

The Regents of the University of California

**COMMITTEE ON EDUCATIONAL POLICY**

November 14, 2012

The Committee on Educational Policy met on the above date at UCSF–Mission Bay Community Center, San Francisco.

Members present: Regents Gould, Island, Kieffer, Newsom, Reiss, Rubenstein, and Stein; Ex officio members Brown, Lansing and Yudof; Advisory members Feingold, Flores, and Jacob; Staff Advisors Barton and Smith

In attendance: Regents Blum, De La Peña, Makarechian, Mendelson, Pattiz, Ruiz, Schilling, Varner, Wachter, and Zettel, Faculty Representative Powell, Secretary and Chief of Staff Kelman, Associate Secretary Shaw, General Counsel Robinson, Chief Investment Officer Berggren, Chief Compliance and Audit Officer Vacca, Provost Dorr, Executive Vice President Brostrom, Chief Financial Officer Taylor, Senior Vice Presidents Dooley and Stobo, Vice Presidents Beckwith, Duckett, Lenz, and Mara, Chancellors Birgeneau, Block, Blumenthal, Desmond-Hellmann, Drake, Katehi, Khosla, Leland, White, and Yang, and Recording Secretary McCarthy

The meeting convened at 1:20 p.m. with Committee Chair Reiss presiding.

**1. APPROVAL OF MINUTES OF PREVIOUS MEETING**

Upon motion duly made and seconded, the minutes of the meeting of July 18, 2012 were approved.

**2. 2011-12 ANNUAL REPORT ON UNIVERSITY PRIVATE SUPPORT**

[Background material was mailed to Regents in advance of the meeting, and a copy is on file in the Office of the Secretary and Chief of Staff.]

Senior Vice President Dooley stated that UC currently had more than 1,600 endowed chairs, including 75 new chairs added in the past year. To put that number in context, Mr. Dooley noted that UC had only 75 endowed chairs in 1980. He reported that UC was halfway through the five-year fundraising campaign, Project You Can, and had raised half of its goal of \$1 billion for student support, with \$147 million having been raised by the campuses in the past year. Mr. Dooley thanked the chancellors and their campus staffs for a very successful year fundraising in a difficult financial environment. Committee Chair Reiss echoed Mr. Dooley's praise of the chancellors and the campus foundations for their fundraising efforts.

Regent Ruiz complimented Mr. Dooley on his success in public relations and fundraising, and noted its importance for the University.

Regent Rubenstein asked how UC's fundraising from its alumni compared with that of other universities. Associate Vice President Geoff O'Neill responded that the participation rate of alumni in fundraising was slightly lower at UC than at most other public institutions, but not by a significant amount. He noted that many UC alumni have established additional foundations that support UC.

In response to a question from Regent-designate Feingold, Mr. O'Neill stated that \$20 million would have to be raised each year to fund a 50 percent tuition break for middle-class families with annual incomes between \$80,000 and \$120,000.

### 3. **UNDERGRADUATE NONRESIDENT ENROLLMENT**

[Background material was mailed to Regents in advance of the meeting, and a copy is on file in the Office of the Secretary and Chief of Staff.]

Committee Chair Reiss provided a context for the discussion by stating that UC had affirmed its commitment to its mission as a public university by maintaining access and affordability through its return-to-aid model, even in the face of large budget cuts. She noted that the Board had been very careful in considering admission of nonresident students, since part of UC's mission is to educate California students. Committee Chair Reiss stated that Regent Stein and Regent-designate Flores had discussed with her the need to have information about the percentages of nonresident students at each campus, rather than only systemwide. She agreed that it would be helpful for the Board to have that information, along with the enrollment capacity of each campus.

Provost Dorr emphasized that this was a discussion item; it would be determined at a future time whether strategies discussed would be implemented and to what extent. She stated that one of UC's strategies to maintain its quality had been to increase the enrollment of nonresident undergraduate students; this strategy was one of many employed by the University in the complex endeavor of achieving and financing its goals.

Provost Dorr discussed the non-fiscal benefits of having nonresident undergraduate students in the UC system. First, having a critical mass of students from diverse geographical areas enhances the educational experience of UC's California students and helps prepare all students to live and work effectively in an increasingly global world. Second, California's economic and social development has always been linked to attracting the best talent from all over the world to California, in addition to developing California's students. The national and international recruitment of UC's faculty and graduate students reflects this reality. Nonresident students who stay in California following graduation make significant contributions to the state and its economy. Third, even if they leave the state after graduation, nonresident students help extend UC's global reach and connections.

Executive Vice President Brostrom discussed the fiscal benefits of enrolling more nonresident undergraduate students, who generated \$407 million of revenue for UC campuses in the current year by paying an annual nonresident tuition supplement of \$23,000 per student. Campuses used these funds for a variety of purposes, including recruiting and retaining faculty, expanding course offerings, reducing class sizes, expanding library collections, renewing instructional equipment and technology, and otherwise mitigating some of the effects of recent budget cuts. Mr. Brostrom added that increasing nonresident enrollment was a prudent way to maintain capacity when the State reduced funding for California students. If UC were to reduce enrollment, it would save money only if campuses were able to downsize faculty and facilities, which would be difficult to do quickly.

Mr. Brostrom stated that, since the inception of this strategy in 2009-10, UC had increased its freshman nonresident enrollment by 3,500 students and its freshman resident enrollment by 1,000; all UC campuses had increased nonresident enrollment. UC Irvine added the same number of nonresident as resident students; UCLA maintained its number of California freshmen, but added 1,000 nonresident freshmen. In the past year, the largest increases in numbers of nonresident freshmen were at UC Santa Barbara, UC San Diego, and UC Irvine. Currently there were 15,300 nonresident undergraduate students systemwide, equaling 8.8 percent of the total undergraduate population.

Mr. Brostrom said the percentages of nonresident undergraduates varied greatly among UC campuses. The prior year, both UC Berkeley and UCLA enrolled more than ten percent nonresident undergraduates; UC Merced, UC Riverside, and UC Santa Cruz enrolled less than two percent nonresident undergraduates; UC Davis, UC Santa Barbara, UC Irvine, and UC San Diego enrolled between four and nine percent. If the proportion stabilized at current levels, nonresident undergraduates would become ten percent of the total undergraduate population by 2014-15. However, if the rate of increase in nonresident students continued at its current pace, the proportion of nonresident undergraduates systemwide could reach ten percent in 2013-14.

Mr. Brostrom concluded by stating that enrollment of nonresident students provided both educational and fiscal benefits for students, and resulted in positive contributions for the state. He expressed his view that it was likely that UC could increase nonresident enrollment beyond the current ten percent systemwide target.

Regent Stein discussed the distribution of nonresident student enrollment. While there was a ten percent cap on nonresident undergraduates systemwide, individual campuses were not limited to ten percent. To illustrate, Regent Stein cited statistics showing that in 2011 UC Berkeley's incoming freshman class included 30 percent nonresident students. In 2012, UCLA admitted a freshman class containing 30 percent nonresident students; UC San Diego's 2012 freshman class included 26 percent nonresident students. At the same time, some other UC campuses admitted freshman classes that included just two percent nonresident students. Regent Stein stated that he and Regent-designate Flores could support increasing the nonresident undergraduate enrollment to 15 or 20 percent if the increase was spread evenly across all campuses, although they would still be troubled

by the lack of diversity among nonresident students. He expressed concern that, with the current large difference in the concentration of nonresident students, an increase would only add to that disparity. While he acknowledged the need for policies that fit each campus, Regent Stein stated that he and Regent-designate Flores support a per campus cap on nonresident undergraduates. Such a policy would serve several purposes: allowing the smaller and newer UC campuses to continue to increase their nonresident enrollment, increasing revenue to the University, and ensuring that no UC campuses have nonresident enrollment levels comparable to the University of Michigan or the University of Virginia. He urged the Board to consider this option.

Regent-designate Flores acknowledged the position of advocates for increasing nonresident enrollment that those students do not displace any California students who were funded by the State, but expressed concern that increased interest from out-of-state students risked displacing future California students. She asked what measures UC was taking to increase enrollment of in-state students while it was increasing its enrollment of nonresident students. Mr. Brostrom responded that the University had a goal of increasing enrollment of in-state students by one percent over the upcoming few years and that one way campuses could accomplish that goal was by using the revenue generated by increasing enrollment of nonresident students. Regent-designate Flores echoed Regent Stein's concern about the higher percentages of nonresident students at certain UC campuses such as UC Berkeley and UCLA, particularly since those same campuses may be at their enrollment capacity. She asked whether the increase in resident students was therefore planned only at other campuses that were not at capacity.

Ms. Dorr responded that the University examined application and enrollment data both at the campus level and systemwide. She stated that all campuses were receiving support in their efforts to increase nonresident enrollment, for example by a referral pool for nonresident applicants, a systemwide effort to develop promotional recruitment materials representative of all campuses, and outreach travel promoting all campuses. Mr. Brostrom agreed that UC campuses were at different points in their Long Range Development Plans, with some campuses such as UC Berkeley close to enrollment capacity and most campuses with some capacity for enrollment growth. Committee Chair Reiss expressed support for the concerns expressed, and agreed that it was important to understand how enrollment of nonresidents differed at various UC campuses. She stated that if the percentage of nonresident enrollment was particularly high at one campus, and that campus was at its enrollment capacity, the increase in nonresident students would in effect limit the number of in-state students at that campus.

Regent Island asked how many of UC's 15,300 nonresident undergraduate students were foreign students. Mr. Brostrom said that 48.6 percent of current freshmen nonresident students were international students; he said he would provide Regent Island with statistics about the percentage that international students comprise of the nonresident students for the whole undergraduate population. Regent Island asked how many of the nonresident undergraduate students were from Oregon, Washington, or Nevada, and requested a breakdown by state of residency of the domestic nonresident undergraduate students.

Regent Island expressed skepticism that domestic nonresident students would actually add much valuable diversity to UC campuses, given the pervasiveness of modern mass media culture, although he welcomed the diversity provided by international students. He expressed his view that the benefits of increasing nonresident enrollment were primarily financial. Ms. Dorr acknowledged the effects of mass culture in the United States, but expressed her view that a regionally differentiated student body did provide diversity to UC campuses.

Regent Island asked about California resident applicants who were not accepted at their first UC campus choice. Ms. Dorr said that two principles guided UC's admission policy regarding nonresident undergraduates. First, no better-qualified resident applicant should be denied admission in order to admit a nonresident student. Second, in the current year, every accepted freshman resident undergraduate was admitted to a campus to which he or she applied.

Faculty Representative Jacob, who served on the Board of Admissions and Relations with Schools (BOARS) for the past six years, added that there was currently a guarantee of admission to the top nine percent of graduates of each California high school to a UC campus, although not necessarily a campus to which the student applied. He stated that California students within the guarantee who were not admitted to their first campus of choice would be offered admission at another UC campus. Of the roughly 399,000 graduates of California public high schools, 13 percent received an offer of admission to a UC campus to which they applied; seven to eight percent of California public high school graduates enrolled at a UC campus. Mr. Jacob said that these figures, which had not changed substantially in the past four to five years, demonstrated that some California students who hoped to attend one of the more selective UC campuses chose to enroll at an institution other than UC. Mr. Jacob expressed his view that the "compare favorably" rule, which states that nonresident students admitted to a UC campus should compare favorably to California students admitted to that campus, was fair. He stated that many highly qualified students were not admitted to top universities across the nation.

Regent Island asked about the implications of UC Riverside's recent decision to no longer accept referrals, whether students would therefore be referred only to UC Merced, and what the implications would be for that campus, given the increasing enrollment of nonresident students. Mr. Jacobs agreed that UC Merced was currently UC's only referral campus and noted that BOARS shared Regent Island's concern. He noted that UC Merced's ability to accept referrals depended upon funding.

Committee Chair Reiss expressed her view that an important question was whether increasing enrollment of nonresident undergraduate students would affect UC's policy of guaranteed admission to qualified resident students. Mr. Jacob responded that currently UC had been able to offer admission to all eligible California high school graduates; the degree to which UC could continue this practice would depend on the enrollment targets set by UC's administration. Mr. Brostrom stated that UC's long range plans called for an increase in resident enrollment, which he said would probably grow faster than the high

school population; support for this increase would depend partially on revenue from increasing nonresident enrollment.

Governor Brown asked how much extra revenue was generated by nonresident undergraduates. Mr. Brostrom responded these students added \$407 million annually, or \$23,000 in supplemental tuition per student per year. The Governor asked how long undergraduates remain nonresident students. Mr. Brostrom responded that these students were considered nonresident as long as they were listed as dependents on their parents' income tax returns; most of these undergraduates remain nonresident students. Mr. Brostrom confirmed that approximately 48 percent of current freshmen nonresident undergraduate students were nondomestic, or foreign students, and added that there were 5,500 nonresident students in the current freshman class of 40,000. Governor Brown expressed his view that it would be beneficial for the state if UC attracted nonresident students who remained in California following graduation. Governor Brown asked whether nonresident tuition would be increased. Mr. Brostrom responded that nonresident tuition had been stable for the past few years and the University viewed its current level as appropriate.

Governor Brown asked what portion of graduate students were nonresidents; Mr. Brostrom stated that graduate students were recruited without regard to their residency and that approximately half were nonresidents. He added that over 40 percent of UC's undergraduate students qualified for Pell Grants, far more than at comparable private schools. Committee Chair Reiss explained that the Board had considered increasing nonresident undergraduate enrollment provided it would not limit the University's ability to admit California students. Governor Brown commented that the supplemental tuition paid by nonresident undergraduates was a tempting source of revenue.

Regent Kieffer expressed his opinion that, while he respected the views of Regent Stein, it would be unwise to limit nonresident enrollment at individual campuses; the campuses should be allowed to develop as they can. Regent Kieffer stated that California had been much more parochial in the past; UC now operates in a global environment and competes globally for talent. He spoke in favor of continuing to import talent from outside California as long as the University can meet its obligation to eligible California students. He noted that it would be important to continue to satisfy the public that UC was meeting its mission to educate Californians. Regent Kieffer commented on immigration restrictions that make it difficult for foreign UC graduates to remain in California to work, and asked how UC could participate in improving that situation.

Regent Schilling stated that yield also affected enrollment plans, as it was difficult to predict which admitted students would enroll in UC.

Regent Mendelson urged the Board not to be provincial in its perspective, since his experience had shown him that the modern business world is increasingly global, and the University and the state must compete on a global level. He also spoke in support of continuing to recruit students from underrepresented minority communities.

Committee Chair Reiss confirmed that the increased financial revenue and geographical diversity were obvious benefits of enrolling more nonresident students. Given UC's mission as a public university, she asked rhetorically whether it would be desirable to have one or two UC campuses with 95 percent out-of-state undergraduate enrollment. She stated that it may be necessary at some point to clarify priorities for resident and nonresident students at the campus level. Regent Kieffer agreed.

Chairman Lansing reminded the Board that all options were being considered, and issues of nonresident enrollment were only one part of a spectrum of ideas. She acknowledged concerns about higher concentrations of nonresident students at a few campuses, but said that if tuition increases were to be limited, UC must find sources of revenue other than the State. Chairman Lansing voiced her support for finding ways for the best international UC graduates to remain in California to work.

Chancellor Block reported that UCLA currently had between 14 and 16 percent nonresident undergraduates, and was moving toward an 18 percent goal. He commented that transfer students who typically enter UCLA in their third or fourth year were primarily California residents.

Chancellor Birgeneau added that UC Berkeley's undergraduate enrollment currently included 16 percent nonresidents; Berkeley's faculty voted to limit nonresident undergraduate enrollment at 20 percent and only if that increase did not decrease its number of California students. Committee Chair Reiss stated that increasing its number of nonresident students had allowed the University to either maintain or increase its number of California students.

Regent Gould expressed his view that the ten percent systemwide cap on nonresident students served as a way to alert the State administration and Legislature that the University had been forced to increase nonresident enrollment to address substantial financial imbalances caused by the decrease in State funding. He emphasized the importance of UC's public mission and expressed appreciation for funding coming from the State in these difficult financial times. Regent Gould stated that the Board must be sensitive to not only the systemwide percentage of nonresident students, but also the percentages on each campus; access to all UC campuses is important to the public and to legislators. Public and legislative support for the University could be affected if some UC campuses dramatically changed their character.

Regent Newsom stated that this discussion about nonresident enrollment related to issues about federal immigration reform. He agreed that it would be beneficial to develop ways that nonresident students educated at UC could more easily remain in California to work.

Regent Ruiz expressed support for the current program of increasing enrollment of nonresident students, but cautioned that there were costs associated with accommodating increased enrollment. Chancellor White stated that UC Riverside increased its number of nonresident students by 70 percent in the current year. He stated that emerging UC campuses have to work harder to publicize their campuses in foreign countries; UC

Riverside had invested resources in this area with good results. He reported that his campus' students appreciated the contact with international students.

Committee Chair Reiss reiterated that the increased enrollment of nonresident students had enabled enrollment of California students, thus honoring the University's public mission. She stated that UC's excellence rested on the quality of its faculty and chancellors, and congratulated Chancellor White on his recent selection as Chancellor of the California State University system.

The meeting adjourned at 2:25 p.m.

Attest:

Secretary and Chief of Staff