

Office of the President

TO MEMBERS OF THE BOARD OF REGENTS:

ACTION ITEM

For Meeting of May 16, 2019

**APPROVAL OF INCREASE TO UNDERGRADUATE NONRESIDENT
SUPPLEMENTAL TUITION WITH FINANCIAL AID PROVISION FOR
NONRESIDENT UNDERGRADUATES FOR 2019-20**

EXECUTIVE SUMMARY

The Regents are asked to approve a proposed 2.6 percent (\$762) increase to undergraduate Nonresident Supplemental Tuition (NRST), consistent with the 2019-20 Budget Plan for Current Operations approved by the Regents in November 2018. Should the increase be approved, an amount equivalent to ten percent of the new NRST revenue generated by the increase would be set aside to provide financial aid to domestic nonresident and international undergraduate students with financial need.

The proposed increase of 2.6 percent would provide campuses with an estimated \$26 million in new revenue in 2019-20 to help meet pressing budget needs identified in the previously approved 2019-20 budget plan and \$2.9 million for student financial aid. The proposed set-aside for financial aid, which was not part of the earlier 2019-20 budget plan, will reduce the net revenue available for other budget needs by \$2.9 million compared to the earlier plan.

The requested action is an important component of the University's 2019-20 budget plan, which includes provisions to expand access for California resident students, increase degree attainment, close student achievement gaps, and invest in faculty. The plan also provides campuses with new resources to help address basic student needs related to food and housing; 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 UC Retirement Plan, among other important investments. By setting aside a portion of the resulting NRST revenue for financial aid, the proposed action would also help ensure that the University's nonresident population includes students from diverse socioeconomic backgrounds, thereby enhancing the quality of a UC education for all students.

RECOMMENDATION

The President of the University recommends that the Regents approve the increase in undergraduate Nonresident Supplemental Tuition (NRST) shown in Display 1, to be effective commencing with the 2019-20 academic year, with an accompanying requirement that ten percent of the resulting increase in NRST revenue be used for nonresident undergraduate financial aid.

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

At the March 2019 Regents meeting, an item requesting approval of a 2.6 percent increase (\$762) to undergraduate NRST (Attachment 1) was tabled after the Board expressed concern about the impact that the proposed increase might have on financially needy nonresident students. In response to this concern, the University is proposing to allocate ten percent of the new revenue that would be generated by this 2.6 percent increase in NRST to support nonresident and international undergraduates with financial need.

The proposed 2.6 percent increase built into the University’s 2019-20 Budget Plan for Current Operations (Attachment 2) 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.

The proposed increase would provide an estimated total of \$28.9 million in new revenue in 2019-20. Allocating ten percent of this increase, \$2.9 million, to nonresident financial aid would leave an estimated \$26 million in new revenue in 2019-20 to address other components of the University’s 2019-20 budget plan, which are described in greater detail in Attachment 3.

With ten percent of the proposed new NRST revenue allocated to financial aid for needy nonresident students, UC campuses will be better positioned to support nonresident undergraduates from lower- and middle-income families. For example, the new resources for financial aid would be enough to fully cover the proposed increase for ten percent of all nonresident undergraduate students. This is slightly higher than the percentage of nonresident students who borrowed a student loan in 2017-18 (nine percent), which is one indicator of student financial need. It is also comparable to the proportion of UC nonresident undergraduates who qualified for federal Pell Grants in the years before the University began to phase out

nonresident undergraduate eligibility for University Student Aid Program (USAP) awards. By 2017-18, the proportion of nonresident undergraduates with Pell Grants had decreased to five percent.

Nonresident undergraduates who first enrolled at UC in fall 2016 or later would continue to be ineligible for support from USAP, which is funded by a combination of Tuition and Student Services Fee revenue as well as State General Funds.

IMPACT ON UC AFFORDABILITY FOR NONRESIDENT STUDENTS

The University recognizes that any proposed increase in student charges must be evaluated not only in terms of the new resources that would be generated—funds that would allow campuses to hire faculty, expand course availability, sustain or enhance academic advising, improve instructional technology, etc.—but also in terms of the potential impact on students' ability to finance a UC education.

Attachment 4, “Nonresident Undergraduate Enrollment Statistics,” provides data that illustrate several different aspects of the relationship between NRST levels and student outcomes. The data indicate the following:

- Freshman applications for admissions from domestic nonresident students and international students remain strong despite increases in NRST each year since 2015-16. Each of those increases was larger than the increase of \$762 proposed for 2019-20.
- The percentage of nonresident undergraduate students who decide to accept their UC offer of admission (“yield”) has changed little over time despite previous increases in NRST.
- Four- and five-year graduation rates for nonresident UC undergraduates have gradually improved over time even as NRST has increased.
- Among undergraduate nonresident students who graduated in 2017, 83 percent graduated with no student loan debt. Among students who borrowed, the average total student loan debt at graduation (\$21,122) was less than in previous years and was well below the national average of about \$29,000 for graduates of public and nonprofit private universities.
- Among domestic nonresident undergraduate students, data indicate that a high proportion are from families for whom an increase of \$762 is unlikely to be a barrier to enrollment. In 2017-18, 61 percent of all domestic nonresident students either did not apply for any UC or federal financial aid (including loans) or had a parent income of \$173,000 or more; another nine percent were from families with parental incomes of between \$116,000 and \$144,000. Financial aid applicants with parent incomes below \$116,000 represent an estimated 30 percent of all domestic nonresident undergraduates and ten percent of all nonresident undergraduates that year.

- The University has limited information about the financial resources of its international undergraduate student population. Past trends in student applications, enrollment, and graduation rates, however, do not suggest that the proposed increase of \$762 is likely to disrupt enrollment plans for these students. Moreover, international students enrolled at UC were required to demonstrate that they have the resources to finance their UC education as a condition of receiving a student visa. If the proposed increase in NRST is approved, the UC Office of the President (UCOP) would work with UC campuses to develop methodologies to better assess the financial need of international undergraduate students.

As noted above, nonresident students who first enrolled at UC in fall 2016 or later are ineligible for support from the University Student Aid Program (USAP). They are, however, eligible for other forms of University, federal, and private financial support, including private gifts and endowments and grants or scholarships from sources other than USAP. Under the proposal, this support would be augmented by ten percent of the new revenue generated by the proposed increase in NRST.

It is important to note that undocumented UC undergraduate students who satisfy eligibility requirements specified in the California Education Code (first established by Assembly Bill 540, or AB 540, in 2001) are exempt from NRST and would be unaffected by the proposed increase. To the extent that the University enrolls undocumented students who do *not* meet these eligibility requirements, those students would be subject to NRST unless the Education Code were modified to make these students exempt from NRST as well. These “non-AB 540” students are also currently ineligible for University, State, or federal financial aid. The University cannot know with certainty how many such students are enrolled at UC. However, the number is likely to be very small since these students would have to finance the entire nonresident cost of attendance (which exceeds \$60,000, including room and board) each year for the duration of their enrollment using their own financial resources and/or private scholarships. A modification to the Education Code would be required to provide financial assistance to these particular students.

Key to Acronyms

FAFSA	Free Application for Federal Student Aid
NRST	Nonresident Supplemental Tuition
USAP	University Student Aid Program

ATTACHMENTS:

- [Attachment 1: March 2019 item F5, *Approval of Increase to Undergraduate Nonresident Supplemental Tuition for 2019-20*](#)
- [Attachment 2: 2019-20 University of California Budget Plan for Core Funds](#)
- [Attachment 3: 2019-20 Budget for Current Operations Summary of the Budget Request](#)
- [Attachment 4: Nonresident Undergraduate Enrollment Statistics](#)