

Date of Hearing: April 19, 2016

ASSEMBLY COMMITTEE ON HIGHER EDUCATION
Jose Medina, Chair
AB 1711 (McCarty and Medina) – As Amended April 18, 2016

SUBJECT: University of California: nonresident student enrollment

SUMMARY: Revises provisions governing the nonresident tuition at the University of California (UC). Specifically, **this bill:**

- 1) Requires, as a condition of receipt of Budget Act funds, UC to comply with the following:
 - a) Prohibits the percentage of undergraduate nonresident students enrolled at UC systemwide from exceeding 15.5% of total undergraduate student enrollment;
 - b) Prohibits any UC campus at which undergraduate nonresident enrollment exceeds 15.5% from enrolling a number of new nonresidents in excess of the number of nonresident undergraduate students enrolled in 2015-16; and,
 - c) Beginning in the 2017-18 academic year, requires not less than 50% of the revenues in excess of the marginal cost of instruction from new undergraduate nonresident enrollment to be directed to fund increased enrollment of undergraduate resident students at all campuses serving undergraduates.
- 2) Requires, as a condition of receipt of Budget Act funds, UC to annually publish a report that includes, but is not necessarily limited to, all of the following information:
 - a) The undergraduate nonresident tuition and fee level established at each campus;
 - b) The amount of revenues generated by undergraduate nonresident enrollment at each campus;
 - c) The method by which these revenues were distributed among the various UC campuses; and,
 - d) For each campus, the purposes for which these revenues were expended, including, but not limited to, the number of California resident undergraduate students admitted pursuant to the aforementioned requirements.
- 3) Requires, by July 1, 2017, UC to establish a policy regarding admission of nonresident undergraduate students to require each campus to only admit undergraduate nonresidents that stand in the upper half of those admitted undergraduate resident students at that campus. Requires related annual reporting, as specified.

- 4) Provides that the nonresident enrollment limitations outlined in (1)(a) and (1)(b) shall be set aside in any year where the Budget Act provides less funding than was provided to UC in the prior year.

EXISTING LAW:

- 1) Requires that a student classified as a nonresident pay nonresident tuition. Current law authorizes both the UC and the California State University (CSU) to establish nonresident student tuition policies and methodologies to be developed by each institution's governing body. The annual fee rate is prohibited from falling below the marginal cost of instruction and the rates at comparison institutions, as identified by the California Postsecondary Education Commission, must be considered. (Education Code Sections 68050-68052)
- 2) Establishes UC as a public trust and confers the full powers of the UC upon the UC Regents. The Constitution establishes that the UC is subject to legislative control only to the degree necessary to ensure the security of its funds and compliance with the terms of its endowments. Judicial decisions have held that there are three additional areas in which there may be limited legislative intrusion into university operations: authority over the appropriation of state moneys; exercise of the general police power to provide for the public health, safety and welfare; and, legislation on matters of general statewide concern not involving internal university affairs. (Constitution of California, Article IX, Section 9)

FISCAL EFFECT: Unknown.

COMMENTS: *Purpose of this bill.* According to the author, there has been a growing trend at UC to enroll more out of state and international students (nonresidents) at the expense of California students (residents). The author argues that the main reason for this shift in enrollment is due to tuition and fee revenues. As of the 2015-16 academic year, tuition and fees for nonresidents is \$38,108 and for resident students is \$13,400 a year. All additional revenue derived from out of state students stays with the local campus. The author points to recent enrollment numbers, in the fall of 2015, UC admitted 1,600 fewer resident freshmen compared to fall 2014, and increased nonresident enrollment by 4,700. According to the author, without the ratio and budgetary language as proposed in this bill, the UC will continue to grow its non-resident student population at the expense of resident Californians.

Background. Historically, the state provided UC (and CSU) with funding each year to support enrollment growth. Enrollment targets were generally set by using forecasts for high school graduation rates and the overall population of 18- to 24-year-olds, and through negotiation with the segments as to an appropriate per-student amount of funding, referred to as the marginal cost. The most recent marginal cost rate for UC is approximately \$10,000 for each additional student. Due to recession-era budget cuts and current administration preference, enrollment targets have been eliminated from the budget. No enrollment targets have been included in the past two Budget Acts.

The 2015-16 Budget Act provides UC incentive funding of \$25 million General Fund if UC increases enrollment by 5,000 California undergraduate students by 2016-17. UC was also directed to use financial aid previously awarded to nonresident students (\$36.8 million in

2014-15) to support increased enrollment of California students. While the Fall 2015 enrollment data shows a slight drop in California resident undergraduate enrollment, UC has indicated it intends to meet the Budget Act requirement and increase California undergraduate enrollment by 10,000 students over the next three academic years.

The state has traditionally considered only resident students when determining enrollment for UC because the state does not provide funding for nonresident students. Current law allows UC to set nonresident enrollment levels and fees, requiring that nonresident fees, at minimum, cover marginal costs. UC policy also allows campuses to keep the extra revenue generated by nonresident tuition. Thus, campuses have a major incentive to admit and enroll more nonresident students. UC increased nonresident tuition for 2015-16; undergraduate nonresidents now pay \$24,708 more than California students in tuition.

In Fall 2015, systemwide, California freshman admissions were reduced by 2.1% (1,319 students) from 2014 while nonresident admissions increased by 13.2% (3,513) from 2014. Nonresident students received 34% of offers at UC Berkeley, 41% at UCLA, 39% at UC San Diego and 35% at UC Davis. Fall 2015 enrollment figures show that UC admitted 1,319 fewer California freshmen, but increased (new and continuing) nonresident enrollments by about 4,700 systemwide (new nonresidents grew 1,182).

While UC has sought to limit nonresident enrollment at the Berkeley and UCLA, other UC campuses have significantly increased nonresident student numbers. The Davis, Irvine, San Diego and Santa Cruz campuses all report significant increases in nonresident admissions during the past three years. Nonresidents are currently 15.5% of undergraduate enrollments.

The chart below shows the change in *new* UC enrollments between Fall 2008 and 2015.

University Enrollment	2008	2009	2010	2011	2012	2013	2014	2015
CA Freshmen	34,410	32,425	31,891	32,159	33,111	33,224	34,240	32,923
CCC Transfers	12,428	13,523	14,963	14,979	14,353	14,476	14,587	14,223
Non-residents	3,623	3,580	4,450	6,259	7,766	9,185	9,885	11,433
% Non-resident	7%	7%	9%	12%	14%	16%	17%	20%

Concerns over nonresident growth. On August, 26, 2015, the Assembly Higher Education Committee and the Assembly Budget Subcommittee No. 2 on Education Finance held a joint oversight hearing to review nonresident student enrollment at UC. Testimony was presented by Ozan Jacquette, assistant professor at the University of Arizona, College Of Education, and coauthor of the working paper "Tuition rich, mission poor: Nonresident enrollment and the changing proportions of low-income and underrepresented minority students at public research universities," (Tuition Rich). According to Jacquette, increases in nonresident enrollment generate more tuition revenue and increase academic profiles. However, nonresident students

are more likely to come from high-income families and less likely to be Black or Latino. Jacquette notes that increases in nonresident enrollment may exacerbate access inequalities.

UC nonresident enrollment limitation. In 2009, former-UC President Yudof announced the creation of the UC Commission on the Future, charged with developing a vision for the future of the UC that would reaffirm its role in sustaining California's economy and cultural life while recognizing that limited state resources required the UC to be creative and strategic in meeting that mission. The final report of the Commission was released in November 2010, and included recommendations regarding resident and nonresident enrollment, including that the UC President ensure that the proportion of nonresidents systemwide did not exceed 10%. UC Regents did not adopt the recommendations.

This bill would prohibit the systemwide undergraduate nonresident enrollment from exceeding 15.5% of total undergraduate student enrollment and prohibit any campus at which nonresident enrollment exceeds 15.5% from enrolling more new nonresident students than it did in 2015-16. Currently UC Berkeley, UC Irvine, UC Los Angeles and UC San Diego are above the 15.5% rate. Under the provisions of this bill, those campuses would only be authorized to enroll the same number of new nonresidents as were enrolled in 2015-16. This provision is intended to allow nonresident enrollment at these campuses but also ensure that, as systemwide resident enrollment increases, nonresident growth (and associated revenue) can occur at campuses with lower nonresident rates.

Funding directed toward California resident access. Formerly, UC required supplemental nonresident tuition to be collected centrally and redistributed back to all campuses based on systemwide priorities. Since 2007-08, UC has allowed individual campuses to retain the revenue associated with nonresident supplemental tuition. UC argues that excess funding generated by nonresident enrollment is used to improve services and access for California students. Under the current UC nonresident tuition structure, only those campuses that enroll nonresidents benefit from the revenue generated by those nonresident enrollments. The author aims to ensure all campuses enrolling additional resident undergraduate students benefit from the revenue generated from nonresidents. This bill would require, beginning in 2017-18, of the revenue generated from new undergraduate nonresident enrollment (about \$36,000), in excess of the cost of instruction (about \$22,000), 50% to be used to support enrollment of resident students at all UC undergraduate campuses (approximately \$7,000 per nonresident).

UC Concerns. UC has issued a letter of deep concern and notes, "last year, President Napolitano directed that nonresident enrollment remain flat at UC Berkeley and UC Los Angeles. The University will again limit nonresidents at UC Berkeley and UCLA for 2016-17 and will also impose a limit at UC San Diego for the first time. However, the 15.5 percent limit proposed in this legislation would require reductions in nonresident enrollment at those campuses as well as UC Irvine. The University would have to reduce nonresident enrollment at those four campuses by a collective 4,591 students at a total tuition revenue loss of \$179 million—a significant sum that would impair our ability to provide a quality educational experience for California students."

California State Auditor Report. On March 28, 2016, the California State Auditor (CSA) released Report 2015-107, entitled "The University of California: Its Admissions and Financial

Decisions Have Disadvantaged California Resident Students." According to the CSA report, among other findings:

- 1) UCs decision to increase the enrollment of nonresidents has made it more difficult for California residents to gain admission to the university.
- 2) Since 2011, UC has required nonresidents to “compare favorably” to residents; formerly, it had required nonresidents to meet the standards of the upper half of admitted Californians. Since the change, UC admitted nearly 16,000 nonresidents whose scores fell below the median scores for admitted residents at the same campus on every academic test score and grade point average evaluated.
- 3) UC could have taken additional steps to generate savings and revenue internally to mitigate the impact of its admissions and financial decisions on residents. For example, spending on employee salaries increased in eight of the last nine fiscal years. UC publicly claimed that it redirected \$664 million to its academic and research missions through an initiative it developed called Working Smarter, it could not substantiate the asserted savings or revenue amounts or demonstrate how much of this amount directly benefited students.
- 4) "Rebenching" has not completely resolved its unequal distribution of per-student state funding across its campuses, resulting in certain campuses continuing to receive less state funds per student than others.
- 5) Even though UC asserts that the additional revenue from its increased enrollment of nonresidents allows it to improve education quality and enroll more residents, the university does not give campuses spending guidance or track how they use these funds. Lacking such guidance or oversight, we found campuses spend these funds in an inconsistent manner.

The CSA recommended, among other items, that UC revise its admission standard for nonresidents to require campuses to admit only nonresidents with admissions credentials that place them in the upper half of the residents it admits, and that the Legislature amend state law to limit the percentage of nonresidents that the university can enroll each year.

REGISTERED SUPPORT / OPPOSITION:

Support

California Federation of Teachers

Opposition

None on File

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