not in compliance with several provisions of Chapter 620. Though the legislation deems its provisions to be required for UC, UC believes it is not legally obligated to comply because of its constitutional autonomy. We found CSU complied with all Chapter 620 provisions except for one reporting requirement.

Tuition and Fee Policies

Chapter 620 Contains Provisions Relating to Development of Tuition and Fee Policies. Chapter 620 requires the universities to develop a list of factors they will take into account when considering an increase in tuition or fees. These policies, to have been adopted by the respective governing boards by April 2, 2013, must consider at a minimum (1) the level of state support, (2) the total cost of attendance, (3) the impact of an increase on various categories of students (including historically underrepresented and low-income students), and (4) efforts to mitigate adverse impacts.

UC's Tuition and Fee Policies Not Consistent With Chapter 620. The UC Board of Regents to date has not modified its tuition and fee policies in response to Chapter 620. Figure 1 compares the four factors Chapter 620 requires the universities to consider in adopting tuition and fee increases with the policies established by the UC Board of Regents prior to the enactment of Chapter 620. As shown in the figure, UC's policies fail to comply with Chapter 620 requirements in several areas. (A copy of UC's student tuition and fee policies is attached at the end of this letter.)

Figure 1
UC Not Compliant With Chapter 620
Tuition and Fee Policy Requirements^a

Factors to Consider	UC Policies		
	Student Services Fee	Tuition	Professional Degree Supplemental Tuition
Level of state support	—	✓	—
Total cost of attendance	—	✓	—
Impact on various categories of students, including underrepresented and low- to middle-income students	— ^b	—	—
Efforts to mitigate adverse impacts	✓ ^c	✓ ^c	✓ ^c

^a A check mark indicates UC considers the same or a very similar factor in its policy. The UC is required to consider these factors when making decisions on tuition and fee increases.

^b The university's policy considers the needs and priorities of undergraduate, graduate, and professional students, but it does not specifically address the impact on underrepresented or low- and middle-income students.

^c The university's policy addresses this requirement by specifying that tuition and fee increases should have return-to-aid components or take into account support available to assist needy students.

CSU's Tuition and Fee Policy Meets Requirements of Chapter 620. At its March 2013 meeting, the CSU Trustees adopted a resolution specifying factors to consider when proposing a tuition and fee increase that includes the four factors specified in Chapter 620. (A copy of the CSU resolution is attached at the end of this report.)

Notification and Consultation Procedures

Chapter 620 Specifies Process and Timeline for Tuition and Fee Increases. Chapter 620 specifies six procedural steps UC and CSU must undertake before implementing a board-approved increase. The six steps are (1) providing specified information to student representatives prior to holding a consultation meeting with them, (2) holding the consultation meeting, (3) providing public notice of an initial board meeting to consider the increase, (4) holding the initial public board meeting, (5) providing public notice of a second public board meeting to adopt the increase, and (6) holding the second meeting. A time line accompanies each step such that the minimum interval between first contacting student associations and implementing an increase is more than six months.

UC Regents Approved Multiyear Tuition and Fee Increases in November 2014, but Did Not Comply With Most Chapter 620 Provisions. On November 20, 2014, the UC Board of Regents voted to increase three resident mandatory systemwide charges by 5 percent each academic year from 2015-16 through 2019-20. These three charges are (1) the student services fee, (2) tuition, and (3) professional degree supplemental tuition. In our report released last year on March 25, 2015, we found UC did not comply with the first four procedural steps (but complied with the last two steps) prior to adopting these increases.

UC Has Not Adopted New Increases in Tuition and Fees Since November 2014. On November 19, 2015, the UC Board of Regents adopted a budget plan for 2016-17 that includes a 5 percent increase in the student services fee, consistent with the second year of the multiyear plan authorized by the Regents in November 2014. (The Regents' 2016-17 budget does not include the 5 percent increases in tuition or professional degree supplemental tuition that the Regents also authorized in November 2014.) The UC asserts that Chapter 620's procedures for consultation and notification for the student services fee increase in 2016-17 apply to when the Regents initially authorized the multiyear increases in November 2014. As noted above, we found UC did not comply with the first four procedural steps at that time.

CSU Has Not Increased Tuition and Fees. The CSU Board of Trustees has not increased resident mandatory systemwide charges since our last report released on March 25, 2015. Accordingly, CSU was not required to follow any consultation or notification procedures required by Chapter 620.

Reporting Provisions

Chapter 620 Requires Annual Reports From UC and CSU. The statute requires UC and CSU to report annually by March 1 information regarding (1) expenditure of revenues derived from student tuition and fees, (2) uses of institutional financial aid, and (3) systemwide average total cost of attendance. The statute also requires our office to assess the information provided by UC and CSU.

UC Complies With All Provisions, CSU With Most Provisions. The UC complied with reporting requirements by providing the required expenditure data to the Department of Finance for inclusion in the Governor's January 10 budget proposal and submitting a preliminary institutional financial aid report (with cost of attendance data) in February 2016. The CSU provided the required expenditure data in the Governor's January 10 budget proposal, but did not submit a preliminary institutional financial aid report to the Legislature, which typically includes its systemwide average cost of attendance. (The CSU indicates it intends to submit this information in its final financial aid report due at the end of March.)

Assessment of Information Included in Recent LAO Budget Report. On February 26, 2016, our office published *The 2016-17 Budget: Higher Education Analysis*. In this report, we review the universities' budgets as well as the state's current tuition and financial aid policies. Please see our "Tuition and Financial Aid" section of this report for further information on tuition, fees, and financial aid at UC and CSU.

APPENDIX 1

UC's Policies on Tuition and Fee Increases

Regents Policy 3101: The University of California Student Tuition and Fee Policy

Approved January 21, 1994. Amended May 20, 2004, September 22, 2005, March 25, 2010, May 20, 2010, and November 18, 2010.

A Student Tuition and Fee Policy affecting Tuition and the Student Services Fee is established with the following provisions.

A. Tuition

Tuition, (formerly referred to as the Educational Fee) is a Universitywide mandatory charge assessed against each resident and nonresident registered student. Tuition is assessed uniformly across all campuses of the University.

In addition to funding programs and services supported by Tuition (such as student financial aid and related programs, admissions, registration, administration, libraries, and operation and maintenance of plant), income generated by Tuition may be used for general support of the University's operating budget. Revenue from Tuition may be used to fund all costs related to instruction, including faculty salaries.

In recommending to the Board the annual Tuition level, the President shall take into consideration the following factors:

1. The resources necessary to maintain access under the Master Plan, to sustain academic quality, and to achieve the University's overall mission;
2. The full cost of attending the University, including the cost of housing, food, healthcare, books and supplies, transportation, and other academic and personal expenses;
3. The amount of support available from various sources to assist needy students in funding the full cost of their education;
4. Overall State General Fund support for the University; and
5. The full cost of attendance at comparable public institutions.

The President annually shall solicit faculty and student views on the level of Tuition through the appropriate consultation processes.

B. The Student Services Fee

The University of California is committed to providing a supportive and enriched learning environment for all undergraduate, graduate and professional students. To facilitate this intent, all registered resident and nonresident students are assessed the Student Services Fee which is a Universitywide mandatory charge.

Income generated by the Student Services Fee (formerly referred to as the University Registration Fee) shall be used to support services and programs that directly benefit students and that are complementary to, but not a part of, the core instructional

program. These services and programs include, but are not limited to, operating and capital expenses for services related to the physical and psychological health and well-being of students; social, recreational, and cultural activities and programs; services related to campus life and campus community; technology expenses directly related to the services; and career support. These services and programs create a supportive and enriched learning environment for University of California undergraduate, graduate and professional students.

Increases in the Student Services Fee should have a return-to-aid component that is the same percentage as the return-to-aid component of increases in Tuition.

Annually the President shall review the Student Services Fee and recommend to the Board the appropriate fee level after considering a variety of factors, including but not limited to: needs and priorities of undergraduate, graduate and professional students; inflation and other budgetary cost increases; creation of new programs or services; and overall budget priorities of the University.

At each campus, the Chancellor or his/her designee annually shall solicit and actively consider student recommendations, with the intent of honoring as much as possible student recommendations on the following: the use of Student Services Fee revenue; and the annual Student Services Fee to be set by the Regents. Student recommendations shall be provided by each campus' Student Fee Advisory Committee recognized by the systemwide Council on Student Fees.

Each campus will maintain a website that provides details on how the Student Services Fee has been allocated relative to the recommendation of the Student Fee Advisory Committee.

Each campus should refer to administrative guidelines issued by the President that provide additional guidance around the use of Student Services Fee revenue, Student Fee Advisory Committees, Student Services Fee reports, and student fee websites.

C. Notification to Students

To assist students and their parents in planning for future educational expenses, the President shall report annually to the Board the proposed fee levels for Tuition and the Student Services Fee for the next academic year.

Regents Policy 3103: Policy on Professional Degree Supplemental Tuition

Approved January 21, 1994. Amended July 2007, September 2007, March 25, 2010, November 18, 2010, and July 18, 2012.

1. Professional Degree Supplemental Tuition shall be assessed to students enrolled in graduate professional degree programs, as determined by The Regents, to sustain and enhance the quality of the professional schools' academic programs and services.

2. Revenue from Professional Degree Supplemental Tuition will remain with the campuses and will not be used to offset reductions in State support.

3. The President, in consultation with the Provost, shall submit for the Regents'

approval Professional Degree Supplemental Tuition levels from the campuses, within the context of such multiyear plans as the Provost requires for each program.

4. The Provost is responsible for ensuring that the leadership of each campus engages in appropriate multiyear planning of Professional Degree Supplemental Tuition increases for each professional degree program in a manner that effectively advances the program's mission and strategic academic plan.

5. Each professional degree program shall submit a Professional Degree Supplemental Tuition plan to the Provost, pursuant to a submission schedule communicated to the program by the Provost. At a minimum, the Provost will require a multiyear plan (i) for each program for which Professional Degree Supplemental Tuition is proposed to be newly assessed; (ii) for each program that proposes Professional Degree Supplemental Tuition that exceeds the amount proposed in its most recent multi-year plan; and (iii) for each program, at least every three years. In developing a program's multi-year plan, the following factors are among those to be taken into consideration: the amount of resources required to sustain academic quality at, and enrollments in, the particular professional degree program; the ability of the program to remain competitive with other institutions of similar quality; the cost of education for each specific degree program; the resident and nonresident tuition and fees charged by comparable public and private institutions for each specific program; and other market-based factors (such as scholarship and grant support) that permit the degree program to compete successfully for students. Within this context, different Professional Degree Supplemental Tuition levels may be set for professional programs in the same discipline at different campuses.

6. Financial aid targeted for students enrolled in professional degree programs is necessary to ensure access to the degree program, and to minimize financial barriers to the pursuit of careers in public service. The Provost is responsible for ensuring that each campus complements its proposed multi-year plans for professional degree programs with financial aid measures, including scholarships, grants and loan repayment assistance programs, to adequately meet these goals. Financial aid sources should be supplemented by an amount equivalent to at least 33 percent of new Professional Degree Supplemental Tuition revenue or by an amount necessary to ensure that financial aid sources are equivalent to at least 33 percent of all Professional Degree Supplemental Tuition revenue. Campuses will regularly evaluate and report on the effectiveness of these financial aid measures.

7. The following conditions are adopted for future Professional Degree Supplemental Tuition increases:

A. Access and inclusion are among the University's core commitments, and student affordability is a vitally important component to a public education system. Any increases in Professional Degree Supplemental Tuition must be justified by programmatic and financial needs, but also must not adversely affect the University's commitment to access, inclusion, and keeping the door open for students interested in pursuing low-paying public interest careers.

B. With this sentiment in mind, if a professional school unit wishes to propose a Professional Degree Supplemental Tuition increase greater than 6 percent or in excess of the percentage increase in Tuition for a given year, it must submit a plan, endorsed by its chancellor, describing academic and/or programmatic reasons for the requested increase and describing policies to ensure or enhance access and inclusion in the face of the rising charges.

C. Each plan should consider the following (including expenditure projections, design parameters, and performance metrics) components:

i. Front-end financial aid such that needy students are able to pursue their academic and summer interests without regard to financial considerations.

ii. Loan forgiveness programs (or some equivalent alternative program) for, among others, students interested in pursuing low-paying public service jobs such that their debt from professional school does not unduly restrict their career decision.

iii. A strategy for inclusion of underrepresented groups.

iv. A detailed marketing and outreach plan to explain financial aid and loan forgiveness.

D. Each unit's Professional Degree Supplemental Tuition plan shall also include:

i. Assurances that in any program directly supported by State 19900 funds, the total in-state tuition and fees charged will be at or below the total tuition and/or fees charged by comparable degree programs at other comparable public institutions.

ii. Information as to the views of the unit's student body and faculty on the proposed increase. This information may be obtained in a variety of ways ranging from consultations with elected student leaders and faculty executive committees to referenda. The information would be treated as advisory, but The Regents would view more favorably Professional Degree Supplemental Tuition proposals that enjoy the support of a unit's faculty and student body.

E. The Provost will provide further guidance and coordination as needed to the campuses and to elements of the Office of the President, and coordinate submission of the Professional Degree Supplemental Tuition proposals to The Regents for annual action. Chancellors will carefully review Professional Degree Supplemental Tuition proposals and the supporting plans concerning financial aid, loan forgiveness, outreach, evaluation, and implementation of corrective measures if needed (such as a Professional Degree Supplemental Tuition rollback, freeze, limit on future increases, or other financial and/or non-financial measures), and forward the Professional Degree Supplemental Tuition proposals as revised to the Office of the President.

F. Upon request of a professional program, with the concurrence of the Chancellor, the President, in consultation with the Provost, may consider and is authorized to reduce Professional Degree Supplemental Tuition for specific programs as the President deems appropriate and shall report those actions to the Regents.

Regents Policy 3104: Principles Underlying the Determination of Fees for Students of Professional Degree Programs

Approved March 15, 2007. Amended March 25, 2010 and July 18, 2012.

1. The Regents approve professional school fees according to such multi-year plans as the Provost requires for each program.

2. The Regents adopt the principle that different professional programs in the same discipline at different campuses may have fees set at different levels; and that in doing so, The Regents confirm the commitment to maintaining a single fee level for in-state undergraduate students for all campuses across the system, a single fee level for out-of-state undergraduate students for all campuses across the system, a single fee level for in-state graduate academic students for all campuses across the system, and a single fee level for out-of-state graduate academic students for all campuses across the system.

3. It is the policy of The Regents that State support for professional schools should not decline, in the event that professional differential fees increase.

4. The Regents endorse the critical importance of campus plans for targeted financial aid for students in professional degree programs to assure access and to minimize financial barriers to the pursuit of careers in public service; The Regents charge the Provost with ensuring that each campus complements its proposed professional degree fee policies with such financial aid measures, including scholarships and loan forgiveness; and that the effectiveness of such programs be evaluated regularly.

5. The Regents charge the Provost with ensuring that the leadership of each campus designs its proposed professional degree fees in a manner that effectively advances the mission and strategic academic plan of each program.

APPENDIX 2

CSU's Policy on Tuition and Fee Increases

CSU Resolution Adopted March 20, 2013, as Required by Chapter 620

- The legislature in 2010 reaffirmed “access, affordability and high quality” as “...the essential tenets of the master plan...” [Education Code Section 66002 (d)] Adjustments to mandatory systemwide fees at the CSU should always be considered with these three master plan goals in mind.
- The state has a historic commitment to fund the master plan. State law affirms this commitment specifically with regard “...to provide an appropriate place in California public higher education for every student who is willing and able to benefit from attendance.” [Education Code Section 66201] State law affirms this commitment specifically with regard to providing “...adequate resources to support enrollment growth...” and that the annual state budget act contain appropriations necessary to accommodate all California residents who are continuing undergraduate students or eligible for admission as freshmen or sophomores or transfers from community colleges. [Education Code Section 66202.5] Adjustments to mandatory systemwide fees should be based on consideration of the extent to which the state is meeting the above commitments.
- Consideration shall be given to whether a fee adjustment is necessary, in combination with existing levels of state support, to assure adequate resources to admit all California resident CSU-eligible undergraduate applicants, and to provide all students with necessary courses, high-quality programs and support services that lead to improved student success and timely graduation.
- Adjustments to mandatory systemwide fees shall take into consideration the level of state support the university receives, total costs of student attendance, potential impacts on underrepresented and low to middle-income students, as well as efforts to mitigate impacts. [Education Code Section 66028.4 (a)]
- Consideration shall be given to the percentage of CSU baccalaureate recipients who graduate with education loan debt, the average amount of that loan debt, and how these measures compare with state and national averages. Consideration also shall be given to the availability of financial aid, including work-study, tax credits and institutional financial aid. [Education Code Section 66028.2 (a)]
- Consideration shall be given to the extent to which fee rates and

institutional financial aid practices are maximizing the availability of federal financial aid, including tax credits, for CSU students and families.

- Consideration shall be given to comparisons of fee rates, as well as net costs of attendance, with other public higher education institutions in the state and the nation.
- Consideration shall be given as to whether adjustments to the fee structure would promote improvements in access to necessary courses, successful course completion, improved time to degree and graduation rates.
- Consideration shall be given as to whether the fee structure maintains adequate differentials between undergraduate and graduate/postbaccalaureate fees, in recognition of longstanding Board of Trustees policy, state priorities for access to baccalaureate education, typically higher costs of graduate/postbaccalaureate programs and typically higher benefits accruing to master's and doctoral degree recipients.
- If the state provides stable and predictable increases in funding, consideration shall be given to fee increases that are moderate, gradual, predictable and with ample notice to students.

The Board of Trustees shall consider adjustments to mandatory systemwide fees and amendments to principles governing consideration of these fees only after appropriate consultation with the designated student association has taken place, as required by state statute and CSU fee policy. [Education Code Sections 66028.3 and 66028.4 (b)]