

Office of the President

TO MEMBERS OF THE FINANCE AND CAPITAL STRATEGIES COMMITTEE:

ACTION ITEM

For Meeting of March 13, 2019

**APPROVAL OF INCREASE TO UNDERGRADUATE NONRESIDENT
SUPPLEMENTAL TUITION FOR 2019-20**

EXECUTIVE SUMMARY

The Regents are asked to approve a proposed increase to undergraduate Nonresident Supplemental Tuition (NRST) consistent with the 2019-20 Budget Plan for Current Operations approved by the Regents in November 2018. The proposed increase of 2.6 percent will provide campuses with an estimated total of \$28.9 million in new revenue in 2019-20 to help meet pressing needs. The Regents are asked to approve this action now because a State buyout of the proposed increase is highly unlikely, and campuses and students would be better equipped to plan for 2019-20 if they had greater clarity about the level of anticipated undergraduate NRST.

The requested action is an important component of the University's 2019-20 budget plan, which represents a balanced funding proposal to expand access for California resident students, increase degree attainment, close student achievement gaps, and invest in faculty. The plan also provides students with new resources to help cover costs in addition to tuition and fees, such as housing and food; funds projected increases in debt service for the University's capital program; and addresses costs related to employee and retiree health benefits, faculty and staff compensation, and employer contributions to the University of California Retirement Plan, among other important areas.

RECOMMENDATION

The President of the University recommends that the Finance and Capital Strategies Committee recommend that the Regents approve the increase in undergraduate Nonresident Supplemental Tuition shown in Display 1, to be effective commencing with the 2019-20 academic year.

DISPLAY 1: Proposed Increase to Undergraduate Nonresident Supplemental Tuition

	2018-19 Charge	<i>Proposed Adjustment</i>	<i>Proposed % Change</i>	Charges Effective 2019-20
Nonresident Supplementation Tuition				
Undergraduate	\$28,992	\$762	2.6%	\$29,754

BACKGROUND

In November 2018, the Board of Regents approved a budget plan for the University of California for the 2019-20 fiscal year. The budget plan represented a balanced proposal to support the following goals:

- expanding access for California resident students,
- increasing degree attainment, closing student achievement gaps, and investing in faculty,
- providing students with new resources to help cover costs in addition to tuition and fees, such as housing and food,
- improving student access to mental health services,
- addressing costs related to employee and retiree health benefits, faculty and staff compensation, and employer contributions to the University of California Retirement Plan, and
- covering projected increases in debt service for the University’s capital program

Revenue components of the plan include new State support in 2019-20 along with a commitment by the University to cover a portion of these costs through its own efforts, including investing a portion of the University’s available working capital in a new, higher-yield investment portfolio, achieving a year-over-year increase in general-use philanthropic giving to the University, and additional savings resulting from the University’s systemwide procurement and strategic sourcing efforts.

The budget plan includes \$28.9 million of new revenue from a proposed increase of \$762 (2.6 percent) to undergraduate NRST. Campuses rely on NRST to fund a variety of student services and programs as in-state tuition has remained flat. While State support has partly recovered from the significant reduction caused by the Great Recession, these increases have not allowed for the investments needed to maintain the excellence of a UC education while also serving ever-increasing numbers of California resident students. For example:

- At UC Berkeley, revenue from NRST has been used to support the campus’s Student Learning Center, which provides academic support and advising to 12,000 Berkeley undergraduates, approximately 40 percent of its undergraduate population. 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 critical to students' ability to enter and complete their majors on time. NRST also serves as a vital resource for campus libraries and is used to support the campus's undocumented student community.

- At UC Davis, NRST revenue is being used to establish an ongoing funding source to pay the debt service on critical classroom projects and other infrastructure that support the education and experience of all students. These projects support the campus's plan to address the shortfall of classroom seats across the campus due to increased enrollment. A primary example is the recently opened California Hall, a large lecture hall with active learning design, technology, and integrated study spaces.
- At UCLA, State General Funds fell from 64 percent of the core funds that support undergraduate education to 27 percent between 2007-08 and 2017-18. Despite that decline, UCLA was able to increase seats in primary sections of key undergraduate courses by 23 percent (compared to an overall undergraduate enrollment increase of 20 percent). This contributed to an 11 percentage point increase in four-year graduation rates – from 69 percent to 80 percent – during this period.
- At UC San Diego, the campus continues to use NRST revenue to operate and expand the Teaching and Learning Commons, which provides academic support services for all students via peer-led supplemental instruction, using student data to design and improve offerings, and assists faculty and teaching assistants with active learning, inclusive pedagogy, and digital learning platforms. NRST revenue also supports student success coaches, as well as efforts to expand student mental health and health promotion services.

As NRST plays a more significant role in campus budgets, the need for moderate and predictable increases to that revenue source becomes more important. Based on previous discussions with State representatives, the University does not expect the State to provide additional support to buy out the proposed NRST increase that is included in the University's 2019-20 budget plan.

As a group, nonresident students who are admitted to UC have exceptional academic qualifications, are highly sought by competing institutions, and have multiple offers of admission from which to choose. As a result, campuses have requested clarity regarding the level of undergraduate NRST to be charged in 2019-20 in order to provide a more stable basis for students' enrollment decisions and campuses' planning efforts this spring.

The proposed increase in NRST that was built into the University's budget plan (2.6 percent) was based upon a preliminary estimate of the 2019-20 rate of inflation in order to keep NRST effectively flat in constant dollars for nonresident students and families. The most recent available estimate for inflation (3.4 percent) suggests that even with the proposed increase of \$762, NRST would decline slightly in inflation-adjusted dollars from its current level.

As a group, nonresident undergraduates generally come from families with greater financial resources compared to California resident families. In 2017-18, for example, the median parent income for nonresident undergraduates was over twice the median income for California resident

students. Similarly, nonresident undergraduates are much less likely to borrow a student loan compared to California resident undergraduates (nine percent compared to 43 percent). Consequently, the University does not expect that the proposed increase of 2.6 percent will prevent currently enrolled students from continuing their studies at UC and making timely progress towards graduation. The revenue generated by the proposed increase will support programs and services throughout the system that benefit all students.

ATTACHMENTS:

- Attachment 1: 2019-20 University of California Budget Plan for Core Funds
- Attachment 2: 2019-20 Budget for Current Operations Summary of the Budget Request