

Revised

Additions shown by underline; deletions shown by strikethrough.

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Office of the President

TO THE REGENTS OF THE UNIVERSITY OF CALIFORNIA:

ACTION DISCUSSION ITEM

For Meeting of March 16, 2017

~~ESTABLISHMENT OF POLICY ON NONRESIDENT STUDENT ENROLLMENT~~

EXECUTIVE SUMMARY

As a public, land-grant institution, the University of California takes pride in prioritizing the enrollment of California residents. This priority is expressed in multiple ways, including:

- the University's long-standing commitment to *admit* every UC-eligible California undergraduate applicant and to *enroll* at least as many California undergraduates as are provided enrollment funding by the State ;
- the fact that nonresident applicants are held to a higher minimum academic standard than California residents; and
- the admissions policy developed by the Academic Senate that to be admissible to a specific campus, nonresidents must "compare favorably" to California students admitted to the same campus.

Indeed, the University of California is unusual among public research universities in the relatively low proportion of nonresidents it enrolls: 16.5 percent in 2016-17, compared with an average of 27.9 percent for the public members of the American Association of Universities (AAU) in 2015-16, the latest year for which AAU data are available.

At the same time, the University values highly the diversity of experience, cultures, and backgrounds that nonresidents provide and sees their presence on every UC campus as an important part of the learning experience for California students. Further, the significant additional revenue provided by nonresident undergraduates (estimated to be nearly \$550 million in 2016-17, net of educational costs) has been key to UC's ability to maintain academic programs for California residents during periods when growth in State funding has not kept pace with increased costs. This funding has enabled the University to improve the quality and effectiveness of instruction for California residents – for example, increasing the number of course sections offered so that students can graduate on time. In addition, nonresidents currently contribute more than \$70 million to financial aid for California residents – the equivalent of about \$700 per student for every California resident financial aid recipient.

Despite these benefits, it is a fundamental tenet of the University that the vast majority of undergraduate spaces on every UC campus be reserved for California residents and that no qualified California student should ever be displaced by a non-Californian – that is, that enrollment of nonresidents should always come in addition to, rather than in place of, California students. This item demonstrates this commitment in Regents policy by (1) setting an upper limit of twenty percent nonresident undergraduate enrollment for the University system as a whole and at those campuses that currently enroll fewer than twenty percent nonresidents; and (2) requiring that individual campuses that currently enroll more than twenty percent of their undergraduates from outside of California limit future enrollment of nonresidents to no more than the current percentage of nonresident undergraduates enrolled at the campus.

RECOMMENDATION

The ~~President of the University recommends that the Regents adopt the following Policy on Nonresident Student Enrollment, effective beginning with the fall 2017 entering class is~~ presented for discussion:

1. The University of California will continue to offer a place on at least one of its undergraduate campuses to every California resident applicant who meets the University's requirements for guaranteed admission, consistent with Regents policy on admissions.
2. The University of California will continue to enroll a total number of California resident undergraduates equal to or exceeding the number of resident undergraduates for whom the University is provided funding by the State of California.
3. Nonresident undergraduates will continue to be enrolled in addition to, rather than in place of, funded California undergraduates at each campus. That is, campuses wishing to increase nonresident enrollment may not reduce enrollment of funded California students to accommodate this growth.
4. For the University of California system as a whole, and at every campus that currently enrolls less than twenty percent of its undergraduates from outside California, California residents shall continue to represent a minimum of eighty percent of all undergraduate students.
5. For individual campuses whose nonresident undergraduate enrollment (including new freshman and transfer students and continuing students) in academic year 2016-17 exceeds twenty percent of total undergraduate enrollment, the proportion of nonresident undergraduates enrolled in the future may not exceed the proportion in 2016-17. On these campuses, any growth in the number of nonresident undergraduates enrolled will be accompanied by, at minimum, a proportionate increase in enrollment of California resident undergraduates.

6. All decisions regarding the criteria and processes by which nonresident undergraduates are admitted will continue to be determined according to applicable Regents and Academic Senate policy regarding freshman and transfer admission.
7. To assess the efficacy of this policy in supporting a common standard for excellence across all campuses and enhancing the academic experience, access, and affordability for California resident students, the policy shall be reviewed by the Regents periodically, but at a minimum once every five years, and within the context of State General Fund per student support for the University.

BACKGROUND

Priority for California Residents

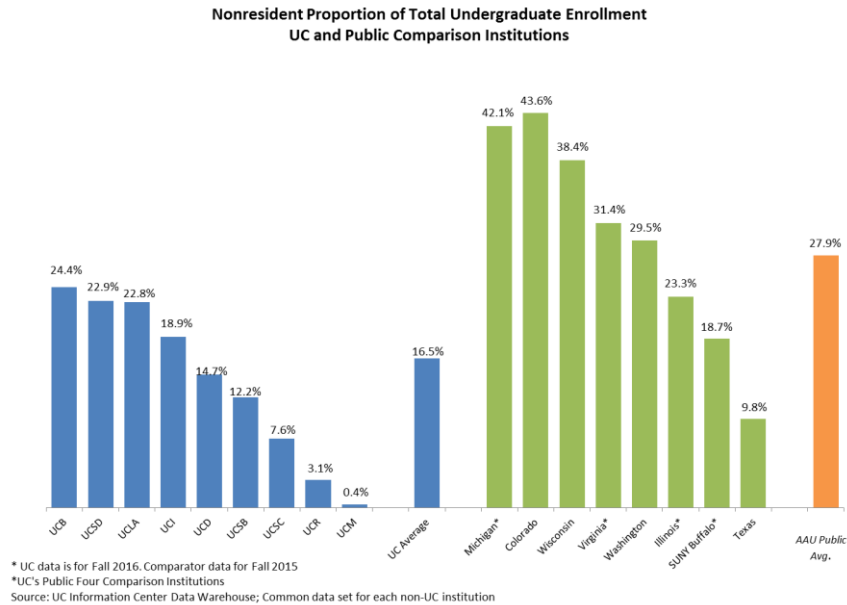
As a public, land-grant institution, the University of California has always prioritized the enrollment of California residents. Although most public research universities prioritize residents, the University of California has historically expressed this commitment in ways that make it unique among public research universities:

- Throughout even the most challenging of budget times, the University has continued to offer a seat on at least one of the University's nine undergraduate campuses to every California resident undergraduate applicant who meets the University's minimum requirements. No such promise is extended to nonresidents. If nonresidents do not meet the competitive admission standards of the campus(es) to which they apply, they are denied with no alternative admission guarantee.
- Similarly, the University continues to *enroll* every California resident undergraduate for whom it receives enrollment funding from the State. No such guarantee is provided to nonresidents. Rather, nonresidents are enrolled over and above the California students for which each campus is funded. In years when enrollment growth is funded in the State budget, UC as a matter of principle spreads this California resident enrollment growth across all campuses of the University, rather than concentrating it, for example, on campuses that are in less demand from out-of-state students. For example, in the current year, 2016-17, UC will enroll more than 5,000 additional new California resident undergraduates. Californians continue to be accorded priority at those UC campuses that also typically attract the highest number of nonresidents, with UC Berkeley, UCLA, and UC San Diego each enrolling at least 750 additional California undergraduates for the 2016-17 academic year.
- Nonresident undergraduates helped to sustain, rather than displaced, California resident enrollment during a period of declining state support. For example, between 2007-08 and 2016-17, State funding for UCLA declined by \$152 million and UCLA increased the number of nonresident undergraduates it enrolled. This growth did not come at the expense of California undergraduates: in Fall 2016, UCLA enrolled more California resident undergraduates than it did in 2007-08 despite reductions in the State funding available to support those California students. Indeed, *every* undergraduate University of

California campus is on track to enroll a higher number of California resident undergraduates in 2017-18 than it did before the Great Recession.

- At the statewide level, UC holds nonresident undergraduates to higher minimum academic standards than those required for residents. In addition to completing UC's full "a-g" college preparation curriculum and the required standardized admissions tests, nonresidents must achieve a grade point average (GPA) of at least 3.4 to be considered for regular admission. For California residents, the minimum required GPA is 3.0.
- For admission to a specific campus, Academic Senate policy specifies that nonresidents must "compare favorably" with California residents admitted to the same campus. This policy recognizes that under UC's comprehensive review admissions policy, applicants are evaluated on multiple measures of achievement and promise, and that two applicants with quite different records might be equally qualified when their records are evaluated holistically in the context of opportunities and challenges they have experienced. As stated by the Board of Admissions and Relations with Schools at the time the policy was last revised (2011), the goal of this policy is to ensure that California residents are not turned away to make room for less qualified applicants from outside of California. This policy language is consistent with the California Master Plan for Higher Education which was amended in 1988 to state that "graduates of ... out-of-state secondary schools [should be] held to at least equivalent levels of preparation to those of Californians."

The priority UC places on enrollment of Californians is evidenced by the relatively low proportion of out-of-state students it enrolls compared with other public research universities. For example, for the 2016-17 academic year, nonresidents represent approximately 16.5 percent of total undergraduates – well below the average of 27.9 percent among public members of the American Association of Universities (AAU) in 2015-16, the latest year for which AAU data are available. Each individual UC campus enrolls less than one-quarter of its undergraduates from outside the state – well below the average for public AAU institutions. By comparison, several comparator public flagship universities in other states enroll more than one-third of their undergraduates from out-of-state.



Benefits of Nonresident Enrollment

At the same time that it gives highest priority to California residents, the University also recognizes the substantial benefits that accrue to the University, its campuses, and its students from the enrollment of non-Californians. The intellectual, social, and cultural diversity provided by students from other states and other countries enriches the academic and social environment on each of UC's campuses and helps California students gain perspective and understanding of people whose experiences and backgrounds may be quite different from theirs. In an increasingly global society and economy, it is critical that students from the nation's largest state – and one poised at the edge of the Pacific Rim – feel comfortable living and learning with people from a broad range of backgrounds.

Nonresidents also bring with them significant revenues that have become essential to the University's ability to continue to provide a high-quality education to California students. In 2007-08, at the beginning of the Great Recession, UC enrolled roughly 7,100 nonresident undergraduates and received a total of \$68 million in nonresident tuition (net of the cost to educate these students). By 2011-12, State funding had fallen by nearly a billion dollars at the same time that UC's mandatory costs continued to rise. With the end of the recession, State funding for the University began to recover, and UC has greatly accelerated enrollment growth of California residents and begun to slow the growth in nonresident enrollment. But the very substantial pressures on California's budget—as well as the possibility of slowing economic growth—mean that it is highly unlikely that the State will be able to provide funding to replace even a portion of the revenue UC currently receives from the enrollment of out-of-state undergraduates.

Rather, the infusion of funds provided by nonresident enrollment enhances the quality of education for every California resident. Nonresident Supplemental Tuition is used to recruit and retain faculty, mount additional courses that lower overall class size, purchase library materials

and other educational services, renew instructional equipment and technology, and otherwise maintain the key building blocks of undergraduate education for all undergraduates.

For example, at UCLA, in the period from 2007-08 to 2016-17, State general funds fell from 64 percent of the core funds that support undergraduate education to 30 percent. A critical portion of the gap was filled with nonresident tuition revenue, which grew from seven percent to 24 percent of core funds. Despite the decline in State funds available to support increased education costs during this period, UCLA was able to increase seats in primary sections of key undergraduate courses by 26 percent (compared with an overall enrollment increase of 18 percent). This directly benefited UCLA undergraduates, whose overall time-to-degree decreased from 12.1 to 11.9 enrolled quarters during the same period. That is, despite an overall decline in State support, the average UCLA undergraduate now completes his/her undergraduate education in fewer than four years of regular session enrolled terms.

Similarly, at UC Berkeley, additional revenues from nonresident tuition have been specifically directed at improving the educational experience for all undergraduates. Nonresident tuition supports the campus's Student Learning Center, which provides academic support and advising to 9,000 Berkeley undergraduates. It has also enabled the campus to invest in the "Common Good Curriculum," expanding access to foundational courses in writing and math as well as high-demand lower division courses that are key to students' ability to enter and complete their majors on time.

At UC San Diego, the campus has used Nonresident Supplemental Tuition revenue to fund a new Teaching and Learning Commons that provides advising support for all students and leverages technology. Other uses include programs to support student diversity and improve graduation rates such as the Chancellor's Associates Scholarship Program, recruitment, outreach, student success coaches, summer on-boarding programs, and alcohol- and drug-free programming and education.

Because of the support that Nonresident Supplemental Tuition provides to California resident undergraduate students, reducing undergraduate nonresident enrollment below current levels at any campus would effectively reduce the resources available to support California resident student success. For example, reducing nonresident enrollment at UC Berkeley to 20 percent of total enrollment would be equivalent to a \$24 million permanent cut in annual net resources (i.e., after taking in account the cost of educating these nonresident students) available to support other students. To put this figure in perspective, \$24 million is equivalent to the salary and benefits associated with nearly 150 full-time professor positions.¹ The display below shows comparable figures for the three campuses where nonresidents currently represent more than 20 percent of total undergraduate enrollment.

¹ Based upon the salary scale for a Professor III position (\$117,400) and assuming benefit costs equivalent to 40 percent of salary.

Campus	Required Reduction in Nonresident Enrollment to Reach 20% of Total Enrollment	Loss in Net NRST Revenue	Equivalent Number of Full-time Faculty Positions ¹
Berkeley	1,442	\$24.1 M	146
Los Angeles	1,057	\$17.6 M	107
San Diego	850	\$14.2 M	86
Total	3,349	\$55.9 M	340

In addition to these educational benefits, California students receive a very direct and substantial financial benefit from nonresident enrollment. More than \$70 million of the base tuition that nonresident undergraduates pay in 2016-17 will directly subsidize need-based aid for California residents. (Effective Fall 2016, new nonresident undergraduates are not eligible for need-based aid from the University’s Student Aid Program.) This funding amounts to an average of approximately \$700 for each California student receiving a UC grant—the equivalent of reducing a California resident’s need to borrow by about \$2,800 after four years. Because the University allocates systemwide financial aid funds to make every UC campus equally accessible to low-income students, these benefits accrue to California residents across the system, regardless of the campus at which they enrolled. This additional aid supports the University’s diversity efforts by enabling students from historically underrepresented socioeconomic groups to attend UC.

Key Provisions of the University’s Proposed Undergraduate Nonresident Enrollment Policy

The enrollment of undergraduates from outside California clearly benefits the University, its campuses, and California students. At the same time, it is important that the University continue to demonstrate its ongoing commitment to California students. Beginning in the 2015-16 academic year, the President adopted interim guidance limiting the growth of nonresident enrollment at UC Berkeley, UCLA, and UC San Diego. During this period, in recognition of the considerable intellectual, cultural, and financial benefits that nonresidents bring, those campuses that currently enroll lower proportions of nonresidents have been encouraged to continue to increase nonresident undergraduate enrollment as long as these students are enrolled in addition to, rather than in place of, funded California students.

For the fiscal year 2016-17, the State budget adopted on June 27, 2016 requests that the University “adopt a policy that specifies a limit on the number of nonresident students enrolled.” Consistent with this request, and with the actions the University has taken voluntarily over the past two years, the President of the University recommends that the Regents consider ~~University~~ adopt a policy for the University that

- (1) limits the proportion of nonresident undergraduates across the UC system to no more than twenty percent of total undergraduate enrollment;

- (2) caps the proportion of nonresidents at UC Berkeley, UC Los Angeles, and UC San Diego at current levels, thus ensuring that these campuses, as well as the system as a whole, remain well below the average level of nonresident enrollment at comparison public institutions; and
- (3) permits growth in the proportion of nonresident undergraduates on those campuses that currently enroll lower numbers of these students, up to but not exceeding twenty percent of total undergraduate full-time equivalent enrollment.

Financial aid funds derived from the base tuition amount paid by nonresident undergraduates would continue to be used to reduce the cost of attending UC for California resident undergraduates with limited financial resources, many of whom are from underrepresented backgrounds.

The University must recognize that the types of difficult financial conditions that led in the last fiscal crisis to increased enrollment of nonresidents may recur. Under these conditions, when State funding is frozen or declines on a per student basis and the University must identify other resources in order to avoid significant declines in enrollment, quality, or both, increases in nonresident enrollment can allow the University to avoid or mitigate tuition increases for California residents. In these circumstances—as was the case in the last economic downturn—nonresident enrollment growth can be the best option to protect the interests of California residents. Alternatively, increases in State support for the University could potentially reduce the extent to which campuses rely on nonresident enrollment and the resources provided by Nonresident Supplemental Tuition to meet their core funding needs.

For these reasons, the policy calls for a review by the Regents at least once every five years to assess the policy’s efficacy in supporting a common standard for excellence across all campuses and enhancing the academic experience, access, and affordability for California resident undergraduate students within the context of State General Fund per student support for the University. When the policy is reviewed, it is the expectation of the Board that any changes will be guided by the University’s ongoing commitment to meeting its obligations under the Master Plan and the need for financial sustainability of all UC campuses.

Key to Acronyms

AAU	American Association of Universities
GPA	Grade Point Average
NRST	Nonresident Supplemental Tuition