

Office of the President

TO THE MEMBERS OF THE COMMITTEE ON FINANCE:

**ACTION ITEM**

*For Meeting of November 16, 2005      **Powerpoint presentation***

**EXECUTIVE SUMMARY**

**APPROVAL OF UNIVERSITY OF CALIFORNIA 2006-07 BUDGETS FOR CURRENT OPERATIONS AND FOR STATE CAPITAL IMPROVEMENTS AND APPROVAL OF STUDENT FEE INCREASES FOR UNDERGRADUATE, GRADUATE ACADEMIC, PROFESSIONAL, AND NONRESIDENT STUDENTS FOR 2006-07**

The attached item calls for Regental approval of the 2006-07 budget plan for current operations and the State-funded capital outlay program. The budget plan includes expenditures as well as revenue estimates from all sources. In addition, it includes a detailed budget proposal for the core operating budget funded from State General Funds, student fee revenue, and UC General Fund income.

Highlights of the 2006-07 expenditure plan are:

- Salaries – an average 4 percent compensation package that will prevent salaries from falling further behind the competitive market;
- Enrollment – funding for enrollment growth of 5,000 students both to honor the University's commitment under the Master Plan and provide for growth of 1,000 graduate students;
- Student-faculty ratio – a second increment in a multi-year plan to help restore the student-faculty ratio;
- Financial aid – funding for several financial aid initiatives including, among others, an average return-to-aid of 33 percent (30 percent for undergraduates and 45 percent for graduate academic students). The undergraduate portion includes one-time grant assistance for needy middle-income students to help cover student fee increases. Other initiatives include redirection of internal resources (State funds, student fees, and UC General Funds) saved through the Strategic Sourcing Initiative to be used to enhance graduate student support packages and waiver of nonresident tuition for students who are advanced to candidacy;
- Academic Preparation Programs – funding to make permanent the \$17.3 million support provided from the State for student academic preparation programs, which when combined with the University's \$12 million in funds for these programs would result in a total of \$29.3 million for the programs.

The expenditure plan for core operations would be funded primarily from State General Funds, revenue from student fees, and UC General Funds. The 2006-07 budget proposal is based on the following assumptions about these major revenue sources:

- State funds will be provided consistent with the Compact, which calls for a 3 percent base budget adjustment to help fund compensation, benefit, and other cost increases, and funding for enrollment growth.
- Student fees will increase consistent with the Compact, which calls for an 8 percent increase in fees for undergraduate students and a 10 percent increase for graduate academic students. Professional school fees will increase by 5 percent for most professional school students (students in the business and law programs at the Berkeley and Los Angeles campuses and the law school at the Davis campus would pay higher professional school fees as outlined).
- The UC General Fund income estimate reflects a 5 percent increase in nonresident tuition for undergraduate students and a decline in revenue related to the exemption from nonresident tuition for students who are advanced to candidacy.

The State capital outlay request for \$340 million in 2006-07 is also consistent with the Compact.

### RECOMMENDATION

The President recommends that:

- A. The Committee on Finance recommend to The Regents that the expenditure plan included in the document, *2006-07 Budget for Current Operations* be approved.
- B. The Committee on Finance concur with the recommendation of the Committee on Grounds and Buildings to The Regents that the *2006-2007 Budget for State Capital Improvements* be approved.
- C. The Committee on Finance recommend to The Regents that student fees be increased for 2006-07 as follows:

- (1) Effective Summer 2006, mandatory systemwide fees (Educational Fee and Registration Fee) be increased as shown in Table 1 contained in the Background section of this Item. These increases are consistent with the Compact with the Governor, which provides that undergraduate fees increase by 8 percent and graduate academic student fees increase by 10 percent in 2006-07. Mandatory systemwide fees for professional school students will increase by 5 percent.

An amount equivalent to an average of 33 percent of new revenue generated from the increases in mandatory systemwide fees for undergraduate and graduate academic students will be set aside to mitigate the impact of the fee increases on financially needy students. This average return-to-aid will be comprised of 30 percent of new revenue generated from undergraduate fee increases and 45 percent of new revenue generated from graduate academic student increases. For mandatory systemwide student fee increases for professional school students, a return-to-aid of 33 percent is planned.

- (2) Effective Summer 2006, existing Fees for Selected Professional School Students be increased by 5 percent for all professional programs subject to the fee, except that increases in these fees for students in the business and law programs at the Berkeley and Los Angeles campuses and the law program at the Davis campus would be increased by 10 percent.

Table 2, a two-page display appearing on pages 10 and 11 of this item, shows the increases planned for 2006-07 by program. An amount equivalent to 33 percent of new revenue generated from the fee increases will be set aside to mitigate the impact of the fee increases on professional school students.

- (3) Effective Summer 2006, the Nonresident Tuition Fee be increased by 5 percent, or \$864, for nonresident undergraduate students only, from \$17,304 to \$18,168. It is recommended that the Nonresident Tuition Fee for graduate academic students and for students paying the Fee for Selected Professional School

Students remain at their current annual levels of \$14,694 and \$12,245 respectively for 2006-07.

- (4) Effective Summer 2006, the Nonresident Tuition Fee be waived for not more than three years for graduate academic students who are advanced to candidacy.

## BACKGROUND

### *Proposed 2006-07 Expenditure Plan for Current Operations*

The *2006-07 Budget for Current Operations*, mailed on Thursday, October 27, provides the basis for the recommendation that the 2006-07 expenditure plan be approved. A series of presentations related to the proposed budget for 2006-07 will be provided at the November 16 meeting of the Board of Regents. President Dynes will open the discussion by providing an overview of the issues the University is facing both in the short term and the longer term. Provost Greenwood will proceed with a discussion of academic program priorities as they relate to the budget. Senior Vice President Mullinix and his colleagues will provide presentations on efficiencies taking place throughout the system to help address the University's unmet financial needs. Senior Vice President Darling will follow with a presentation on private support as one example of other funding sources the University is aggressively pursuing to help maintain excellence. Vice President Hershman will then make a detailed presentation on the proposed 2006-07 budget. Displays taken from the Regents' budget document and from the "dashboard" presentation at the September Board meeting will serve as the basis for Vice President Hershman's presentation and are [attached to this Item as Displays 1 - 29](#). Each of the other presenters may provide additional displays as part of their presentations in November.

While State funding provides essential core support, the University's overall operating budget is funded from a variety of sources, including State General Funds, revenue from student fees, UC General Funds, federal funds, teaching hospital revenue, gifts and endowments, and income from self-supporting enterprises. The University's annual budget plan is based on the best estimates of funding available from each of these sources. Major changes projected for general support of the University's budget are discussed in detail in the budget document.

The Regents are being asked to approve the 2006-07 expenditure plan for core operations, which was developed based on the Compact with the Governor and includes the following:

- An average 4 percent compensation package including continuation costs for salaries and health benefits that were provided in the previous year but effective for only part of the year, merit salary increases for eligible employees, a cost-of-living adjustment effective October 1, equity increases, and health benefit cost increases. This funding is sufficient only to prevent further erosion in overall compensation—faculty salaries currently lag the average of comparison institutions by 10 percent, and there is a similar lag with respect to staff salaries.
- Funding for enrollment growth of 5,000 students to both honor the University's commitment under the Master Plan and provide for growth of 1,000 graduate students. This level of growth is consistent with the University's enrollment plan. The funding level provided for

enrollment growth is based on an agreed-upon marginal cost calculation. That calculation is in the process of being renegotiated with the Department of Finance and the Legislative Analyst's Office and should be resolved in the next few months. The budget plan for 2006-07 is based on the University's estimate of the renegotiated level of \$9,500.

- A second increment in a multi-year plan to help restore the student-faculty ratio. A first increment of funding was provided in the 2005-06 budget to restore funding that has been cut from instructional budgets during the recent state budget crisis.
- Funding for several financial aid initiatives including, among others, an average return-to-aid of 33 percent (30 percent for undergraduates and 45 percent for graduate academic students). The undergraduate portion includes one-time grant assistance for needy middle-income students to help cover student fee increases. Other initiatives include redirection of internal resources (State funds, student fees, and UC General Funds) saved through the strategic sourcing initiative to be used to enhance graduate student support packages and waiver of nonresident tuition for students who are advanced to candidacy.
- Funding to make permanent the \$17.3 million support provided from the State for student academic preparation programs, which when combined with the University's \$12 million in funds for these programs would result in a total of \$29.3 million for the programs. State funds provided for this purpose in the current year are one-time funds. The University is seeking stability in funding for these programs at the current level.
- Funding to provide the final increment for the initial infrastructure associated with the University's math and science initiative. State funding will be matched by University funds. Eight campuses are launching their programs this year; the ninth will launch in 2006-07. The goal is to help address the critical state shortage of math and science teachers by graduating 1,000 highly qualified students with degrees in science and mathematics who have also completed preparation for a teaching credential.
- Funding to restore support for labor research. State funds for this purpose were eliminated from the University's 2005-06 budget. To address concerns of the Governor's office and others, the University is reconfiguring the program to limit State support to research only. Campus activities related to labor issues that are not research are to be funded from other sources.

The 2006-07 expenditure plan would be funded consistent with the Compact. The budget is based on the following assumptions about State General Funds, student fee revenue, and UC General Fund income:

- State funds will be provided consistent with the Compact with Governor Schwarzenegger, which calls for a 3 percent base budget adjustment to help fund the general salary program as well as benefit and other cost increases. State funds will also be provided for enrollment growth. The Compact estimates enrollment will increase by 2.5 percent, or about 5,000 students per year.

- Student fees will increase consistent with the Compact, which calls for an 8 percent increase in fees for undergraduate students and a 10 percent increase for graduate academic students. Professional school fees will increase by 5 percent for most professional school students (students in the business and law programs at the Berkeley and Los Angeles campuses and the law school at the Davis campus would pay higher professional school fees as outlined below). Fee increases and related financial aid proposals are discussed in more detail below.
- The UC General Fund income estimate reflects a 5 percent increase in nonresident tuition for undergraduate students and a decline in revenue related to an exemption from nonresident tuition for students who are advanced to candidacy.

***Proposed Student Fee Increases***

The *2006-07 Budget for Current Operations* includes a full discussion of the proposed student fee increases in the chapter titled “Student Fees,” and a full discussion of student financial support is found in the chapter titled “Student Financial Aid.” Proposed student fee increases and return-to-aid levels for 2006-07 are summarized below.

**Fees for Undergraduate and Graduate Academic Students.** Consistent with the Compact with the Governor, the proposed 2006-07 budget plan includes increases in mandatory systemwide fees of 8 percent for undergraduate students and 10 percent for graduate students. As shown in Display 20 attached to this document, the University’s average total fees (including mandatory systemwide student fees and campus-based miscellaneous fees) for resident undergraduate students as proposed for 2006-07 will be approximately \$900 less than the average fees charged at the University’s four public comparison institutions; fees for resident graduate academic students will be about \$1,700 below the average. Specific increases by type of student are detailed in Table 1, below.

TABLE 1

<b>Proposed Increases in Mandatory Systemwide Fees for 2006-07</b>			<b>Educ/Reg Fees: Total Annual Fee Levels for 2006-07</b>
	<b>Educational Fee</b>	<b>Registration Fee</b>	
Resident undergraduate students – 8%	\$462	\$30	\$6,633
Nonresident undergraduate students – 8%	\$504	\$30	\$7,191*
Resident graduate academic students – 10%	\$660	\$30	\$7,587
Nonresident graduate academic students – 10%	\$684	\$30	\$7,878*
Professional school students – 5%	\$328	\$30	\$7,500
Resident students in public health, public policy, IRPS at San Diego – 5%	\$315	\$30	\$7,242
Nonresident students – 5%	\$339	\$30	\$7,533*

\*In addition to the Educational Fee and Registration Fee displayed on Table 1, nonresident students must also pay nonresident tuition.

**Financial Aid for Undergraduate and Graduate Academic Students.** For 2006-07, the University is proposing a plan for student support for undergraduate and graduate academic students that addresses the University’s most pressing student support needs within the context

of the full range of UC budgetary priorities. Under the plan, the University proposes to dedicate an amount equivalent to 33 percent of all new systemwide fee revenue to student financial aid in 2006-07. The University also plans to provide additional graduate student support funding using savings from General Fund-supported and student fee-supported programs produced by UC's Strategic Sourcing Initiative. These proposals, in conjunction with other measures described below, will allow the University significantly to augment student financial aid for undergraduate students and graduate academic students over 2005-06 levels.

At the undergraduate level, the proposal is to provide the equivalent of 30 percent of new revenue generated by the undergraduate fee increase to mitigate the impact of student fee increases for financially needy students. Together with Cal Grant award increases, enough additional funding will be provided to cover fully the systemwide fee increases of UC's grant eligible undergraduates along with some coverage of other cost increases.

The University also proposes to use a portion of new undergraduate fee revenue to mitigate the impact of proposed 2006-07 systemwide fee increases on financially needy middle-income undergraduates who would not otherwise be eligible for fee-paying grant assistance. This one-year program would cover half of the proposed 2006-07 fee increase (providing a grant of about \$250) to undergraduates with financial need from families with income below \$100,000. While there is no evidence at this point to suggest that middle-income students are finding recent fee increases a barrier to attendance (i.e., enrollment of these students has not declined), the deep concerns expressed by middle-income students and their parents that the burden of recent fee increases has been significant have led to a growing concern about the debt burdens these students are incurring and the *potential* loss of these students. This program is similar to the program adopted by the University for the 2003-04 academic year. The University will develop a longer term strategy for ensuring that access for middle-income students is preserved in subsequent years.

Together, the University's initiatives represent an increase of \$31.1 million in funding for the University's undergraduate student aid programs, equivalent to 30 percent of new undergraduate student fee revenue.

At the graduate level, the University proposes to mitigate the impact of the proposed 2006-07 systemwide fee increases on graduate academic degree students with a return-to-aid from new fee revenue generated by these students of 50 percent; however, the University proposes to continue its five-year plan to restore the \$5.4 million in undergraduate fee revenue temporarily budgeted for graduate student support in 2003-04, which will result in a net return-to-aid for graduate academic students of 45 percent. The return-to-aid would provide additional support for UC graduate academic degree students who receive fee remissions associated with their teaching or UC-funded research assistantships or who rely on UC fellowships to cover their fees.

The University also proposes to provide additional funds to graduate student support derived from savings from General Fund-supported and student fee-supported programs produced by UC's Strategic Sourcing Initiative. Strategic sourcing is a disciplined process intended to leverage the University's enormous buying power in the marketplace, increase purchasing efficiency in the organization, and lower the cost of goods and services in a large array of categories. The proposal to use savings achieved from General Fund and fee revenue for an

initiative to increase graduate student support will begin to address the competitive disadvantage in UC's student support offers to graduate academic doctoral students, which was exacerbated by recent fee increases. It is anticipated that such savings could generate \$10 million for graduate student support in 2006-07, growing to \$40 million per year over time. Savings achieved in other fund sources will be needed to cover cost increases anticipated for programs funded by these sources.

**Fees and Financial Aid for Professional School Students.** Since the initial implementation of professional school fees, professional schools have been largely supported by a combination of sources including State General Funds, Educational Fee revenue, and professional school fee revenue, among other sources. The last four years of sustained budget cuts have resulted in a dramatic reduction in State support for the University's professional schools, and the ability of the professional schools to maintain the quality of their academic programs and to be competitive with other professional schools of comparable quality has been significantly affected. Because fee increases have been used to offset budget cuts and have generated little or no additional revenue for the schools, they have fallen further behind in their ability to offer competitive salaries to their faculty and staff. The financial circumstances of the schools are severely strained and will require a sustained program of fee increases over time.

It is within this context that the Regents have requested a longer-term plan for future increases in professional school fees. This is consistent with the provisions in the Compact which call for the University to develop long-term plans for increasing fees for selected professional school students. The Office of the President and the campuses have engaged in a series of discussions and analytical activities as part of the planning for increases in fees for professional schools over the next several years; however, a multi-year plan for fee increases for professional school students is not being presented at this time. Instead, fee increases for professional school students proposed for 2006-07 are presented for approval as part of the University's expenditure plan for 2006-07. Longer-term planning issues related to professional school fee increases for 2007-08 and 2008-09 are presented separately to The Regents for discussion at the November meeting in Item 503.

For 2006-07, the *Educational Fee* charged to professional school students is proposed to increase by 5 percent. For the portion of the professional schools' budgets that are funded from the Educational Fee, the revenue generated from the Educational Fee increases would be used to cover salary increases and non-salary price increases, provide additional financial aid, and make modest program improvements.

In addition, for 2006-07 professional school students will pay a \$1,050 temporary increase in the Educational Fee previously approved by The Regents to cover lost revenue associated with a lawsuit currently before the courts brought by professional school students who are seeking relief from recent fee increases. The court has issued a preliminary injunction preventing the University from charging professional school fee increases in 2004-05 and 2005-06 to the specified class of students. This lawsuit is discussed in more detail in the *Student Fees* chapter of the budget document.

For *professional school fees*, increases of 5 percent for most professional degree programs are proposed in the 2006-07 budget plan. For that portion of the schools' budgets that are funded

from professional school fees, the revenue generated from professional school fee increases would be used to cover salary increases and non-salary price increases, provide additional financial aid including funding to develop new loan assistance programs or expand existing ones, thus helping the schools to stop further erosion to the academic program.

Because of disproportionate cuts in State General Funds to law and business programs in the last few years, the schools of law and business at Berkeley and UCLA and the law school on the Davis campus are finding it particularly difficult to remain competitive with their peer institutions without additional resources. Disproportionate cuts to these programs occurred as part of the negotiations on the 2004-05 budget. The Governor's Budget presented in January 2004 assumed the University would develop a plan for achieving \$42.2 million in new revenue from increases in professional school fees to be used to offset base budget cuts that otherwise would have been targeted at instructional programs; however, the University was asked to limit fee increases for students in health sciences programs. This meant the same amount of savings had to be achieved from fewer programs. As a result, State-funded budgets for law and business were disproportionately cut in 2004-05.

As noted previously, the University's professional schools are in danger of losing prominence among their peers. The disproportionate cuts taken in law and business have resulted in a number of deficiencies that must be addressed. For example, Berkeley's goal is to return the law school to its former ranking among the top five schools in the nation. To reach that goal, the school needs to address the following: the rising student-faculty ratio that has led to increased class sizes; faculty salaries that are well below the average of peer public and private institutions; student services programs that have not kept pace with student needs; and financial aid programs that can ensure public interest options are available to students. If the law school is to reach its goal, additional funding beyond the minimum increases in professional school fees is needed. A similar situation exists at the UCLA and Davis law schools, and at the business schools at Berkeley and UCLA.

While the 5 percent fee increase proposed for other professional school programs in 2006-07 would provide funding for cost increases and some additional financial aid, it would not be sufficient to address the effects of the budget cuts applied disproportionately to these programs; therefore, the Regents are being asked to approve professional school fee increases of 10 percent for 2006-07 for the law and business schools at Berkeley and UCLA and for the law school at the Davis campus. It will be important to evaluate closely the impact of these higher increases on enrollments and the schools' ability to be competitive with their peer institutions.

An amount equivalent to a 33 percent return-to-aid from new fee revenue is proposed for both the Educational Fee and professional school fee increases in 2006-07.

Table 2, shown on the next two pages, indicates proposed fee levels by school for 2006-07.

**Table 2**  
**Estimated Total Charges for Resident Professional School Students**

Degree Programs	2005-06 Fees Implementing 2/3 of July Increases as Approved By The Regents	2005-06 Annualized Total Fees Previously Approved By The Regents	2006-07 Proposed Ed/Reg Fee & Professional School Fee Increases	2006-07 Estimated Total Fees (1)
<b>Law</b>				
Berkeley	\$ 24,341	\$ 25,049	\$ 1,991	\$ 27,040
Davis	\$ 23,525	\$ 24,193	\$ 1,859	\$ 26,052
Los Angeles	\$ 24,581	\$ 25,289	\$ 1,991	\$ 27,280
<b>Business</b>				
Berkeley	\$ 24,325	\$ 25,031	\$ 1,993	\$ 27,024
Davis	\$ 23,131	\$ 23,481	\$ 1,072	\$ 24,553
Irvine	\$ 24,227	\$ 24,901	\$ 1,120	\$ 26,021
Los Angeles	\$ 26,039	\$ 26,776	\$ 2,095	\$ 28,871
Riverside	\$ 22,937	\$ 23,287	\$ 1,072	\$ 24,359
San Diego	\$ 22,783	\$ 23,133	\$ 1,072	\$ 24,205
<b>Medicine</b>				
Berkeley	\$ 21,836	\$ 22,186	\$ 1,030	\$ 23,216
Davis	\$ 22,820	\$ 23,170	\$ 1,030	\$ 24,200
Irvine	\$ 22,821	\$ 23,171	\$ 1,030	\$ 24,201
Los Angeles	\$ 21,506	\$ 21,856	\$ 1,030	\$ 22,886
Riverside	\$ 22,162	\$ 22,512	\$ 1,030	\$ 23,542
San Diego	\$ 22,008	\$ 22,358	\$ 1,030	\$ 23,388
San Francisco	\$ 22,328	\$ 22,678	\$ 1,030	\$ 23,708
<b>Veterinary Medicine</b>				
Davis	\$ 21,701	\$ 22,051	\$ 902	\$ 22,953
<b>Dentistry</b>				
Los Angeles	\$ 24,704	\$ 25,407	\$ 1,148	\$ 26,555
San Francisco	\$ 24,327	\$ 25,030	\$ 1,150	\$ 26,180
<b>Pharmacy</b>				
San Diego	\$ 19,356	\$ 19,955	\$ 913	\$ 20,868
San Francisco	\$ 19,682	\$ 20,281	\$ 913	\$ 21,194
<b>Nursing</b>				
Los Angeles	\$ 11,154	\$ 11,573	\$ 519	\$ 12,092
San Francisco	\$ 11,958	\$ 12,377	\$ 519	\$ 12,896
<b>Optometry</b>				
Berkeley	\$ 17,675	\$ 18,227	\$ 835	\$ 19,062
<b>Theater, Film &amp; TV</b>				
Los Angeles	\$ 13,964	\$ 14,314	\$ 656	\$ 14,970
<b>Public Health</b>				
Berkeley	\$ 12,440	\$ 12,440	\$ 545	\$ 12,985
Davis	\$ 12,960	\$ 12,960	\$ 545	\$ 13,505
Los Angeles	\$ 12,110	\$ 12,110	\$ 545	\$ 12,655
<b>Public Policy</b>				
Berkeley	\$ 12,440	\$ 12,440	\$ 545	\$ 12,985
Los Angeles	\$ 12,110	\$ 12,110	\$ 545	\$ 12,655
<b>International Rels &amp; Pacific Studies</b>				
San Diego	\$ 12,612	\$ 12,612	\$ 545	\$ 13,157

(1) Includes the \$1,050 temporary increase in the Educational Fee assessed to most professional degree students.

**Table 2 (continued)**  
**Proposed Fee Increases for Nonresident Students**

Degree Program by Campus	2005-06 Fees Implementing 2/3 of July Increases as Approved By The Regents	2005-06 Annualized Total Fees Previously Approved By The Regents	2006-07 Proposed Ed/Reg Fee & Professional School Fee Increases	2006-07 Estimated Total Fees (1)
<b>Law</b>				
Berkeley	\$ 36,586	\$ 37,294	\$ 1,991	\$ 39,285
Davis	\$ 35,769	\$ 36,437	\$ 1,859	\$ 38,296
Los Angeles	\$ 35,545	\$ 36,213	\$ 1,859	\$ 38,072
<b>Business</b>				
Berkeley	\$ 35,856	\$ 36,206	\$ 1,886	\$ 38,092
Davis	\$ 35,376	\$ 35,726	\$ 1,072	\$ 36,798
Irvine	\$ 35,826	\$ 36,176	\$ 1,072	\$ 37,248
Los Angeles	\$ 35,576	\$ 35,926	\$ 1,786	\$ 37,712
Riverside	\$ 35,182	\$ 35,532	\$ 1,072	\$ 36,604
San Diego	\$ 35,028	\$ 35,378	\$ 1,072	\$ 36,450
<b>Medicine</b>				
Berkeley	\$ 34,081	\$ 34,431	\$ 1,030	\$ 35,461
Davis	\$ 35,065	\$ 35,415	\$ 1,030	\$ 36,445
Irvine	\$ 35,066	\$ 35,416	\$ 1,030	\$ 36,446
Los Angeles	\$ 33,751	\$ 34,101	\$ 1,030	\$ 35,131
Riverside	\$ 34,407	\$ 34,757	\$ 1,030	\$ 35,787
San Diego	\$ 34,253	\$ 34,603	\$ 1,030	\$ 35,633
San Francisco	\$ 34,573	\$ 34,923	\$ 1,030	\$ 35,953
<b>Veterinary Medicine</b>				
Davis	\$ 33,946	\$ 34,296	\$ 902	\$ 35,198
<b>Dentistry</b>				
Los Angeles	\$ 35,027	\$ 35,670	\$ 1,049	\$ 36,719
San Francisco	\$ 36,572	\$ 37,275	\$ 1,150	\$ 38,425
<b>Pharmacy</b>				
San Diego	\$ 31,601	\$ 32,200	\$ 913	\$ 33,113
San Francisco	\$ 31,927	\$ 32,526	\$ 913	\$ 33,439
<b>Nursing</b>				
Los Angeles	\$ 23,399	\$ 23,818	\$ 519	\$ 24,337
San Francisco	\$ 24,203	\$ 24,622	\$ 519	\$ 25,141
<b>Optometry</b>				
Berkeley	\$ 29,920	\$ 30,472	\$ 835	\$ 31,307
<b>Theater, Film &amp; TV</b>				
Los Angeles	\$ 26,209	\$ 26,559	\$ 656	\$ 27,215
<b>Public Health</b>				
Berkeley	\$ 24,952	\$ 24,952	\$ 569	\$ 25,521
Davis	\$ 25,472	\$ 25,472	\$ 569	\$ 26,041
Los Angeles	\$ 24,622	\$ 24,622	\$ 569	\$ 25,191
<b>Public Policy</b>				
Berkeley	\$ 24,952	\$ 24,952	\$ 569	\$ 25,521
Los Angeles	\$ 24,622	\$ 24,622	\$ 569	\$ 25,191
<b>International Rels &amp; Pacific Studies</b>				
San Diego	\$ 25,124	\$ 25,124	\$ 569	\$ 25,693

(1) Includes the \$1,050 temporary increase in the Educational Fee assessed to most professional degree students.

***Nonresident Tuition Increase***

An increase in nonresident tuition of 5 percent, or \$864, for undergraduate students is also proposed for 2006-07. Total fees and tuition charged to nonresident undergraduate students at the University are estimated to be about \$2,913 above the projected tuition and fees at the public higher education institutions that are used by the University for faculty salary comparison purposes, as presented in Display 20 attached to this Item. Revenue from nonresident tuition is an important component in the sources supporting the University's budget, and as costs increase, so must the revenue sources supporting the budget. The inadequacy of graduate student support is a serious issue for the University, however; therefore, nonresident tuition for graduate students will not be increased in order to avoid exacerbating an already difficult problem. Similarly, it is proposed that there be no increase in nonresident tuition for professional school students.

***Waiver of Nonresident Tuition for Graduate Academic Students who are Advanced to Candidacy***

To encourage international students in doctoral programs to make timely progress towards their degree, the University proposes to eliminate the nonresident tuition charged to graduate academic doctoral students who have advanced to candidacy. A doctoral student has advanced to candidacy when he or she has completed all required coursework, but must still complete the dissertation for award of the degree. These students currently are charged 25 percent of the graduate nonresident tuition level for a maximum of three years. Eliminating nonresident tuition will provide a further incentive for these students to reach the advanced to candidacy stage. A three-year limit on the exemption will encourage them to complete their dissertation work promptly. The proposal will reduce nonresident tuition revenue by an estimated \$8.8 million in 2006-07; however, it will also reduce the burden on research grants and other fund sources that are often used to fund this cost as part of a student's financial support package.

***Proposed 2006-07 State-Funded Capital Outlay Program***

The State-funded program is based on the Compact with the Governor, which specifies the Governor's support for \$345 million annually for UC State capital outlay projects, to be funded through either general obligation bonds or State lease revenue bonds. The Governor has not yet indicated which fund source he will support for 2006-07. A decision about a GO bond measure needs to be made by summer of 2006 to qualify for the November 2006 ballot. The State capital budget document includes the projects and budget proposed for approval in 2006-07, along with future State funding plans by campus for the next four years, 2007-08 through 2010-11. In addition, both the five-year State and non-State capital plans, summarized in the document, *Five-Year Capital Program Non-State and State Funds 2005-2006 to 2009-2010*, also mailed on October 27, will be presented for discussion at the same meeting. Display 29, attached, shows the projects included in the 2006-07 State-funded capital request, totaling \$340 million.