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October 16, 2009

University of California Students and Parents

Dear Friends:

I am writing to provide an update on student fees and to share with you important financial aid information. As you may know, the Board of Regents at its September meeting discussed a proposal to enact a mid-year fee increase in 2009-10 and a second fee increase for the 2010-11 academic year, as part of a series of measures to close UC's budget gap.

Though The Regents will not make a final decision until their November meeting, I wanted you to be aware of the situation we face. I also wanted to explain why we are bringing these painful recommendations to the Board.

California is experiencing an economic crisis that will most likely take years to resolve. The result has been a devastating reduction in State appropriations to the University. In 2009-10, State funding for UC was cut by \$637 million, a 20 percent reduction. In addition, we face significant mandatory cost increases that are not being funded by the State. These exacerbate an already serious shortfall and include: unfunded enrollments, inflation, utility costs, and health benefits cost increases, as well as collective bargaining agreements.

And the worst is not over. The State is already projecting a \$7 billion to \$8 billion budget deficit for 2010-11.

It is in this context that we have asked the Board of Regents to consider increasing student fees in two phases over the next 18 months.

Specifically, the current proposal includes the following:

- Starting in January 2010, a mid-year fee increase for the remainder of the 2009-10 academic year of \$585 for resident undergraduates; \$633 for nonresident undergraduates; between \$579 and \$654 for resident graduate students; and between \$579 and \$681 for nonresident graduate students. The mid-year fee increase represents only half of the annualized fee. The full annualized fee would be charged in subsequent years.

- For the 2010-11 academic year, additional fee increases of \$1,344 per year for resident undergraduates; \$1,458 for nonresident undergraduates; between \$1,332 and \$1,506 for resident graduate students; and between \$1,332 and \$1,566 for nonresident graduate students.

These are proposed increases and are subject to change before a final proposal is presented to The Regents in November.

I understand students and parents might be upset about this, and they have a right to be. I am, too. But the fact is, based on current dollars, the State's contribution for each student has declined by more than 50 percent across the last two decades. The State has become an unreliable partner through chronic underinvestment.

We considered raising student fees only as a last resort, and I want to assure you that everyone in the University community – administrators, faculty, and staff – is bearing the burden of closing our budget gap: not just with furloughs and added workloads, but also, for too many employees, with the loss of jobs. Approximately 1,900 of them, if not more, will be laid off between this year and next.

A fee increase would be painful, but so would the alternative – further erosion of the quality that parents and students expect from a UC education. Already, campuses have been forced to cancel courses, some of which students might need to graduate on time, curtail student services, and increase class size. Moreover, I worry about the potential threat of a “brain drain” that could cost us some of our best professors and researchers.

In addition to the possible fee increases, we will continue to slash costs, as I have done at the Office of the President, where we have achieved more than \$60 million in savings, much of which has been used to help the campuses.

### Financial Aid

The one area we are not cutting is financial aid. In fact, one-third of the revenue generated from any undergraduate fee increase would be set aside to mitigate the impact of higher fees on undergraduate students with financial need. Similarly, half of the new revenue from higher graduate academic fees, and one-third of the new revenue from higher professional degree fees, would be set aside to provide additional financial aid to students in those programs, too.

Increases in UC grants, Cal Grants, federal Pell Grants, and federal tuition tax credits are expected to cover the total 2009-10 fee increase – including the proposed mid-year increase – for nearly three-quarters of all undergraduates with household incomes below \$180,000.

The University remains committed to the Blue and Gold Opportunity Plan, which ensures that gift aid will, at a minimum, cover all systemwide fees for eligible resident undergraduates with financial need whose family incomes are \$60,000 or below. We are currently considering expanding this program to include those with incomes up to \$70,000.

In addition, undergraduates with UC grants or Cal Grants can in general expect their awards to increase to cover the proposed fee increases in 2009-10 and 2010-11. These awards, which typically go to students with annual family incomes up to \$70,000, are expected to cover the increases in full for about 45 percent of UC undergraduates.

We also plan to continue our special program to assist middle-income students with financial need who are not eligible for UC or Cal Grants. Those with parent income below \$100,000 would receive a grant that covers half of any fee increase amount. In 2010-11, the plan is to extend this assistance to students with parent income up to \$120,000.

To preserve and enhance access to UC, we are developing plans to raise significant funds over the next few years to generate more scholarship aid for our students. This fundraising effort would be part of a larger UC push to identify and tap into all potential revenue streams.

I also encourage you to take full advantage of recently expanded federal higher education tax credits, which provide up to \$2,500 in assistance per student based on a family's higher education costs in 2009. These credits are available to students from families with annual incomes as high as \$180,000. Be sure to claim any credits for which you are eligible when you file your income tax return in early 2010.

#### Billing and Financial Aid Processes

Finally, I want to share information about how the proposed mid-year fee increase will affect billing and financial aid processes.

Campuses will not assess winter and spring term fees until after the November Regents' meeting. Campuses will maintain their normal payment due dates, which, depending on the campus, occur in December or January.

All campuses will be revising financial aid packages in response to the proposed fee increases. In some cases, notification of revised awards, which will be conditional on the proposed Regental action on fees, will be available before the November meeting to help financial aid recipients plan for winter and spring expenses.

University of California Students and Parents

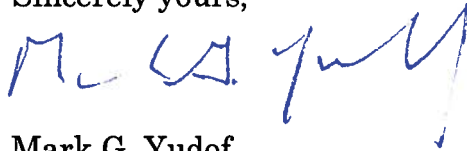
October 16, 2009

Page 4

This has been a difficult period for the University, but I firmly believe we will make it through these challenges and emerge just as strong and excellent an institution as we have been throughout our 141 years of serving California.

With best wishes, I am,

Sincerely yours,

A handwritten signature in blue ink, appearing to read "Mark G. Yudof". The signature is fluid and cursive, with the first name "Mark" being the most prominent.

Mark G. Yudof  
President

cc: Chancellors