

UC Student Investment Proposal

Created and prepared by Fix UC

Preface

An education from the University of California offers students an array of skills and opportunities that lead toward both a career and the overall enrichment of one's life. While the latter is an intangible and priceless benefit of graduating from UC, the path it sets individuals on toward a career can be measured by the income one earns from employment. The Student Investment Proposal aims to remedy this discrepancy by allowing students to attend UC with no up-front costs while maximizing revenue for the UC.

The University of California system represents the pinnacle of public higher education. But as it stands, the UC cannot sustain itself through another massive budget cut from the State of California. In order to meet the budget shortfall, students have been asked repeatedly to pay more to attend a UC suffering the loss of resources and faculty members, essentially raising the cost on an education of lessening quality. The UC's dependency on the state leaves it at the will of financial ebbs and flows. Another budget cut like that of 2011 could fatally cripple the University of California.

In order to ensure a promising future, the University of California needs to reevaluate its current revenue system and pursue options that can support it indefinitely while still working to the advantage of students. This proposal outlines a stable and predictable plan toward growth and sustainability for the distant future.

Beyond its practical application as a real long-term solution to the University of California's current revenue system, one of the goals of the UC Student Investment Proposal is to encourage a shift in thought about the education students receive by attending the university, and their relationship with that university after graduation. Students will begin to think about the value of their education and its significance in the trajectory of their life from graduation to retirement. Therefore, the University of California will invest in the success of its students by providing the up-front costs for attending the university with the expectation that the investment will return once a student graduates and enters a career.

This proposal presents, in detail, a potential solution for the University of California. It is intended for consideration by UC regents as the groundwork for a new long-term funding plan.

Outline

Under the proposed UC Student Investment Plan - Models A and B, graduates of the University of California pay a small percentage of their income, based on 5%, interest-free, to the UC upon entering a career after graduation for twenty years of employment. Therefore, undergraduate students pay no fees up-front to the university, and attend school without the financial burden and risk of increased fees.

The current system of prepaid student fees will be dismantled in favor of the new investment plan. The Financial Aid system, including the Blue and Gold Plan, will also cease to exist, its funds being dedicated elsewhere.

Graduates of the University of California, as they begin participation in the new financial contribution program, will have access to extended alumni programs and benefits that help them stay involved with their campus into the future.

The amount of revenue entering the UC compounds annually with an additional graduating class paying into the system. Over time, the UC's annual revenue will exceed that which it currently receives from student tuition.

UC Student Investment Plan - Model B includes all provisions of Model A, but also incorporates caps on minimum and maximum income thresholds for contribution. Graduates will not begin contributing to the UC until their income exceeds \$30,000 annually. A high-income ceiling is also in place, so no income beyond \$200,000 annually would be subject to percentage contribution.

Implementation

In order to implement the new UC Student Investment Plan, the UC will change its current Blue and Gold program to incorporate the UC Student Investment Plan. A group of students on the Blue and Gold program whose entire cost of attending is covered by Blue and Gold (UC Return to Aid Funds) will serve as the initial population to enter the plan. These students will attend UC with no up-front costs, just as they would have before the UC Student Investment Plan, but would pay a percentage of their income to the UC upon graduating and entering a career. The revenue the UC would have otherwise not received is then used as capital to put more and more students on the plan, until the entire UC student body is attending with no up-front cost.

For an in-depth explanation of the proposal's transition mechanism, please refer to the "UC Student Investment Proposal - Data Report" available at FixUC.org.

Details

Contribution will be enforced by a new department of the United States Internal Revenue Service in charge of collecting contributions from graduates of American universities, beginning with the University of California. This department, in conjunction with the UC, would maintain a database of graduates and arrange the regular contributions of graduates in-state, out-of-state and abroad. Other institutions could then use the infrastructure to implement their own similar funding systems.

Students who transfer into the UC system will pay 1% less of their income.

Students who drop out/transfer out of the system will pay a set amount upon leaving equivalent to the would-be annual tuition rate for their time spent in the system.

Contributions from students who die while attending the UC will be absorbed by UC Student Investment Plan.

Extended alumni benefits for UC graduates paying into the UC will include full career center and employment support. Because the UC will depend on the earnings of its graduates, it is in its best interest to ensure that graduates are in stable, high-paying jobs. The UC will use its tremendous network of graduate and private industry contacts to provide its graduates with job opportunities both upon graduating and afterwards.

Incentives, in the form of decreased percentages of contributions to the UC, will be in place for those who live and work within the state of California after graduation (0.5%), as well as for those who seek careers in the public sector (1%). Individual campuses may also offer incentives to academic and athletic high achievers as a means of recruiting, but with a cap on the amount of students who can receive these incentives per campus.

Out-of-state and international students pay an increase of 1%, with the same incentive option to stay and work in California.

Contribution waivers for emergency situations will be available.

Contribution rate at the time a student enters UC must remain unchanged for that individual's total contribution period. Changes in contribution percentage can only be applied to incoming students.

State of California investment in UC must not fall below 2% of the total state budget at any time. A decrease in state investment cannot go into effect until 10 years after UC Student Investment Plan is initiated, and can only be done in 0.2% annual increments.

Federal and state aid will continue to go directly to students for educational expenses.

The revenue collected from students of each campus will first cover that campus' budget. Additional funds enter a UC savings account, with some of those funds being saved for emergencies, and some being used for investing in bolstered K-12 programs.

Campuses will be encouraged to refrain from giving preferential treatment to departments and majors that lead students to more traditionally lucrative careers.

Campus fees will be covered by graduate contribution percentage. Each new referendum voted on by a student body will be reflected in a small increase in percentage for future incoming classes.

Student on-campus housing will be covered by UC Student Investment Plan, with a 0.65% increase in contribution percentage per year of housing, paid for the first ten years of the twenty year contribution period.

Studying abroad through campus programs will be covered, as long as it is done during the academic year and units taken fulfill full-time student status requirements.

Benefits

To students: No financial burden on parents or students upon entering system and during college. Students will also not incur any debt upon graduation. Students financially contribute to the UC at a time when they are making money, as opposed to when they are not. The annual amount collected by the UC will always be within means, because amount is set on percentage of income earned. The UC's extended alumni benefits will provide graduates with robust employment support.

To UC: Compounded revenue over time, increasing annually with each new class paying into system. Plan puts UC on path towards growth, stability and decreased dependency on fluctuating investment by state of California.

About



Creation and development of the UC Student Investment Proposal began in April 2011 by members of the Highlander Editorial Board at UC Riverside. Every aspect of the proposal from its conceptual basis to its release has been entirely student-directed. This document, and the concepts, ideas and information within it, belong to Fix UC, formerly known as "UC Student Investment Proposal Board."

For more information about the UC Student Investment Proposal, visit FixUC.org.