

**University of California, Los Angeles
Budget Toolbox Project**

Report of the Revenue Task Force

April 24, 2009

Table of Contents

I. Task Force Charge and Process	1
II. Principles for Review of Revenue Creation Proposals	2
III. Summary of Recommendations	4
IV. Major Issues and Recommendations	
A. Student Fees	6
B. Enrollment of Nonresident Undergraduates	14
C. Development of New Academic Programs & Services	15
D. Research Funding	19
E. Faculty Compensation Plan	21
F. Brand Extension Licensing	23
G. Fundraising Opportunities	25
H. Sale of Underutilized Property	27
Appendix A: UCLA Approval Process for Revenue-Generating Courses and Programs	30
Appendix B: Revenue Generating Course and Programs Administrative Guide	34
Appendix C: Guidelines for endowed chairs	36

I. TASK FORCE CHARGE AND PROCESS

The Budget Toolbox project is designed to support campus academic and budgetary planning in the face of current and anticipated additional budget cuts. Because of severe financial pressures, UCLA must develop plans for sustaining academic strength through: (i) cost savings and increased efficiency, (ii) increased non-state revenues, and (iii) strong alignment of academic programs with institutional priorities. Toward this end, Executive Vice Chancellor and Provost Scott Waugh appointed three task forces to address these issues. These task forces are:

- The Academic Programs Task Force, chaired by Scott Waugh. The charge of this task force is to review and recommend options for reducing the cost of the academic program and for reallocating resources within the academic program to meet anticipated budget reductions.
- The Cost Savings and Efficiencies Task Force, chaired by Vice Chancellor Sam Morabito. The charge of this task force is to review options for reducing administrative costs and improving operational efficiency.
- The Revenue Task Force, chaired by Vice Chancellor Steven Olsen. The charge of this task force is to review and recommend options for increasing non-state revenues for support of academic and administrative programs. Such options may involve the establishment of self-supporting degree programs, changes in student fee levels, options for private fund raising, improving returns from the use of University property, and improved returns from royalty income. Revenues may be limited to specific programs or available for the general use of the campus.

The membership of the Revenue Task Force is as follows:

- Kathryn Atchison, Vice Provost for Intellectual Property and Industry Relations
- Hilu Bloch, Associate Dean & CAO, Anderson Graduate School of Management
- Robin Garrell, Professor and Vice Chair, Academic Senate
- Janina Montero, Vice Chancellor for Student Affairs
- Sam Morabito, Administrative Vice Chancellor
- Steven A. Olsen, Vice Chancellor, Finance, Budget & Capital Programs (chair)
- No-Hee Park, Dean, School of Dentistry
- Cathy Sandeen, Dean, University Extension
- Michael Schill, Dean, School of Law
- Rhea Turteltaub, Vice Chancellor, External Affairs
- David Unruh, Assistant Provost, Academic Program Development
- Kang Wang, Professor, School of Engineering and Applied Science

The staff of the committee consisted of:

- Andrew Alexan
- Glyn Davies (chief of staff)
- Sonia Luna

The committee convened in January 2009 and met on six occasions. The first meeting was devoted to organizing the committee, establishing procedures and setting an agenda. The next four meetings were devoted to analysis and discussion of the various options for generating new campus revenue. The final meeting was devoted to reviewing the draft report.

II. PRINCIPLES FOR REVIEW OF REVENUE CREATION PROPOSALS

The Budget Toolbox project was designed to support campus academic and budgetary planning by creating an inventory of possible options to assist the campus in its efforts to adapt to increasing pressure on core academic and administrative resources. Plans to sustain academic strength are needed within three areas: cost savings and increased efficiency, increased non-state revenues, and strong alignment of academic programs within institutional priorities. Three task forces were convened to address these issues. The charge of the Revenue Task Force was to “review and recommend options for increasing non-state revenues for support of academic and administrative programs.”

Revenue generating proposals were solicited from the Task Force members and the campus as a whole. The many revenue generating proposals that were received were divided into eight categories:

- changes in student fees
- changes in student enrollment
- new academic programs and services
- research funding
- faculty compensation plan
- brand extension licensing
- fundraising
- disposition of underutilized property

The Task Force briefly discussed the merits of each proposal, to identify those that appeared both meritorious and feasible, as well as those that are less viable, at least at this time. Considerations included whether they are consistent with the University’s mission, priority and values, and whether there is a reasonable possibility that they would indeed generate revenues.

Those proposals identified as meriting further consideration will now need to be evaluated based on sound, objective criteria, and reviewed and approved within our framework of shared governance. Deserving programs and services should be implemented expeditiously, with appropriate oversight, accountability, and plans for assessing their value and impact.

Occasionally, seemingly promising new revenue streams end up costing more than they yield. A set of five general criteria, proposed by Benjamin, et al.,¹ provides a framework for the Task Force to use in reviewing and prioritizing the proposals it has received. These criteria are:

¹ THE Redesign of Governance in Higher Education; R. Benjamin, S. Carroll, M Jacobi, C Krop, M Shires. Institute on Education and Training, RAND publication; 1993.

- Quality
- Centrality to the institution's mission
- Demand and work load
- Cost-effectiveness
- Comparative advantage

Finally, we note that budgetary reform is most successful when the resulting organization is strengthened by additions and deletions brought about through careful examination of the longstanding goals of the institution. Thus, overlaying the criteria above are the three institutional objectives set forth in UCLA's Academic Plan: *Academic excellence* through a furthering of UCLA's tradition of world-class scholarship and teaching; *Civic engagement* to create a novel and meaningful interaction among faculty, staff, students, and community; and, increasing *Diversity*. It is expected that programs and services endorsed by the Task Force are ones that are consistent with UCLA's institutional objectives and will advance UCLA's goal of pre-eminence. The proposals implemented today will provide streams of revenue that will make UCLA stronger tomorrow.

III. SUMMARY OF RECOMMENDATIONS

- 1) *The Revenue Task Force recommends adoption of a **Student Fee Framework** for the University of California.* This framework would:
 - a) Provide new revenues to protect and improve the educational experience of UCLA students. Specifically, campus programs would receive:
 - i) \$88 million for general University support.
 - ii) \$25 million annually for support of undergraduate education.
 - iii) \$93 million annually for need-based student financial aid to support access and affordability.
 - iv) \$7 million annually for investment in instructional technology.
 - v) New revenue for UCLA's graduate and undergraduate professional programs to improve program quality.
 - b) Implement moderate and predictable increases in student fees over the next five years to levels more closely approximating those charged by competing public and private institutions. The average annual increase in total cost of attendance for a resident undergraduate living on campus would be 7 percent for the next five years.
 - c) Maintain the competitiveness of UCLA's fees for graduate and nonresident undergraduate students.
 - d) Strengthen access and affordability for low- and moderate-income students.
- 2) *UCLA should increase the enrollment of nonresident undergraduate students by 150 students in each of the next four years.* This action would:
 - a) Increase tuition-paying nonresident students from 6.7% to 9.0% of UCLA's undergraduates.
 - b) Generate \$28 million annually in nonresident tuition revenue for support of need-based student aid, instruction, faculty support, and other campus priorities.
- 3) *Recommendations Related to New Academic Programs and Services*
 - a) Deans and department chairs should consider creating new academic courses, programs and services that have the potential to generate revenue.
 - b) This revenue, net of an appropriate overhead charge for centrally provided services, would remain with the unit establishing the program.
 - c) The revenue potential would depend on the nature and number of such programs, the number of students enrolled, and the fees charged. (Revenue must be construed as net income after all costs have been covered.)
 - d) These programs may take the form of programs that lead toward an existing degree, certificate and non-degree programs, non-academic and non credit-bearing programs, and administrative efficiencies leading to more rapid completion of degree programs.
 - e) The task force will publish a guide to UC and Academic Senate policy and procedures regarding the establishment of these courses and programs. Deans and chairs are strongly encouraged to refer to this guide to assist and expedite the development and approval of these offerings.

4) *Recommendations Related to Research Funding*

- a) UCLA should develop a strategic plan designed to broaden and enhance the participation of all campus units in applying for research funding, and to provide support that will lead to success in those efforts.
- b) The Vice Chancellor for Research should continue to monitor waivers or reductions of indirect cost recovery in order to ensure that sponsors pay for allowable costs to the fullest extent possible.
- c) UCLA's indirect cost proposal should propose additional rate points to recover costs for two critical research facilities – the Life Sciences Replacement Building, and the CHS South Tower Seismic Renovation project.

5) *Recommendations Regarding a Faculty Compensation Plan*

- a) The campus should seek approval for a Compensation Plan for faculty with high revenue capabilities, to save General Funds and strengthen incentives to increase research.
- b) UCLA should begin with Biological Sciences faculty, and subsequently expand implementation to other interested and appropriate schools.

6) *Recommendations Regarding Brand Extension Licensing*

- a) In addition to current efforts to strengthen and expand product licensing and merchandising, UCLA should seek outside expertise to assist in the assessment of revenue generation from brand extension licensing.
- b) Potential programs could include a more active program for filming on campus, advertising and sponsorship activities, and co-branding tie-ins.

7) *Recommendations Regarding Fundraising Opportunities*

- a) The Campus should engage the Academic Senate Board on Admissions and Relations with Schools (BOARS) in a discussion about the possibility of according weight in the admissions process to whether an applicant is the child of an alumnus/alumna.
- b) UCLA should promote endowed chairs that permit a portion of the income to be used to support the relevant departments, graduate students and infrastructure.
- c) UCLA should raise endowment minimums.
- d) UCLA should expand the naming opportunities on campus.
- e) UCLA should begin planning future fundraising campaigns.

8) *Recommendations Regarding Disposition of Underutilized Property*

- a) The task force evaluated the potential disposition of four properties: the Carter Estate, the Japanese Gardens, the Trisonic Wind Tunnel, and May's Landing.
- b) All four properties are currently underutilized, and it is unlikely that a future use could be identified that would provide sufficient value to the campus compared to the potential market value of the property. Therefore, all four properties should be considered suitable candidates for disposition, when appropriate market conditions are present.
- c) The proceeds from these potential sales are in part restricted by the terms of the agreements under which the Regents obtained the properties, and these conditions must be appropriately evaluated before a decision is made to sell the properties.

IV. MAJOR ISSUES AND RECOMMENDATIONS

A. STUDENT FEES

*The Revenue Task Force recommends adoption of a **Student Fee Framework** for the University of California. This framework would:*

1. Provide **new revenues** to protect and improve the educational experience of UCLA students. Specifically, campus programs would receive:
 - a. \$88 million for general University support.
 - b. \$25 million annually for support of undergraduate education.
 - c. \$93 million annually for need-based student financial aid.
 - d. \$7 million annually for investment in instructional technology.
 - e. New revenue for UCLA's graduate and undergraduate professional programs to improve program quality.
 2. Implement **moderate and predictable increases** in student fees over the next five years to levels more closely approximating those charged by competing public and private institutions. The average annual increase in total cost of attendance for a resident undergraduate living on campus would be 7 percent for the next five years.
 3. Maintain the **competitiveness** of UCLA's fees for graduate and nonresident undergraduate students.
 4. Strengthen **access and affordability** for low- and moderate-income students.
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The issue of student fees is complex, emotionally and politically charged, and vital to the financial stability and academic excellence of the University. For much of the University's history, the notion of a "free" college education dominated state and University policy. By the 1960s, however, the Regents authorized the levying of a Registration Fee to support student services and an Education Fee to support capital investments initially, and later, the UC General Fund. Through the 1970s, low fees were the foundation of supporting the broad goals of affordability and access.

Low fees also were a measure of the State's willingness and ability to subsidize higher education. Through the 1970s, the overwhelming majority of revenues supporting the instructional mission were provided by the State of California. A number of factors have steadily undermined this support. The passage of Proposition 13 in 1978 slashed the local property tax and greatly expanded the role of the state in funding K-12 education. Demographic change and state and federal policies greatly expanded the cost of state health and human services programs. The growth of determinant sentencing and passage of the "three strikes" legislation led to a large increase in the state corrections program. Various voter-approved constitutional amendments and federal laws provided budgetary protection to favored programs, but higher education was not among these. Over time, state support for the University eroded. Over the past twenty years, state funding per enrolled UC student has declined by 40 percent in inflation adjusted dollars.

There have been four episodes of State budget cuts since the 1970s – from 1982 to 1983, from 1991 to 1994, from 2002 to 2004, and the current episode beginning in 2008. The first three of these episodes led to sharp increases in student fees. The current crisis so far has led to a 7 percent increase in 2008-09 and a proposed increase of 10 percent in 2009-10. In response to rising fees in the early 1980s, the state adopted a policy calling for steady and predictable increases in student fees, but the policy has not been followed. Budget crises have led to spikes in fees, and good times have limited or even reduced fees. This well-intentioned effort to keep fees low has not been sustained and has instead increased the volatility of fee levels. To assist students and families to plan for their educational expenses, fee increases should be moderate, steady, and predictable.

Under state policy, the level of student fees for state residents takes into consideration fees charged by four comparison institutions – the University of Michigan, the University of Virginia, the University of Illinois, and SUNY Buffalo. With the exception of SUNY Buffalo, UC fees are significantly below the fees charged by these institutions. More importantly, these comparison institutions are not competing institutions for Berkeley and UCLA. Rather, these two campuses compete with the elite privates for students, and UC fees are even farther below tuition charged by those institutions than they are below those of the official comparison universities.

The Office of the President estimates that UC is facing a General Funds funding shortfall of \$450 million. Even before reductions in state funding, the ten campuses have experienced major cost increases for faculty and staff compensation, benefits, utilities, and other mandatory items. In 2008-09, the State reduced permanent funding for UC by \$65 million, plus an additional \$33 million one-time cut. The student fee increase approved the Regents for the 2008-09 (7 percent) yielded approximately \$70 million in new revenue after return to aid, far below the amount needed to replace reduced state funding and to support mandated cost increases. For 2009-10, the outlook is grim. State funding will be cut at least another \$50 million, and mandated cost increases will continue, especially as the University resumes contribution to its retirement program. Systemwide, General Fund contributions to the retirement plan will amount to \$20 million in 2009-10, \$95 million in 2010-11, and will eventually grow to over \$250 annually when fully phased in. Total contributions from all fund sources will be even larger. Fee increases for 2009-10 are planned at 10 percent, producing about \$100 million after financial aid, but again, this is far less than the amount needed. The University has taken aggressive measures to cut costs. Unfortunately, efficiencies alone will not protect academic quality from the magnitude of the state shortfalls and mandated cost increases. The University needs to rethink its funding model.

The University's overall funding strategy is expressed in the Higher Education Compact Agreement. Under this agreement, the state provides UC and CSU with annual funding increases for enrollment and faculty and staff compensation. In exchange, the universities agree to limit fee increases to the cost of inflation, or higher levels if specific needs can be identified. The budget cuts of 2008-09 have ended the Compact Agreement for now, and few observers of state finances believe that funding will be restored anytime soon. The fee increases approved in 2008-09 and contemplated in 2009-10 are higher than those that would have been in effect had the state funded the Compact Agreement, but the University has no long-term strategy to set student fees at levels needed to protect quality, affordability, and access. Notwithstanding the state's perilous financial condition, UC continues to focus primarily on state funding for its needs, thereby keeping student fees significantly below those charged by comparable, or less prestigious, public universities.

This Task Force does not savor the prospect of recommending student fee increases, and understands that its recommendations may stir controversy. Nonetheless, major reductions in state support will

inevitably lead to a deterioration of quality, access, and affordability. The University of California must act to prevent this from occurring. The Revenue Task Force strongly believes that the University of California must shift its strategy from low fee/moderate aid to moderate fee/high aid. This strategy shift is best suited to protect the University and low- and moderate-income students during these turbulent financial times.

The Task Force bases its recommendations on the following set of principles:

- Combined state support and student fees **must generate sufficient revenue** to support the basic instructional, research, and public service mission.
- Student fee levels should be evaluated in light of their impact on **access to low- and moderate-income students**, and on **student diversity**. On balance, a moderate-fee, high-aid strategy is best suited to balance the need for additional revenue with UCLA's commitment to access and diversity. This will require both increased return to aid and expanded private fundraising efforts.
- Fee levels for **resident undergraduates** should be set bearing in mind the cost of attendance at competing institutions. For UCLA, these are not the official comparison institutions, but instead Berkeley, USC, and elite privates.
- The setting of fees for **nonresident undergraduates** should be based in part on nonresident fees charged at comparable public institutions and tuition charged by competing private universities, but should also **consider the limited financial aid** currently available to nonresidents.
- **Graduate academic** fees should take into consideration the highly competitive nature of graduate admissions.
- **Graduate professional** fees should take into consideration fees charged by competing public **and private** institutions, and the earnings potential of graduates.
- Increased student fee revenue should be used to enhance **educational quality** of the programs in which students paying the fees are enrolled.
- Student fee increases should be **moderate, sustained over time, and predictable**.

RECOMMENDED STUDENT FEE FRAMEWORK

From these principles, the task force recommends the adoption of a **Student Fee Framework**. The objective of the framework is to put in place a multi-year plan to:

- Generate new revenue needed to meet University needs related to undergraduate education, faculty and staff compensation, retirement contributions, and energy purchases.
- Expand need-based aid to support access and affordability for low- and moderate-income students.
- Meet the special needs of undergraduate and graduate professional degree programs, and
- Support investments in student information technology services.

The Task Force acknowledges that the Regents set UC policy regarding student fees. Any decisions by UCLA's leadership would have to be undertaken under the authority of the Regents.

The Student Fee Framework has the following elements:

Education Fee

After current planned increases in 2009-10, the Education Fee would be increased 12.5% annually for resident undergraduates and 5% annually for all other students. The amount of this increase is calculated in order to replace state funds that the campus would forgo under a pessimistic budget scenario.

Registration Fee

The Registration Fee would be increased 5% annually to fund mandatory cost increases related to campus student service programs.

Nonresident Tuition

Nonresident tuition would be increased 5% annually for undergraduates, and frozen at current levels for graduate academic and professional students.

UCLA Differential Fee for Undergraduate Education

The Regents would authorize the President to approve a differential fee for undergraduate students enrolled at different UC campuses, in an amount of up to 20% of the Education Fee. The purpose of the fee would be to support undergraduate education. Each campus levying such a fee would pay a systemwide tax of 15% to 20%, in recognition that the ability of campuses to establish such fees will vary, and also recognizing the need to build systemwide support for the proposal. The Framework assumes that UCLA would implement the full amount of the fee, phased in over a 4-year period beginning 2010-11.

Student Technology Fee

The Regents would authorize establishment of a student technology fee to support instructional technology applications, classroom technology, University student systems, and an appropriate share of campus IT infrastructure. The fee would replace the Instructional Enhancement Initiative Fee in 2010-11. It would be established at \$12/unit for all students.

Professional Differential Fees

All UCLA graduate professional programs would levy a professional differential fee of varying amounts, and the process for approval of the fees would be streamlined.

Currently, there are eight graduate professional degree programs that charge a professional differential fee: School of Law (J.D.), Anderson (M.B.A.), TFT (M.F.A.), Public Affairs (M.P.P.), Medicine (M.D.), Public Health (M.P.H.), Nursing (M.S.N.), and Dentistry (D.D.S.) The following graduate professional programs do not currently charge this fee: School of Arts & Architecture (M. Arch. I & M. Arch. II, M.M. M.F.A.); Education & Information Studies (M.Ed., M.L. & I.S.); Engineering and Applied Sciences (M.S.); Public Affairs (M.S.W., M.A. (Urban Planning)).

Approval of these fees by the Regents would take place through approval of a 5-year student fee plan submitted by the campus, rather than the annual approval process currently in place. The plans would

take into consideration fees charged by competing public and private institutions, and the future earnings potential of graduates.

Student Financial Aid

Return to aid for undergraduate students would increase from 36% to 40% by 2013-14. Return to aid for graduate academic and professional students will remain at current levels. The Student Fee Framework also would require the State of California to increase the maximum level of assistance available under the Cal Grant program so that the full amount of resident fees may be covered by those grants.

Special Fees for Undergraduate Degree Programs

The Task Force also considered the authorization of special fees for selected undergraduate degree programs. While not part of the Student Fee Framework, the University should consider this policy and study options for its implementation.

There are several options for determining the amount and basis of these fees. They could be paid for any student who has declared a specific major subject to the fee, or by any student, major or non-major, enrolled in major courses. The task force has not examined this issue in depth, but believes that the following fields may be appropriate for further study: Art & Architecture (B.A. in Architectural Studies, Art, Design/Media Studies, Music, Dance; Theater, Film, & Television (B.A. in Theater, B.A. in Film, Television, & Digital Media); Engineering & Applied Science (B.S.); School of Nursing (B.S.N.).

The campus also should consider whether differential fees might also apply to some highly impacted undergraduate majors in the College. This may be more complex, because most entering freshman is not admitted into a specific degree program. It may be possible, however, to establish such fees for third- and fourth-year students that are admitted to an undergraduate major after fulfilling prerequisite requirements, or to levy a fee for specific courses.

IMPACT ON STUDENTS

Impact on Undergraduate Fees

Table 1 summarizes the application of the Student Fee Framework on **undergraduate** student fees. The table does not include the potential impact of future undergraduate differential fees if authorized by the Regents.

Table 1: Undergraduate Fees

Fee	Purpose	2008-09	Recommended Increase	2013-14
Registration Fee	Student Services	\$864	5% Annually	\$1,094
Education Fee	UC General Fund	\$6,262	10% in 2009-10, 12.5% annually thereafter	\$11,033
UCLA Undergraduate Differential Fee	Undergraduate Education	\$-	Establish in 2010-11 at 5% of Education Fee, increase to 20% by 2013-14	\$2,207
Instructional Enhancement Initiative Fee	Classroom IT	\$270	Repeal in 2010-11	\$-
Technology Fee	Broad range of student IT support	\$-	Establish at \$12/unit in 2010-11	\$540
Campus Fees	Various	\$1,184	None	\$1,184
Total Fees, Residents		\$8,580	Average Increase of 13% annually	\$16,058
Non-resident Tuition	UC General Fund	\$20,021	5% annually	\$25,551
Total Fee, Non-residents		\$28,601	Average increase of 8% annually	\$41,609

Fees for resident undergraduate students would increase from \$8,580 in 2008-09 to \$16,058 in 2013-14. This represents an average annual increase of 13 percent over the five year period. Fees paid by nonresident undergraduates would increase from \$28,601 in 2008-09 to \$41,609 in 2013-14. This represents an average annual increase of 8 percent over the five-year period.

Impact on Cost of Attendance

Based on current student fees, the estimated cost of attendance for a resident undergraduate living in the residence halls is \$25,400 in 2008-09. Under the Student Fee Framework, the estimated cost of attendance would increase to \$36,000 in 2013-14, which is an **average annual increase of 7 percent**. In comparison, the cost of attendance at the University of Southern California (UCLA's primary competitor among private universities) for the 2009-10 year is projected to be \$53,600. If USC were to limit increases in the cost of attendance to 5% annually, its projected cost of attendance would be \$65,100 by 2013-14. If the framework were adopted, the cost of attendance at UCLA would still be **45 percent lower** than the cost of attending USC.

Impact on Graduate Academic Fees

Table 2 below summarizes the projected impact of the Student Fee Framework on **graduate academic fees**.

Table 2: Graduate Academic Fees

Fee	Purpose	2008-09	Recommended Increase	2013-14
Registration Fee	Student Services	\$864	5% annually	\$1,094
Education Fee	UC General Fund	\$7,122	5% annually	\$9,090
Technology Fee	Broad range of student IT support	\$-	Establish at \$12/unit in 2010-11	\$540
Campus Fees	Various	\$1,684	No increase	\$1,684
Total Fees, Residents		\$9,670	Average increase of 5% annually	\$12,407
Non-resident Tuition	UC General Fund	\$14,694	No increase	\$14,694
Total Fee, Non-residents		\$24,364	Average increase of 2% annually	\$27,101

Fees for resident graduate academic students would increase from \$9,670 in 2008-09 to \$12,407 in 2013-14. This represents an average annual increase of 5% over the five year period. Fees paid by nonresident graduate academic students would increase from \$24,364 in 2008-09 to \$27,101 in 2013-14. This represents an average annual increase of 2%. This low growth rate primarily represents the cap on NRT for these students.

Impact on Graduate Professional Fees

Table 3 summarizes the impact of the Student Fee Framework on **graduate professional fees**. The impact on these programs is more variable because of the wide variances in professional differential fees among these programs. This table summarizes the impact on mandatory systemwide and campus fees, which is the base upon which professional differential fees are added.

Table 3: Graduate Professional Fees

Fee	Purpose	2008-09	Recommended Increase	2013-14
Registration Fee	Student Services	\$864	5% annually	\$1,094
Education Fee	UC General Fund	\$6,204	5% annually	\$7,918
Tech Fee	Broad range of student IT support	\$-	Establish at \$12/unit in 2010-11	\$540
Campus Fees	Various	\$1,684	No increase	\$1,684
Total Mandatory Fees, Residents		\$8,752	Average increase of 5% annually	\$11,236
Non-resident Tuition	UC General Fund	\$12,245	No increase	\$12,245
Total Mandatory Fees, Non-residents		\$20,997	Average increase of 2% annually	\$23,481
Differential Fees	Support of Graduate Professional Programs	Varies by Program	Increases to be determined by programs based on market headroom and earnings potential of graduates	Varies by program

ESTIMATED REVENUE GAIN FROM STUDENT FEE FRAMEWORK

The revenue impact of the Student Fee Framework is summarized in Table 4.

**Table 4: Impact of Student Fee Framework on UCLA Revenues
\$ in millions**

Fee	2009-10	2010-11	2011-12	2012-13	2013-14
Education Fee and Registration Fee -- net of financial aid	\$13	\$29	\$47	\$67	\$88
UCLA Differential Fee for Undergraduate Education -- net of systemwide 20% tax	\$-	\$5	\$10	\$17	\$25
Technology Fee -- net of IEI	\$-	\$8	\$8	\$8	\$7
Student Financial Aid	\$8	\$31	\$48	\$69	\$93
Total Revenue Gain	\$21	\$73	\$113	\$160	\$213

By 2013-14, the framework will generate a total of \$213 million annually in new revenues for UCLA. Of this amount, \$88 million would be new Education Fee and Registration Fee revenues, net of student financial aid, for support of mandatory cost increases related to academic and staff compensation, benefits, and utilities. The new UCLA undergraduate differential fee will generate \$25 million, net of financial aid and the new 20% systemwide tax, for investment in undergraduate education. The new

student technology fee would generate \$7 million net of the IEI for investment in instructional technology. Return to aid on all these fee increases would generate \$93 million in new funds for need-based student support. Additional student support is also planned from the Chancellor's Bruin Scholars initiative. When fully endowed at \$500 million, this initiative would provide \$25 million annually in new support to supplement growth in return to aid.

Summary

If embraced by the Regents and UC leadership, adoption of such a framework would put in place a multi-year plan for predictable increases in student fees, culminating in fee levels similar to public comparison institutions, yet substantially lower than competing private universities. The framework also will maintain UCLA's competitiveness in fields where fee increases are a barrier to student recruitment, and will provide significant increases in funding for need-based financial aid. Finally, and most critically, the framework provides revenues needed to maintain UCLA's overall academic excellence, at a time when the State of California cannot.

B. ENROLLMENT OF NONRESIDENT UNDERGRADUATES

1. *UCLA should closely monitor the mix of resident and nonresident undergraduate students, with the goal of increasing enrollment of nonresident by 150 students in each of the next four years.*
 2. *The campus should ensure in this process that access and quality for state-funded resident students is protected and enhanced, and that the overall character of UCLA as a University for California residents is maintained.*
 3. *This action would:*
 - *Increase tuition-paying nonresident undergraduate students from 6.7% to 9.0% of UCLA undergraduate study body.*
 - *Generate \$28 million annually in nonresident tuition revenue for support of need-based student aid, instruction, faculty support, and other campus priorities.*
-

UCLA's current undergraduate enrollment is 25,500 students. Of these, 1,700 are nonresident students paying nonresident tuition. This amounts to 6.7 percent of total UCLA undergraduates.

Enrollment of nonresidents at UC campuses has historically been low. Only Berkeley and UCLA have had significant numbers, and these have consistently remained under 10 percent of the undergraduate student body. Numerous factors have limited the interest of campuses in recruiting out-of-state and international students and the interest of those potential students in attending. For some students, coordination of their high school curriculum with California's (a) to (g) requirements has been difficult. UCLA also held nonresident applicants to a higher academic standard than it did for California resident applicants. In addition, financial assistance for nonresidents has been very limited. Finally, UC campuses have had little financial incentive to increase admission of nonresident students, because nonresident tuition income was allocated to the UC General Fund.

In 2008-09, the UC system decentralized the allocation of nonresident tuition, and for the first time, campuses had a financial incentive to consider increasing nonresident enrollment. The decentralization also led to the establishment of separate enrollment targets for resident and nonresident students. While UCLA is substantially overenrolled in California residents, the campus is underenrolled in nonresidents relative to the target assigned by the state. As a consequence, the campus began modest efforts in 2008-09 to increase these enrollments in order to move closer to the target. The goal of this effort was not only to generate additional tuition income, but also to increase geographic and intellectual diversity of the student body.

The Task Force recommends that UCLA continue these modest efforts, while maintaining UCLA's general character as a University for California students. Specifically, the Task Force recommends that enrollment of nonresident undergraduates be increased by 150 students in each of the next four years. It is estimated that this action, combined with annual increase of 5% in the level of nonresident tuition, will generate \$28 million annually when fully implemented.

As UCLA begins to implement this strategy, campus administration must be mindful that an increase in nonresident students should not impair access and quality for California residents, and that the overall character of UCLA as a University for California residents be maintained.

C. DEVELOPMENT OF NEW ACADEMIC PROGRAMS AND SERVICES

- 1. Deans and department chairs should consider creating new academic courses, programs and services that have the potential to generate revenue.*
 - 2. This revenue, net of an appropriate overhead charge for centrally provided services, would remain with the unit establishing the program.*
 - 3. The revenue potential would depend on the nature and number of such programs, the number of students enrolled, and the fees charged. (Revenue must be construed as net income after all costs have been covered.).*
 - 4. These programs may take the form of programs that lead toward an existing degree, certificate and non-degree programs, non-academic and non credit-bearing programs, and administrative efficiencies leading to more rapid completion of degree programs.*
 - 5. The task force will publish a guide to UC and Academic Senate policy and procedures regarding the establishment of these courses and programs. Deans and chairs are strongly encouraged to refer to this guide to assist and expedite the development and approval of these offerings.*
-

UCLA is facing multiple years of budget cuts, leaving the campus to identify new sources of revenue. One potential source of revenue submitted to the Revenue Task Force was the opportunity to expand on one of the University's primary assets – our academic programs. Unlike the Academic Programs Task Force, whose task was “to review and recommend options for reducing the cost of the academic program and reallocating resources within the academic program to meet budget reductions”, the Academic Programs and Services subcommittee to the Revenue Taskforce sought to identify new

academic programs and services that, if offered, could generate revenue for individual schools and departments.

The types of proposals identified by subcommittee members and the campus at large fell into four categories:

- Academic Programs that lead toward an existing degree,
- Certificate and Non-degree programs,
- Non-academic/ non credit-bearing programs, and,
- Administrative efficiency services leading to degree completion.

Examples of the new programs and services can be found in the attached Table 1. The table provides generic names so that the chair or dean can envision how this might apply to his or her unit, and examples of specific programs, if such an example was submitted or is in the planning stage. While the campus administration cannot direct deans and chairs to create new programs, we believe that the administration should strongly encourage and incentivize deans to examine new sources of revenue. We have offered numerous examples and an assessment of priority, based on the amount of money that could be generated and the length of time it would take to get approval to implement. UCLA Extension, Summer Sessions, the International Education Office and the Academic Senate are deeply involved in these processes and are ready to work with the chairs and deans to help them launch new programs.

Benefits to the proposed programs vary, but include income to schools, departments, faculty, and graduate students; expanding campus involvement with new partners (alumni, industry and foreign universities); and increasing efficiency of infrastructure, such as maximizing the existing classes and increasing early matriculation. While the exact revenue that could be received through many of the initiatives could not be estimated at this time, the subcommittee provided estimates to give departments and schools an idea of the potential for future revenue.

The subcommittee recognized the challenge facing deans and chairs in understanding the process for review and approval for the various options described by the four categories of programs above. The University's broadly decentralized governance structure, which includes schools with jurisdiction over academic and some administrative processes, centralized administrative processes that support the admissions process, and a complex administrative and academic leadership that approves certain academic programs, challenge easy understanding of the approval process for new courses, degrees, and programs. Decision-making rights for implementing new programs vary widely, with some requiring only department or decanal approval, and others requiring approval by the Academic Senate, Provost, and even the Regents.

The policies and procedures that guide implementation are determined by a number of factors:

- the educational unit bringing the program forward (College versus professional school),
- whether the program carries academic credit,
- whether the program contributes to a degree or certificate,
- the target audience (matriculated degree-granting students, non-matriculated students, and professionals/executives), and
- whether the program is supported by state funds or is self-sustaining.

To increase the likelihood that schools would be successful in implementing new programs, the subcommittee undertook the task, with strong support of the Academic Senate, of producing a guide that could inform the campus on the appropriate process to seek approval and implementation for each type of program. The guide is intended to be a simple but comprehensive manual to help departments and schools navigate the UCLA Academic Senate and administrative process for developing new educational courses and programs. The guide will be available on-line and will be sent to the Deans. It will include links to key resource people and supporting documents. A key table from the guide that summarizes the leadership needed to grant approval is referenced as Appendix A, and a draft of the table of contents is included as Appendix B.

Chairs and deans are encouraged to use these resource materials to create novel programs or services that will augment their operations and simultaneously generate revenue for the unit.

Table 1: Proposals for generating Revenue Through New Academic Programs and Services

Name	Priority	Revenue Generated	Comments
Academic Programs A. Credit Toward a Degree			
Self-support Online International Programs (MS Eng.)	High	approx. \$30,000 (gross) /student	Already in progress and might serve as model for other schools
Self-support MA/MS Degrees with Department through UCLA Extension	High	\$50,000 net to academic dept., @ 20 students, increasing with increased enrollment	Takes approval process but good revenue for select markets
New professional M.S. degree (e.g. physical sciences and engineering)	Middle		Worthy of consideration if departments view as valuable for specific markets-such as industry
Re-training post-BS, MS Programs	Middle		Worthy of consideration if departments view as valuable for specific markets-such as industry
Establishing Minor Fields on Campus	Low	Could provide 19900	Approval Process needed
UCLA Extension Degree Credit Course	Low	Could provide cost-savings on 19900, but cost to student	Would require change in UC Regulation
Explore Dual-Degree Programs with Partner Institutions, Domestic or Foreign	Low		

Academic Programs			
B. Certificate and Non-Degree Programs			
Professional Certificate Programs	Medium	Est. Revenue to Dept \$20K net/cert./yr and salary to faculty	Worthy of consideration if departments view as valuable for specific markets-such as industry; Not extensive approval approx. 9 months to launch
Apply Distance Learning to Existing Program			
Re-training post-BS Certificate Programs			
Self-Support certificates through UCLA Extension			
Revenue Generating Non-degree Programs			

Non-academic programs (non credit-bearing) (Submitted Examples Below)			
Cross-disciplinary Leadership/Executive Programs (Inst. Of Environment)			
International Conference on Intellectual Property	Medium	\$10,000-\$50,000	No approval needed. Low barrier to entry. Good PR and can be supportive of interested UCLA students as well as bring revenues. May be drain on staff. Can partner with summer programs or Extension. Niche market only.
Core Facilities Training Program			
Test preparation tutorials e.g., Development of a Patent Agent Course			

Administrative Services Efficiencies			
Targeted Concurrent Enrollment through UCLA Extension	High	additional \$100,000/year with 25% increase over current enrollments	Expansion to Existing Mechanism
Summer Bruins/ Early Matriculation	High	?	Already in planning

D. RESEARCH FUNDING

1. *UCLA should develop a strategic plan designed to broaden and enhance the participation of all campus units in applying for research funding, and to provide support that will lead to success in those efforts.*
 2. *The Vice Chancellor for Research should continue to monitor waivers or reductions of indirect cost recovery in order to ensure that sponsors pay for allowable costs to the fullest extent possible.*
 3. *UCLA's indirect cost proposal should propose additional rate points to recover costs for two critical research facilities – the Life Sciences Replacement Building, and the CHS South Tower Seismic Renovation project.*
-

Research Strategic Plan

At a time when state support is continuously being reduced, extramural research funding supports the campus in many ways, both directly and indirectly. It supports the direct costs of research supplies and equipment, salaries for participating faculty, staff, postdocs, graduate students, undergraduate summer research, travel and collaboration. Research funding also creates overhead returns for support of many different activities to offset the anticipated reduced state funding. For example, as student fees and tuition are anticipated to increase, research funding is critical for providing graduate student stipends and fellowships. To sustain excellence in research and education, UCLA as an institution needs to take a more deliberate, aggressive, and proactive approach to research fundraising in all areas, not only in the sciences, engineering and health fields, but in the arts, humanities, law and business as well.

While UCLA has done an extraordinary job in successfully gathering external research funding, the money is disproportionately garnered by the South campus. To assure that support of research efforts is available campus wide and to strengthen the research mission of the entire campus, we recommend that UCLA conduct a planning process to identify the research support needs of all units and, where appropriate, work with the faculty and staff to introduce and sustain a culture of research fundraising. In particular, UCLA needs to develop a more aggressive and successful approach to garnering grants not only from major federal research agencies such as the NIH and NSF, but also from other federal agencies (e.g., DARPA, DOD, DOE, DoEd, InQTel, the Departments of Commerce and State), as well private or philanthropic agencies that might have more focused missions. To facilitate this broad goal, UCLA needs to establish a mechanism to effectively communicate with faculty and staff about the funding opportunities available through a broader range of federal agencies and the private sector, and to develop closer ties to key federal agencies and private institutions that are relevant to the campus researchers. Two such possibilities to consider are a UCLA office in Arlington VA or Bethesda, MD (such as USC has), or a contracted consultant who can determine the appropriate research expertise of UCLA faculty and represent us to the appropriate agencies.

In addition to assisting with the proactive search for available funding opportunities, UCLA should aid departments without a robust extramurally-funded research program in their efforts to build or access

the administrative infrastructure needed to support the pursuit of such opportunities. For example, schools like Management and Law do not currently have the contracts and grants volumes to justify trained staffs that are dedicated to helping faculty with proposal submissions. The need for training and the specialized knowledge needed to deal with the nuances of grant proposals create barriers to growing these departments' research programs.

UCLA also needs to take advantage of special programs such as the new federal research support available under the American Reinvestment and Recovery Act (ARRA). However, it should be pointed out that ARRA is a short-term program and much of funding is for infrastructures and equipment. Long term research support with overhead bearing remains critical for sustaining and enhancing healthy long term research and ARRA will not provide that long-term support.

In today's research, international funding and collaborations are important. It is necessary for UCLA to develop a strategic plan for increasing and enhancing UCLA's position internationally. In particular, UCLA needs to be among the first to engage internationally with partners in the Pacific Rim region and Latin America to explore collaboration and funding opportunities. Some question whether UC's and UCLA's plans for sharing IP when engaging with private and international funding agencies discourage collaboration.

UCLA should explore engaging a greater number of academic and staff research scientists as PI and Co-PI in the applications for research funds, collaboratively with the faculty or independently. This could be an effective means to increase support for personnel resources to engage funding opportunities.

Indirect Cost Waivers

A subcommittee of the task force examined whether UCLA was granting an excessive number of waivers from University policy requiring that all research contracts and grants be charged all allowable indirect costs. The subcommittee determined that campus practices have been thoroughly audited, that the campus appears to be in full compliance with policy, and that waivers are approved in a manner consistent with policy. The Task Force recommends that the Vice Chancellor for Research continue to monitor the approval of such waivers, to ensure that these campus costs are recovered.

Indirect Cost Rate Setting

UCLA is currently conducting a cost study in preparation for negotiations with the federal government which will culminate in agreement on a new federal overhead rate beginning on July 1, 2010. The purpose of the study is to fully document and justify all indirect costs incurred by the campus research enterprise, to ensure that these costs are fully reimbursed by granting agencies.

As part of the study, the campus should estimate depreciation and interest expense associated with research facilities that may be under construction as of July 1, 2010, but for which the campus has not taken beneficial occupancy. The federal government should be pressed to agree to increased rate points for these facilities. At present, two such facilities may qualify – the Life Sciences Replacement Building, and the CHS South Tower Renovation project.

E. FACULTY COMPENSATION PLAN

- 1. The campus should seek approval for a Compensation Plan for faculty with high revenue capabilities, to save General Funds and strengthen incentives to increase research.*
 - 2. UCLA should begin with Biological Sciences faculty, and subsequently expand implementation to other interested and appropriate schools.*
-

Background:

Approximately 85% of UCLA 9-month faculty appointees are currently off-scale, demonstrating the lag faculty salaries have taken compared to comparable Tier 1 research institutions and the cost of living in Los Angeles. UCLA's heavy reliance on off-scale salaries has had the effect of eroding UCLA's valuable and rapidly reducing 19900 funds. In comparison, the School of Medicine and the School of Dentistry, which have utilized compensation plans (Comp Plan) for the past 20 years have seen dramatically increased research funding and a leveraging of their valuable 19900 funds with growth in Adjunct faculty and Academic Research series. These additional academic professionals contribute to the school's teaching, research and service mission.

The Task Force recommends that UCLA propose an expanded Comp Plan, with the following goals:

- Assist UCLA to maintain its high quality as a research institution
- Provide equity opportunity and increased retention of faculty across other campus units who view their total compensation, including salary and contribution to retirement income as inferior to that of faculty on 12 month appointments and a Comp Plan
- Provide a means to more readily track faculty percent effort on research grants and contracts
- Provide incentives for non-Health Sciences faculty to expand their research applications to funding agencies, assured of a share of the remuneration
- Provide a means to increase UCLA's ability to facilitate Conflict of Interest review for faculty who are seeking sponsored research from industry while consulting with the same or competing companies.

Since 1978, the Division of Life Sciences has been working to obtain approval from the Office of the President for the implementation of a faculty salary Comp Plan, but so far without resolution. In 2003 EVC/Provost Dan Neuman supported a proposal that encompassed the general campus departments. OP staff generally supported the plan and agreed to sponsor two meetings during which the proposal would be discussed with the campuses. The first of these meetings was held with the southern campuses and occurred at UCI on January 15th, 2004. The campuses reacted positively to the proposal and the OP staff attending was then to schedule the second meeting to include the northern campuses. Unfortunately, OP leadership and staff changed during this time frame and the proposal fell, again, into a dormant state.

The leadership of the Life Sciences, with the support of the EVC/Provost and the Chancellor has once again forwarded to OP a Comp Plan proposal, this time limited to the Biological Science Faculty.

Conversations regarding the proposal have already occurred with the Provost of the University. The Dean of Life Sciences projects that 90 faculty could participate in the plan, and move the off-scale salaries of faculty, estimated at \$2.5M from the General Fund to the compensation plan.

The implementation of a Biological Sciences Compensation Plan would create mid to long term savings by moving the off-scale salaries of the faculty from general funds to the compensation plan.

While we use Biological Sciences for illustrative purposes, we seek approval of a Comp Plan not only for Biological Sciences, but for other appropriate schools and departments that have significant research funding or comparable means to generate comp plan revenues, such as consulting, continuing education or summer teaching. A comparable implementation for SEAS faculty could save \$2.36 million annually in off-scale salary, not including above-scale faculty. These revenues could be used to hire additional faculty and academic research professionals to increase research funding.

The Proposal:

The current iteration of the proposal describes a compensation plan for 9-month faculty in selected Biological Sciences academic departments or academic program units (APUs). It recognizes that faculty in biological/biomedical disciplines consistently supplement their academic year salary with summer ninths, with the effect of creating year-round employment. This plan, modeled after the Medical School Compensation Plan, allows for the establishment of academic program units which in turn allow for the establishment of a three tier compensation structure: the X component which is equivalent to the base rate which would be provided from general funds; the Y component which is equivalent to the off-scale component and is funded from the Comp Plan; and the Z component which is again funded by the Comp Plan and represents a further off-scale based upon profit sharing generated by the faculty member's efforts.

Within the context of the Revenue Taskforce the purpose of the plan is two fold:

- to enable the Biological Sciences to use non-State funds to offer competitive salaries in hiring and retaining its faculty members, which in turn would release general funds that are currently supporting the off-scale components of the faculty members' salaries;
- and, to enable the use of these summer and other supplementation funds for correcting inequities in salary packages (salary + retirement benefits) for faculty members who work in similar disciplines, but belong to different academic structures.

The main components of the compensation plan are:

- General funded, off-scale salaries will normally be replaced by the components of this plan.
- Consulting/outside professional income is reportable to, and taken into the plan.
- The ability to demonstrate consistent 'income' generation to support at least two summer ninths within an Academic Program Unit (APU) will be required to establish an APU.

- A minimum of one-ninth salary from non-State General fund sources is required for all faculty members in the Academic Program Unit Plan. The source of funding for the Scale 1 and higher increments must be non-State General funds.
- The plan covers academic year (9-month), tenure-track appointments only. Payment for time and effort is on a fiscal-year basis and accrues vacation.
- Initial adoption of the plan will allow for individuals in an APU to opt out. All new appointments subsequent to the establishment of the APU will require membership in the Plan.
- The minimum base salary for determining covered compensation for retirement benefits is the 9-month salary plus 1/9ths, Scale 1.
- The ability to pay a Y component (delta) from non-State funds, above the APU Scale salary on an individual basis is available to Plan members.
- Membership in the plan, by APU or individual, is irrevocable.

F. BRAND EXTENSION LICENSING

1. *In addition to current efforts to strengthen and expand product licensing and merchandising, UCLA should seek outside expertise to assist the assessment of revenue generation from brand extension licensing.*
 2. *Potential programs could include a more active program for filming on campus, advertising and sponsorship activities, and co-branding tie-ins.*
-

SITUATION:

Given current fiscal shortfalls and the expected likelihood that the budget picture will not resolve itself in the near term, UCLA is seeking to identify both new sources of revenue via extension of its brand as well as opportunities to increase the amount of revenue from several key existing sources, beyond its already long-established collegiate licensing program.

GOALS/OBJECTIVES:

To seek out a consultancy firm to:

- conduct a targeted revenue enhancement assessment;
- uncover untapped revenue opportunities;

- make recommendations based on a number of factors and the University's capacity to expand current programs and implement and sustain new programs; and
- explore all international as well as domestic branding possibilities that go beyond collegiate/athletic marketing and licensing.

INITIAL INVESTIGATION:

UCLA University Communications identified and conducted initial telephone screenings with five brand extension licensing firms around the country. The University Communications team spoke with these firms to learn about their capabilities for helping UCLA assess and make recommendations on several specific areas for revenue generation:

- Filming on Campus: Explore the scope for a more active program, marketed to the entertainment industry;
- Advertising and Sponsorship Opportunities, i.e. vehicles, billboards, electronic advertising in non-academic facilities;
- Untapped Sources of Revenue, i.e. commercial co-branding tie-ins like the recent Energizer/Mattel Children's Hospital ads.

Two companies caught the team's attention as potential vendors based on their expertise in the higher education and non-profit arenas and their ability to customize services. One firm is: MGT of America, based in Tallahassee, Florida, whose clients include University of Texas, University of Georgia, Florida State University and Rensselaer Polytechnic Institute. The other firm is: LMCA, headquartered in New York City, whose client list includes The American Dental Association, The San Diego Zoo, Heifer International, The New York Philharmonic and the Easter Seals Society.

TIMELINE FOR SERVICES:

Depending on client needs and capabilities to provide research and documentation, keeping to meeting schedules and deadlines, these assessments can take between 3-5 months to complete.

BUDGET:

A focused RFP process would help to lock in on the specifics of the assignment and budget implications. Based on the preliminary conversations, it appears that a rigorous assessment with recommendations would be (at the low end) in the \$40,000 range and climb from there, depending on services requested. The University Communications team believes the power of our prestige brand can be helpful to leverage/negotiate the fees for service.

G. FUNDRAISING OPPORTUNITIES

- 1. The Campus should engage the Academic Senate Board on Admissions and Relations with Schools (BOARS) in a discussion about the possibility of according weight in the admissions process to whether an applicant is the child of an alumnus/alumna.*

The State of California has proven to be an unstable source of revenue for UCLA. The current budget crisis is only the most recent in a string of instances in which the campus has had to sustain significant state revenue reductions. In light of this instability and general downward trend in state funding, UCLA must increasingly turn to private philanthropy to provide the funds necessary to maintain and grow excellence. While the school has been very successful in raising money over the past decade, it has not yet focused on building the endowments that will be necessary to allow it to be insulated from annual budget shocks. As the school approaches its 100th birthday, all units will need to focus on building these endowments.

UCLA has over 350,000 living alumni. A good number are engaged with the school, but in any given year only 13% give gifts. One of the reasons for this relatively low participation rate among alumni is that too many are disconnected from the school. Most private universities and many excellent public universities (e.g. University of Virginia) promote alumni engagement by giving preference to alumni status in the admissions process. Deans and their external relations/alumni affairs staffs at UCLA frequently hear alumni displeasure at not being accorded any special treatment in the admissions process.

UCLA operates under a standing Board of Regents resolution which prohibits “[a]dmissions motivated by concern for financial, political, or other such benefit to the University....” This Regental policy, however, does not prohibit campuses from taking into consideration whether an applicant is related to an alumnus.

Issues of legacy admissions present difficult issues for public universities, particularly for institutions such as UCLA that are committed to access. We recommend that the UCLA administration engage the Academic Senate’s Board on Admissions and Relations with Schools (BOARS) in a discussion about the possibility of according weight in the admissions process to whether the applicant is an alumni child. The undergraduate admissions process already includes a variety of factors that are unrelated to academic merit (e.g. athletic ability). A change in policy that might make alumni feel more connected to the school would allow for alumni status to be added as a “plus factor” along with all other considerations. Ultimately, it is the belief of this committee that alumni status should only operate as a “tie-breaker” for very close cases.

Before implementing any proposal to include alumni status in the admissions process, we recommend that an analysis be undertaken to assess whether such a change would have positive or negative impacts on racial and ethnic diversity. Many of the schools at UCLA, particularly before the passage of Proposition 209, were extremely diverse. Since alumni from this period are now in their prime childbearing age, it is very conceivable that an admissions process that takes into account alumni status would promote rather than detract from diversity.

- 2. UCLA should promote endowed chairs that permit a portion of the income to be used to support the relevant departments, graduate students and infrastructure.*

With the exception of only a small number of schools and departments, the income of most endowed chairs is restricted exclusively to chairholders to support their summer income or research costs. With the soon-to-be-increased endowment minimums, an opportunity presents itself to divide the stream of income between research support, graduate student support and school infrastructure (e.g. library collection that serves the chairholders). These types of arrangements should be encouraged by UCLA and consideration should be given to making them standard in chair gift agreements.

3. *UCLA should raise endowment minimums.*

The current baseline levels for a variety of endowment funds (e.g. chairs, scholarships, fellowships) were set back in 1995 at the start of the last capital campaign. The increasing real costs associated with those activities (e.g. faculty research, student fees, library materials) and the need to remain competitive with peer institutions argue for an increase in many of the minimum levels to establish such endowments. After review by the Deans, Executive Vice Chancellor and Provost, Vice Chancellor for Budget, Finance and Capital Programs and Vice Chancellor for External Affairs, along with national benchmarking of over 70 public and private institutions, the committee recommends the adoption of the endowment minimums set forth in Appendix C.

4. *UCLA should expand the naming opportunities on campus.*

At present, the University provides donor recognition opportunities in the various units, schools and in the College for programmatic and physical locations. The committee recommends expanding the list of naming sites beyond the obvious academic buildings and schools to include residential facilities (both graduate and undergraduate), outdoor spaces (such as fountains, courtyards, plazas and walkways), UCLA facilities off the main campus in Westwood Village, Lake Arrowhead and Santa Monica and athletic and recreational facilities. Although philanthropic gifts are most often inspired by a commitment to people and programs first and foremost, the ability to offer more visible physical naming opportunities affords the possibility of larger gift amounts and potentially new sponsorship opportunities.

5. *UCLA should begin planning future fundraising campaigns.*

Plans are underway to prepare for the UCLA's second century and a substantial campaign, tied to the emerging academic strategic plan. In the interim, a half billion dollar initiative targeted at generating increased student support was launched in January. A major focus of the Bruin Scholars Initiative—80% of the total—is to boost levels of scholarship and fellowship endowments. Likewise, endowment efforts launched in the past year at both the Law School and UCLA Anderson are designed to put both schools on more solid and competitive financial footing.

H. SALE OF UNDERUTILIZED PROPERTY

- 1. The task force evaluated the potential disposition of four properties: the Carter Estate, the Japanese Gardens, the Trisonic Wind Tunnel, and May's Landing.*
 - 2. All four properties are currently underutilized, and it is unlikely that a future use could be identified that would provide sufficient value to the campus compared to the potential market value of the property. Therefore, all four properties should be considered suitable candidates for disposition, when appropriate market conditions are present.*
 - 3. The proceeds from these potential sales are in part restricted by the terms of the agreements under which the Regents obtained the properties, and these conditions must be appropriately evaluated before a decision is made to sell the properties.*
-

As part of its deliberation process, the committee reviewed campus owned real estate to identify any property that could be sold. The committee identified four properties that could be considered surplus and thus available for sale to generate revenue. The four properties include: (i) the Carter Estate (ii) the Japanese Gardens (iii) the Trisonic Wind Tunnel facility, and (iv) May's Landing. While it may be appropriate to designate these properties as surplus, each has specific challenges, described more fully below, that must be overcome prior to commencing a public offering and consummating a sale contract. As is the case with all surplus property offered for sale by the University, generally speaking, a public competitive bidding process must be employed to make the sale.

The Carter Estate:

The Carter Estate, located at 626 Siena Way, Bel Air, about one mile from campus, is situated on 0.85 acres and includes a two story residence and an adjacent guest house in approximately 7300 gross square feet. The house was vacated by Mrs. Carter in early 2006. The house, which has remained vacant since Mrs. Carter's departure, is currently being managed by UCLA Asset Management.

In June, 2007, the value of this property was appraised at \$9,000,000. The University is free to sell this property (via a competitive public bid process) but the proceeds must fund seven endowments specified by Mr. Carter including endowed chairs in the College, Anderson and the School of Medicine, a maintenance endowment for the Japanese Gardens, the establishment of an art history research center in the College, a student awards fund for Anderson and a discretionary fund for the director of the Jules Stein Eye Institute. In 2006, the estimate of the amount needed to fund the corpus for these endowments was \$4.7 million. As such, the net proceeds from the sale of the home would be net of the \$4.7 million.

The Japanese Gardens:

The UCLA Hannah Carter Japanese Garden and the UCLA Carter House (described above) were, prior to December 1964 part of a single parcel of approximately 1.94 acres. In 1964 the Gardens portion of the site was separated from the Carter House portion. The 1964 grant deed transferring the property to the Regents was amended in 1982 with the requirement that the University names the garden for Mrs. Carter and retain it in perpetuity. Significant research has been completed on the process (via the

California Attorney General) required to remove the restriction on the Garden so that the University could then sell the property. We are advised that it would be possible to remove the restriction but the outcome is not certain. And, there would likely be some political ramifications from various groups about the sale of the Gardens as a potential building site.

In 2007, the MAI appraisal indicates a value of \$5.7 million if the property can be sold without the deed restriction to maintain it as the Gardens and \$3.4 million with the restriction intact.

The combined value of selling both the Carter House and the Gardens (with the restriction on the Gardens in place) was \$12.5 million. The value of the combined properties without restrictions was estimated in 2007 at \$14.7 million. Of course property values since 2007 have declined, thus an updated appraisal would be required to ascertain the current value of these properties.

The Trisonic Wind Tunnel:

The Wind Tunnel facility is located on an approximately 3.5 acre site in the City of El Segundo, California. The property was donated to the Regents on behalf of the Los Angeles campus and its School of Engineering and Applied Science, pursuant to a donation agreement that became effective in September 1998. The facility was developed in 1954 by North American Aircraft, a division of the Rockwell International Corporation.

While SEAS operated the facility via a third party operator for some time, the School has now determined that the property is no longer needed. Rockwell International is responsible for decommissioning, demolition and clean-up of the site, with oversight from the California Department of Toxic Substances Control (DTSC).

It is anticipated that the Regents will approve the clean-up plan and related CEQA documents in April. At that point the property will be turned over to Rockwell who is responsible for the site clean-up. This process, expected to commence in summer 2009 will be completed by September 2010.

After clean-up, the property can then be offered for sale. While a formal appraisal will need to be completed, especially in the current market, our best estimate of the value of this property is between \$750,000 and \$2 million per acre or roughly \$2.6 million to \$7 million.

May's Landing

The property consists of a 1,655 square foot (interior space) home, originally built in 1949, on a 1.27 acre (55,200 square feet) lot measuring 111 feet wide by 400 feet deep, located on a bluff-top at the edge of the Pacific Ocean in the Point Dume area of Malibu, California. The property was donated by the May family over a period of years as part of a Life Estate gift, and since 2004, the year in which Genevieve May passed away, has been solely owned by the University. In 2006, its assessed property value, per the Los Angeles County Assessor's office, was \$7,959,000, with all but \$156,000 of this value being allocated to the land itself.

The property was owned since the late 1950's by Dr.s Philip and Genevieve May. Dr. Philip May was a UCLA faculty member and a leader in the field of psychiatry. Upon Dr. Philip May's death in 1986, the property was placed into a trust. The Trust Indenture was amended and restated in 1993. At that time, Dr. Genevieve May, in accordance with the terms of the Trust, donated a portion of her interest in the property to the Campus, while retaining a 100% life estate.

The terms of the Trust directed that the May's Landing property shall be used for programs sponsored by the UCLA Neuropsychiatric Institute, at the discretion of the May's Landing Oversight Committee, which is a group appointed by the Director of the NPI, consisting of the Chancellor and the School of Medicine Dean, among others.

The terms of the Trust further stipulate that upon Dr. Genevieve May's death, and following the Regents possession of the Fee estate (which occurred in 2004), the property will be retained in perpetuity as a Psychiatric Study Center, and that no sale or disposal of the property will be undertaken unless there is an express written finding by the Chancellor and the Oversight Committee *"that circumstances have so substantially changed as to interfere with the University's beneficial use and enjoyment of May's Landing, from such events as acts of God, legal changes in enforcement of land use policy that would make the contemplated uses unlawful or impractical, and/or if financial losses or prospective losses are of such magnitude in the maintenance and repair of May's landing that the Chancellor and the Oversight Committee could reasonably conclude that they were excessive."*

In the event a sale is undertaken, subject to the foregoing provisions, the proceeds are to be distributed to the Philip and Genevieve May Psychiatric Endowment Fund at the UCLA Foundation, with the proceeds to be used per the terms of that endowment, *"exclusively for charitable, educational and scientific purposes relating to Psychiatry."*

It would therefore appear that a sale of the property and/or use of the funds are expressly restricted as noted above, unless these provisions can be changed as a matter of law and/or University gift policy.

It should also be noted that in early 2005, severe rains precipitated a fracture/slide of a portion of the slope at the base of the bluffs immediately below May's Landing, such that a portion of the residence – a two-room addition made in 1968--was not to be occupied due to its location immediately atop the bluff edge. Utilization of the balance of the home and property was not affected by the 2005 slide. Since that time, we have no information indicating that any further erosion or slides have taken place.

In conclusion, based on the relatively limited number of users which can practically gather at one time at the home, due to its size and local zoning restrictions (residential uses) and historical neighbor concerns regarding large gatherings, the cash value of the property likely far exceeds its functional utility value as a small conference center, due fundamentally to the profound property value increase which has obtained since the property was originally donated to the University. However, given the clear restrictions on the sale and the use of proceeds, it is unclear whether the property's cash value can be realized absent a legal process, which would likely be highly controversial among certain segments of the University community, particularly departments, groups, or individuals who currently enjoy and benefit from the current uses of the property.

APPENDIX A

UCLA

Approval Processes for Revenue-Generating Courses and Programs

APPENDIX B

UCLA

Revenue Toolbox Taskforce Subcommittee on Academic Courses,
Programs & Services

Administrative Guide

Table of Contents

Introduction

State-Supported and Self-Supporting Professional Programs

Approval Processes Chart for Revenue-Generating Courses and Programs.....

Summary Table of Program Management and Oversight: Departmental through UCOP & Regents

Process Guide on Course and Program Approval.....

[Existing unit-bearing course, offered in summer session](#)

 Unit-bearing course in summer session that differs from an approved, regular session course in its format, grading, title, etc.

 Unit-bearing course in summer session that differs from an approved, regular session course in its venue or is a partial term (e.g., summer travel)

 XL courses through Extension (transferable to UCLA)

 New, summer-only course for non-matriculated students

 Extension courses w/o academic credit (CEU) that may lead to professional certification

 Summer short courses for high school students

 Exam prep courses

 Hosting international exchange students for credit

 Online self-supporting graduate degree programs

 Self-supporting graduate degree programs.....

 M.A.S. (Master of Advanced Study), Professional MA, MS

 Joint degree program with foreign universities

 Certificate programs through Extension, bearing professional credit (X300 or X400) or CEU

 Continuing professional education: non-Extension (Law, Medicine, Dentistry, CME, etc.)

 ESL [.....](#)

 Extension X300 or X400 professional credit courses

 Graduate certificate program (academic, SR735)

 Summer Institute certificates

Glossary of Terms and Offices.....

Appendices.....

 Appendix A: Compilation of relevant College/School, Division, and Systemwide regulations for courses and programs, including certificates.....

[Appendix B](#): Examples of current campus programs in each of the categories in the Approval Process Chart

[Appendix C](#): Key campus contacts.....

APPENDIX C

Following Campaign UCLA, representatives from the academic planning and budget office and development began reviewing the University's endowment minimums. This effort was prompted by the close of the campaign, the increasing real costs associated with the activities (faculty research, student fees) supported by endowments, and the need to remain competitive among our peer institutions in regard to scholarship support and faculty recruitment and retention. The following recommendations are the result of peer institution benchmarking and needs analyses among the academic units, and have been reviewed by the Executive Vice Chancellor and Provost, Vice Chancellor for Budget, Finance & Capital Programs, and Vice Chancellor for External Affairs. The campus-wide minimum gift to establish a Foundation endowment has been and will remain \$50,000.

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Category	Endowment Type	Description	Minimum Endowment		Annual Payout
			Current	Recommended	
Faculty Support	Dean's Chair	The Dean's Chair recognizes the administrative appointment of a School and provides unrestricted support for this position. The appointment remains with the position as opposed to with the individual faculty member.	\$5,000,000	\$5,000,000	\$225,000
	Endowed Chair (with salary support)	The Endowed Chair (with salary support) will support a new faculty full time employee (FTE) on a permanent basis. This chair is a special incentive to recruit and/or retain gifted faculty members whose teaching and research exemplify UCLA's mission. Endowment income provides salary support and resources for research and teaching.	N/A	\$5,000,000	\$225,000
	Executive Chair in Medicine	The Executive Chair is awarded to School of Medicine department chairs. Its purpose is to affirm the leadership role of senior-level University administrators who demonstrate superior academic or administrative distinction. This appointment remains with the position.	\$1,500,000	\$3,000,000	\$135,000
Faculty Support	Endowed Chair (without salary support)	The Endowed Chair (without salary support) is a special incentive to attract a scholar of distinction to UCLA or to retain gifted faculty members whose teaching and research exemplify UCLA's mission. Endowment income provides support for research and teaching as well as freedom to explore opportunities for new research.	\$1,000,000	\$2,000,000	\$90,000
	Professional Development Term Chair	The Term Chair gives UCLA's professional schools and College the flexibility to recruit, retain and support the career development of exceptional younger faculty. A Term Chair can also be awarded to department chairs and visiting professors for a renewable five-year period.	\$500,000	\$1,000,000	\$45,000
	Recruitment/ Distinguished Service/ Teaching Term Chair	This chair allows UCLA to recruit a junior faculty member. It may also be used to acknowledge and support distinguished service or teaching. As a Term Chair, it can be awarded for a term of one or more years, not to exceed five consecutive years.	N/A	\$500,000	\$22,500
	Teaching Awards	An endowment for teaching awards provides for the meaningful recognition of outstanding professors, lecturers and teaching assistants year after year. Awards can be used at the honoree's discretion to further teaching or research activities. Individual academic areas determine the selection criteria and awards process.	\$100,000	\$250,000	\$11,250

Category	Endowment Type	Description	Minimum Endowment		Annual Payout
			Current	Recommended	
Student Support	Graduate Fellowships	Graduate fellowship endowments help to fund graduate students' tuition and fees, enable UCLA to attract promising scholars, and indirectly bear on the University's ability to recruit and retain top faculty.			
		Management /Law/Medicine	\$100,000	\$350,000	\$15,750
		College of Letters & Science/Engineering	\$350,000	\$350,000	\$15,750
		Other Professional Schools	\$100,000	\$250,000	\$11,250
		Professional Schools, partially funded	N/A	\$100,000	\$4,500
		Postdoctoral Fellowships	Postdoctoral fellowship endowments help to fund post-graduate scholars research and living expenses, enabling UCLA to attract promising academics and indirectly bear on the University's ability to recruit and retain top faculty and graduate students.	N/A	\$1,000,000
	Undergraduate Scholarships	Endowment income for undergraduate student support ensures a superior education for talented, deserving students who might otherwise be unable to attain their dream of a UCLA education. Scholarships may be awarded on the basis of financial need, academic merit or both. Two levels are available, allowing donors to provide varying amounts of support based on their goals and resources.	\$50,000	\$100,000	\$4,500
Other Endowments	Endowed Research Units	An institute or center is an organization of scholarly activities created around a specified purpose. These bodies generate research findings and stimulate thought and discussion on their topics of interest and create a nexus for informed perspective on the discipline(s). Research units vary greatly in their individual circumstances, prioritization within the academic mission of UCLA, and appeal to prospective donors. The designation of Center or Institute relates to breadth and scope of function and level of funding, and the circumstances of each naming must be considered carefully to arrive at the appropriate gift level.			
		Institute	10,000,000	10,000,000	450,000
		Center	5,000,000	5,000,000	225,000
		Program	N/A	2,000,000	90,000
		Salary Support Lecturership	Endowed funds for lecturers allow for the teaching of various subjects that allow ladder faculty to focus attention on more advanced topics. These endowments can provide needed resources for salary support as well as some programmatic funds.	N/A	1,000,000
	Lectureships	Endowed funds for lectures and colloquia facilitate the sharing and dissemination of research and information among members of the academic community. Such funding can provide needed resources for travel, honoraria and guest lectureships locally, nationally and globally.	\$100,000	\$250,000	\$11,250
Other Endowments (continued)	Library Endowment	The Library Collection Endowment Fund allows the UCLA Library System to continue as a premier information resource for University and community users. The fund provides a lasting source of income that advances the existing collections, offsets escalating costs of essential books, periodicals and other materials, and ensures the timely and ongoing acquisition of electronic materials and information technologies.	\$25,000	\$50,000	\$2,250