



OFFICE OF THE PRESIDENT

*Robert C. Dynes*  
President

1111 Franklin Street  
Oakland, California 94607-5200  
Phone: (510) 987-9074  
Fax: (510) 987-9086  
<http://www.ucop.edu>

February 28, 2008

The Honorable Max Baucus  
Chairman  
The Honorable Charles Grassley  
Ranking Member  
Committee on Finance  
United States Senate  
Senate Dirksen 219  
Washington, D.C. 20510

Dear Senator Baucus and Senator Grassley:

On behalf of the University of California, I am responding to your letter of January 25 that was addressed to me, the UC Berkeley Foundation, and the UCLA Foundation. I certainly share the concerns you voiced regarding the rising cost of higher education and appreciate having this opportunity to outline the steps we take to address access and affordability at the ten campuses that comprise the University of California system.

Before addressing current costs and their impact on students, a brief historical perspective regarding higher education in California and the governance of the University of California may be useful. In 1960, the California Legislature adopted the Master Plan for Higher Education that set in motion an unprecedented level of public access to higher education and subsequent economic development and innovation for our state. Under the Master Plan, every high school graduating senior has access to public higher education. All California residents who graduate in the top one-eighth of the state's high school classes are eligible for admission to the University of California. Consequently, California residents comprise between 94 and 96 percent of our undergraduate student enrollment. Students in the top one-third of high school graduating classes are eligible for the California State University's 23 campuses and all students are welcome at the California Community Colleges throughout the state.

One of the seminal features of the Master Plan was that tuition would be free to residents of California. Modest *student fees* were charged to cover non-educational activities, administration, student health, etc. This principle held firm for more than two decades and millions of Californians benefited from access to UC, the California State University system and the California Community College system. However, as demands on the state grew in other areas from health care and other public services to law enforcement – and as demand

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for higher education grew (UC added three campuses during the 1960s to meet the demands of enrollment growth) – State funding for higher education began to decline. By the late 1980s and early 1990s, in order to sustain its traditional excellence, the University had no choice but to step away from the Master Plan decree of tuition-free education and to redefine student fees to include a portion of the educational costs formerly provided by the State.

Currently, the total cost for an undergraduate student to attend a UC campus is approximately \$24,000, including fees, room and board, books, and other living expenses. The student fees that an undergraduate will pay, included in that figure, are approximately \$7,450.

In fact, over the last 17 years, as competition grew for funding from the State's limited resources, a policy decision was made by State government to shift some of the responsibility for funding higher education from the taxpayers to the students. This typically occurred in years when California faced financial crises. Fees rose rapidly in the early 1990s, then held steady and even declined in real dollars, before rising again sharply in the early part of this decade. Inflation-adjusted fees, net of financial aid, have risen by 4.1 percent annually, on average, since 1990.

The University of California has a historic and fundamental responsibility to be financially accessible to all California students, regardless of their financial resources. This responsibility forms the basis of the university's undergraduate financial aid policy.

First, when fees do increase, UC sets aside 33 percent of the revenue from the increase to provide additional undergraduate need-based aid. This additional funding, together with the State's Cal Grant program, fully covers a fee increase for students with parental income below \$60,000. UC also lessens the impact of fee increases on middle-income families by providing grant assistance to cover half of any fee increase for students with financial need and family incomes between \$60,000 and \$100,000.

UC has always taken pride in its generous financial aid programs. This past year, approximately two-thirds of all UC undergraduates received some form of financial assistance, and over half of the UC undergraduates received scholarships and grants averaging \$9,680. UC continues to enroll a larger number of low-income students than do comparable public and private institutions, as almost one-third of all UC undergraduates were Pell Grant recipients this past year. University endowments play a small part in overall student aid, when combined with other resources, including student fees, State and federal sources, and annual private support. The endowment's part is limited because virtually all of the University's endowment has been restricted for specific purposes by the donors. In recent years, only approximately two percent of new gifts for endowment and current use are unrestricted by the donors. Of the total endowment, approximately 20 percent is restricted for financial aid. This will be discussed more fully in the enclosure.

Regarding governance, UC is governed by a Board of Regents that includes 18 members appointed by the Governor to 12-year terms; seven Ex Officio members (e.g. Governor,

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Lieutenant Governor, Speaker of the Assembly, President of the University, etc.) who serve by virtue of the office they hold within the State or the University; one student Regent appointed annually by the Board; and two non-voting members of the faculty. The Regents maintain 10 standing committees, including committees on investments and finance.

My office submits annual reports to The Regents regarding the investment results of University- and campus foundation-managed endowments, along with an annual report of private giving to the University and its campus foundations. These reports are thorough, extensive, and available on our Web site, [www.universityofcalifornia.edu](http://www.universityofcalifornia.edu). We have provided these reports in response to the questions outlined in your letter. And, our detailed response to your questions is enclosed.

I appreciate this opportunity to share the exciting story of access and affordability at the University of California. If you have any questions or need additional information please feel free to get in touch with me or with Scott Sudduth, our Assistant Vice President for Federal Relations. He can be reached at 202.974.6302.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert Dynes", with a long horizontal flourish extending to the right.

Robert Dynes

Enclosures

cc: Provost Wyatt R. Hume  
Executive Vice President Katherine N. Lapp  
Executive Vice President Bruce B. Darling  
Assistant Vice President Scott Sudduth  
Assistant Vice President Geoff O'Neill