AGENDA

ASSEMBLY BUDGET SUBCOMMITTEE NO. 2
ON EDUCATION FINANCE
Assembly Member Kevin McCarty, Chair

ASSEMBLY HIGHER EDUCATION COMMITTEE
Assembly Member Jose Medina, Chair

Wednesday, August 26, 2015
1 pm - State Capitol Room 444

University of California
Undergraduate Admissions and Enrollment: Nonresident Students

I. Opening Remarks

Assembly Member Kevin McCarty, Chair, Budget Subcommittee No. 2

Assembly Member Jose Medina, Chair, Higher Education Committee

Committee Members

II. Implications of Nonresident Students at Public Research Universities

Ozan Jaquette, Assistant Professor, University of Arizona, College of Education

III. UC Admissions and Enrollment Trends

Stephen Handel, Associate Vice President of Undergraduate Admissions, University of California Office of the President

Robert Samuels, Lecturer, University of California, Santa Barbara

IV. PUBLIC COMMENT

UNIVERSITY OF CALIFORNIA: UNDERGRADUATE ADMISSIONS AND ENROLLMENT

On July 2, 2015, the University of California (UC) announced campus admissions data for Fall 2015. Systemwide, California freshman admissions were reduced by 1.7% (1,039 students) from 2014 and nonresident admissions increased by 12.8% (3,453) from 2014. While actual enrollment data (the number of students accepting offers of admission) are unknown at this point, UC anticipates that given the growth in demand, a higher percentage of California applicants will accept admission offers. UC believes fall 2015 California undergraduate enrollment will be roughly the same number as fall 2014.

The UC actions regarding California resident admissions appear inconsistent with the provisions of the 2015-16 Budget Act, which provides UC an additional $25 million General Fund if UC increases enrollment by 5,000 California undergraduate students in 2015-16 or 2016-17. UC has not indicated if it intends to comply with the residency enrollment expectation and access the associated $25 million by 2016-17.

In addition to requiring increased California student enrollment, the 2015-16 Budget Act established several requirements and intent:

- Legislative intent that UC use revenues from increases in nonresident enrollment and tuition to support increased enrollment of California students.

- Legislative intent that UC use financial aid previously awarded to nonresident students (approximately $35 million) to support increased enrollment of California students.

- Requires UC to report to the Legislature and Administration by April 1, 2016, on its use of state General Funds to improve systemwide and campus graduation rates for low income and underrepresented student populations.

- Requires UC to improve transparency regarding its budget by posting information on the Office of the President website that details subcategories of personnel within the Managers and Senior Professional personnel category, and breaks out personnel categories by funding source.

- Requires UC to provide a report to the Legislature and Governor by Dec. 1, 2015 that identifies all university fund sources legally allowable to support educational costs for undergraduate, graduate academic, and graduate professional education.

- Requires UC to implement further measures to reduce the university's cost structure, including using state executives' salaries as a comparison to university executives when setting compensation levels for UC senior management.

This hearing will focus on the implications of increasing nonresident enrollment at public research institutions and examine UC undergraduate admissions and enrollment trends. The hearing will provide an opportunity for the UC to update the Committees on its intent regarding the requirements of the 2015-16 Budget Act. Finally, the hearing will include a review of UC campus funding practices to examine whether policies support access and achievement of traditionally underrepresented students.

BACKGROUND

According to 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) public research universities strive to maximize enrollments from low-income and underrepresented students, high achieving students, and students who contribute to tuition revenue goals. However, most university enrollment management policies do not advance all three goals at once, but instead lead to some gains and some declines. In an era of declining state support for public higher education, many public research institutions have focused enrollment management on revenue generating activities, and specifically increasing nonresident enrollment.

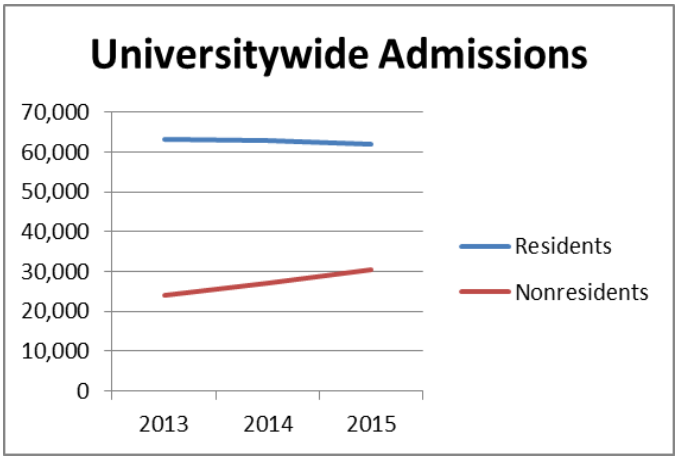
According to Tuition Rich, increases in nonresident enrollment generate more tuition revenue and increase academic profiles. However, nonresident students are also more likely to come from high-income families and less likely to be Black or Latino. Tuition Rich notes that increases in nonresident enrollment may exacerbate access inequalities. Tuition Rich reviewed data at public research universities nationwide from 2002-03 to 2011-12, and determined that growth in nonresident students was associated with a decline in the proportion of low-income and underrepresented students. Tuition Rich notes that this negative relationship was stronger at prestigious universities, at universities in states with large low-income and underrepresented populations, and at universities in states with affirmative action bans.

Ozan Jacquette, an assistant professor at the University of Arizona, College Of Education and one of the authors of Tuition Rich, will testify at this hearing regarding his research into the impacts of increasing nonresident admissions at public research universities.

UC Admissions and Enrollment

The Master Plan for Higher Education designates UC as the state's primary academic research institution, providing undergraduate, graduate academic and professional education at the masters and doctoral level. Master Plan enrollment goals call for UC to admit California students in the top 12.5% of their high school class. The Master Plan also calls for UC to accept qualified community college (CCC) transfer students who have completed 60 transferable units and have a minimum GPA of 2.4.

To meet Master Plan freshman enrollment goals, UC uses two processes: (1) Eligibility criteria that guarantees admission to students in the top 9% of students statewide or the top 9% of individual high schools, and, (2) Local comprehensive review through which additional students that have completed the UC course, GPA, and testing requirements may be offered admission.



More Californians than ever sought admission to the UC in Fall 2015. UC reported that it received 103,117 applications to UC campuses for Fall 2015, an increase of 3% over Fall 2014. Despite increased applications, the number of resident freshman admitted into UC has been declining. California freshman admissions decreased by 4% between 2007 and 2014.

Universitywide Admissions	2013	2014	2015	% Change, 2013-2015
Residents	63,090	62,873	61,834	**-2%**
Nonresidents	23,966	27,037	30,490	**27%**
% Nonresident	**28%**	**30%**	**33%**	

More than 29,000 CCC students applied to transfer to UC in Fall 2014, a 33% increase since 2007. Of those, 19,219 were offered a spot at UC in Fall 2014.

In Fall 2015, systemwide, California freshman admissions were reduced by 1.7% (1,039 students) from 2014 while nonresident admissions were increased by 12.8% (3,453) from 2014. As identified by the data below, 45% of offers at UC Berkeley, 42% at UCLA, 39% at UC San Diego and 35% at UC Davis went to nonresident students.

While UC has sought to cap nonresident enrollment at the Berkeley and UCLA campuses, other UC campuses are seeking to increase nonresident student numbers. The Davis, Irvine, San Diego and Santa Cruz campuses all report significant increases in nonresident admissions during the past three years.

Berkeley Admissions	**2013**	**2014**	**2015**	**% Change, 2013-2015**
Residents	9,272	8,771	8,732	**-6%**
Nonresidents	4,909	4,567	4,600	**-6%**
% Nonresident	**35%**	**34%**	**35%**	

Davis Admissions	**2013**	**2014**	**2015**	**% Change, 2013-2015**
Residents	18,026	17,835	15,836	**-12%**
Nonresidents	5,112	6,735	8,834	**73%**
% Nonresident	**22%**	**27%**	**36%**	

Irvine Admissions	**2013**	**2014**	**2015**	**% Change, 2013-2015**
Residents	19,528	18,395	18,383	**-6%**
Nonresidents	5,507	6,564	9,413	**71%**
% Nonresident	**22%**	**26%**	**34%**	

UCLA Admissions	**2013**	**2014**	**2015**	**% Change, 2013-2015**
Residents	9,730	9,374	9,351	**-4%**
Nonresidents	6,772	6,734	6,676	**-1%**
% Nonresident	**41%**	**42%**	**42%**	

Merced Admissions	**2013**	**2014**	**2015**	**% Change, 2013-2015**
Residents	10,323	10,426	11,547	**12%**
Nonresidents	411	501	631	**54%**
% Nonresident	**4%**	**5%**	**5%**	

Riverside Admissions	**2013**	**2014**	**2015**	**% Change, 2013-2015**
Residents	18,508	18,060	19,237	**4%**
Nonresidents	2,454	2,961	2,345	**-4%**
% Nonresident	**12%**	**14%**	**11%**	

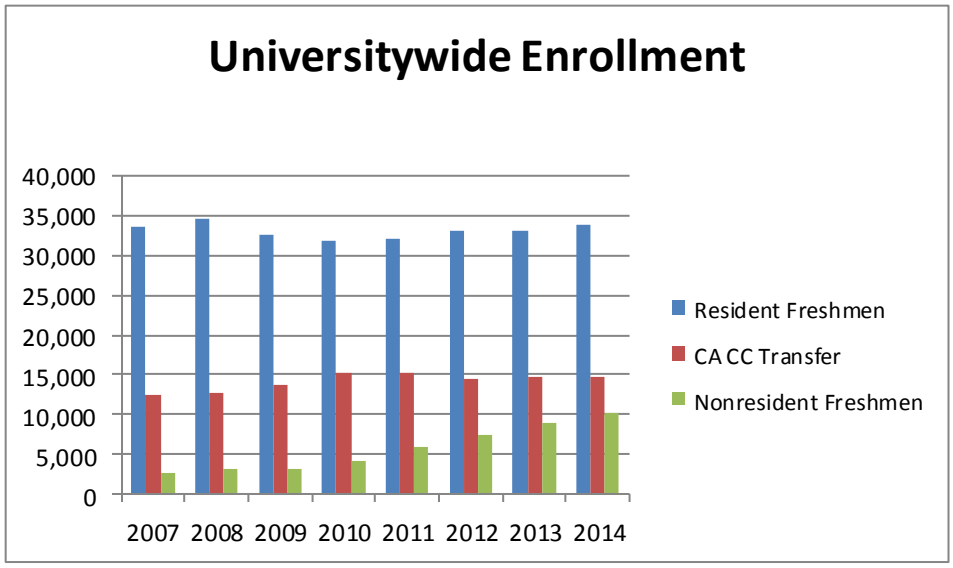
San Diego Admissions	**2013**	**2014**	**2015**	**% Change, 2013-2015**
Residents	16,601	15,820	16,182	**-3%**
Nonresidents	8,218	8,765	10,313	**25%**
% Nonresident	**33%**	**36%**	**39%**	

Santa Barbara Admissions	2013	2014	2015	% Change, 2013-2015
Residents	19,911	19,000	17,485	**-12%**
Nonresidents	4,953	5,336	5,589	**13%**
% Nonresident	**20%**	**22%**	**24%**	

Santa Cruz Admissions	2013	2014	2015	% Change, 2013-2015
Residents	16,841	18,539	17,588	**4%**
Nonresidents	3,173	4,617	5,696	**80%**
% Nonresident	**16%**	**20%**	**24%**	

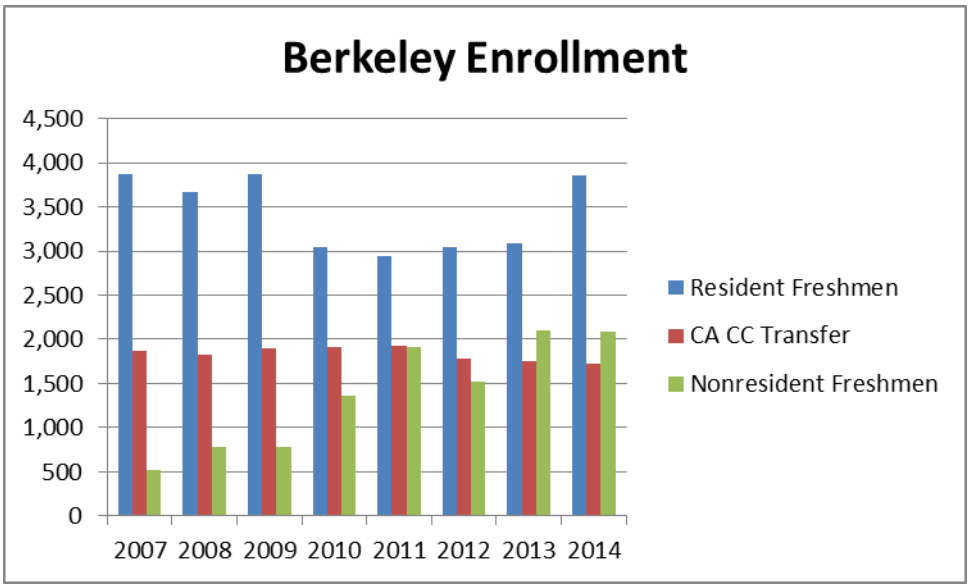
Historically, the state provided UC and CSU with funding each year specifically designated to support enrollment growth. Enrollment targets were generally set by using forecasts for high school graduation rates and the overall population of 18- to 24-year-olds, and through negotiation with the segments as to an appropriate per-student amount of funding, referred to as the marginal cost. 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, however, provided $97 million General Fund to the CSU above the Governor's proposed January funding level, and stated legislative intent that CSU increase enrollment by 10,400 students. As previously noted, the Budget Act provides UC an additional $25 million General Fund if UC increases enrollment by 5,000 California undergraduate students in 2015-16 or 2016-17.

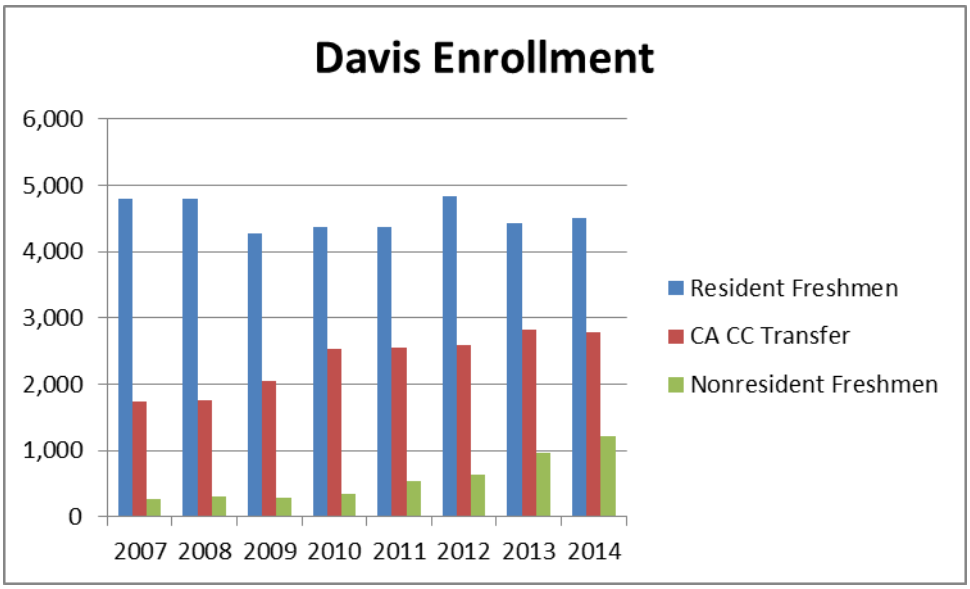
The state has traditionally considered only resident students when determining enrollment for UC because the state does not provide funding for nonresident students. Current law allows UC to set nonresident enrollment levels and fees, requiring that nonresident fees, at minimum, cover marginal costs. 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 Fall 2015, and undergraduate nonresidents will pay about $24,000 more than California students in tuition this year.

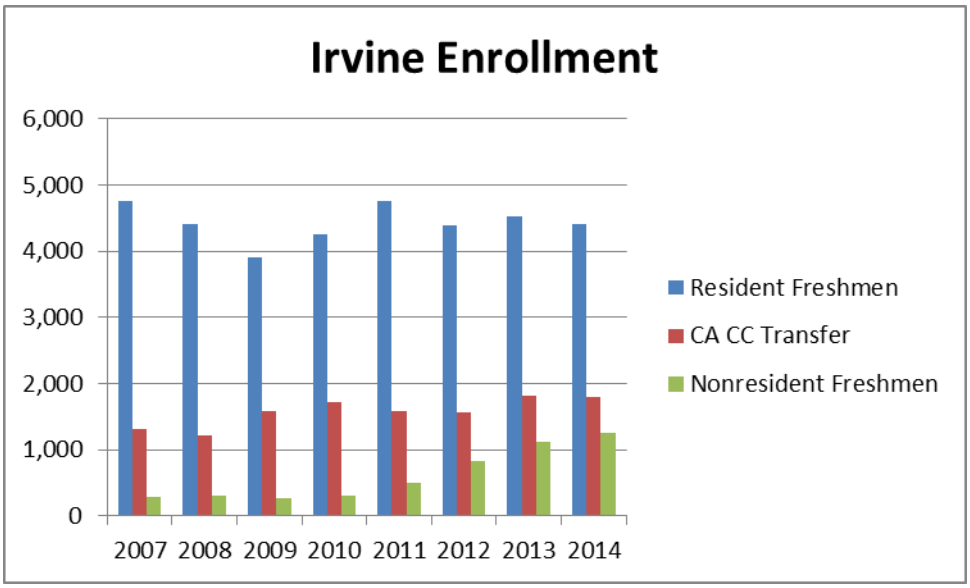


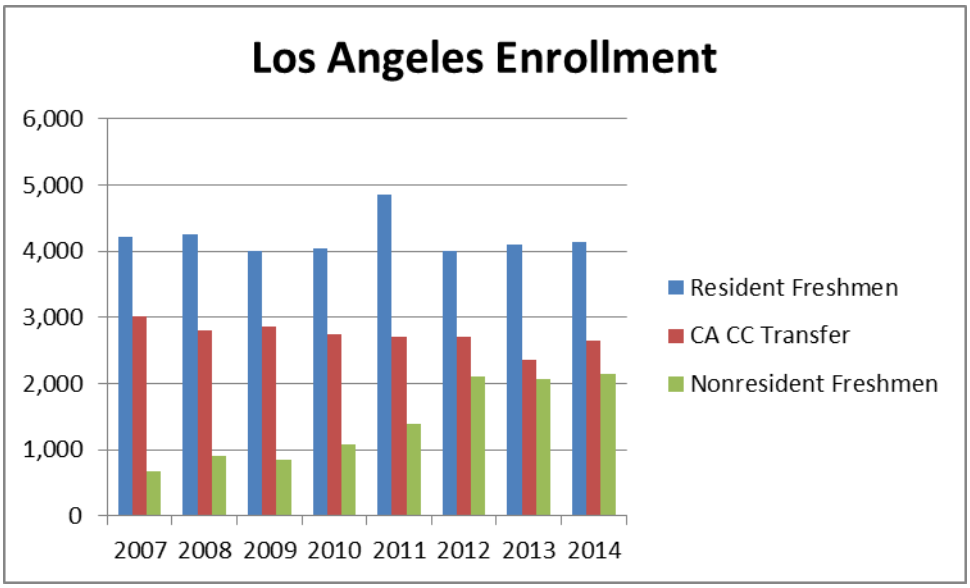
According to the Legislative Analyst, while it appears that some campuses, like Berkeley, are substituting nonresidents for residents, it is difficult to hold these campuses accountable for resident displacement without a clear indication from the state on what it expects in terms of resident enrollment systemwide and at each campus.

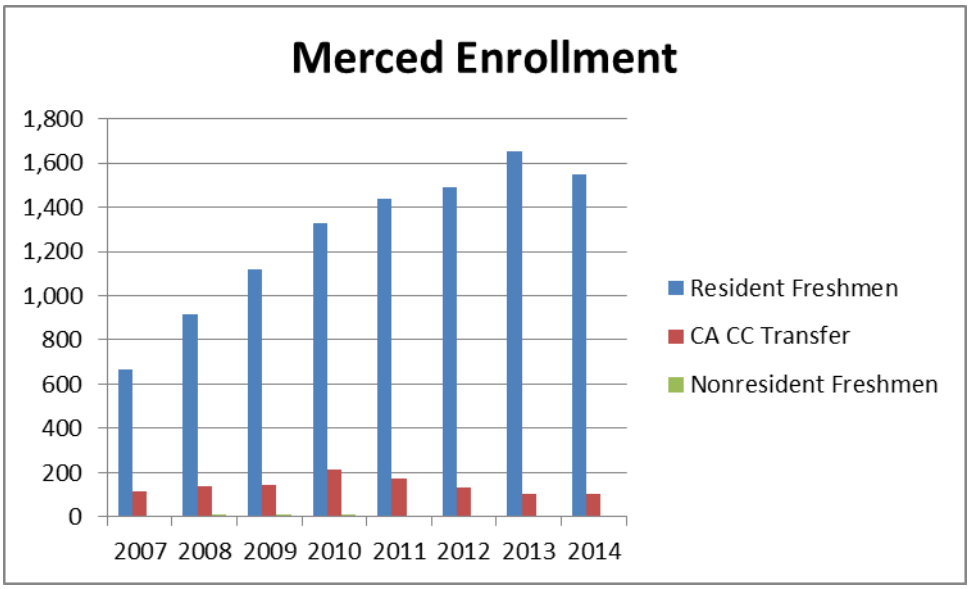
As indicated by the charts below, between 2007 and 2014 every UC undergraduate campus, with the exception of UC Merced, saw a significant increase in the numbers of nonresident students enrolled.

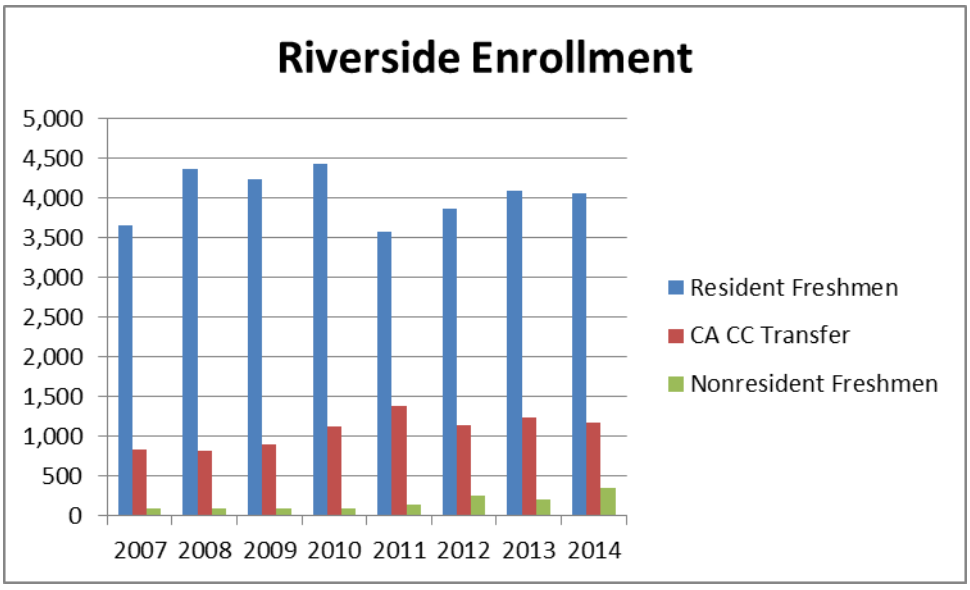

Berkeley Enrollment
4,500
4,000
3,500
3,000
2,500
2,000
1,500
1,000
500
0
2007 2008 2009 2010 2011 2012 2013 2014
Resident Freshmen
CA CC Transfer
Nonresident Freshmen

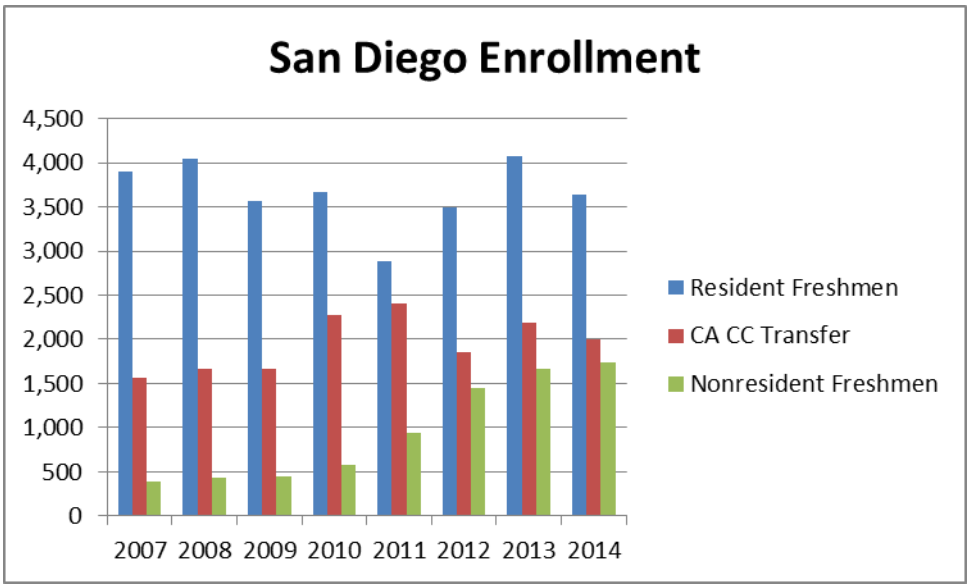

Davis Enrollment
6,000
5,000
4,000
3,000
2,000
1,000
0
2007 2008 2009 2010 2011 2012 2013 2014
Resident Freshmen
CA CC Transfer
Nonresident Freshmen

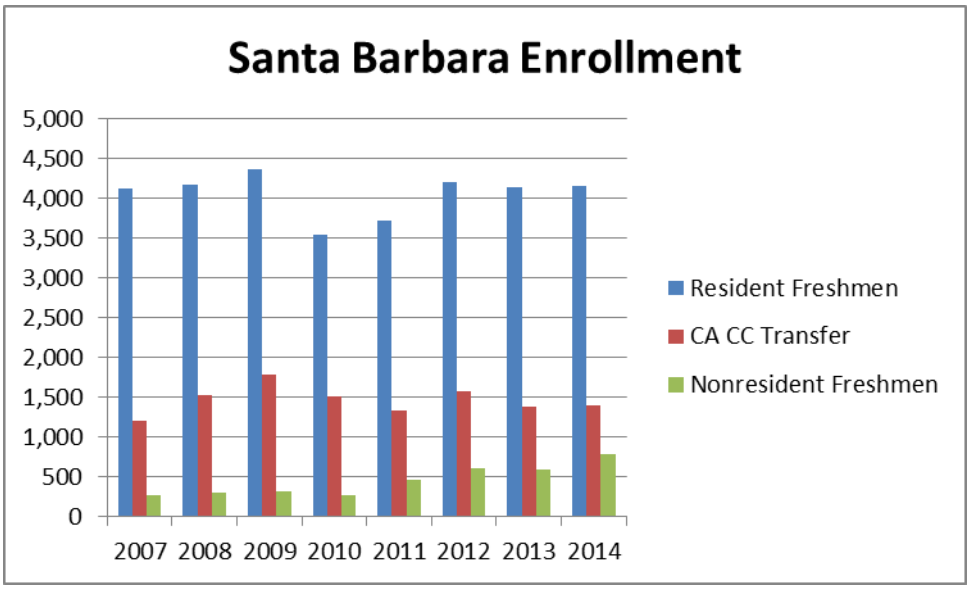

Irvine Enrollment
6,000
5,000
4,000
3,000
2,000
1,000
0
2007 2008 2009 2010 2011 2012 2013 2014
Resident Freshmen
CA CC Transfer
Nonresident Freshmen


Los Angeles Enrollment
6,000
5,000
4,000
3,000
2,000
1,000
0
2007 2008 2009 2010 2011 2012 2013 2014
Resident Freshmen
CA CC Transfer
Nonresident Freshmen


Merced Enrollment
1,800
1,600
1,400
1,200
1,000
800
600
400
200
0
2007 2008 2009 2010 2011 2012 2013 2014
Resident Freshmen
CA CC Transfer
Nonresident Freshmen


Riverside Enrollment
5,000
4,500
4,000
3,500
3,000
2,500
2,000
1,500
1,000
500
0
2007 2008 2009 2010 2011 2012 2013 2014
Resident Freshmen
CA CC Transfer
Nonresident Freshmen


San Diego Enrollment
4,500
4,000
3,500
3,000
2,500
2,000
1,500
1,000
500
0
2007 2008 2009 2010 2011 2012 2013 2014
Resident Freshmen
CA CC Transfer
Nonresident Freshmen


Santa Barbara Enrollment
5,000
4,500
4,000
3,500
3,000
2,500
2,000
1,500
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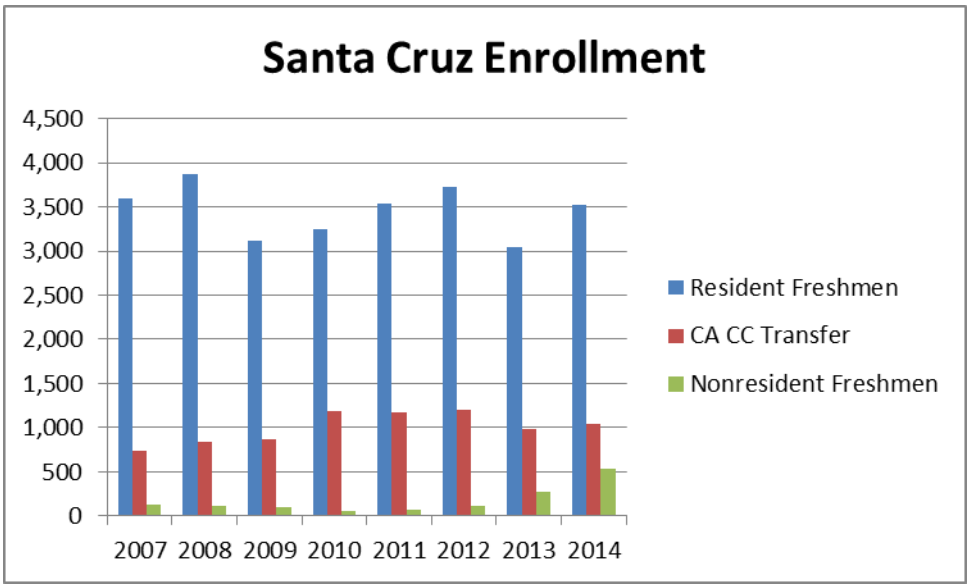
2007 2008 2009 2010 2011 2012 2013 2014
Resident Freshmen
CA CC Transfer
Nonresident Freshmen


Santa Cruz Enrollment
4,500
4,000
3,500
3,000
2,500
2,000
1,500
1,000
500
0
2007 2008 2009 2010 2011 2012 2013 2014
Resident Freshmen
CA CC Transfer
Nonresident Freshmen

Rebenching and Nonresident Tuition

In July 2011, the California State Auditor, in an audit focused on UC expenditures, noted a significant variation in per-student funding among UC campuses. Although the audit reported no evidence was found that the UC Office of the President (UCOP) considered the racial or ethnic makeup of the campuses' enrollment as part of its budget process, the outcome of the funding process resulted in four campuses (Merced, Riverside, Santa Barbara, and Santa Cruz) with a higher proportion of underrepresented racial or ethnic groups receiving far less per student than those campuses with lower enrollments of these groups. UCOP attributed funding differences to factors such as the size of a campus health sciences program, certain research and public service programs budgeted separately, historical variations in graduate student funding, and historical variations in state support.

Shortly after the release of the audit, UC began implementing its Rebenching Initiative, a set of recommendations to develop a more transparent and equitable process for allocating state general funds to campuses. Rebenching started with the fiscal year 2012-13 State General Fund allocation with the goal of transition to a fully-rebenched state general fund allocation at each campus over six years.

When fully implemented, among other things, per-student funding is to be distributed on a weighted basis; for example undergraduate, post-baccalaureate, graduate professional, and graduate academic master's students are assigned a weight of 1, whereas doctoral students is 2.5, and health sciences students is 5. At full implementation, currently targeted for 2018, all campuses are to receive per-student funding equal to the highest campus' per-student average.

Beginning in 2011-12, shortly before implementation of the Rebenching Initiative, UCOP allowed campuses to keep all campus-generated funds, including nonresident tuition, in an effort to, "incentivize campuses to maximize revenue," among other identified goals. The same campuses identified in the July 2011 audit with a higher proportion of underrepresented groups that received less per student, also have lower concentrations of nonresident students. Because nonresident tuition remains at the campus in which nonresidents enroll, those same institutions identified by the Auditor as receiving less per-student state revenue also do not benefit from tuition generated by high levels of nonresident enrollment.

On March 4, 2015, the Joint Legislative Audit Committee approved an Audit Request to examine UC's budget process, nonresident student enrollment, and executive compensation. The audit, which is currently underway, will specifically include:

- A review and evaluation of the recommendations for Rebenching, including how UC developed the weighted per-student funding distribution, how much state support funding is included in Rebenching, and whether UC is sufficiently addressing per-student funding inequities.

- A review and evaluation of UC's methods for determining resident and nonresident enrollment targets at its campuses and how those funds are expended; identification of trends and projections in nonresident enrollment and associated tuition; and, an analysis of the impact of nonresident enrollment on per-student funding, California resident student access to UC campuses, and revenue received by the UC and campuses.

OBSERVATIONS AND QUESTIONS

UC Admission and Enrollment Observations

It is significantly more difficult to get into UC, particularly at select campuses. Increasing applications coupled with tighter admissions has made it much more difficult for Californians to get into UC. For example, in Fall 2007, 54% of UC enrollees had a high school GPA of 3.8 or higher. That grew to 66% by Fall 2013. Admissions for California students dropped by double-digits at Berkeley, Irvine, UCLA, and Riverside.

Master Plan goal for admitting undergraduate students appears to be met, although UC notes that the percentage of California high school graduates actually enrolling at UC has dropped. Despite these trends, both UC and the LAO believe the system is meeting its Master Plan goal of admitting the top 12.5% of state high school graduates. The LAO states that UC has been admitting about 13% of high school graduates. The number of high school graduates actually enrolling at UC, however, is about 7.5%.

UC is meeting its undergraduate admittance requirements in part by referring thousands of students to UC Merced. However, about 98% of the referred students are not enrolling. The Master Plan sets goals for UC as a system, and thus UC is not directed to provide students with their first or even second or third choice in determining which campus admits a student. UC has long referred students to campuses other than those they apply to. Typically, referrals have been made to whichever campus is the newest and can best accommodate enrollment growth. In recent years, thousands of UC applicants have been admitted to UC but referred to UC Merced, even if they did not apply to that campus. Only about 2% of those students who applied to a UC campus other than Merced but were then referred there have chosen to enroll at Merced. For Fall 2015, UC reports that it admitted 12,974 California student applicants but referred them to Merced.

Growth in nonresident students has provided UC with more revenue, but it clearly raises questions about access to UC for California students. As the recession reduced state funding for UC, all campuses except Merced increased admissions and enrollment of nonresident students. The percent of new undergraduates paying nonresident tuition was 15.6% in 2013-14, compared to 5.5% in 2007-08. Campuses are allowed to keep this extra revenue.

The influx of nonresidents has added more than $367 million to campus budgets, including more than $100 million at Berkeley, and more than $92 million at UCLA. Much of this funding goes to educate these nonresident students. UC officials also state that this revenue has provided significant benefit to all UC students, although it should be noted that the three campuses that received the most nonresident revenue actually decreased resident enrollment.

UC officials also state that without this increased revenue, campuses and the system may have significantly decreased enrollment of California residents. However, the data clearly reveal that rising admission and enrollment of nonresident students has coincided with decreasing admission and enrollment of Californians at many campuses, particularly the flagship campuses. If nothing else, the sheer volume of increased applications has raised the bar for admission into these top campuses. While it is unclear what would have happened had nonresident enrollment remained at pre-recession levels, these trends are troubling.

The State Auditor noted in 2011 that the campuses receiving the lowest level of per student funding were also the campuses with the highest number of underrepresented minority students. The UC Rebenching Initiative was established to correct this inequity. However, according to Bob Samuels *Changing Universities*, any impact of Rebenching is eliminated by the inequity of nonresident tuition; in

2014, the amount of financial aid for nonresident students ($32 million) is almost as much as the total amount of Rebenching ($37 million).

Suggested Questions

- What is UC's long-term enrollment plan? Does UC intend to enroll 5,000 additional California students by 2016-17 to meet the requirements of the Budget Act?

- Does UC intend to comply with the Legislative intent that UC use revenues from increases in nonresident enrollment and tuition to support increased enrollment of California students? If so, how?

- Does UC intend to comply with Legislative intent that UC use financial aid previously awarded to nonresident students (approximately $35 million) to support increased enrollment of California students?

- Nonresident admission rates are higher than resident student admission rates. UC states that nonresident students are held to a higher standard than California residents when campuses make admissions decisions. What are the specific differences in standards between the two groups? Which UC campuses can accommodate increased enrollment?

- What are enrollment rates for California residents for Fall 2015? If enrollment drops below 2014 levels for Fall 2015, will UC seek to add more students in Spring 2016?

- How is the UC planning to address inequity in nonresident tuition revenues?

- Is UC concerned with how increasing nonresident student enrollment will impact the overall demographics of UC campuses?

- What is UC's long-term plan for nonresident enrollment at campuses such as Davis, Irvine and San Diego, which are clearly seeking to increase nonresident enrollment? Are these campuses seeking to eventually enroll the same percentage of nonresidents as Berkeley and UCLA? San Diego is at nearly 20% nonresident students; is there a cap in place there or not?

- Is UC considering any changes to how revenue from nonresident tuition is used throughout the system? Is there a concern about per-student funding at campuses which may have more difficulty attracting nonresident students?